CNO BERMUDA RE, LTD.

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

**As of December 31, 2023
and for the Period
from May 1, 2023 (Date
of Incorporation) through
December 31, 2023**

CNO BERMUDA RE, LTD.

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Report of Independent Auditors

To the Board of Directors of CNO Bermuda Re, Ltd.

Opinion

We have audited the accompanying financial statements of CNO Bermuda Re, Ltd. (the "Company"), which comprise the balance sheet as of December 31, 2023, and the related statements of operations, of changes in shareholder's equity and of cash flows for the period then ended, including the related notes (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 the results of its operations and its cash flows for the year 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 (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

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- 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.

PricewaterhouseCoopers LLP

Indianapolis, Indiana
April 29, 2024

CNO Bermuda Re, Ltd.

BALANCE SHEET

DECEMBER 31, 2023

(Dollars in thousands)

Assets

Assets:		
Funds withheld receivable	$	5,943,625
Cash and cash equivalents - unrestricted		115,942
Accrued investment income		472
Deferred acquisition costs		1,403,123
Market risk benefit asset		545
Total assets	$	7,463,707

Liabilities and Shareholder's Equity

Liabilities:		
Liabilities for insurance products:		
Policyholder account balances	$	6,866,588
Market risk benefit liability		12,015
Reinsurance payables		25,352
Income tax liabilities, net		61,898
Total liabilities	$	6,965,853
Shareholder's equity:		
Common stock, $1 par value, 250,000 shares authorized, 250,000 issued and outstanding		250
Additional paid-in capital		264,743
Accumulated other comprehensive loss		(2,028)
Retained earnings		234,889
Total shareholder's equity	$	497,854
Total liabilities and stockholder's equity	$	7,463,707

The accompanying notes are an integral part of these financial statements.

CNO Bermuda Re, Ltd.

STATEMENT OF OPERATIONS

(Dollars in thousands)

		May 1, 2023 (date of incorporation) through December 31, 2023
Revenues:		
Insurance policy income	$	4,502
Net investment income		94,697
Investment gains on funds withheld		30,444
Change in fair value of funds withheld		268,033
Total revenues		397,676
Benefits and expenses:		
Insurance policy benefits		28,324
Change in fair value of market risk benefits		8,904
Amortization of deferred acquisition costs		42,976
Other operating costs and expenses		20,144
Total benefits and expenses		100,348
Income before income tax expense		297,328
Income tax expense		62,439
Net income		234,889
Other comprehensive loss		
Change in the instrument-specific credit risk for market risk benefits		(2,028)
Total comprehensive income	$	232,861

The accompanying notes are an integral part of these financial statements.

CNO Bermuda Re, Ltd.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

(Dollars in Thousands)

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at May 1, 2023 (date of incorporation)	$ -	$ -	$ -	$ -	$ -
Issuance of common stock	250	-	-	-	250
Contribution from parent	-	264,743	-	-	264,743
Net income	-	-	-	234,889	234,889
Other comprehensive loss	-	-	(2,028)	-	(2,028)
Balance at December 31, 2023	$ 250	$ 264,743	$ (2,028)	$ 234,889	$ 497,854

The accompanying notes are an integral part of these financial statements.

CNO Bermuda Re, Ltd.

STATEMENT OF CASH FLOWS

(Dollars in Thousands)

		May 1, 2023 (date of incorporation) through December 31, 2023
Operating activities:		
Net income	$	234,889
Adjustments to reconcile net income to net cash and cash equivalents used in operating activities:		
Interest credited to policyholder account balances		38,380
Investment gains on funds withheld receivable		(30,444)
Accrual and amortization of funds withheld receivable		(22,932)
Change in fair value of funds withheld		(268,033)
Deferred acquisition costs		(33,637)
Amortization of deferred acquisition costs		42,976
Deferral of the cost of initial reinsurance assumed		(1,412,462)
Change in accrued investment income		(472)
Change in market risk benefit asset		(545)
Change in market risk benefit liability		9,448
Change in reinsurance payables		25,352
Change in income tax liabilities		62,437
Net cash and cash equivalents used in operating activities		(1,355,043)
Investing activities:		
Acquisition of funds withheld receivable		(5,900,890)
Settlement of funds withheld receivable		278,674
Net cash and cash equivalents used in investing activities		(5,622,216)
Financing activities:		
Capital contribution from parent		264,743
Issuance of common stock		250
Deposits to policyholder account balances		6,962,804
Withdrawals from annuity account balances		(134,596)
Net cash and cash equivalents provided by financing activities		7,093,201
Increase in cash and cash equivalents		115,942
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	$	115,942

The accompanying notes are an integral part of these financial statements.

CNO BERMUDA RE, LTD.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

1. **Nature of Operations, Basis of Presentation and Significant Accounting Policies**

a. **Nature of Operations and Basis of Presentation**

CNO Bermuda Re, Ltd ("CNO Bermuda Re" or the "Company") is a Bermuda domiciled Class C insurer and was incorporated on May 1, 2023. The Company is a wholly owned subsidiary of CDOC, Inc. ("CDOC"). CNO Financial Group, Inc. ("CNO", a Delaware corporation) is the ultimate parent company of CDOC. CNO is a publicly held holding company for a group of insurance companies.

The primary operations of the Company since inception relate to a modified coinsurance agreement (which requires funds withheld accounting) between the Company and Bankers Life and Casualty Company ("Bankers Life", an indirect wholly owned subsidiary of CNO) executed on November 30, 2023, with an effective date of October 1, 2023 (the "Reinsurance Agreement"). Pursuant to the Reinsurance Agreement, Bankers Life ceded approximately $6.2 billion of its inforce fixed indexed statutory reserves to the Company, in addition to new fixed indexed annuity business issued subsequent to October 1, 2023.

b. **Use of Estimates**

The preparation of the financial statements and accompanying notes in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect amounts reported and disclosed. We use significant estimates and assumptions to calculate values for the embedded derivative related to the Reinsurance Agreement, deferred acquisition costs (DAC), deferred sales inducement costs (DSI), cost of reinsurance, liabilities for insurance products, and income tax assets and liabilities. Management believes that the estimates used in preparing its financial statements are reasonable.

c. **Cash and Cash Equivalents**

Cash and cash equivalents include invested cash and other investments with original maturities of 90 days or less.

d. **Funds Withheld Receivables**

Funds withheld receivable represents a receivable for amounts contractually withheld by Bankers Life in accordance with the Reinsurance Agreement in which the Company is the reinsurer. Generally, assets equal to statutory reserves are withheld and legally owned by the Company, and any excess or shortfall is settled quarterly. The underlying agreement contains embedded derivatives as discussed below.

The Company is contractually obligated, as a part of its funds withheld reinsurance agreement, to hold an amount of assets, measured on a statutory basis, equal to the statutory reserves assumed and unamortized statutory interest maintenance reserve calculated by Bankers Life. All investment income earned on the investing of the funds withheld receivable is recorded by the Company as net investment income on the statement of operations. In the event that any quarterly settlement of amounts required under the Reinsurance Agreement reflects an aggregate statutory book value of the funds withheld of less than or equal to 100% of the statutory reserves assumed and unamortized statutory interest maintenance reserve, the quarterly settlement will include a net payment to Bankers Life such that after such quarterly settlement, the funds withheld have an aggregate statutory book value at least equal to 100% of the statutory reserves assumed and unamortized statutory interest maintenance reserve.

e. **Derivatives**

The Company's funds withheld receivable is comprised of the host contract and an embedded derivative. The Company is subject to the investment performance on the funds withheld assets with the total return directly impacting the host contract and the embedded derivative. The embedded derivative must be accounted for under ASC 815, Derivatives and Hedging (ASC 815). Under ASC 815, the Company assesses whether the embedded derivative is clearly and closely related to the host contract. The Company bifurcates embedded derivatives from the host instrument for measurement purposes when the embedded derivative possesses economic characteristics that are 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.

f. **Deferred Acquisition Costs, Deferred Sales Inducement Costs and Cost of Reinsurance**

Deferred acquisition costs represent policy acquisition costs that have been capitalized and are subject to amortization. Capitalized costs are incremental costs directly related to the successful acquisition of new or renewal insurance contracts.

Such costs consist primarily of commissions, underwriting, sales and contract issuance and processing expenses. Contracts are grouped by contract type and issue year into cohorts consistent with the grouping used in estimating the associated liability. Deferred acquisition costs are amortized on a constant level basis for the grouped contracts over the expected term of the related contracts to approximate straight-line amortization. For all fixed indexed annuity products, the constant level basis used is the initial deposit inforce. The constant level bases used for amortization are projected using mortality and lapse assumptions that are based on Company experience, industry data, and other factors and are consistent with those used for the liability for policyholder account balances. If those projected assumptions change in future periods, they will be reflected in the cohort level amortization basis at the time. Unexpected lapses, due to higher mortality and lapse experience than expected, are recognized in the current period as a reduction of the capitalized balances. Changes in future estimates are recognized prospectively over the remaining expected contract term. The carrying amount of deferred acquisition costs is not subject to recovery testing upon the adoption of ASU 2018-12.

Certain of the fixed indexed annuity products assumed under the Reinsurance Agreement offer sales inducements to contract holders in the form of enhanced crediting rates or bonus payments in the initial period of the contract. These enhanced rates and persistency bonuses are considered sales inducements in accordance with GAAP. Such amounts are deferred and amortized in the same manner as deferred acquisition costs (and are classified as deferred acquisition costs in the consolidated balance sheet). Unlike deferred acquisition costs, such amounts are considered contractual cash flows and, as a result, are subject to periodic recovery testing.

The Company also recorded the cost of reinsurance (classified as deferred acquisition costs on the balance sheet) upon execution of the Reinsurance Agreement. Such cost of reinsurance is amortized in a similar manner as DAC.

g. **Policyholder Account Balances and Market Risk Benefits**

Policyholder account balances represent the contract value that has accrued to the benefit of the policyholder as of the balance sheet date. It includes the accumulated account deposits, plus interest credited, less policyholder withdrawals and, if applicable, charges assessed.

The Company assumes fixed indexed annuity products with returns linked to the performance of certain indices. Under the terms of the Reinsurance Agreement, the Company pays an index cost settlement for the fixed indexed annuity products assumed and receives an index credit reimbursement. Therefore, the hedge risk remains with Bankers Life and there is no embedded derivative associated with these products.

Market risk benefits (MRBs) are contracts or contract features that both provide protection to the contract holder from other-than-nominal capital market risk and expose the Company to other-than-nominal capital market risk. Many of the Company's fixed indexed annuity products include a guaranteed living withdrawal benefit ("GLWB") that is considered a MRB. MRBs are measured at fair value using an option-based valuation model based on amount of exposure, market data, Company experience and other factors. The calculation of MRBs includes market assumptions (interest rate, equity returns, volatility and dividend yields) and nonmarket assumptions (mortality rates, surrender and withdrawal rates, GLWB utilization and spreads). Changes in fair value are recognized in earnings each period with the exception of the portion of the change in fair value due to a change in the instrument-specific credit risk, which is recognized in accumulated other comprehensive income (loss). MRBs in an asset position are presented separately from those in a liability position as there is no legal right of offset between contracts.

h. **Reinsurance**

The Company assumes investment-type insurance contracts pursuant to the Reinsurance Agreement. Assets and liabilities assumed under funds withheld are presented gross on the balance sheet.

Accounting for reinsurance requires the use of assumptions, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks. The Company attempts to minimize counterparty credit risk through the structuring of the terms of its reinsurance agreement. The Company periodically compares actual and anticipated experience to the assumptions used to establish reinsurance assets and liabilities.

i. **Deferred Income Taxes**

Deferred income tax assets and liabilities are determined based on differences between the financial reporting and income tax bases of assets and liabilities and are measured using the enacted tax rates and laws. Deferred income tax expense or benefit, reflected in the Company's statement of operations as a component of income tax expense or benefit, is based on the changes in deferred income tax assets or liabilities from period to period. Deferred income tax assets are subject to ongoing evaluation of whether such assets will be realized. The ultimate realization of deferred income tax assets depends on generating future taxable income during the periods in which temporary differences become deductible. The Company is required to record a valuation allowance to reduce its deferred income tax assets to an amount that represents management's best estimate of the amount of such deferred income tax assets that will more likely than not be realized using the enacted tax rates and laws.

j. **Investment Income**

Investment income, including interest and dividends, earned on funds withheld is recorded in net investment income on the statement of operations and is recognized when earned. Additional details are provided in Note 2.

k. **Recently Adopted Accounting Pronouncements**

In August 2018, the FASB issued ASU 2018-12, Financial Services-Insurance (Topic 944) Targeted Improvements to the Accounting for Long-Duration Contracts. This amendment seeks to improve four areas related to the accounting for long-duration contracts.

(1) Assumptions used to measure the liability for future policy benefits for traditional and limited-payment contracts. The amendments in this update require an insurance entity to (a) review and, if there is a change, update the assumptions used to measure cash flows at least annually and (b) update the discount rate assumption at each reporting date. The provision for risk of adverse deviation and premium deficiency (or loss recognition) testing are eliminated. The change in the liability estimate as a result of updating cash flow assumptions is required to be recognized in net income. The change in the liability estimate as a result of updating the discount rate assumption is required to be recognized in other comprehensive income. The amendments require that an insurance entity discount expected future cash flows at an upper-medium grade (low-credit-risk) fixed-income instrument yield that maximizes the use of observable market inputs.

(2) Measurement of market risk benefits. The amendments require that an insurance entity measure all market risk benefits associated with deposit (or account balance) contracts at fair value. The portion of any change in fair value attributable to a change in the instrument-specific credit risk is required to be recognized in other comprehensive income.

(3) Amortization of deferred acquisition costs. The amendments simplify the amortization of deferred acquisition costs and other balances amortized in proportion to premiums, gross profits, or gross margins and require that those balances be amortized on a constant level basis over the expected term of the related contracts. Deferred acquisition costs are required to be written off for unexpected contract terminations but are not subject to an impairment test.

(4) Disclosures. The amendments require that an insurance entity provide aggregated roll forwards of beginning to ending balances of the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities, and deferred acquisition costs. The amendments also require that an insurance entity disclose information about significant inputs, judgments, assumptions, and methods used in measurement, including changes in those inputs, judgments, and assumptions, and the effect of those changes on measurement.

The standard is effective on January 1, 2025 for the Company, with early adoption permitted. The Company adopted this standard at its inception in 2023 and is reflected in the accounting policies presented herein.

ASUs issued but not yet adopted as of December 31, 2023 would not be disclosed above should they be assessed as either not applicable or are not expected to have a material impact on the Company's financial statements at this time.

l. **Recently Issued Accounting Pronouncements**

In December 2023, the FASB issued Accounting Standards Update 2023-09 Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 is intended to improve the effectiveness of income tax disclosures by requiring, among other things, the disclosure on an annual basis of: (i) specific categories in the rate reconciliation; and (ii) additional information for reconciling items that meet a quantitative threshold. In addition, ASU 2023-09 requires disclosure (on an annual basis) of the following information about income taxes paid: (i) the amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes; and (ii) the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received). ASU 2023-09 is effective for annual periods beginning January 1, 2025, to be applied prospectively with an option for retrospective application (with early adoption permitted). The adoption of ASU 2023-09 will modify the Company's disclosures but will not have an impact on the financial position or results of operations.

2. Funds Withheld Receivables

Interest accrues based on the performance of the underlying assets that support the host receivable and is recorded as net investment income in the statement of operations. The change in the embedded derivative related to the Reinsurance Agreement is similar to a total return swap on the income generated by the underlying assets held by Bankers Life. The change is recorded in net realized/unrealized gains (losses) on funds withheld in the statement of operations as it relates to non-derivative assets backing the statutory reserves of all business assumed.

The Company does not directly control the underlying investments in the funds withheld receivable. Bankers Life contractually manages the withheld assets in accordance with the Company's investment guidelines.

Net investment income consisted of the following:

		May 1, 2023 (date of incorporation) through December 31, 2023
		(In Thousands)
Investment income on funds withheld	$	98,240
Investment income on cash equivalents		495
Gross investment income		98,735
Less investment expenses		(4,038)
Net investment income	$	94,697

Investment gains and change in fair value of funds withheld receivable consist of the following:

		May 1, 2023 (date of incorporation) through December 31, 2023
		(In Thousands)
Investment gains and change in fair value of funds withheld receivable investments:		
Investment gains	$	30,444
Change in fair value of funds withheld receivable		268,033
Net investment gains and change in fair value of funds withheld receivable	$	298,477

3. Derivatives

The Company is party to a coinsurance funds withheld reinsurance agreement (see Note 6). Under ASC 815, the Company's reinsurance agreement contains an embedded derivative that requires bifurcation due to credit risks the reinsurer is assuming that are not clearly and closely related to the creditworthiness of the Company. The embedded derivative in the funds withheld reinsurance arrangement has characteristics similar to a total return swap, as the Company assumes the total return on a designated investment portfolio from Bankers Life. The value of the embedded derivative in the funds withheld reinsurance arrangement is equal to the value of the unrealized gain or loss on the designated investments.

The fair value of the Company's derivative financial instruments on the balance sheet is as follows:

		December 31, 2023 Derivative Asset	Balance Reported in
Embedded derivatives:			
Funds withheld		268,033	Funds withheld receivable
Total embedded derivative financial instruments	$	268,033	

4. **Deferred Acquisition Costs**

Changes in the DAC asset balance are presented below for the period:

		May 1, 2023 (date of incorporation) through December 31, 2023 *(In Thousands)* Deferred Policy Acquisition Costs
Balance at beginning of period	$	-
Capitalizations		26,597
Amortization expense		(178)
Balance at end of period	$	26,419

5. Deferred Sales Inducement Costs

Changes in the DSI costs asset balance (classified as deferred acquisition costs on the balance sheet) are presented below for the period:

		May 1, 2023 (date of incorporation) through December 31, 2023
		(In Thousands)
Balance at beginning of period	$	-
Capitalizations		7,269
Amortization expense		(51)
Balance at end of period	$	7,218

The Company recorded cost of reinsurance (classified as deferred acquisition costs on the balance sheet) that is being amortized in a similar manner to DAC. Changes in the cost of reinsurance balance are presented below for the period:

		May 1, 2023 (date of incorporation) through December 31, 2023
		(In Thousands)
Balance at effective date of the Reinsurance Agreement	$	1,412,462
Amortization expense		(42,747)
Other		(229)
Balance at end of period	$	1,369,486

6. Reinsurance

On November 30, 2023, the Company entered into the Reinsurance Agreement. The liabilities subject to the Reinsurance Agreement are: (i) all fixed indexed annuity contracts issued by Bankers Life on or after January 1, 2018 through September 30, 2023; and (ii) new fixed indexed annuity contracts issued by Bankers Life subsequent to September 30, 2023.

Principal reinsurance assumed transactions are summarized as follows for the period:

	May 1, 2023 (date of incorporation) through December 31, 2023
	(In Thousands)
Reinsurance assumed:	
Premiums received	$ 377,172
Commission and expense allowances	46,442
Annuity benefits	30,348
Surrender charges	4,502
Surrenders paid	104,368
Index cost reimbursement	24,762

As of December 31, 2023, the value of the Company's funds withheld receivables under its reinsurance agreement was $5.94 billion.

7. Insurance Liabilities

The following table presents the balance of and changes in the liability for policyholder account balances:

		May 1, 2023 (date of incorporation) through December 31, 2023
		(In Thousands)
		Fixed Indexed Annuities
Initial reinsurance settlement	$	6,578,594
Premiums received		376,941
Policy charges		7,269
Surrenders and withdrawals		(104,390)
Benefit payments		(30,206)
Interest credited and index credits		38,380
Balance at end of period	$	6,866,588
Weighted-average crediting rate		2.24%
Cash surrender value	$	6,258,698

Fixed indexed annuity contracts do not have a minimum crediting rate since returns are based on an index.

The Company's fixed indexed annuity products reinsured include a GLWB that is considered a MRB. The calculation of MRBs includes market assumptions (interest rate, equity returns, volatility and dividend yields) and nonmarket assumptions (mortality rates, surrender and withdrawal rates, GLWB utilization and spreads). Market assumptions are updated to reflect current market conditions. During the period, the Company reviewed the nonmarket assumptions used to calculate MRBs and determined such assumptions were appropriate.

The following table presents the balance and changes in MRBs associated with the Company's fixed indexed annuities:

		May 1, 2023 (date of incorporation) through December 31, 2023
		(In Thousands)
Net liability (asset), beginning of period	$	-
Effect of changes in the instrument-specific credit risk, beginning of period		-
Balance, beginning of period, before effect of change in the instrument-specific credit risk		-
Issuances		209
Interest accrual		2,609
Effect of changes in interest rates		16,495
Effect of changes in equity markets		1,462
Effect of changes in equity index volatility		(4,139)
Actual policy holder behavior different from expected behavior		(1,304)
Effect of changes in future expected policyholder behavior		(8,015)
Effect of changes in assumptions		1,587
Net liability (asset), before effect of changes in the instrument-specific credit risk		8,904
Effect of changes in the instrument-specific credit risk, end of period		2,567
Net liability (asset), end of period	$	11,471
Balance reported as an asset	$	(545)
Balance reported as a liability		12,015
Net liability (asset)	$	11,470
Net amount at risk	$	27,061
Weighted average attained age of contract holders		68

8. **Income Taxes**

The Company has made a qualifying election available to foreign insurance companies under Section 953(d) of the Internal Revenue Code to be treated as a U.S. corporation for U.S. federal income tax purposes. From the date of inception (May 1, 2023) through December 31, 2023, the Company will be included in the parent company's consolidated U.S. federal income tax return.

The provision for income taxes includes current federal tax expense or benefit and deferred income tax expense or benefit due to temporary differences between the financial reporting and income tax bases of assets and liabilities.

As of December 31, 2023, the Company had no gross unrecognized tax benefits. The Company's policy is to recognize interest and penalties related to unrecognized tax benefits in interest expense as a component of operating expenses in the statement of operations. The Company recorded no interest expense for unrecognized tax benefits for the period from May 1, 2023 (date of incorporation) through December 31, 2023.

Income tax expense consists of the following for the period:

		May 1, 2023 (date of incorporation) through December 31, 2023
		(In Thousands)
Current income tax benefit	$	(1,967)
Deferred income tax expense		64,406
Income tax expense	$	62,439

The Company's tax expense is equal to the statutory federal rate of 21%.

Net deferred income tax assets and liabilities consist of the following as of December 31:

		December 31, 2023
		(In Thousands)
Deferred income tax assets:		
Insurance liabilities	$	1,444,392
Other		34,558
Accumulated other comprehensive loss		539
Gross deferred income tax assets	$	1,479,489
Deferred income tax liabilities:		
Deferred acquisition costs	$	294,656
Investments		1,248,700
Gross deferred income tax liabilities		1,543,356
Net deferred income tax liabilities		(63,867)
Current income taxes recoverable		1,969
Income tax liabilities, net	$	(61,898)

The Company evaluates the need to establish a valuation allowance for its deferred income tax assets on an ongoing basis using a deferred tax valuation model. The model is adjusted to reflect changes in projections of future taxable income. Such estimates of future taxable income are based on evidence we consider to be objectively verifiable. Such estimates are subject to numerous risks and uncertainties and the extent to which actual impacts differ from the assumptions used in the Company's deferred tax valuation model. Based on the Company's assessment, we have concluded that no valuation allowance was necessary as of December 31, 2023.

9. Fair Value Measurements

a. Fair Value Hierarchy

In accordance with ASC 820, the Company groups its financial assets and liabilities measured at fair value in three levels based on the inputs and assumptions used to determine the fair value. The levels are as follows:

Level 1 – Valuations are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 – Valuations are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, model-based valuation techniques for which significant assumptions are observable in the market and using inputs observable in the market. Level 2 assets and liabilities include those financial instruments that are valued by independent pricing services.

Level 3 – Valuations are generated from techniques that use significant inputs that are not observable in the market. These unobservable inputs reflect the Company's assumptions that market participants would use in pricing the asset or liability. Valuation techniques include discounted cash flow models, spread-based models, and similar techniques, using the best information available in the circumstances. For assets that may not be reliably priced using pricing models, we obtain non-binding broker quotes that represent an exit price. However, assumptions used to establish the fair value may not be observable and therefore represent Level 3 inputs.

b. **Determination of Fair Value**

Under ASC 820, fair value is the price that would be received to sell an asset (exit price) or paid to transfer a liability in an orderly transaction between market participants at the measurement date and therefore represents an exit price, not an entry price.

Funds withheld receivable - embedded derivative
The Company estimates the fair value of the embedded derivative based on the change in the fair value of the specific underlying assets supporting the funds withheld receivable under the coinsurance funds withheld reinsurance agreement. 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 agreement.

c. **Assets and Liabilities Measured and Reported at Fair Value**

The following table presents information about the Company's financial instruments carried at fair value on a recurring basis:

		December 31, 2023			
			Fair Value Hierarchy Level		
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
			(In Thousands)		
Assets					
Market risk benefit asset	545	545	-	-	545
Funds withheld receivable - embedded derivative	268,033	268,033	-	263,266	4,767
Total assets	**$ 268,578**	**$ 268,578**	**$ -**	**$ 263,266**	**$ 5,312**
Liabilities					
Market risk benefit liability	12,015	12,015	-	-	12,015
Total liabilities	**$ 12,015**	**$ 12,015**	**$ -**	**$ -**	**$ 12,015**

d. **Changes in Level 3 Fair Value Measurements**

The reconciliation for all Level 3 assets and liabilities measured at fair value using significant unobservable inputs for the period from May 1, 2023 (date of incorporation) through December 31, 2023 is as follows:

	Balance at May 1, 2023 (date of incorporation)	Total Realized/ Unrealized Gains and Losses: Included in Net Income	Purchases, Issuances, Sales, and Settlements	Transfers	Balance at December 31, 2023	Change in Unrealized Gains (losses) in Net Income for Positions Still Held
	(In Thousands)					
Liabilities:						
Funds withheld receivable - embedded derivative	$ -	$ 4,767	$ -	$ -	$ 4,767	$ -
Total liabilities	$ -	$ 4,767	$ -	$ -	$ 4,767	$ -

e. **Transfers**

There were no transfers into and out of Level 3 of assets and liabilities measured at fair value for the period from May 1, 2023 (date of incorporation) through December 31, 2023.

f. **Quantitative Information about Level 3 Fair Value Measurements**

The following table provides additional information about the significant unobservable inputs used to determine fair value of market risk benefit assets and market risk benefit liabilities:

	As of December 31, 2023			
	Assets / (Liabilities) Measured at Fair Value	Valuation Technique(s)	Unobservable Input Description	Input/Range of Inputs (Weighted Average)
	(In Thousands)			
Market risk benefit asset	545	Discounted Cash Flow	Surrender rates	5.32%
			Utilization rates	24.73%
Market risk benefit liability	(12,015)	Discounted Cash Flow	Surrender rates	5.32%
			Utilization rates	24.73%
Total	$ (11,470)			

g. **Financial Instruments Not Reported at Fair Value**

The carrying value and estimated fair value of financial instruments not carried at fair value on a recurring basis are as follows:

	December 31, 2023				
			Fair Value Hierarchy Level		
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
			(In Thousands)		
Assets					
Cash equivalents	$ 115,942	115,942	$ 115,942	$ -	$ -
Funds withheld receivable	$ 5,675,592	$ 5,943,625	$ 33,374	$ 5,750,082	$ 160,169

10. **Commitments and Contingencies**

The Company may be party to legal and arbitral proceedings, subject to complaints, and the like in the ordinary course of business, is periodically examined by its regulators in the ordinary course of business, and may discuss certain matters with its regulators that come up during such examinations or otherwise. Management currently does not believe that any litigation, arbitration, complaint or other such matter to which it is a party, or that any actions by its regulators with respect to any such examinations or matters under discussion with them, will, alone or collectively, materially adversely affect the Company's results of operations or financial condition.

11. **Related-Party Transactions**

The Company received $265 million in capital contributions from CDOC during 2023, including $0.75 million related to the initial capitalization of the Company.

As further described in Note 6, the Company entered into the Reinsurance Agreement with Bankers Life.

In addition, the Company has entered into a Capital and Liquidity Maintenance Agreement (the "CLMA") with CDOC. Pursuant to the CLMA, CDOC will contribute funds to the Company in the event: (i) the Company's statutory economic capital and surplus is less than 150 percent of its enhanced capital requirement ("ECR") at the end of any calendar quarter; or (ii) the Company's liquid assets are insufficient to meet its contractual obligations to ceding insurers, in each case, unless Bankers Life has provided notice of recapture pursuant to the terms of the Reinsurance Agreement. Further, the Company may not pay any dividends or make any capital distributions to its parent and/or affiliates within the five years following the initial reinsurance transaction unless approved by the BMA.

12. **Statistory Financial Information and Regulatory Net Capital Requirements**

The Company is subject to insurance laws and regulations in Bermuda. 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.

The Company is licensed by the BMA as a long-term insurer and is subject to the Insurance Act 1978, as amended (Bermuda Insurance Act) and regulations promulgated thereunder. The BMA implemented the Economic Balance Sheet (EBS) framework into the Bermuda Solvency Capital Requirement (BSCR).

Under the Bermuda Insurance Act, long-term insurers are required to maintain minimum statutory capital and surplus. As a Class C insurer, the Company is required to maintain minimum capital and surplus equal to or in excess of, an amount derived from the greater of 1) the BSCR calibrated to tail value-at-risk over the one-year time horizon, the 2) minimum solvency margin ("MSM") (calculated using an asset-based formula) and 3) a $500,000 floor.

Accordingly, MSM is equal to the greater of $8 million, 2% of the first $500 million of statutory assets plus 1.5% of statutory assets above $500 million or 25% of ECR. The ECR is calculated based on a risk-based capital model where risk factor charges are applied to the EBS. The ECR is floored at the MSM. As of December 31, 2023, the Company's capital was in excess of the minimum levels required.

Under the BMA framework, statutory financial statements are generally equivalent to GAAP financial statements, with the exception of permitted practices granted by the BMA. The Company has received permission to reflect the following permitted practices in its statutory financial statements:

1. The Company is permitted to exclude the embedded derivative related to fixed income investments within the funds withheld receivable.

2. The Company is permitted to record their fixed income and mortgage loan securities at amortized cost.

The following represents the effect of the permitted practices to the statutory financial statements:

		December 31, 2023
		(In Thousands)
Decrease to capital and surplus due to permitted practices	$	211,746
Decrease to statutory net income due to permitted practices		211,746

Under the Bermuda Insurance Act, the Company 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 Company's 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 Company to fail to meet its relevant margins. In certain instances, the Company 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 MSM and ECR requirements, the Company 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. Nevertheless, the Company may not pay any dividends or make any capital distributions to its parent and/or affiliates within the five years following the initial reinsurance transaction unless approved by the BMA. No dividends were paid in 2023.

13. **Subsequent Events**

Subsequent events have been evaluated through April 29, 2024, which is the date the financial statements were issued.