GLOBAL ATLANTIC RE LIMITED

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

Consolidated Financial statements

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

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INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of
Global Atlantic Re Limited

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, effective January 1, 2023, the Company adopted Accounting Standards Update No. 2018-12, "*Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts, as amended*", using the full retrospective approach with a transition date of January 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to

continue as a going concern for one year after the date that the financial statements are available to be issued.

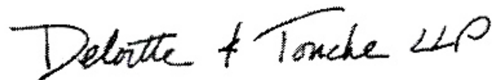
Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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



April 25, 2024

Consolidated Balance sheets

($ in millions, except share data)	December 31, 2023		December 31, 2022	
Assets				
Investments:				
Fixed maturity securities, available-for-sale, at fair value (amortized cost: $5,140 and $4,421, respectively)	$	4,710	$	3,848
Mortgage and other loan receivables		926		720
Derivative assets		—		1,478
Funds withheld receivable at interest		52,468		36,716
Guaranteed investment contracts		3,622		4,393
Other investments		110		210
Total investments	**$**	**61,836**	**$**	**47,365**
Cash and cash equivalents		891		252
Accrued investment income		323		421
Reinsurance recoverable		14,533		4,202
Insurance intangibles		2,938		1,038
Other assets		1,119		839
Total assets	**$**	**81,640**	**$**	**54,117**
Liabilities				
Policyholder liabilities (portion at fair value: $902 and $711, respectively; market risk benefit liabilities: $548 and $316, respectively.)	$	64,860	$	47,473
Funds withheld payable at interest		14,893		4,028
Derivative liabilities		54		—
Other liabilities		76		59
Reinsurance liabilities		371		89
Total liabilities	**$**	**80,254**	**$**	**51,649**
Equity				
Common stock, $1 par value, 370,000 shares authorized, 370,000 shares issued and outstanding, respectively	$	—	$	—
Additional paid-in capital		954		796
Retained earnings		150		1,256
Accumulated other comprehensive income		282		416
Total equity	**$**	**1,386**	**$**	**2,468**
Total liabilities and equity	**$**	**81,640**	**$**	**54,117**

See accompanying notes to the Consolidated Financial statements.

Consolidated Statements of (loss) income

($ in millions, except per share data)	Year ended December 31, 2023	Year ended December 31, 2022
Revenues		
Premiums	$ 901	$ 386
Policy fees	323	314
Net investment income	1,782	1,171
Net investment losses	(1,651)	(645)
Other income	56	33
Total revenues	**$ 1,411**	**$ 1,259**
Benefits and expenses		
Policy benefits and claims (market risk benefit loss (gain): $118 and $(340), respectively; remeasurement (gain) loss on policy liabilities: $13 and $(29), respectively.)	2,253	696
Amortization of cost of reinsurance	(215)	(321)
Insurance expenses	745	408
General, administrative and other expenses	29	25
Total benefits and expenses	**$ 2,812**	**$ 808**
(Loss) income before provision for income taxes	**$ (1,401)**	**$ 451**
Income tax (benefit) expense	(295)	97
Net (loss) income	**$ (1,106)**	**$ 354**

See accompanying notes to Consolidated Financial statements.

Consolidated statements of other comprehensive (loss) income

($ in millions)	Year Ended December 31, 2023	Year Ended December 31, 2022
Net (loss) income	**$ (1,106)**	**$ 354**
Other comprehensive (loss) income, before tax:		
Unrealized gains (loss) on securities and other investments for the period	163	(528)
Less: reclassification adjustment for loss included in net income	(9)	(13)
Unrealized gains (loss) on available-for-sale securities and other investments	**172**	**(515)**
Effect on changes in the fair value of policyholder liabilities attributable to a change in own credit spreads	(17)	16
Effect on changes in the fair value of a market risk benefit attributable to a change in the instrument-specific credit risk	(114)	68
Effect in the discount rates used to measure traditional and limited-payment long duration insurance contracts	(215)	1,099
Net effect on policyholder benefits	**(346)**	**1,183**
Other comprehensive (loss) income, before tax	**(174)**	**668**
Income tax expense (benefit) related to other comprehensive income	40	(145)
Other comprehensive (loss) income, net of tax	**$ (134)**	**$ 523**
Comprehensive (loss) income	**$ (1,240)**	**$ 877**

See accompanying notes to Consolidated Financial statements.

Consolidated statements of equity

($ in millions)	Common stock & Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Total shareholder's equity
Balance as of December 31, 2021	**$ 646**	**$ 902**	**$ (107)**	**$ 1,441**
Net income	—	354	—	354
Other comprehensive income	—	—	523	523
Capital contributions	150	—	—	150
Balance as of December 31, 2022	**$ 796**	**$ 1,256**	**$ 416**	**$ 2,468**
Net loss	—	(1,106)	—	(1,106)
Other comprehensive loss	—	—	(134)	(134)
Capital contributions	158	—	—	158
Balance as of December 31, 2023	**$ 954**	**$ 150**	**$ 282**	**$ 1,386**

See accompanying notes to Consolidated Financial statements.

Consolidated statements of cash flows

	Year Ended	
($ in millions)	December 31, 2023	December 31, 2022
Cash flows from operating activities		
Net (loss) income	**$ (1,106)**	**$ 354**
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in fair value of equity fixed maturity securities and other investments	79	(85)
Net investment (gains) losses	202	221
Income from equity method investments	(6)	58
Change in fair value of derivatives and other derivative-related activity	2,063	367
Adjustments due to market risk benefit (gains) losses	118	(340)
Net amortization and depreciation	29	365
Interest credited to policyholder account balances less policy fees	1,104	399
Deferred income tax (benefit) expense	(173)	(13)
Changes in operating assets and liabilities:		
Reinsurance transactions and acquisitions, net of cash provided (used)	(52)	—
Change in premiums, notes receivable, funds withheld and rein recoverable, net of reinsurance premiums payable	(580)	657
Change in deferred acquisition costs	(262)	(137)
Change in value of business acquired	—	—
Change in accrued investment income	97	(63)
Change in policyholder liabilities and accruals, net	(426)	(590)
Other	(136)	(163)
Net cash provided by operating activities	**$ 951**	**$ 1,030**
Cash flows from investing activities		
Proceeds from disposals of available-for-sale fixed maturity securities	353	82
Proceeds from maturities of available-for-sale fixed maturities securities	268	183
Proceeds from mortgages sold, matured or collected	60	7
Proceeds from disposal of other investments	47	(18)
Purchase of available-for-sale fixed maturity securities	(535)	(351)
Purchase of trading fixed maturity securities	(1)	1
Purchase of mortgages	(272)	(377)
Purchase of other investments	(204)	(134)
Other investing activities-net	94	10
Net cash used in investing activities	**$ (190)**	**$ (597)**

Consolidated statements of cash flows

($ in millions)	Year Ended December 31, 2023	Year Ended December 31, 2022
Cash flows from financing activities		
Reinsurance transactions, net of cash provided (used)	(269)	(2)
Additions to contractholder deposit funds	7,467	4,959
Withdrawals from contractholder deposit funds	(7,478)	(5,336)
Capital contributions	158	150
Net cash used in financing activities	**$ (122)**	**$ (229)**
Net change in cash, and cash equivalents	**$ 639**	**$ 204**
Cash, and cash equivalents beginning of period	252	48
Cash, and cash equivalents, end of period	**$ 891**	**$ 252**
Supplemental cash flow information		
Income taxes paid	$ (61)	$ 133
Non-cash transactions		
Available-for-sale fixed maturity securities acquired through funding agreements	$ 765	$ 805
Contractholder deposit funds acquired through reinsurance agreements	9,617	3,372

1. Nature of business

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

Global Atlantic Re made an election under Internal Revenue Code, or "IRC," Section 953(d) in 2018 to be treated as a U.S. domestic insurance company and filed Form 1120 L for the tax years ended December 31, 2022 and 2021.

KKR initial acquisition of Global Atlantic Financial Group Limited

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

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

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

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

Significant transactions

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

2. Basis of presentation and significant accounting policies

Basis of presentation

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

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

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

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

Significant accounting policies

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

Accounting policy	Note
Investments	3, 4, and 5
Investment impairment	3 and 5
Derivative instruments	4, 5, and 7
Policy liabilities	5 and 7
Insurance intangibles	6
Value of business acquired	6
Reinsurance	8
Income taxes	12

Investments

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

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

Available-for-sale fixed maturity securities

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

PCD securities are those purchased by the Company that were assessed at acquisition as having experienced a more-than-insignificant deterioration in credit quality since their origination. The Company considers an AFS fixed maturity security to be PCD if there are indicators of a credit loss at the acquisition date or, in the case of structured securities, if there is a significant difference between contractual cash flows and expected cash flows at acquisition. PCD securities also include those AFS fixed maturity securities previously held by the Company that were similarly assessed at the time of the 2021 GA acquisition. The initial amortized cost for a PCD security equals the purchase price plus the initial allowance for credit losses. The initial allowance for credit losses is determined using a discounted cash flow method based on the best estimate of the present value of cash flows expected to be collected. After purchase, the accounting for a PCD security is generally consistent with that applied to all other securities.

Unrealized gains and losses on AFS fixed maturity securities net of tax are reported in accumulated other comprehensive income ("AOCI") in the consolidated balance sheets. Realized investment gains and

losses are recognized on a first-in first-out ("FIFO") basis and are reported in net investment-related losses in the consolidated statements of income. The amortized cost of fixed maturity securities is adjusted for impairment charge-offs, amortization of premiums and accretion of discounts. Such amortization and accretion is calculated using the effective yield method and included in net investment income in the consolidated statements of income.

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

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

Mortgage and other loan receivables

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

PCD mortgage and other loan receivables are those purchased by the Company that were assessed at acquisition as having experienced a more-than-insignificant deterioration in credit quality since their origination. PCD mortgage and other loan receivables also include those mortgage and other loan receivables previously held by the Company that were similarly assessed at the time of the 2021 KKR Acquisition. The initial amortized cost for a PCD mortgage or other loan receivable equals the purchase price plus the initial allowance for credit losses. The initial allowance for credit losses is determined using a method consistent with that used for other similar loans. See further discussion of allowance methods below. After purchase, the accounting for a PCD mortgage or other loan receivable is consistent with that applied to all other mortgage and other loan receivables.

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

Policy loans

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

Funds withheld receivable at interest

Funds withheld receivable at interest represent receivables for amounts contractually withheld by the ceding company, in accordance with reinsurance agreements in which the Company acts as the reinsurer. While the assets in funds withheld and modified coinsurance are legally owned by the ceding company, the assets are separately identified from the general accounts of the cedant and all economic rights and obligations on the assets accrue to the Company. The assets in the funds withheld accounts are typically managed by an investment manager, who periodically settles the total return from those assets.

The reinsurer has an indirect exposure to the credit risk of the underlying assets of the funds withheld or modified coinsurance account. As a result, funds withheld coinsurance and modified coinsurance agreements contain embedded derivatives, which are required to be separated from their host contracts and measured at fair value. The host contract at inception of the reinsurance arrangement represented the fair value of the non-cash consideration. The embedded derivative represents the difference between the fair value of the underlying assets and the carrying value of the host contract at the consolidated balance sheet date. The fair value of the embedded derivative is included in the funds withheld receivable at interest on the consolidated balance sheets, with changes in fair value recorded in net investment-related gains (losses) in the consolidated statements of income (loss).

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

Derivative instruments held within the funds withheld at interest are primarily used to hedge certain risks, including interest rate risk and equity market risk, and to a lesser extent foreign exchange risks. Derivative instruments are generally recognized at estimated fair value in funds withheld receivable at interest on the consolidated balance sheets.

Guaranteed investment contracts

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

Other investments

Other investments in the consolidated balance sheets include the Company's investments in investment partnerships, for which the Company does not have voting control or power to direct activities. These investments are accounted for using the equity method of accounting unless the Company's interest is so minor that it has virtually no influence over partnership operating or financial policies. The equity method of accounting requires that the investments be initially recorded at cost and the carrying amount of the investment subsequently be adjusted to recognize the Company's share of the earnings and losses of the investee. Where there is a difference between the cost of the investment and the

Company's proportionate share of the equity method investee's net assets, this basis difference is accreted to net investment income over the life of the underlying assets. In applying the equity method, the Company uses financial information provided by the investee, generally on a one to three month lag due to the timing of the receipt of related financial statements.

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

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

Derivative instruments

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

Cash, and cash equivalents

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

Investment impairment

Available-for-sale fixed maturity securities

One of the significant estimates related to AFS securities is the evaluation of those investments for credit losses. The evaluation of investments for credit losses is a quantitative and qualitative quarterly

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

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

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

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

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

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

Mortgage and other loan receivables

The Company updates its estimate of the expected credit losses on its investments in mortgage and other loan receivables each quarter. For loans that share similar risk characteristics, expected credit losses are measured on a pool basis. For loans that do not share similar risk characteristics, expected credit losses are measured individually. Loans subject to individual evaluation include those loans that are collateral dependent, where the borrower is experiencing financial difficulty. For these collateral dependent loans, expected credit losses are measured as the difference between the fair value of the collateral (less costs to sell, where the collateral is to be sold) and the amortized cost basis of the loan.

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

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

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

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

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

Other investments

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

Impairment of investments subject to the equity method of accounting is assessed whenever events or circumstances suggest that the carrying amount may not be recoverable. An impairment charge is

recognized in earnings for a decline in value that is determined to be other than temporary, and is measured as the difference between the carrying amount and the fair value of the equity method investment as of the balance sheet date.

Deferral and amortization of certain revenues and expenses

Deferrals

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

Amortization

VOBA is amortized on a constant level basis for the grouped contracts over the expected economic life of the related contracts. The constant level bases used for amortization are projected using mortality and lapse assumptions that are based on the Company's experience, industry data, and other factors and are consistent with those used for the liability for future policy benefits which are reviewed regularly and updated as needed once a year. If those projected assumptions change in future periods, they will be reflected in the cohort level amortization basis at that 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.

Policy liabilities

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

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

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

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

Annuity contracts

Fixed-indexed annuities ("FIA")

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

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

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

Variable annuities

The Company assumes variable annuity contracts for which the liabilities are included in policy liabilities in the consolidated balance sheets. The change in the liabilities for these benefits is included in policy benefits and claims in the consolidated statements of income. Variable annuity contracts may have certain guarantees that are accounted for as market risk benefits, which are discussed in more detail below.

Interest-sensitive life products

For universal life policies, the base policy reserve is the policyholder account value.

Preneed policies

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

Traditional life and limited payment contracts

Liability for future policy benefits

A liability for future policy benefits, which is the present value of estimated future policy benefits to be paid to or on behalf of policyholders and certain related expenses less the present value of estimated future net premiums to be collected from policyholders, is accrued as premium revenue is recognized. The liability is estimated using current assumptions that include mortality, lapses, and expenses. These current assumptions are based on judgments that consider the Company's historical experience, industry data, and other factors.

For nonparticipating traditional and limited-payment contracts, contracts are grouped into cohorts by contract type and issue year. The liability is adjusted for differences between actual and expected experience. With the exception of the expense assumption, the Company reviews its historical and future cash flow assumptions quarterly and updates the net premium ratio used to calculate the liability each time the assumptions are changed. The Company has elected to use expense assumptions that are locked in at contract inception and are not subsequently reviewed or updated.

Each quarter, the Company updates its estimate of cash flows expected over the entire life of a group of contracts using actual historical experience and current future cash flow assumptions. These updated cash flows are discounted using the discount rate or curve on the original contract issue date to calculate the revised net premiums and net premium ratio, which are used to derive an updated liability for future policy benefits. This amount is then compared to the carrying amount of the liability before the updating of cash flow assumptions to determine the current period change in liability estimate. This current period change in the liability is the liability remeasurement gain or loss and is presented parenthetically as a separate component of benefit expense in the consolidated statements of income.

For nonparticipating traditional and limited-payment contracts, the discount rate assumption is a spot rate yield curve that is derived based on upper medium grade (low credit risk) fixed-income instruments with similar duration to the liability. The Company uses one or more external indices of corporate credit issues as its proxy for these instruments. The discount rate assumption is updated quarterly and used to remeasure the liability at the reporting date, with the resulting change in the discount rate reflected in other comprehensive income. For liability cash flows between two market observable points on the yield curve, the Company interpolates the effective yield by holding the marginal rates constant. For liability cash flows that are projected beyond the last market-observable point on the yield curve, the Company uses the last market-observable yield level.

Payout annuities

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

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

Whole and term life

The Company has established liabilities for amounts payable under insurance policies, including whole life insurance and term life insurance policies. These policies provide death benefits in exchange for a guaranteed level premium for a specified period of time and, in the case of whole life, a guaranteed minimum cash surrender value. Generally, liabilities for these policies are calculated as the present value of future expected benefits to be paid, reduced by the present value of future expected net premiums. Current assumptions are used in the establishment of liabilities for future policyholder benefits including mortality, policy lapse, renewal, investment returns, inflation, expenses and other contingent events as appropriate for the respective product. Each quarter, the Company updates its estimate of cash flows using actual historical experience and current future cash flow assumptions. These updated cash flows are discounted using the discount rate or curve on the original contract issue date to calculate the revised net premiums and net premium ratio, which are used to derive an updated liability for future policy benefits. This amount is then compared to the carrying amount of the liability before the updating of cash flow assumptions to determine the current period change in liability estimate. This current period change in the liability is the liability remeasurement gain or loss and is presented parenthetically as a separate component of benefit expense in the consolidated statements of income.

Product guarantees

Market risk benefits

Market risk benefits are contracts or contract features that both provide protection to the policyholder from other-than-nominal capital market risk and expose the Company to other-than-nominal capital market risk.

Market risk benefits include certain contract features on fixed annuity and variable annuity products. These features include minimum guarantees to policyholders, such as guaranteed minimum death benefits (GMDBs), guaranteed minimum withdrawal benefits (GMWBs), and long-term care benefits (i.e., capped at the return of account value plus one or two times the account value). Market risk benefits are measured at fair value using a non-option and option valuation approach based on current net amounts at risk, market data, experience, and other factors. Changes in fair value are recognized in net income 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 other comprehensive income.

Additional liability for annuitization, death, or other insurance benefits

The Company establishes additional liabilities for contracts or contract features that provide for potential benefits in addition to the account balance but are not market risk benefits or embedded derivatives. These benefits include annuitization benefits and death or other insurance benefits (e.g. universal life secondary guarantees). For these benefits, the liability is the sum of the current benefit ratio multiplied by cumulative assessments and accreted interest, less excess payments.

In particular, the Company holds additional liabilities for universal life products with secondary guarantees, sometimes referred to as no-lapse guarantees. The additional liabilities are measured using the benefit ratio approach where excess benefits are spread over the life of the contract based on assessments collected from the policyholder. Generally, total expected excess benefit payments are the aggregate of death claims after the policyholder account value is exhausted. The exception is when the cost of insurance charges are insufficient to produce consistently positive earnings in the future. In this case, all death benefits are deemed to be excess benefits. For annuitization benefits, the benefit ratio is the present value of expected annuitization payments to be made less the accrued account balance at the expected annuitization date divided by the present value of expected assessments during the accumulation phase of the contract, discounted at the contract rate. Expected annuitization payments and related incremental claim adjustment expenses, expected assessments, and expected excess payments are calculated using discount rate, mortality, lapse, and expense assumptions.

The Company recognizes a shadow reserve adjustment for the additional insurance liabilities when unrealized gains and losses are included in the investment margin while calculating the present value of expected assessments for the benefit ratios. Shadow reserve adjustments are recognized in other comprehensive income.

For additional liabilities for death or other insurance benefits, the discount rate assumption is based on the contract rate at inception. The mortality, lapse, and expense assumptions are based on Company's experience, industry data, and other factors. Assumptions are reviewed and updated, if necessary, at least annually. When those assumptions are updated, the benefit ratio and the liability are remeasured, with the resulting gain or loss reflected in total benefits expense.

Outstanding claims

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

Reinsurance

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

accounting. The Company seeks to diversify risk and limits its overall financial exposure through reinsurance.

With respect to ceded reinsurance, the Company values reinsurance recoverables on reported claims at the time the underlying claim is recognized in accordance with contract terms. For future policyholder benefits, the Company estimates the amount of reinsurance recoverables based on the terms of the reinsurance contracts and historical reinsurance recovery information. The reinsurance recoverables are based on what the Company believes are reasonable estimates and the balance is reported as an asset in the balance sheets. However, the ultimate amount of the reinsurance recoverable is not known until all claims are settled.

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

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

Recognition of insurance revenue and related benefits

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

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

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

Other income

Other income is primarily comprised of expense allowances on ceded reinsurance, administration fees, management fees and distribution fees.

Insurance expenses

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

General, administrative and other expenses

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

Income taxes

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

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

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

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

Notes to the financial statements

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

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

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

Adoption of new accounting pronouncements

Targeted improvements to the accounting for long-duration contracts

Effective January 1, 2023, the Company adopted new accounting guidance for insurance and reinsurance companies that issue long-duration contracts ("LDTI"), with retrospective application to February 1, 2021 ("GA Acquisition Date"), coinciding with the acquisition of Global Atlantic by KKR.

The following table summarizes the balance of, and changes in the liability for future policy benefits as of January 1, 2022 due to the adoption of LDTI.

Liability for future policy benefits	Payout annuities
($ in millions)	
Balance, as of January 1, 2022	**$ 6,180**
Adjustment for reclassification from contractholder deposit funds and other policyholder liabilities	125
Effect of changes in discount rates	87
Change in discount rate assumptions, decrease (increase) to the cost of reinsurance assets and liabilities	(77)
Adjusted balance, as of January 1, 2022	**$ 6,315**

The net transition adjustment for the liability for future policy benefits is related to the difference in the discount rate used prior to transition and the discount rate as of January 1, 2022. As of the transition date, the Company did not identify any instances, at the cohort level, where net premiums exceeded gross premiums.

The following table summarizes the balance of, and changes in, the net liability position of market risk benefits as of January 1, 2022 due to the adoption of LDTI

Market risk benefits	Fixed-indexed annuity	Variable annuities	Total
($ in millions)			
Balance, as of January 1, 2022	**$ 469**	**$ 18**	**$ 487**
Adjustment for reclassification from contractholder deposit funds and other policyholder liabilities		101	101
Removal of net effect of unrealized (losses) gains on policyholder balances in AOCI	4	—	4
Adjustment for the difference between carrying amount and fair value, except for the difference due to nonperformance risk	60	58	118
Adjustment for cumulative effect of changes in nonperformance risk since issuance	2	—	2
Adjusted balance, as of January 1, 2022	**$ 535**	**$ 177**	**$ 712**

The following table summarizes the balance of, and changes in, contractholder deposit funds and other policy liabilities, as of January 1, 2022 due to the adoption of LDTI.

Contractholder deposit funds and other policy liabilities	Fixed rate annuities	Fixed indexed annuities	Interest Sensitive Life	Other	Total
($ in millions)					
Balance, as of January 1, 2022	**$ 19,013**	**$ 10,947**	**$ 2,498**	**$ 5,128**	**$ 37,586**
Adjustment for reclassification to market risk benefits	—	—	—	(101)	(101)
Adjustment for reclassification to liability for future policy benefits	—	—	—	(125)	(125)
Adjustment for reclassification to cost of reinsurance assets	—	—	—	(4)	(4)
Change in cash flows	(3)	(2)	—	(1)	(6)
Adjusted balance, as of January 1, 2022	**$ 19,010**	**$ 10,945**	**$ 2,498**	**$ 4,897**	**$ 37,350**

The following table summarizes the balance of, and changes in, cost of reinsurance asset as of January 1, 2022 due to the adoption of LDTI.

Cost of reinsurance asset	Fixed rate annuities	Fixed-indexed annuities	Payout annuities	Other	Total
($ in millions)					
Balance, as of January 1, 2022	**$ 36**	**$ 90**	**$ 123**	**$ 23**	**$ 272**
Adjustment for reclassification from contractholder deposit funds and other policyholder liabilities	—	—	(2)	(2)	(4)
Removal of net effect of unrealized (losses) gains on policyholder balances in AOCI	(3)	(2)	—	2	(3)
Change in discount rate assumptions, decrease (increase) to the cost of reinsurance assets and liabilities	20	10	(32)	—	(2)
Adjusted balance, as of January 1, 2022	**$ 53**	**$ 98**	**$ 89**	**$ 23**	**$ 263**

Notes to the financial statements

The following table summarizes the balance of, and changes in, cost of reinsurance liability as of January 1, 2022 due to the adoption of LDTI.

Cost of reinsurance liability	Fixed indexed annuities	Life and other	Total
($ in millions)			
Balance, as of January 1, 2022	**$ 7**	**$ 19**	**$ 26**
Removal of net effect of unrealized (losses) gains on policyholder balances in AOCI	—	3	3
Change in discount rate assumptions, decrease (increase) to the cost of reinsurance liabilities	52	3	55
Adjusted balance, as of January 1, 2022	**$ 59**	**$ 25**	**$ 84**

The following table summarizes the transition impact due to the adoption of LDTI, and changes in value of business acquired, to the balances established balance as part of purchase accounting upon the initial KKR acquisition as of January 1, 2022.

VOBA	Fixed indexed annuities	Variable annuities	Life and other	Total
($ in millions)				
Balance, as of January 1, 2022	**$ 200**	**$ 138**	**$ 30**	**$ 368**
Adjustment for the difference between carrying amount and fair value of market risk benefits	119	66	—	185
Change in discount rate assumptions, decrease (increase) to the value of business acquired	—	—	27	27
Adjusted balance, as of January 1, 2022	**$ 319**	**$ 204**	**$ 57**	**$ 580**

The following table summarizes the balance of, and changes in negative value of business acquired, net as of January 1, 2022 due to the adoption of LDTI.

Negative VOBA	Fixed indexed annuities	Fixed-rate annuities	Variable annuities	Life and other	Total
Balance, as of January 1, 2022	**$ 149**	**$ 132**	**$ 110**	**$ 129**	**$ 520**
Change in discount rate assumptions, decrease (increase) to the value of business acquired	—	—	—	7	7
Adjusted balance, as of January 1, 2022	**$ 149**	**$ 132**	**$ 110**	**$ 136**	**$ 527**

The following table presents the effect of transition adjustments on equity as of January 1, 2022 due to adoption of LDTI:

($ in millions)	Retained earnings	Accumulated other comprehensive income	Total
Cost of reinsurance asset	$ (1)	$ (3)	$ (4)
Value of business acquired	(17)	—	(17)
Liability for future policy benefits	100	(87)	13
Market risk benefits	81	(6)	75
Cost of reinsurance liability	—	—	—
Negative VOBA	(55)	(3)	(58)
Contractholder deposit funds and other policy liabilities	6	—	6
Deferred income taxes	(24)	21	(3)
Total transition adjustments, as of January 1, 2022	**$ 90**	**$ (78)**	**$ 12**

The cumulative impact of the retrospective application of the LDTI adoption increased net income attributable to the Company by $375 million and $90 million for each of the periods ended December 31, 2022 and 2021, respectively ($465 million cumulatively) and increased other comprehensive income by $727 million and decreased by $78 million for each of the periods ended December 31, 2022 and 2021, respectively (increase $649 million cumulatively). These movements were primarily a result of changes in discount rates and instrument-specific credit risk during each of the respective periods.

As a result of the retrospective application of the LDTI adoption, the Company revised certain previously reported amounts in its consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, and consolidated statements of cash flows, as follows:

Balance sheet as of December 31, 2022 ($ in millions)	As previously reported	Revision	As revised
Reinsurance recoverable	$ 4,254	$ (52)	$ 4,202
Cost of reinsurance asset	495	10	505
Value of business acquired	339	194	533
Other assets	1,136	(297)	839
Total assets	54,262	(145)	54,117
Future policyholder benefits	7,089	(1,148)	5,941
Market risk benefit liability	—	316	316
Contractholder deposit funds and other policyholder liabilities	41,643	(427)	41,216
Total policyholder liabilities	48,732	(1,259)	47,473
Total liabilities	52,908	(1,259)	51,649
Retained earnings	791	465	1,256
Accumulated other comprehensive income	(233)	649	416
Total shareholder’s equity	1,354	1,114	2,468
Total liabilities and shareholder’s equity	54,262	(145)	54,117

Statement of income for the year ended December 31, 2022	As previously reported	Revision	As revised
($ in millions)			
Policy fees	$ 325	$ (11)	$ 314
Total revenues	1,270	(11)	1,259
Policy benefits and claims	1,019	(323)	696
Amortization of DAC & VOBA	(22)	(299)	(321)
Insurance expenses	271	137	408
Total benefits and expenses	1,294	(486)	808
(Loss) income before provision for income taxes	(24)	475	451
Income tax (benefit) expense	(3)	100	97
Net (loss) income	(21)	375	354

Statement of comprehensive income for the year ended December 31, 2022	As previously reported	Revision	As revised
($ in millions)			
Net (loss) income	$ (21)	$ 375	$ 354
Net effect of unrealized gains (losses) on policy balances	$ 262	$ (262)	$ —
Effect on changes in the fair value of policyholder liabilities attributable to a change in own credit spreads[1]	—	16	16
Effect of changes in the fair value of a market risk benefit attributable to a change in the instrument-specific credit risk	—	68	68
Effect of changes in the discount rates used to measure traditional and limited-payment long duration insurance contracts	—	1,099	1,099
Net effect on policyholder benefits	262	921	1,183
Other comprehensive (loss) income, before taxes	(253)	921	668
Income tax benefit (expense) related to other comprehensive (loss) income	49	(194)	(145)
Other comprehensive (loss) income	(204)	727	523
Comprehensive (loss) income	(225)	1,102	877

[1]Immaterial revision reclassifying $16 million of change in own credit spread on fair value liabilities from the consolidated statement of income to the consolidated statement of comprehensive income

Statement of cash flow for the year ended December 31, 2022	As previously reported	Revision	As revised
($ in millions)			
Net (loss) income	$ (21)	$ 375	$ 354
Adjustments due to MRB (gains) losses	—	(340)	(340)
Net amortization and depreciation	132	233	365
Deferred income tax (benefit) expense	(113)	100	(13)
Change in policyholder liabilities and accruals, net	(359)	(231)	(590)
Other	(26)	(137)	(163)

Troubled debt restructurings and vintage disclosures

In March 2022, the FASB issued new guidance regarding the modification of receivables, which affects their recognition and measurement. The guidance eliminates the concept of troubled debt restructurings and instead requires all modifications to be analyzed to determine whether they result in a new receivable or a continuation of an existing receivable. The guidance also makes related updates to the measurement of expected credit losses for receivables. The new guidance requires additional disclosures for receivable modifications involving borrowers experiencing financial difficulty as well as disclosure of loan charge-offs by origination year (vintage). For entities that have already adopted ASC 326 (addressing credit losses on financial instruments), the guidance was effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted this accounting standard effective January 1, 2023. Refer to Note 3 — "Investments – Loan modifications" for additional information.

Future application of accounting standards

Accounting for investments in tax credit structures

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

Improvements to income tax disclosures

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

3. Investments

Fixed maturity securities

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

As of December 31, 2023	Cost or amortized cost	Allowance for credit losses[2]	Gross unrealized gains	Gross unrealized losses	Fair value
($ in millions)					
AFS fixed maturity securities portfolio by type:					
U.S. government and agencies	$ 45	$ —	$ —	$ (3)	$ 42
U.S. state, municipal and political subdivisions	151	—	—	(24)	127
Corporate	2,077	—	—	(263)	1,814
RMBS	970	(13)	7	(59)	905
CMBS	776	(6)	—	(52)	718
CLOs	723	(2)	5	(8)	718
CBOs	100	—	—	(2)	98
All other structured securities[1]	298	(1)	2	(11)	288
Total AFS fixed maturity securities	**$ 5,140**	**$ (22)**	**$ 14**	**$ (422)**	**$ 4,710**

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

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

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

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

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

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

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

As of December 31, 2023	Cost or amortized cost (net of allowance)	Fair value
($ in millions)		
Due in one year or less	$ 262	$ 258
Due after one year through five years	973	912
Due after five years through ten years	297	260
Due after ten years	740	553
Subtotal[(1)]	**2,273**	**1,984**
RMBS	957	905
CMBS	770	718
CLOs	721	717
CBOs	100	98
All other structured securities	297	288
Total AFS fixed maturity securities	**$ 5,118**	**$ 4,710**

Purchased credit deteriorated fixed maturity securities

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

	December 31, 2023	December 31, 2022
($ in millions)		
Purchase price of PCD securities acquired during the current period	$ 49	$ 18
Allowance for credit losses at acquisition	3	—
Discount (premium) attributable to other factors	11	1
Par value	**$ 63**	**$ 19**

Securities in a continuous unrealized loss position

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

As of December 31, 2023	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
($ in millions)						
AFS fixed maturity securities portfolio by type:						
U.S. government and agencies	$ —	$ —	$ 41	$ (3)	$ 41	$ (3)
U.S. state, municipal and political subdivisions	2	—	102	(24)	104	(24)
Corporate	90	—	1,661	(263)	1,751	(263)
RMBS	161	(7)	334	(52)	495	(59)
CMBS	49	(1)	636	(51)	685	(52)
CLOs	61	—	285	(8)	346	(8)
CBOs	—	—	72	(2)	72	(2)
All other structured securities	50	(3)	82	(8)	132	(11)
Total AFS fixed maturity securities in a continuous loss position	**$ 413**	**$ (11)**	**$ 3,213**	**$ (411)**	**$ 3,626**	**$ (422)**

As of December 31, 2022	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
($ in millions)						
AFS fixed maturity securities portfolio by type:						
U.S. government and agencies	$ —	$ —	$ 40	$ (5)	$ 40	$ (5)
U.S. state, municipal and political subdivisions	$ 46	$ (10)	$ 54	$ (20)	$ 100	$ (30)
Corporate	285	(38)	1,551	(310)	1,836	(348)
RMBS	190	(27)	193	(38)	383	(65)
CMBS	538	(46)	136	(26)	674	(72)
CLOs	344	(21)	86	(8)	430	(29)
CBOs	62	(5)	14	—	76	(5)
All other structured securities	51	(2)	64	(8)	115	(10)
Total AFS fixed maturity securities in a continuous loss position	**$ 1,516**	**$ (149)**	**$ 2,138**	**$ (415)**	**$ 3,654**	**$ (564)**

Unrealized gains and losses can be created by changing interest rates or several other factors, including changing credit spreads. The Company had gross unrealized losses on below investment grade AFS fixed maturity securities of $47 million and $64 million as of December 31, 2023 and 2022, respectively. The single largest unrealized loss on AFS fixed maturity securities was $7 million and $8 million as of December 31, 2023 and 2022, respectively. The Company had 665 and 646 securities in an unrealized loss position as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, AFS fixed maturity securities in an unrealized loss position for over 12 months consisted of 529 and 385 debt securities, respectively. These debt securities primarily relate to Corporate, RMBS, and CMBS fixed maturity securities, fixed maturity securities, which have depressed values due primarily to an increase in interest rates since the purchase of these securities. Unrealized losses were not recognized in earnings on these debt securities since the Company neither

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

Allowance for credit losses on fixed maturity securities

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

	Year ended December 31, 2023			Year ended December 31, 2022		
	Corporate	Structured	Total	Corporate	Structured	Total
($ in millions)						
Balance, as of beginning of period[1]	**$ —**	**$ (12)**	**$ (12)**	**$ —**	**$ (6)**	**$ (6)**
Initial impairments for credit losses recognized on securities not previously impaired	—	—	—	—	(5)	(5)
Initial credit loss allowance recognized on PCD securities	—	(3)	(3)	—	—	—
Net additions / reductions for securities previously impaired	—	(7)	(7)	—	(1)	(1)
Balance, as of end of period	**$ —**	**$ (22)**	**$ (22)**	**$ —**	**$ (12)**	**$ (12)**

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

Mortgage and other loan receivables

Mortgage and other loan receivables consist of the following:

	As of December 31,	
	2023	2022
($ in millions)		
Commercial mortgage loans	$ 773	$ 689
Residential mortgage loans	137	12
Other loan receivables[1]	25	25
Total mortgage and other loan receivables	**$ 935**	**$ 726**
Allowance for loan losses	(9)	(6)
Total mortgage and other loan receivables, net of allowance for loan losses	**$ 926**	**$ 720**

(1) As of December 31, 2023 and 2022, other loan receivables consisted of middle market loans of $25 million and $25 million.

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

Years	Residential	Commercial	Total mortgage loans
($ in millions)			
2024	1	115	116
2025	—	191	191
2026	—	310	310
2027	—	125	125
2028	—	17	17
2029 and thereafter	136	15	151
Total	**$ 137**	**$ 773**	**$ 910**

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

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

Mortgage loans - carrying value by geographic region	As of December 31,			
	2023		2022	
($ in millions)				
Pacific	$ 205	23 %	$ 132	19 %
West South Central	62	7 %	29	4 %
South Atlantic	290	32 %	230	33 %
Middle Atlantic	98	11 %	78	11 %
East North Central	3	— %	—	— %
Mountain	153	17 %	140	20 %
New England	95	10 %	92	13 %
East South Central	3	— %	—	— %
West North Central	1	— %	—	— %
Total by geographic region	**$ 910**	**100 %**	**$ 701**	**100 %**

Mortgage loans - carrying value by property type	As of December 31,			
	2023		2022	
($ in millions)				
Residential	$ 137	15 %	$ 12	2 %
Office building	179	20 %	177	25 %
Apartment	489	54 %	444	63 %
Industrial	82	9 %	42	6 %
Other property types	$ 23	2 %	$ 26	4 %
Total by property type	**$ 910**	**100 %**	**$ 701**	**100 %**

Loan modifications

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

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

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

Year ended December 31, 2023 by loan type	Deferral of Amounts Due	Interest Rate Relief	Maturity Extension	Combination[1]	Total	Percentage of total carrying value outstanding
($ in millions)						
Commercial mortgage loans	$ —	$ —	$ —	$ 23	$ 23	3 %
Total[2]	**$ —**	**$ —**	**$ —**	**$ 23**	**$ 23**	

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

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

All of the commercial mortgage loans that had a combination of modifications had both interest rate relief and maturity extensions. For these loans, the interest rate relief generally involved either a change from a floating rate or a decrease in fixed rate to a weighted average rate of 1.0%. The maturity extensions for these loans added a weighted-average of 4.7 years to the life of the loans. In addition, one of the commercial mortgage loans that had a combination of modifications had forgiveness of a portion of the principal due. The Company has no commitments to lend additional funds for the modified commercial mortgage loans disclosed above.

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

Performance status as of December 31, 2023 by loan type	Current	30-59 days past due	60-89 days past due	90 days or more past due or in process of foreclosure	Total
($ in millions)					
Commercial mortgage loans	$ 23	$ —	$ —	$ —	$ 23
Total	**$ 23**	**$ —**	**$ —**	**$ —**	**$ 23**

Allowance for credit losses on mortgage and other loan receivables

Changes in the allowance for credit losses on mortgage and other loan receivables are summarized below:

	Year ended December 31, 2023			
($ in millions)	Commercial mortgage loans	Residential mortgage loans	Consumer and other loan receivables	Total
Balance, at beginning of period	$ 6	$ —	$ —	$ 6
Initial allowance	—	—	—	—
Net provision (release)	7	—	—	7
Loans purchased with credit deterioration	—	—	—	—
Charge-offs	(4)	—	—	(4)
Recoveries of amounts previously charged-off	—	—	—	—
Balance, as of end of period	$ 9	$ —	$ —	$ 9

	Year ended December 31, 2022			
($ in millions)	Commercial mortgage loans	Residential mortgage loans	Consumer and other loan receivables	Total
Balance, at beginning of period	$ —	$ —	$ —	$ —
Initial allowance	—	—	—	—
Net provision (release)	6	—	—	6
Loans purchased with credit deterioration	—	—	—	—
Charge-offs	—	—	—	—
Recoveries of amounts previously charged-off	—	—	—	—
Balance, as of end of period	$ 6	$ —	$ —	$ 6

Credit quality indicators

Mortgage and loan receivable performance status

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

	As of December 31, 2023							
Performance status	2023	2022	2021	2020	2019	2018	Prior	Total
($ in millions)								
Commercial mortgage loans								
Current	$ 122	$ 289	$ 325	$ —	$ 23	$ —	$ —	$ 759
30 to 59 days past due	—	—	14	—	—	—	—	14
60 to 89 days past due	—	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—	—
Total commercial mortgage loans	**$ 122**	**$ 289**	**$ 339**	**$ —**	**$ 23**	**$ —**	**$ —**	**$ 773**
Residential mortgage loans								
Current	$ 121	$ 7	$ 7	$ —	$ —	$ —	$ —	$ 135
30 to 59 days past due	2	—	—	—	—	—	—	2
60 to 89 days past due	—	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—	—
Total residential mortgage loans	**$ 123**	**$ 7**	**$ 7**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 137**

As of December 31, 2023 and 2022 the Company had no mortgage loans that were 90 days or more past due or in the process of foreclosure. The Company ceases accrual of interest on loans that are more than 90 days past due, and recognizes income as cash is received. As of December 31, 2023 and 2022, the Company had no mortgage loans that were non-income producing.

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

Loan-to-value ratio on mortgage loans

The loan-to-value ratio is expressed as a percentage of the current amount of the loan relative to the value of the underlying collateral. The following table summarizes the Company's loan-to-value ratios for its commercial mortgage loans as of December 31, 2023 and 2022:

	December 31, 2023		December 31, 2022	
Loan-to-value	**Carrying value**	**Percentage of commercial mortgage loans**	**Carrying value**	**Percentage of commercial mortgage loans**
($ in millions, except percentages)				
70% and less	$ 691	89 %	$ 605	88 %
71% - 90%	82	11 %	84	12 %
Total commercial mortgage loans	**$ 773**	**100 %**	**$ 689**	**100 %**

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

Notes to the financial statements

The weighted average loan-to-value ratio for the Company's residential mortgage loans was 68% and 82% as of December 31, 2023 and 2022 , respectively.

Other investments

Other investments consist of the following:

	As of December 31,	
	2023	2022
($ in millions)		
Investments in renewable energy	$ 72	$ 59
Other investment partnerships	17	148
Other investments	20	2
Policy loans	1	1
Total other investments	**$ 110**	**$ 210**

The total amount of other investments accounted for using the equity method of accounting was $62 million and $80 million as of December 31, 2023 and 2022, respectively. The Company's maximum exposure to loss related to these equity method investments is limited to the carrying value of these investments plus unfunded commitments of $1 million and $2 million as of December 31, 2023 and 2022, respectively.

In addition, the Company has investments that would otherwise require the equity method of accounting for which the fair value option has been elected. The carrying amount of these investments was $33 million and $129 million as of December 31, 2023 and 2022, respectively.

Other

The value of the intercompany loan to Global Atlantic (Fin) Company was $575 million and $575 million as of December 31, 2023 and 2022, respectively. The intercompany loan is included in other assets in the balance sheet.

Net investment income

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

Notes to the financial statements

The components of net investment income were as follows:

($ in millions)	Year Ended December 31, 2023	Year Ended December 31, 2022
Fixed maturity securities - interest and other income	$ 235	$ 124
Mortgage and other loan receivables	46	24
Income from funds withheld at interest	1,402	1,026
GIC Interest Income	115	63
Investments in renewable energy	3	(62)
Short-term and other investment income	19	12
Gross investment income	**$ 1,820**	**$ 1,187**
Less: investment expenses	38	16
Net investment income	**$ 1,782**	**$ 1,171**

Net investment losses

Net investment losses were as follows:

($ in millions)	Year Ended December 31, 2023	Year Ended December 31, 2022
AFS fixed maturity securities	$ (1)	$ (6)
Allowance losses for AFS fixed maturity securities	(8)	(6)
Derivative losses	(1,531)	(662)
Funds withheld at interest	(56)	(50)
Other investments	(82)	85
Allowance for credit losses	(8)	(6)
Other realized gains (losses)	35	—
Net realized investment losses	**$ (1,651)**	**$ (645)**

Proceeds and gross gains and losses from voluntary sales

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

($ in millions)	Year Ended December 31, 2023	Year Ended December 31, 2022
AFS fixed maturity securities:		
Proceeds from voluntary sales	$ 353	$ 82
Gross gains	1	—
Gross losses	(1)	(6)

4. Derivative instruments

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

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

Credit Risk

The Company may be exposed to credit-related losses in the event of nonperformance by its counterparties to derivatives. Generally, the current credit exposure of the Company's derivatives is limited to the positive fair value of derivatives less any collateral received from the counterparty.

The Company manages the credit risk on its derivatives by entering into derivative transactions with highly rated financial institutions and other creditworthy counterparties and, where feasible, by trading through central clearing counterparties. The Company further manages its credit risk on derivatives via the use of master netting agreements, which require the daily posting of collateral by the party in a liability position. Counterparty credit exposure and collateral values are monitored regularly and measured against counterparty exposure limits. The provisions of derivative transactions may allow for the termination and settlement of a transaction if there is a downgrade to the Company's financial strength ratings below a specified level.

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

As of December 31, 2023	Notional value	Derivative assets	Derivative liabilities
($ in millions)			
Derivative contracts			
Total return swaps	$ —	$ —	$ 54
Embedded derivative – funds withheld at interest		(810)	386
Embedded derivative - annuity products		—	1,786
Total derivatives and embedded derivatives		**$ (810)**	**$ 2,226**

As of December 31, 2022	Notional value	Derivative assets	Derivative liabilities
($ in millions)			
Derivative contracts			
Total return swaps	$ 14,671	$ 1,478	$ —
Embedded derivative – funds withheld at interest		(1,735)	(131)
Embedded derivative - annuity products		—	660
Total derivatives and embedded derivatives		**$ (257)**	**$ 529**

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

Derivative contracts not designated as hedges ($ in millions)	Year Ended December 31, 2023	Year Ended December 31, 2022
Total return swaps	$ (1,731)	$ 1,896
Embedded derivatives	200	(2,559)
Total included in net other investment gains (losses)	**$ (1,531)**	**$ (663)**

5. Fair value disclosure of financial instruments

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

U.S. GAAP establishes a three-level valuation hierarchy based upon observable and non-observable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. The fair value hierarchy prioritizes inputs to the valuation techniques used to measure fair value, giving the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. A financial instrument's level in the fair value hierarchy is based on the lowest level of any input that is significant to fair value measurement of the financial instrument. The three levels of the fair value hierarchy are described below:

Basis of fair value measurement

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

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

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

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

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

As of December 31, 2023 ($ in millions)	Level 1	Level 2	Level 3	Total
Assets:				
AFS fixed maturity securities:				
U.S. government and agencies	$ 42	$ —	$ —	$ 42
U.S. state, municipal and political subdivisions	—	127	—	127
Corporate	—	1,788	26	1,814
Structured securities	—	2,560	167	2,727
Total AFS fixed maturity securities	**42**	**4,475**	**193**	**4,710**
Derivative asset - total return swaps	—	—	—	—
Reinsurance Recoverable	—	—	97	97
Embedded derivative - Funds withheld	—	—	(810)	(810)
Other investments	—	—	54	54
Total assets at fair value	**$ 42**	**$ 4,475**	**$ (466)**	**$ 4,051**
Liabilities:				
Policy liabilities (including market risk benefits)	—	—	902	902
Embedded derivative - Funds withheld	—	—	386	386
Derivative liabilities - total return swaps	—	—	—	—
Embedded derivative – annuity products	—	—	1,786	1,786
Total liabilities at fair value	**$ —**	**$ —**	**$ 3,074**	**$ 3,074**

As of December 31, 2022 ($ in millions)	Level 1	Level 2	Level 3	Total
Assets:				
AFS fixed maturity securities:				
U.S. government and agency securities	$ 40	$ —	$ —	$ 40
U.S. state, municipal and political subdivisions	—	105	—	105
Corporate	—	1,951	27	1,978
Structured securities	—	1,611	114	1,725
Total AFS fixed maturity securities	**40**	**3,667**	**141**	**3,848**
Derivative asset - total return swaps	—	—	1,478	1,478
Embedded derivative - funds withheld	—	229	(1,964)	(1,735)
Other investments	—	—	148	148
Total assets at fair value	**$ 40**	**$ 3,896**	**$ (197)**	**$ 3,739**
Liabilities:				
Policy liabilities (including market risk benefits)	—	—	711	711
Embedded derivative - funds withheld	—	—	(131)	(131)
Derivative liabilities - total return swaps	—	—	—	—
Embedded derivative – annuity products	—	—	660	660
Total liabilities at fair value	**$ —**	**$ —**	**$ 1,240**	**$ 1,240**

Fair value techniques and inputs

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

Investments

Investments in U.S. Treasury, government and agency securities, foreign government securities, short-term money market securities and mutual funds held in separate accounts are valued using quoted market prices for identical unrestricted instruments in active markets. Investments such as fixed maturity

securities for which quoted market prices from active markets are not available are priced using observable inputs, which can be verified to quoted prices, recent trading activity for identical or similar instruments, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations and the relationship of recent market activity to the prices provided from alternative pricing sources. Other investments having one or more significant valuation inputs that are not observable are initially valued at transaction price, which is considered to be the best initial estimate of fair value. Subsequently, the Company uses other methodologies to determine fair value, which vary based on the type of investment.

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

Derivative instruments

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

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

. The valuation of other derivative instruments including credit derivatives and equity market derivatives have significant unobservable inputs, such as equity volatility inputs for options that are very long dated, and are principally valued using an income approach.

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

Funds withheld at interest, reinsurance assets and policy liabilities

The funds withheld receivable at interest carried at fair value is primarily valued based on the fair value of the underlying investments, which have quoted prices or other observable inputs to pricing. A portion of the funds withheld receivable at interest carried at fair value represents embedded derivatives and is valued using present value techniques that consider inputs including contractholder persistency and contract duration. Reinsurance recoverables carried at fair value are valued using present value techniques that consider inputs including mortality and surrender rates for the associated policies.

Policy liabilities carried at fair value are valued using present value techniques that discount estimated liability cash flows at a rate that reflects the riskiness of those cash flows and also consider policyholder behavior (lapse rates, surrender rates and mortality). Market risk benefits liability is valued at fair value using a non-option and option valuation approach based on current net amounts at risk, market data, Company experience, and other factors. The funds withheld payable at interest carried at fair value represents embedded derivatives and is valued based on the change in the fair value of the assets

supporting the payable. Other embedded derivative liabilities are related to our fixed-indexed annuity and variable annuity products, which contain equity-indexed features. We calculate the embedded derivative liabilities as the present value of future projected benefits in excess of the projected guaranteed benefits, using an option budget as the indexed account value growth rate and considering an adjustment to reflect the risk of nonperformance on our obligation and inputs such as projected withdrawal and surrender activity, and mortality. We calculate instrument-specific risk using a blend of observable peer holding company credit spreads, adjusted to reflect the claims paying ability of our insurance entities, as well as an adjustment to reflect the priority of policy claims. See details in the table below.

Fair value of assets and liabilities

Significant unobservable inputs

The tables below present the ranges of significant unobservable inputs used to value the Company's Level 3 financial assets and liabilities, and includes only those items for which information is reasonably available, such as data from internal determinations of fair value. These ranges represent the significant unobservable inputs that were used in the valuation of each type of financial asset and liability. Weighted averages in the tables below are calculated by weighting each input by the relative fair value of the respective financial instruments. The ranges and weighted averages of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one financial asset or liability. Accordingly, the ranges of inputs presented below do not represent uncertainty in, or possible ranges of, fair value measurements of the Company's Level 3 financial assets and liabilities as of December 31, 2023 and 2022:

	As of December 31, 2023			
Level 3 assets [1]	Level 3 assets ($ in millions)	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (weighted average, or "WA")	Impact of an increase in the input on fair value
Corporate	$26	Discounted cash flows - discount spread	2.82% to 3.25% (WA 2.97%)	Decrease
Other investments	$54	Discounted cash flows - discount rate	15.00% to 15.00% (WA 15.00%)	Decrease
		Next Calendar Year +1 Revenue Multiple	10.0x to 11.0x (WA 10.5x)	Increase
		Weight Ascribed to Market Comparables	0.00% to 100.00% (WA 30.00%)	(2)
		Weight Ascribed to Discounted Cash Flow	0.00% to 100.00% (WA 70.00%)	(3)

Notes to the financial statements

	As of December 31, 2023			
Level 3 assets (1)	Level 3 assets ($ in millions)	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (weighted average, or "WA")	Impact of an increase in the input on fair value
Reinsurance Recoverable	97	Policyholder behavior is a significant unobservable input, including utilization and lapse.	Utilization: Fixed-indexed annuity WA 3.06%; Variable annuity: 0.00% to 0.00%; WA of 0.00%	Decrease
			Surrender rate:Fixed-indexed annuity WA 13.30%; Institutional FIA WA 13.62%; Variable annuity: 0.00% to 0.00%	Decrease
			Mortality rate: Fixed-indexed annuity WA 2.51%; Institutional FIA WA 1.74%; Variable annuity: 0.00% to 0.00%	Decrease
		Future costs for options used to hedge the contract obligations	Option budget assumption: Fixed-indexed annuity WA 2.60%; Institutional FIA WA 3.51%; Variable annuity: n/a	Increase

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

(2) The directional change from an increase in the weight ascribed to the market comparables approach would increase the fair value of the Level III investments if the market comparables approach results in a higher valuation than the other valuation approaches. The opposite would be true if the market comparables approach results in a lower valuation than the other valuation approaches.

(3) The directional change from an increase in the weight ascribed to the discounted cash flow approach would increase the fair value of the Level III investments if the discounted cash flow approach results in a higher valuation than the other valuation approaches. The opposite would be true if the discounted cash flow approach results in a lower valuation than the other valuation approaches

	As of December 31, 2022			
Level 3 assets	Level 3 assets ($ in millions)	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (WA)	Impact of an increase in the input on fair value
Corporate	$23	Discounted cash flows - discount spread	3.08% to 3.78% (WA 3.31%)	Decrease
Derivative asset-total return swaps	$1,478	Discounted cash flows - discount spread	0.00% - 14.86%; WA 3.4%	Decrease
		Discounted cash flows - constant prepayment rate	25.00% - 25.00%; WA 25.%	Increase/ Decrease
		Discounted cash flows - constant default rate	3.10% - 3.10%; WA 3.1%	Decrease
		Discounted cash flows - loss severity	46.17% for first lien, 90.33% for second lien	Decrease

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

Notes to the financial statements

	As of December 31, 2023			
Level 3 liabilities [(1)]	**Level 3 liabilities ($ in millions)**	**Valuation techniques and significant unobservable inputs**	**Range of significant unobservable inputs (WA)**	**Impact of an increase in the input on fair value**
Policyholder liabilities	$902	*Policy liabilities under fair value option:*		
		Present value of best estimate liability cash flows. Unobservable inputs include a market participant view of the risk margin included in the discount rate which reflects the variability of the cash flows.	Risk margin rate is 0.65% to 1.02% (WA 0.84%)	Decrease
		Policyholder behavior is also a significant unobservable input, including surrender and mortality.	Surrender rate is 3.37% to 7.37% (WA 6.16%)	Decrease
			Mortality rate is 3.48% to 9.02% (WA 4.72%)	Increase
		Market risk benefit:		
		Interest rates (10 and 30 year Treasury)	3.9% / 4.0%	Decrease
		10 and 30 year Instrument-specific credit risk	0.7% / 0.9%	Decrease
		Policyholder behavior is also a significant unobservable input, including lapse, surrender, and mortality.	Mortality rate: 0.7% - 29.5% (WA 2.4%)	Increase
			Lapse rate: 0.1% - 45.4% (WA 3.8%)	Increase
Embedded derivative - annuity products	1,786	Policyholder behavior is a significant unobservable input, including utilization and lapse.	Utilization: Fixed-indexed annuity WA 3.06%; Variable annuity: 0.00% to 0.00%; WA of 0.00%	Decrease
			Surrender rate:Fixed-indexed annuity WA 13.30%; Institutional FIA WA 13.62%; Variable annuity: 0.00% to 0.00%	Decrease
			Mortality rate: Fixed-indexed annuity WA 2.51%; Institutional FIA WA 1.74%; Variable annuity: 0.00% to 0.00%	Decrease
		Future costs for options used to hedge the contract obligations	Option budget assumption: Fixed-indexed annuity WA 2.60%; Institutional FIA WA 3.51%; Variable annuity: n/a	Increase

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

As of December 31, 2022				
Level 3 liabilities	Level 3 liabilities ($ in millions)	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (WA)	Impact of an increase in the input on fair value
Policyholder liabilities	$711	Present value of best estimate liability cash flows. Unobservable inputs include a market participant view of the risk margin included in the discount rate which reflects the variability of the cash flows.	Risk margin rate is 0.65% to 1.02% (WA 0.84%)	Decrease
		Policyholder behavior is also a significant unobservable input, including surrender and mortality.	Surrender rate is 3.37% to 7.37% (WA 6.16%)	Decrease
			Mortality rate is 3.48% to 9.02% (WA 4.72%)	Increase
		Market risk benefit:		
		Interest rates (10 and 30 year Treasury)	3.9% / 4.0%	Decrease
		10 and 30 year Instrument-specific credit risk	1.3% / 1.6%	Decrease
		Policyholder behavior is also a significant unobservable input,	Mortality rate: 0.6% - 21.2% (WA 2.1%)	Increase
			Lapse rate: 0.6% - 39.7% (WA 3.1%)	Increase
Embedded derivative – annuity products	$660	Policyholder behavior is a significant unobservable input, including utilization and lapse.	Utilization: Fixed-indexed annuity WA 3.49%; Variable annuity: 2.50% to 32.84%; WA of 4.28%	Decrease
			Surrender rate:Fixed-indexed annuity WA 10.81%; Institutional FIA WA 28.2%; Variable annuity: 3.45% to 41.68%	Decrease
			Mortality rate: Fixed-indexed annuity WA 2.12%; Institutional FIA WA 2.18%; Variable annuity: 1.46% to 7.55%	Decrease
		Future costs for options used to hedge the contract obligations	Option budget assumption: Fixed-indexed annuity WA 1.99%; Institutional FIA WA 1.92%; Variable annuity: n/a	Increase

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

Transfers between levels

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

The tables below set forth a summary of changes in the fair value of the Company's Level 3 assets and liabilities for years ended December 31, 2023 and 2022. The tables reflect gains and losses for the full year for all assets and liabilities categorized as Level 3 for years ended December 31, 2023 and 2022:

Year ended December 31, 2023								
		Net realized and unrealized gains / losses included in					Total unrealized gains / losses included in	
	Beginning Balance	Income	OCI	Net settlements / purchases	Transfers into / (out) of Level 3	Ending balance	Income[(1)]	OCI[(1)]
($ in millions)								
Assets:								
Corporate fixed maturity securities	27	—	—	(1)		26	—	—
Structured securities	115	—	5	(3)	50	167	—	6
Other investments	128	—	(82)	—	8	54	—	—
Derivative asset - total return swap	1,478	(1,478)	—	—	—	—	—	—
Reinsurance recoverable	—	97	—	—	—	97	—	—
Embedded derivative - funds withheld	(1,735)	925	—	—	—	(810)	—	—
Total assets	**$ 13**	**$ (456)**	**$ (77)**	**$ (4)**	**$ 58**	**$ (466)**	**$ —**	**$ 6**
Liabilities:								
Policyholder liabilities	711	79	114	(2)	—	902	—	—
Embedded derivative - funds withheld	(99)	485	—	—	—	386	—	—
Embedded derivative – annuity products	660	342	—	784	—	1,786	—	—
Total liabilities	**$ 1,272**	**$ 906**	**$ 114**	**$ 782**	**$ —**	**$ 3,074**	**$ —**	**$ —**

(1) As related to financial instruments still held as of the end of the period.

Year ended December 31, 2022						
		Net realized and unrealized gains / losses included in				
($ in millions)	Beginning Balance	Income	OCI	Net settlements/ purchases	Transfers into / (out) of Level 3	Ending balance
Assets:						
Corporate fixed maturity securities	44	—	(5)	(12)	—	27
Structured securities	84	—	(11)	42	—	115
Other investments	34	(1)	86	9	—	128
Derivative asset - total return swap	—	1,478	—	—	—	1,478
Embedded derivative - funds withheld	851	(2,586)	—	—	—	(1,735)
Total assets	**$ 1,013**	**$ (1,109)**	**$ 70**	**$ 39**	**$ —**	**$ 13**
Liabilities:						
Policyholder liabilities	1,231	(463)	(67)	10	—	711
Derivative liabilities - total return swap	555	(555)	—	—	—	—
Embedded derivative - funds withheld	11	(142)	—	—	—	(131)
Embedded derivative – annuity products	711	(274)	—	223	—	660
Total liabilities	**$ 2,508**	**$ (1,434)**	**$ (67)**	**$ 233**	**$ —**	**$ 1,240**

Year ended December 31, 2023	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
($ in millions)					
Assets:					
Corporate fixed maturity securities	$ 1	$ —	$ —	$ (2)	$ (1)
Structured securities	—	—	—	(3)	(3)
Other invested assets	—	—	—	—	—
Total assets	**$ 1**	**$ —**	**$ —**	**$ (5)**	**$ (4)**
Liabilities:					
Policyholder liabilities	$ —	$ 1	$ —	$ (3)	$ (2)
Embedded derivative – annuity products	—	843	—	(59)	784
Total liabilities	**$ —**	**$ 844**	**$ —**	**$ (62)**	**$ 782**

Year ended December 31, 2022	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
($ in millions)					
Assets:					
Corporate fixed maturity securities	$ 13	$ —	$ —	$ (25)	$ (12)
Structured securities	—	—	—	42	42
Other invested assets	9	—	—	—	9
Total assets	**$ 22**	**$ —**	**$ —**	**$ 17**	**$ 39**
Liabilities:					
Policyholder liabilities	—	13	—	(3)	10
Embedded derivative – annuity products	—	230	—	(7)	223
Total liabilities	**$ —**	**$ 243**	**$ —**	**$ (10)**	**$ 233**

6. Insurance intangibles

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

($ in millions)	December 31, 2023	December 31, 2022
Value of business acquired	514	533
Cost-of-reinsurance intangibles	2,424	505
Total insurance intangibles	**$ 2,938**	**$ 1,038**

Value of business acquired

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

	For the year ended December 31, 2023					
($ in millions)	Fixed rate annuities	Fixed indexed annuities	Variable annuities	Interest sensitive life	Other	Total
Balance, as of the beginning of the period	**$ —**	**$ 298**	**$ 183**	**$ 28**	**$ 24**	**$ 533**
Amortization expense	—	(20)	5	(2)	(2)	(19)
Balance, as of the end of the period	**$ —**	**$ 278**	**$ 188**	**$ 26**	**$ 22**	**$ 514**

	For the year ended December 31, 2022					
($ in millions)	Fixed rate annuities	Fixed indexed annuities	Variable annuities	Interest sensitive life	Other	Total
Balance, as of the beginning of the period	**$ —**	**$ 320**	**$ 204**	**$ 30**	**$ 26**	**$ 580**
Amortization expense	—	(22)	(21)	(2)	(2)	(47)
Balance, as of the end of the period	**$ —**	**$ 298**	**$ 183**	**$ 28**	**$ 24**	**$ 533**

The following tables reflect the negative value of business acquired, or "negative VOBA" liability roll-forward by product category for the year ended December 31, 2023 and 2022:

($ in millions)	For the year ended December 31, 2023					
	Fixed rate annuities	Fixed indexed annuities	Variable annuities	Interest sensitive life	Other	Total
Balance, as of the beginning of the period	**$ 74**	**$ 94**	**$ 100**	**$ 56**	**$ 61**	**$ 385**
Amortization expense	(25)	(27)	(8)	(7)	(6)	(73)
Balance, as of the end of the period	**$ 49**	**$ 67**	**$ 92**	**$ 49**	**$ 55**	**$ 312**

($ in millions)	For the year ended December 31, 2022					
	Fixed rate annuities	Fixed indexed annuities	Variable annuities	Interest sensitive life	Other	Total
Balance, as of the beginning of the period	**$ 132**	**$ 150**	**$ 110**	**$ 63**	**$ 72**	**$ 527**
Amortization expense	(58)	(56)	(10)	(7)	(11)	(142)
Balance, as of the end of the period	**$ 74**	**$ 94**	**$ 100**	**$ 56**	**$ 61**	**$ 385**

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

Years	VOBA	Negative VOBA	Total, net
($ in millions)			
2024	38	(54)	(16)
2025	36	(43)	(7)
2026	34	(32)	2
2027	31	(24)	7
2028	30	(20)	10
2029 and thereafter	345	(139)	206
Total	**514**	**(312)**	**202**

7. Policy liabilities

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

($ in millions)	December 31, 2023	December 31 2022
Policyholders' account balances	$ 49,817	$ 39,460
Liability for future policy benefits	8,283	5,941
Additional liability for annuitization, death, or other insurance benefits	1,897	128
Market risk benefit liability	548	316
Other policy-related liabilities[1]	4,315	1,628
Total policyholder liabilities	**$ 64,860**	**$ 47,473**

(1) Other policy-related liabilities as of December 31, 2023 and 2022 primarily consists of negative VOBA ($312 million and $385 million, respectively,) policy liabilities accounted under a fair value option ($354 million and $395 million, respectively,) embedded derivatives associated with contractholder deposit funds ($1,786 million and $660 million, respectively,) cost of reinsurance liabilities ($1,809 million and $133 million, respectively.) and outstanding claims ($21 million and $21 million, respectively).

Policyholders' account balances

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

	Year Ended December 31, 2023				
($ in millions)	Fixed rate annuities	Fixed indexed annuities	Interest sensitive life	Other[1]	Total
Balance as of the beginning of the period	**$ 18,901**	**$ 11,375**	**$ 2,426**	**$ 6,758**	**$ 39,460**
Issuances and premiums received	7,376	4,311	4,725	443	16,855
Benefit payments, surrenders, and withdrawals	(4,422)	(1,802)	(163)	(1,095)	(7,482)
Interest[2]	503	292	101	207	1,103
Other activity[3]	(97)	(65)	(90)	133	(119)
Balance as of the end of the period	**22,261**	**14,111**	**6,999**	**6,446**	**49,817**
Less: reinsurance recoverable	(3,122)	(406)	(3,751)	(2,441)	(9,720)
Balance as of the end of the period, net of reinsurance recoverable	**$ 19,139**	**$ 13,705**	**$ 3,248**	**$ 4,005**	**$ 40,097**
Weighted average interest rate	3.09 %	2.48 %	3.72 %	2.80 %	2.90 %
Net amount at risk, gross of reinsurance[4]	—	—	51,700	530	52,230
Cash surrender value[5]	17,913	14,521	3,953	2,917	39,304

(1) "Other" consists of activity related to payout annuities (without life contingencies), preneed, variable annuities, and life products

(2) Interest includes interest credited to policyholders' account values, and interest accreted in other components of the policyholder account balance, including investment-type contract values, host amounts for contractholder deposits with embedded derivatives, and other associated reserves.

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

(4) Net amount at risk represents the difference between the face value of the insurance policy and the reserve accumulated under that same policy.

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

	Year Ended December 31, 2022				
($ in millions)	Fixed rate annuities	Fixed indexed annuities	Interest sensitive life	Other[1]	Total
Balance as of beginning of the period	**$ 18,989**	**$ 10,235**	**$ 2,466**	**$ 4,278**	**$ 35,968**
Issuances and premiums received	2,688	1,892	31	2,847	7,458
Benefit payments, surrenders, and withdrawals	(3,128)	(862)	(47)	(509)	(4,546)
Interest[2]	414	117	83	147	761
Other activity[3]	(62)	(7)	(107)	(5)	(181)
Balance as of end of the period	**$ 18,901**	**$ 11,375**	**$ 2,426**	**$ 6,758**	**$ 39,460**
Less: reinsurance recoverable	(465)	—	—	(2,489)	(2,954)
Balance as of the end of the period, net of reinsurance recoverable	**$ 18,436**	**$ 11,375**	**$ 2,426**	**$ 4,269**	**$ 36,506**
Weighted average interest rate	2.32 %	1.26 %	3.51 %	2.90 %	2.11 %
Net amount at risk, gross of reinsurance[4]	—	—	734	534	1,268
Cash surrender value[5]	17,185	11,515	2,202	2,975	33,878

(1) “Other” consists of activity related to payout annuities (without life contingencies), preneed, variable annuities, and life products

(2) Interest includes interest credited to policyholders’ account values, and interest accreted in other components of the policyholder account balance, including investment-type contract values, host amounts for contractholder deposits with embedded derivatives, and other associated reserves.

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

(4) Net amount at risk represents the difference between the face value of the insurance policy and the reserve accumulated under that same policy.

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

The following table presents the account values by range of guaranteed minimum crediting rates and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums. Account values, as disclosed below, differ from policyholder account balances as they exclude balances associated with index credits, contractholder deposit fund host balances, and other associated reserves. In addition, policyholder account balances include discounts and premiums on assumed business which are not reflected in account values.

	As of December 31, 2023					
	Account values with adjustable crediting rates subject to guaranteed minimums:					
Range of guaranteed minimum crediting rates:	At guaranteed minimum	1 - 49 bps above guaranteed minimum	50 - 99 bps above guaranteed minimum	100 - 150 bps above guaranteed minimum	Greater than 150 bps above guaranteed minimum	Total
	($ in millions, except for percentages)					
Less than 1.00%	$ 1,057	$ 11	$ 310	$ 1,006	$ 9,500	$ 11,884
1.00% - 1.99%	884	495	351	289	1,527	3,546
2.00% - 2.99%	696	26	9	20	58	809
3.00% - 4.00%	9,180	1,088	354	807	333	11,762
Greater than 4.00%	7,001	660	126	103	276	8,166
Total	**$ 18,818**	**$ 2,280**	**$ 1,150**	**$ 2,225**	**$ 11,694**	**$ 36,167**
Percentage of total	52 %	6 %	3 %	6 %	33 %	100 %

	As of December 31, 2022					
	Account values with adjustable crediting rates subject to guaranteed minimums:					
Range of guaranteed minimum crediting rates:	At guaranteed minimum	1 - 49 bps above guaranteed minimum	50 - 99 bps above guaranteed minimum	100 - 150 bps above guaranteed minimum	Greater than 150 bps above guaranteed minimum	Total
	($ in millions, except for percentages)					
Less than 1.00%	$ 1,330	$ 11	$ 387	$ 1,358	$ 6,462	$ 9,548
1.00% - 1.99%	1,250	550	356	357	361	2,874
2.00% - 2.99%	821	36	6	1	—	864
3.00% - 4.00%	9,201	384	77	335	1	9,998
Greater than 4.00%	3,384	407	58	5	—	3,854
Total	**$ 15,986**	**$ 1,388**	**$ 884**	**$ 2,056**	**$ 6,824**	**$ 27,138**
Percentage of total	59 %	5 %	3 %	8 %	25 %	100 %

Liability for future policy benefits

The following tables summarize the balances of, and changes in, the liability for future policy benefits for limited-payment contracts and Preneed life for the years ended December 31, 2023 and 2022:

	Year Ended	
	December 31, 2023	December 31, 2022
	Total	Total
($ in millions)		
Present value of expected future policy benefits		
Balance as of beginning of the period	**$ 5,941**	**$ 6,315**
Balance at original discount rate	**$ 7,176**	**$ 6,402**
Effect of changes in cash flow assumptions	—	—
Effect of actual variances from expected experience	—	(42)
Adjusted beginning of period balance	**7,176**	**6,360**
Issuances	2,539	1,304
Interest	205	127
Benefit payments	(733)	(615)
De-recognition (lapses and withdrawals)	—	—
Ending balance at original discount rate	**9,187**	**7,176**
Effect of changes in discount rate assumptions	(904)	(1,235)
Balance as of the end of the period	**8,283**	**5,941**
Net liability for future policy benefits	**8,283**	**5,941**
Less: reinsurance recoverable[1]	(2,611)	(869)
Net liability for future policy benefits, net of reinsurance recoverables	**$ 5,672**	**$ 5,072**

(1) Reinsurance recoverables associated with the liability for future policy benefits is net of the effect of changes in discount rate assumptions of $117 million and $(46) million for the years ended December 31, 2023 and 2022, respectively.

The following table summarizes the amount of gross premiums related to limited-payment contracts recognized in the consolidated statements of income for the years ended December 31, 2023 and 2022:

	Gross premiums	
	December 31, 2023	December 31, 2022
($ in millions)		
Payout annuities	$ 2,594	$ 1,320
Other	1	2
Total products	**$ 2,595**	**$ 1,322**

The following table reflects the weighted-average interest rate and weighted-average duration of the future policy benefit liability as of December 31, 2023 and 2022:

	Year ended	
($ in millions, except for policyholders information)	December 31, 2023	December 31, 2022
Weighted-average interest rates, original discount rate	3.31 %	2.86 %
Weighted-average interest rates, current discount rate	4.94 %	5.04 %
Weighted-average liability duration (years)	8	8

The following reflects the undiscounted ending balance of expected future benefits and payments for limited-payment contracts and Preneed life as of December 31, 2023 and 2022:

	Year ended	
($ in millions, except for policyholders information)	December 31, 2023	December 31, 2022
Expected future benefit payments, undiscounted	$ 13,220	$ 8,378
Expected future benefit payments, discounted (original discount rate)	9,187	7,176
Expected future benefit payments, discounted (current discount rate)	8,283	5,941

Significant inputs, judgments and assumptions used in measuring future policyholder benefits

Significant policyholder behavior and other assumption inputs to the calculation of the liability for future policy benefits include discount rates, mortality and, for life insurance, lapse rates. Global Atlantic reviews all assumptions at least annually, and more frequently if necessary. During the year ended December 31, 2023, cash flow assumptions were reviewed which resulted in a $0.4 million favorable impact to net income before taxes. During the year ended December 31, 2022, there were no changes made to the assumptions.

For the years ended December 31, 2023 and 2022, we recognized $(213) million and $1.1 billion, net of reinsurance, in other comprehensive income, respectively, due to changes in the future policy benefits estimate from updating discount rates. During the years ended December 31, 2023 and 2022, there were no changes to the methods used to determine the discount rates.

Additional liability for annuitization, death, or other insurance benefits

The following tables reflect the additional liability for annuitization, death, or other insurance benefits roll-forward for the years ended December 31, 2023 and 2022:

	Year ended	
	December 31, 2023	December 31, 2022
($ in millions except for policyholders information)		
Balance as of beginning of period	**$ 128**	**$ 99**
Effect of changes in cash flow assumptions	—	37
Effect of changes in experience	5	6
Adjusted balance as of beginning of period	**133**	**142**
Issuances	1,773	31
Assessments	—	(36)
Benefits paid	(20)	(13)
Interest	11	4
Balance as of end of period	**1,897**	**128**
Less: reinsurance recoverable, end of period	(1,434)	—
Balance, end of period, net of reinsurance recoverable	**463**	**128**

The following reflects the amount of gross assessments recognized for the additional liability for annuitization, death, or other insurance benefits in the consolidated Statements of Income for the years ended December 31, 2023 and 2022:

	Gross assessments	
	Year ended	
	December 31, 2023	December 31, 2022
($ in millions)		
Total amount recognized within revenue in the Consolidated Statements of Income	**$ 10**	**$ —**

The following reflects the weighted average duration and weighted average interest rate for the additional liability for annuitization, death, or other insurance benefits as of December 31, 2023 and 2022:

	As of	
	December 31, 2023	December 31, 2022
Weighted-average interest, current discount rate	4.00 %	N/A
Weighted-average liability duration (years)	29.6	N/A

Significant inputs, judgments and assumptions used in measuring the additional liabilities for annuitization, death, or other insurance benefits

Significant policyholder behavior assumption inputs to the calculation of the additional liability for annuitization, death, or other insurance benefits include mortality and lapse rates. Global Atlantic reviews all assumptions at least annually, and more frequently if necessary. During the year ended December 31, 2023, there were no changes made to the assumptions.During the year ended December 31, 2022,

assumptions for lapse rates and investment yields were updated, which resulted in a $37 million increase in the liability.

Market risk benefits

The following table presents the balances of, and changes in, market risk benefits, and the net amount at risk, and cash surrender value (all net of any applicable reinsurance):

	Year Ended					
	December 31, 2023			December 31, 2022		
($ in millions)	Fixed-indexed annuity	Variable- and other annuities	Total	Fixed-indexed annuity	Variable- and other annuities	Total
Balance as of the beginning of the period	**$ 246**	**$ 70**	**$ 316**	**$ 535**	**$ 177**	**$ 712**
Balance as of the beginning of the period, before impact of changes in instrument-specific credit risk	**$ 291**	**$ 89**	**$ 380**	**$ 531**	**$ 177**	**$ 708**
Issuances	1	—	1	—	13	13
Interest	17	5	22	6	3	9
Attributed fees collected	47	45	92	44	47	91
Benefit payments	(2)	(1)	(3)	(1)	(2)	(3)
Effect of changes in interest rates	(12)	7	(5)	(277)	(257)	(534)
Effect of changes in equity markets	(10)	(71)	(81)	29	131	160
Effect of actual experience different from assumptions	64	26	90	8	(9)	(1)
Effect of changes in other future expected assumptions	(42)	44	2	(49)	(14)	(63)
Balance as of the end of the period before impact of changes in instrument-specific credit risk	**354**	**144**	**498**	**291**	**89**	**380**
Effect of changes in instrument-specific credit risk	36	14	50	(45)	(19)	(64)
Balance as of the end of the period	**390**	**158**	**548**	**246**	**70**	**316**
Less: reinsurance recoverable as of the end of the period	—	—	—	—	—	—
Balance as of the end of the period, net of reinsurance	**$ 390**	**$ 158**	**$ 548**	**$ 246**	**$ 70**	**$ 316**
Net amount at risk	$ 1,927	$ 1,167	$ 3,094	$ 1,731	$ 1,031	$ 2,762
Weighted-average attained age of contract holders (years)	70	69	70	70	69	70

The following reflects the reconciliation of the market risk benefits reflected in the preceding table to the amounts reported in an asset and liability position, respectively, in the consolidated Balance Sheets as of December 31, 2023 and 2022:

	As of December 31, 2023			As of December 31, 2022		
	Asset	Liability	Net	Asset	Liability	Net
($ in millions)						
Fixed-indexed annuities	$ —	$ 390	$ (390)	$ —	$ 246	$ (246)
Variable- and other annuities	—	158	(158)	—	(70)	(70)
Total	**$ —**	**$ 548**	**$ (548)**	**$ —**	**$ 316**	**$ (316)**

Significant inputs, judgments, and assumptions used in measuring market risk benefits

Significant policyholder behavior and other assumption inputs to the calculation of the market risk benefits include interest rates, instrument-specific credit risk, mortality rates, surrender rates and utilization rates. Global Atlantic reviews all assumptions at least annually, and more frequently if evidence suggests. Accordingly, as part of the annual assumption review conducted during the year ended December 31, 2023, assumptions for fixed-indexed annuity surrender and partial withdrawals, and variable annuity surrender and activations were updated, which resulted in a $2 million unfavorable impact to net income before taxes. During the year ended December 31, 2022, assumptions for fixed-indexed annuity activations, surrender rates, option budgets, and variable and other annuity rider fees and termination rates were updated, which resulted in a $63 million favorable impact to net income before taxes.

8. Reinsurance

The Company maintains a number of reinsurance treaties with third parties whereby the Company assumes annuity and life policies on a coinsurance, modified coinsurance or funds withheld basis. The Company also maintains other reinsurance treaties including the cession of certain annuity, and life insurance.

Effective November 1, 2023, the Company entered into a reinsurance agreement with its affiliates Commonwealth Annuity and Life insurance Company and First Allmerica Financial Life Insurance Company, whereby it assumed universal life and fixed annuity reserves of $10.6 billion. Subsequently, the Company entered into retrocession agreements whereby $8.6 billion of reserves were retroceded to third parties.

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

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

	As of December 31,	
	2023	2022
($ in millions)		
Policy liabilities:		
Assumed	64,860	47,473
Total policy liabilities	**64,860**	**47,473**
Ceded[(1)]	(13,862)	(3,823)
Net policy liabilities	**$ 50,998**	**$ 43,650**

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

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

	As of December 31, 2023			As of December 31, 2022		
A.M. Best Rating[(1)]	Reinsurance recoverable and funds withheld receivable at interest[(2)]	Credit enhancements[(3)]	Net reinsurance credit exposure	Reinsurance recoverable and funds withheld receivable at interest[(2)]	Credit enhancements[(3)]	Net reinsurance credit exposure
($ in millions)						
A	486	—	486	585	—	585
A-	982	1,033	—	1,104	1,134	—
Not rated or private rating[(4)]	13,157	13,669	—	2,730	2,894	—
Total	**$ 14,625**	**$ 14,702**	**$ 486**	**$ 4,419**	**$ 4,028**	**$ 585**

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

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

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

(4) Includes 13.2 billion and 2.7 billion as of December 31, 2023 and 2022, respectively, associated with cessions to certain co-investment vehicles (the "sponsored reinsurance sidecar vehicles") that participate in qualifying reinsurance transactions sourced by the Company.

As of December 31, 2023 and 2022, the Company had $52.5 billion and $36.7 billion of funds withheld receivable at interest, respectively, with four counterparties related to modified coinsurance and funds withheld contracts. The assets supporting these receivables were primarily held in trusts.

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

	Year Ended	
	December 31, 2023	December 31, 2022
($ in millions)		
Premiums:		
Assumed	2,595	1,322
Ceded	(1,694)	(936)
Net premiums	**$ 901**	**$ 386**

	Year Ended	
	December 31, 2023	December 31, 2022
($ in millions)		
Policy fees:		
Assumed	408	325
Ceded	(85)	(11)
Net policy fees	**$ 323**	**$ 314**

	Year Ended	
	December 31, 2023	December 31, 2022
($ in millions)		
Policy benefits and claims:		
Assumed	4,204	1,688
Ceded	(1,951)	(992)
Net policy benefits and claims	**$ 2,253**	**$ 696**

As of December 31, 2023 and 2022, reinsurers held collateral of $62 million and $60 million, respectively, on behalf of the Company.

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

Other assets consist of the following:

($ in millions)	December 31, 2023		December 31, 2022	
Miscellaneous assets[1]	$	672	$	626
Deferred Income Tax asset		427		213
Current income tax recoverable		20		—
Total other assets	**$**	**1,119**	**$**	**839**

(1) Includes related party notes receivable of $575 million and $575 million as of December 31, 2023 and 2022 , respectively.

Accrued expenses and other liabilities of the following:

	As of December 31,			
($ in millions)	2023		2022	
Current income tax liability		—		40
Miscellaneous accrued expenses and other liabilities		76		19
Total accrued expenses and other liabilities	**$**	**76**	**$**	**59**

Other income consists of the following:

	Year Ended			
($ in millions)	December 31, 2023		December 31, 2022	
Miscellaneous income	$	10	$	11
Administrative, marketing and distribution fees		4		3
Reinsurance admin fee income		42		18
Total other income	**$**	**56**	**$**	**32**

Insurance expenses consist of the following:

	Year Ended			
($ in millions)	December 31, 2023		December 31, 2022	
Other insurance expenses	$	244	$	177
Commission expense		493		222
Premium taxes		5		6
Reinsurance expense allowance		3		3
Total insurance expenses	**$**	**745**	**$**	**408**

General and administrative expenses consist of the following:

($ in millions)	Year Ended December 31, 2023	Year Ended December 31, 2022
Employee-related expenses	$ 26	$ 22
Administrative and professional services	4	2
Miscellaneous operating expenses	(1)	1
Total general, administrative, and other expenses	**$ 29**	**$ 25**

10. Shareholders' equity

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

The Company's capital structure included 370,000 common shares outstanding, with a par value of $1 and did not have any dividends payable as of December 31, 2023.

For the years ended December 31, 2023 and 2022, the Company received capital contributions from its parent of $158 million and $150 million, respectively.

11. Accumulated other comprehensive income (loss)

Information regarding amounts reclassified out of each component of accumulated other comprehensive income for year ended December 31, 2023 and 2022 were as follows:

Components of accumulated other comprehensive income (loss) ($ in millions)	Year Ended December 31, 2023	Year Ended December 31, 2022
Net unrealized investment gains (losses) on AFS fixed maturity securities and other investments:		
Net unrealized investment-related gains (losses), before income tax	(9)	(13)
Income tax expense (benefit)	(2)	(3)
Net unrealized investment gains (losses), net of income tax, reclassified	**$ (7)**	**$ (10)**

12. Income taxes

Provision for income taxes

The Company made an election under Internal Revenue Code, or "IRC," Section 953(d) for 2018 to be treated as a U.S. domestic insurance company and will be filing Form 1120 L for the tax years ended December 31, 2023, 2022 and onward.

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

Provision for income taxes

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

($ in millions)	Year Ended December 31, 2023	Year Ended December 31, 2022
Current income tax expense		
Federal	$ (122)	$ 110
Total current income tax expense	**(122)**	**110**
Deferred income tax benefit		
Federal	(173)	(13)
Total deferred income tax benefit	**(173)**	**(13)**
Total income tax expense (benefit)	**$ (295)**	**$ 97**

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

($ in millions)	Year Ended December 31, 2023	Year Ended December 31, 2022
Expected income tax expense at statutory tax rate	**$ (295)**	**$ 95**
Addition (reduction) in income tax resulting from:		
Other	—	2
Total income tax expense (benefit)	**$ (295)**	**$ 97**

Deferred income taxes

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

In 2022, changes in market conditions, including rapidly rising interest rates, impacted the unrealized tax gains and losses in the available for sale securities portfolios of the Company, resulting in deferred tax assets related to net unrealized tax capital losses for which the carryforward period has not yet begun. As such, when assessing recoverability, The Company considered our ability and intent to hold the underlying securities to recovery. Based on all available evidence, the Company concluded that a valuation allowance should be established on a portion of the deferred tax assets related to unrealized tax capital losses that are not more-likely-than-not to be realized, which represents the portion of the portfolio the Company estimates it would not be able to hold to recovery. For the year ended December 31, 2023, the Company maintained $4.2 million of valuation allowance associated with the unrealized tax capital losses in the available for sale securities portfolio. The valuation allowance establishment was allocated to other comprehensive income.

On August 16, 2022, the Inflation Reduction Act (the “IRA”) was signed into law. The IRA enacted a new 15% corporate minimum tax (“CAMT”) on the "adjusted financial statement income" of certain large corporations, which became effective on January 1, 2023. In addition, the IRA enacted a 1% excise tax on corporate stock repurchases completed after December 31, 2022. As required under the authoritative guidance of ASC 740, Income Taxes, we reviewed the impact on income taxes due to the change in legislation and concluded there was no material impact to the consolidated financial statements as of December 31, 2022 or 2023.

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

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

	December 31, 2023	December 31, 2022
($ in millions)		
Deferred tax assets:		
Insurance reserves	$ —	$ 224
Deferred revenue liabilities	—	10
Investments, including derivatives	272	176
Net Operating Loss	741	—
Other	25	—
Valuation allowance	(4)	(4)
Total deferred tax assets	**1,034**	**406**
Deferred tax liabilities:		
Insurance reserves	(385)	—
VOBA	(99)	(108)
Deferred policy acquisition costs	(107)	(41)
Loss reserve adjustment (transition rule)	(16)	(24)
Investments, including derivatives	—	—
Ceding Commissions	—	—
Other	—	(20)
Total deferred tax liabilities	**(607)**	**(193)**
Total deferred tax (liability)/asset, net	**$ 427**	**$ 213**

Tax attributes

The Company has a U.S. federal net operation loss (“NOL”) carryforward of $3.5 billion, all of which has an indefinite life.

Unrecognized tax benefits

The Company recognizes tax positions in the consolidated financial statements only when it is more-likely-than-not that the position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more-likely-than-not be realized on settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the consolidated financial statements. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will impact the Company’s financial condition, results of operations or cash flows. As of December 31, 2023 and 2022, the Company did not record a liability related to accounting for uncertainty in income taxes.

Status of open tax years

The Company federal income tax returns are routinely audited by the Internal Revenue Service, or “IRS” and when appropriate provisions are made in the financial statements in anticipation of the results of these audits. The earliest tax year that remains open in 2018.

13. Dividend restrictions and statutory information

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

With respect to margin and solvency requirements, the Bermuda Insurance Act prohibits the Company from declaring or paying any dividends during any financial year if it is in breach of its solvency margin or if the declaration or payment of such dividends would cause such a breach. If the Company has failed to meet its minimum solvency margin on the last day of any financial year, the Company will also be prohibited, without the approval of the BMA, from declaring or paying any dividends during the next financial year. The Company is also prohibited from declaring or paying a dividend where it has failed to comply with its enhanced capital requirement, until such noncompliance is rectified. At December 31, 2023, as a Class C and Class 3A insurer, the Company has a minimum solvency margin of approximately $973 million. The Company has met its minimum solvency margin and minimum liquidity ratio and exceeded its enhanced capital requirements at December 31, 2023.

Statutory financial information

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

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

Bermuda statutory surplus differs from U.S. GAAP primarily due to a modification that permits the Company to not measure the embedded derivative included within certain funds withheld coinsurance agreements at fair value and a modification that permits the Company to report the Synthetic GIC consistently with a GIC rather than as a derivative.

The Company's statutory net income was $260 million and $288 million for the years ended December 31, 2023 and 2022, respectively. See below for the company's statutory capital and surplus as of December 31, 2023 and December 31, 2022.

Capital requirements

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

($ in millions)	As of December 31, 2023	As of December 31, 2022
Enhanced capital requirement (unaudited)	1,335	898
Available statutory economic capital and surplus (unaudited)	2,281	1,981
Statutory capital and surplus	2,708	1,310

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

14. Related party transactions

The Company has investment management service agreements with KKR. KKR provides investment management services across the Company. The Company recorded expenses for these agreements of $17 million and $11 million for the years ended December 31, 2023 and December 31, 2022, respectively.

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

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

On November 13, 2020, Global Atlantic (Fin) Company entered into a $200 million loan with the Company, with a maturity date of November 13, 2023 and an annual interest rate of 1.93%. Global Atlantic (Fin) Company pays semi-annual interest to the Company on May 15 and November 15. The loan was extended to mature on June 28, 2024 at an annual interest rate of 4.66%

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

During years ended December 31, 2023 and 2022, the Company had agreements with certain affiliates under GAFG. These affiliates agreed to provide personnel, management services, administrative support, the use of facilities, and such other services as the parties may agree from time to time. For year ended December 31, 2023 and 2022, the Company recorded expenses of $34 million and $26 million, respectively, and had $6 million and $5 million payable December 31, 2023 and 2022 .

The Company has agreements with affiliated parties to receive and pay certain fee income and expenses related to policyholder administration for assumed blocks of business. For years ended December 31, 2023 ,and 2022 , the Company recorded policy reinsurance administration fee expenses of $244 million, and $177 million, respectively, and had $74 million and $45 million payable as of December 31, 2023 and 2022.

The Company executed a series of Synthetic GICs with GAAL, to transfer the actual return on the funds withheld portfolios to GAAL in exchange for a fixed crediting rate. Effective December 31, 2023 all synthetic GICs with GAAL were terminated.

For the years ended December 31, 2023 and 2022, the Company recorded derivative expense of $1.7 billion and derivative income of $1.9 billion, respectively, and had $54 million derivative payable and $1.5 billion derivative receivable as of December 31, 2023 and 2022, respectively. December 31, 2023 reflects the impact of the termination where the Company released $1.7 billion of derivative assets and recorded a net investment loss of $1.7 billion.

15. Commitments and contingencies

Commitments

The Company is party to a third-party professional services agreement regarding the management of aspects of the Company’s reinsurance portfolio.

The Company enters into lease contracts, the most significant being leases of office space for its operations. The Company reports these leases as right-to-use assets with a corresponding lease liability in other assets and accrued expenses and other liabilities in the consolidated balance sheets, respectively. The lease liability represents the present value of the lease payments to be made over the lease term and is calculated using a discount rate equal to the Company’s incremental borrowing rates, of 1.8%. As of December 31, 2023 , the Company has a right-to-use asset of $200 thousand (net of $0 thousand in deferred rent and lease incentives) and a corresponding lease liability of $200 thousand. As of December 31, 2022 , the Company has a right-to-use asset of $500 thousand (net of $0.0 thousand in deferred rent and lease incentives) and a corresponding lease liability of $500 thousand.

The Company has commitments to purchase or fund investments of $38 million and $53 million as of December 31, 2023 and 2022 , respectively. These commitments include those related to investments in limited partnerships. The commitment periods vary, with most extending for the next 3 years, but some extend longer. Some of these investment commitments may be subject to conditions that must be met prior to funding.

Contingencies

Guarantees

The Company is subject to financial guarantees in conjunction with reinsurance transaction entered into by Global Atlantic Assurance Limited (GAAL), an affiliated party, on July 12, 2021 .The Company provided a guarantee to pay the reinsurance recapture fee in the event GAAL’s Risk Based Capital drops below 100% Company Action Level. The maximum exposure under the agreement was $3.2 billion as of December 31, 2023 . The carrying value of the financial guarantee was $0 million as of December 31, 2023, inclusive of the allowance for credit losses of $0 million. Management’s periodic evaluation and assessment of the allowance for credit losses adequacy is based on known and inherent risks, current and forecasted economic conditions, loss events, and other relevant factors.

Legal matters

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

16. Subsequent event

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

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

On January 3, 2024, the Company received a capital contribution from its parent of $150 million

On February 21, 2024, the Company received a capital contribution from its parent of $200 million

On March 27, 2024, the Company received a capital contribution from its parent of $450 million

Effective January 1, 2024, the Company and its affiliate assumed on a coinsurance basis approximately $10 billion of U.S and Japan sourced business. Concurrently, the Company retroceded a portion of the assumed business to a third party.