

RGA Americas Reinsurance Company, Ltd.

Consolidated Financial Statements as of and for the
Years Ended December 31, 2023 and 2022, and
Independent Auditor's Report

RGAMERICAS REINSURANCE COMPANY, LTD.
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Financial Statements as of and for the years ended December 31, 2023 and 2022:	
Consolidated Balance Sheets	3
Consolidated Statements of Income	4
Consolidated Statements of Comprehensive Income	5
Consolidated Statements of Shareholder's Equity	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements:	
Note 1 Business and Basis of Presentation	9
Note 2 Significant Accounting Policies and Pronouncements	10
Note 3 Impact of New Accounting Standard	19
Note 4 Future Policy Benefits	22
Note 5 Policyholder Account Balances	25
Note 6 Market Risk Benefits	27
Note 7 Deferred Policy Acquisition Costs	28
Note 8 Reinsurance	28
Note 9 Investments	29
Note 10 Derivative Instruments	35
Note 11 Fair Value of Assets and Liabilities	40
Note 12 Income Tax	46
Note 13 Employee Benefit Plans	48
Note 14 Financial Condition and Net Income on a Statutory Basis - Significant Subsidiaries	50
Note 15 Shareholder's Equity	51
Note 16 Related-Party Transactions	51
Note 17 Commitments and Contingencies	51
Note 18 Other Comprehensive Income (Loss)	52
Note 19 New Accounting Standards Not Yet Adopted	53

INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of
RGA Americas Reinsurance Company, Ltd.:

Opinion

We have audited the consolidated financial statements of RGA Americas Reinsurance Company, Ltd. (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, shareholder's 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.

Change in Accounting Principle

As discussed in Notes 1 and 3 to the financial statements, the Company has changed its method of accounting for long duration insurance products in 2023 due to the adoption of Accounting Standards Update No. 2018-12, Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts, retrospectively with a transition date of January 1, 2021.

Basis for Opinion

We conducted our audits 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.

Other Matter

As discussed in Note 1, results of the Company may not be indicative of those of a stand-alone entity, as the Company is a member of a controlled group of affiliated companies. 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 issued.

Auditor's Responsibilities for the Audit of the Financial Statements

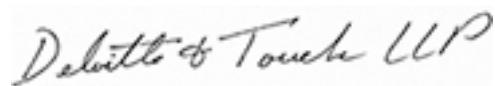
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance 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.

The logo for Deloitte & Touche LLP, featuring the company name in a cursive script font.

May 3, 2024

RGA AMERICAS REINSURANCE COMPANY, LTD.
CONSOLIDATED BALANCE SHEETS
(in thousands of U.S. dollars, except share data)

	December 31, 2023	December 31, 2022
Assets		
Fixed maturity securities available-for-sale, at fair value (amortized cost of \$28,048,630 and \$26,402,539; allowance for credit losses of \$10,782 and \$2,961)	\$ 26,190,637	\$ 23,468,197
Equity securities, at fair value	46,608	45,261
Policy loans	9,936	9,323
Funds withheld at interest	8,627,770	8,437,800
Short-term investments	88,439	64,462
Other invested assets	2,664,103	2,295,024
Total investments	37,627,493	34,320,067
Cash and cash equivalents	862,499	1,035,023
Accrued investment income	349,589	285,563
Premiums receivable	1,374,486	1,357,572
Reinsurance ceded receivables	4,928,534	6,350,592
Deferred policy acquisition costs	1,874,317	1,747,197
Income tax recoverable	34,391	158,982
Deferred tax asset	108,652	87,245
Other reinsurance balances	369,877	2,149,176
Receivable from parent and affiliates	45,764	140,071
Other assets	305,835	296,201
Total assets	<u>\$ 47,881,437</u>	<u>\$ 47,927,689</u>
Liabilities and shareholder's equity		
Future policy benefits	\$ 24,250,511	\$ 23,680,946
Interest-sensitive contract liabilities	11,562,268	10,465,867
Market risk benefits, at fair value	99,691	115,901
Other policy claims and benefits	1,498,925	1,412,295
Other reinsurance balances	698,856	3,892,577
Securities lending and repurchase liability	759,869	216,090
Deferred income taxes	1,135,273	938,952
Affiliated notes payable	6,471	3,407
Payable to parent and affiliates	49,495	52,774
Funds withheld payable	3,082,569	3,424,233
Derivative liabilities	242,454	343,925
Other liabilities	169,611	124,662
Total liabilities	<u>43,555,993</u>	<u>44,671,629</u>
Commitments and contingent liabilities (See Note 17)		
Shareholder's equity:		
Common stock (par value \$1.00 per share; unlimited shares authorized; shares issued: 75,500,000 at both December 31, 2023 and 2022)	75,500	75,500
Additional paid-in-capital	906,551	907,612
Retained earnings	3,196,784	2,685,884
Accumulated other comprehensive income (loss)	146,609	(412,936)
Total shareholder's equity	<u>4,325,444</u>	<u>3,256,060</u>
Total liabilities and shareholder's equity	<u>\$ 47,881,437</u>	<u>\$ 47,927,689</u>

See accompanying notes to consolidated financial statements.

RGA AMERICAS REINSURANCE COMPANY, LTD.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands of U.S. dollars)

	For the years ended December 31,	
	2023	2022
Revenues		
Net premiums	\$ 4,991,180	\$ 4,756,876
Net investment income	1,575,507	1,491,414
Change in value of funds withheld embedded derivatives	(65,135)	(1,123,233)
Investment related losses, net	(160,566)	(156,172)
Other revenues	18,484	487,642
Total revenues	6,359,470	5,456,527
Benefits and expenses		
Claims and other policy benefits	4,448,449	5,404,780
Future policy benefits remeasurement gains	(340,531)	(827,896)
Market risk benefits remeasurement gains	(31,096)	(3,568)
Interest credited	406,775	275,568
Policy acquisition costs and other insurance expenses	610,498	822,523
Other operating expenses	403,505	397,648
Total benefits and expenses	5,497,600	6,069,055
Income (loss) before income taxes	861,870	(612,528)
Provision for income taxes	200,970	(80,152)
Net income (loss)	\$ 660,900	\$ (532,376)

See accompanying notes to consolidated financial statements.

RGA AMERICAS REINSURANCE COMPANY, LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands of U.S. dollars)

	For the years ended December 31,	
	2023	2022
Comprehensive income (loss)		
Net income (loss)	\$ 660,900	\$ (532,376)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	143,059	(100,271)
Net unrealized investment gains (losses)	898,760	(4,513,794)
Effect of updating discount rates on future policy benefits	(475,150)	4,361,626
Change in instrument-specific credit risk for market risk benefits	(5,972)	13,546
Defined benefit pension and postretirement plan adjustments	(1,152)	2,348
Total other comprehensive income (loss), net of tax	<u>559,545</u>	<u>(236,545)</u>
Total comprehensive income (loss)	<u>\$ 1,220,445</u>	<u>\$ (768,921)</u>

See accompanying notes to consolidated financial statements.

RGA AMERICAS REINSURANCE COMPANY, LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY
(in thousands of U.S. dollars)

	Common Stock	Additional Paid-In-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholder's Equity
Balance, December 31, 2020, as previously reported	\$ 75,500	\$ 894,553	\$ 4,467,538	\$ 2,807,083	\$ 8,244,674
Cumulative effect of modified retrospective adoption of <i>Financial Services - Insurance</i> on long-duration contracts	—	—	(657,646)	(3,433,827)	(4,091,473)
Cumulative effect of full retrospective adoption of <i>Financial Services - Insurance</i> on market risk benefits	—	—	(5,838)	17,524	11,686
Adjusted balance, January 1, 2021	75,500	894,553	3,804,054	(609,220)	4,164,887
Net loss	—	—	(235,794)	—	(235,794)
Total other comprehensive income	—	—	—	432,829	432,829
Equity based compensation	—	6,453	—	—	6,453
Dividends to shareholder	—	—	(250,000)	—	(250,000)
Balance, December 31, 2021	75,500	901,006	3,318,260	(176,391)	4,118,375
Net loss	—	—	(532,376)	—	(532,376)
Total other comprehensive loss	—	—	—	(236,545)	(236,545)
Equity based compensation	—	6,606	—	—	6,606
Dividends to shareholder	—	—	(100,000)	—	(100,000)
Balance, December 31, 2022	75,500	907,612	2,685,884	(412,936)	3,256,060
Net income	—	—	660,900	—	660,900
Total other comprehensive income	—	—	—	559,545	559,545
Equity based compensation	—	(1,061)	—	—	(1,061)
Dividends to shareholder	—	—	(150,000)	—	(150,000)
Balance, December 31, 2023	<u>\$ 75,500</u>	<u>\$ 906,551</u>	<u>\$ 3,196,784</u>	<u>\$ 146,609</u>	<u>\$ 4,325,444</u>

See accompanying notes to consolidated financial statements.

RGA AMERICAS REINSURANCE COMPANY, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of U.S. dollars)

	For the years ended December 31,	
	2023	2022
Cash flows from operating activities		
Net income (loss)	\$ 660,900	\$ (532,376)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Change in operating assets and liabilities:		
Accrued investment income	(48,907)	(80,179)
Premiums receivable and other reinsurance balances	1,739,545	(970,467)
Reinsurance ceded receivables	1,502,772	(301,352)
Deferred policy acquisition costs	(118,366)	(4,118)
Future policy benefits, other policy claims and benefits, and other reinsurance balances	(3,816,337)	2,265,179
Deferred income taxes	141,527	37,836
Receivable from parent and affiliates	89,450	(174,903)
Payable to parent and affiliates	(3,279)	13,797
Other assets and other liabilities, net	(375,936)	(339,682)
Amortization of net investment premiums, discounts and other	(145,902)	(120,488)
Depreciation and amortization expense	3,791	3,710
Investment related losses, net	160,566	156,172
Future policy benefits remeasurement gains	(340,531)	(827,896)
Market risk benefits remeasurements gains	(31,096)	(3,568)
Change in value of funds withheld embedded derivatives	65,135	1,123,233
Other, net	(69,723)	15,532
Net cash provided by (used in) operating activities	<u>(586,391)</u>	<u>260,430</u>
Cash flows from investing activities		
Sales of fixed maturity securities available-for-sale	2,435,735	4,825,309
Purchases of fixed maturity securities available-for-sale	(3,712,758)	(8,259,224)
Maturities of fixed maturity securities available-for-sale	362,259	366,586
Sales of equity securities	—	31
Principal payments on policy loans	261	855
Cash invested in policy loans	(869)	—
Deposits in (withdrawals from) funds withheld at interest	(474,822)	1,186,230
Sales of short-term investments	88,773	131,193
Purchases of short-term investments	(184,307)	(198,208)
Maturities of short-term investments	73,490	53,338
Change in other invested assets	(335,997)	(805,199)
Net cash used in investing activities	<u>(1,748,235)</u>	<u>(2,699,089)</u>
Cash flows from financing activities		
Dividends to shareholder	(150,000)	(100,000)
Proceeds from affiliated notes	2,860	—
Change in securities lending and repurchase liability	543,779	119,743
Change in cash collateral for derivative positions and other arrangements	512,091	442,984
Deposits on investment-type policies and contracts	1,351,692	2,941,617
Withdrawals on investment-type policies and contracts	(103,817)	(1,133,008)
Net cash provided by financing activities	<u>2,156,605</u>	<u>2,271,336</u>
Effect of exchange rate changes on cash	5,497	(73,374)
Change in cash and cash equivalents	(172,524)	(240,697)
Cash and cash equivalents, beginning of period	1,035,023	1,275,720
Cash and cash equivalents, end of period	<u>\$ 862,499</u>	<u>\$ 1,035,023</u>

RGA AMERICAS REINSURANCE COMPANY, LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of U.S. dollars)

	For the years ended December 31,	
	2023	2022
Supplemental disclosures of cash flow information:		
Interest paid	\$ 861	\$ 776
Income taxes paid (received), net of refunds	(68,715)	152,595
Non-cash investing activities:		
Transfer of invested assets	\$ 544,896	\$ 124,538

See accompanying notes to consolidated financial statements.

RGA Americas Reinsurance Company, Ltd.
Notes to consolidated financial statements
For the years ended December 31, 2023 and 2022
(in U.S. dollars)

Note 1 BUSINESS AND BASIS OF PRESENTATION

Business

RGA Americas Reinsurance Company, Ltd. ("RGA Americas") was incorporated in accordance with the Bermuda Companies Act 1981 on September 25, 2014 and is a Class E insurer. RGA Americas is a wholly owned subsidiary of Reinsurance Group of America, Incorporated ("RGA"), a United States of America ("U.S.") insurance holding company, formed on December 31, 1992. As of December 31, 2023, all outstanding shares of RGA Americas were owned by RGA. The consolidated financial statements herein include the assets, liabilities, and results of operations of RGA Americas and its wholly owned subsidiaries (collectively, the "Company"). Intercompany balances and transactions have been eliminated. The following reinsurance and insurance subsidiaries are either directly or indirectly owned by RGA Americas:

- RGA Atlantic Reinsurance Company Ltd. ("RGA Atlantic")
- RGA Life Reinsurance Company of Canada ("RGA Canada")
- RGA International Reinsurance Company dac ("RGA International")
- RGA Reinsurance Company of Australia Limited ("RGA Australia")
- Omnilife Insurance Company Limited ("Omnilife")
- Hodge Life Assurance Company Limited ("Hodge")

Since the Company is a member of a controlled group of affiliated companies, its results may not be indicative of those of a stand-alone entity.

The Company engages in providing traditional reinsurance, which includes individual and group life and health, disability, and critical illness reinsurance. The Company also provides financial solutions, which include longevity reinsurance, reinsurance of asset-intensive products, and capital motivated reinsurance.

Reinsurance is an arrangement under which an insurance company, the reinsurer, agrees to indemnify another insurance company, the ceding company, for all or a portion of the insurance risks underwritten by the ceding company. Reinsurance is designed to:

- (i) reduce the net amount at risk on individual risks, thereby enabling the ceding company to increase the volume of business it can underwrite, as well as increase the maximum risk it can underwrite on a single risk;
- (ii) enhance the ceding company's financial strength and surplus position;
- (iii) stabilize operating results by leveling fluctuations in the ceding company's loss experience; and
- (iv) assist the ceding company in meeting applicable regulatory requirements.

Basis of Presentation

The consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include those used in determining premiums receivable, future policy benefits, incurred but not reported claims ("IBNR"), income taxes, valuation of investments and investment impairments, valuation of embedded derivatives and market risk benefits. Actual results could differ materially from the estimates and assumptions used by management.

The accompanying consolidated financial statements include the accounts of RGA Americas and its subsidiaries, all of which are wholly owned. Entities in which the Company has significant influence over the operating and financing decisions but are not required to be consolidated are reported under the equity method of accounting. A portion of the Company's reinsurance receivables and policy liabilities are associated with affiliated companies, and the Company relies on affiliated companies for services. See [Note 16 - "Related-Party Transactions"](#) for further details.

There were no subsequent events that would require disclosure or adjustments to the accompanying consolidated financial statements through the date the consolidated financial statements were issued.

Standards Issued and Implemented

In the first quarter of 2023, the Company adopted Accounting Standards Update ("ASU"): ASU 2018-12, *Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts* ("ASU 2018-12"). ASU 2018-12 updates certain requirements for the accounting for long-duration insurance contracts.

- *Cash flow assumptions and measuring liability for future policy benefits* - ASU 2018-12 requires the Company to review its cash flow assumptions at least annually and update, if necessary, with the impact recognized in net income in the period of the change. The liability for future policy benefits includes required adjustments at the cohort level to cap the net premium ratio at 100% and eliminate negative reserves.

Upon adoption, an adjustment was recorded to retained earnings as a result of capping the net premium ratio at 100% and eliminating negative reserves on certain issue year cohorts.

- *Discount rate* - The discount rate assumption is prescribed by ASU 2018-12 as an upper-medium (low credit risk) fixed-income yield and is required to be updated every quarter. The change in the liability as a result of updating the discount rate assumption is recognized in other comprehensive income (loss) ("OCI").

Upon adoption, an adjustment was recorded to accumulated other comprehensive income (loss) ("AOCI") as a result of remeasuring in force contract liabilities using the current upper-medium grade fixed income instrument yields as of the date of transition. The adjustment reflects the difference between discount rates locked-in at contract inception versus current discount rates at transition.

- *Deferred policy acquisition costs and similar balances* - deferred policy acquisition costs ("DAC") and other capitalized costs such as unearned revenue should be amortized on a constant level or straight-line basis over the expected term of the contracts.
- *Market risk benefits* - Market risk benefits, which are contracts or contract features that provide protection to the policyholder from capital market risk and expose the Company to other-than-nominal capital market risk, are measured at fair value. The periodic change in fair value is recognized in net income with the exception of the periodic change in fair value related to the liability's instrument-specific credit risk, which is recognized in OCI.

Upon adoption, an adjustment was recorded to retained earnings for the difference between the fair value and carrying value of the contracts at the transition date, excluding changes in the instrument-specific credit risks, and an adjustment to AOCI for the cumulative effect of changes in the instrument-specific credit risk between contract issue date and transition date.

Note 2 SIGNIFICANT ACCOUNTING POLICIES AND PRONOUNCEMENTS

Insurance Related Activities

Premium and Fee Revenue and Receivable Recognition

Premium and Fee Revenue

Life and health premiums are recognized as revenue when due from the insured and are reported net of amounts retroceded. Benefits and expenses are reported net of amounts retroceded and are associated with earned premiums so that profits are recognized over the life of the related contract. This association is accomplished through the provision for future policy benefits and the amortization of DAC. Other revenue includes items such as treaty recapture fees, fees associated with financial reinsurance and policy changes on interest-sensitive and investment-type products that the Company reinsures. Any fees that are collected in advance of the period benefited are deferred and recognized over the period benefited.

The Company reinsures medical, disability, life and other products for a fixed period of short-duration, typically one to three years. Premiums for short-duration products are recognized over the coverage period in proportion to the amount of insurance protection provided.

For certain reinsurance transactions involving in force blocks of business, the ceding company pays a premium equal to the initial required reserve (future policy benefit). In such transactions, for income statement presentation, the Company nets the expense associated with the establishment of the reserve against the premiums from the transaction.

Revenues for interest-sensitive and investment-type products consist of investment income, policy charges for the cost of insurance, policy administration, and surrenders that have been assessed against policy account balances during the period. Interest-sensitive contract liabilities for these products represent policy account balances before applicable surrender charges. Policy benefits and claims that are charged to expenses include claims incurred in the period in excess of related policy account balances and interest credited to policy account balances. Interest is credited to policyholder account balances according to terms of the policies or contracts.

For each of its reinsurance contracts, the Company must determine if the contract provides indemnification against loss or liability relating to insurance risk, in accordance with GAAP. The Company must review all contractual features, particularly those that may limit the amount of insurance risk to which the Company is subject or features that delay the timely reimbursement of claims. If the Company determines that a contract does not expose it to a reasonable possibility of a significant loss from insurance risk, the Company records the contract on a deposit method of accounting with any net amount receivable reflected as

an asset within other reinsurance balances, and any net amount payable reflected as a liability within other reinsurance balances. Fees earned on the contracts are reflected as other revenues, rather than premiums.

Premiums Receivable

Premiums are accrued when due and in accordance with information received from the ceding company. When the Company enters into a new reinsurance agreement, it records accruals based on the terms of the reinsurance treaty. Similarly, when a ceding company fails to report information on a timely basis, the Company records accruals based on the terms of the reinsurance treaty as well as historical experience. Other management estimates include adjustments for increased in force on existing treaties, lapsed premiums given historical experience, the financial health of specific ceding companies, collateral value and the legal right of offset on related amounts (i.e. allowances and claims) owed to the ceding company. Under the legal right of offset provisions in its reinsurance treaties, the Company can withhold payments for allowances and claims from unpaid premiums. Based on its review of these factors and historical experience, the Company did not believe a provision for doubtful accounts was necessary as of December 31, 2023 or 2022.

Future Policy Benefits

Utilizing the net premium model, a liability for future policy benefits for life and long-term health business is established to meet the estimated future benefits to be paid on assumed life and health reinsurance in force less the present value of estimated future new premiums to be collected. The liability is estimated using the Company's mortality, morbidity, and persistency assumptions that reflect the Company's historical experience, industry data, cedant specific experience, and discount rates based on the current yields of upper-medium grade fixed income instruments. These assumptions vary with the characteristics of the reinsurance contract, the year the risk was assumed, age of the insured and other appropriate factors. The Company reviews actual and anticipated experience compared to the assumptions used to establish policy benefits on a quarterly basis and will update those assumptions if evidence suggests that they should be revised. The Company completed its annual review and any necessary updates of cash flow assumptions used to calculate the liability for future policy benefits during the third quarter of 2023 and 2022. Updates may occur in other quarters if information becomes available during the quarter that indicates an assumption update is necessary.

Liabilities for future benefits for annuities in the payout phase have been established in an amount adequate to meet the estimated future obligations on policies in force using expected mortality, discount rates and other assumptions. These assumptions vary with the characteristics of the plan of insurance, year of issue, age of insured, and other appropriate factors. The mortality assumptions are based on the Company's historical experience, industry data and cedant specific experience.

A deferred profit liability ("DPL") is established when the insurance benefit extends beyond the period in which premiums are collected, and the gross premium exceeds the net premium. The DPL is amortized in proportion to insurance in force for traditional life insurance and expected future benefits for annuity contracts. The DPL is included in the liabilities for future policy benefits, and the amortization of the DPL is recognized as a reduction in claims and other policy benefits.

For the purpose of calculating the liability for future policy benefits, the Company's reinsurance contracts for its traditional business are grouped into annual cohorts based on the effective date of the reinsurance contract. The annual groupings are further disaggregated based on:

- How the reinsurance contracts are priced and managed;
- Geographical locations;
- Underlying currency of the contract;
- Ceding company and other factors.

Given the unique risks and highly customized nature of the Company's Financial Solutions business, reinsurance contracts for the Financial Solutions business are not aggregated with other contracts for the purpose of calculating the liability for future policy benefits.

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, discounted using the original contract issuance discount rates, are used to calculate the revised net premium ratio, as of the beginning of the current reporting period. The present value of these updated cash flows is compared to the carrying amount of the liability as of that same date, before updating cash flow assumptions, to determine the current period change in the liability's estimate. This current period change in the liability is a component of the liability remeasurement gain or loss. In subsequent periods, the revised net premium ratio is used to measure the liability for future policy benefits, subject to future revisions. The Company also reviews actual and anticipated experience compared to the assumptions used to establish the liability for future policy benefits on a quarterly basis. If evidence suggests that the assumptions should be revised, the cumulative effect of the change is reflected in future policy benefits remeasurement gains in the current period. The Company has elected to lock-in claims expense assumptions at contract inception and those assumptions are not subsequently reviewed or updated.

The discount rates used to measure the liability are based on upper-medium grade fixed-income instruments (A rated credit) with similar tenor to the expected liability cash flows. The discount rate assumption is updated quarterly and used to remeasure the liability at the reporting date, with the resulting change reflected in OCI. For unobservable discount rates, the Company uses

estimates consistent with fair value guidance, maximizing the use of relevant, observable market prices and minimizing the use of unobservable inputs.

The Company utilizes the discount rate curve at contract inception for purposes of interest accretion and updating the net premium ratio. Interest accretion is recognized in claims and other policy benefits on the consolidated statements of income. The locked-in discount curve at contract inception for contracts entered into after the adoption of ASU 2018-12 (i.e., January 1, 2021, and after) is based on the average upper-medium grade fixed-income instrument yields during the first calendar year of the reinsurance contract. The locked-in discount rates at contract inception for contracts that were effective prior to the adoption of ASU 2018-12 (i.e., prior to January 1, 2021) are the discount rate assumptions used prior to the adoption of ASU 2018-12, which were based on estimates of expected investment yields.

Included in the liability for future policy benefits are unpaid claims related to long-duration contracts and an accrual for IBNR. The Company's IBNR accrual related to long-duration contracts is determined using case-basis estimates and lag studies of past experience. The time lag from the date of the claim or death to when the ceding company reports the claim to the Company can vary significantly by ceding company, business segment and product type. IBNR are estimates on an undiscounted basis, using actuarial estimates of historical claims expense, adjusted for current trends and conditions. These estimates are continually reviewed, and the ultimate liability may vary significantly from the amount recognized. Claims payable for IBNR for long-duration contracts are included in the liability for future policy benefits on the consolidated balance sheets. Prior to the adoption of ASU 2018-12, unpaid claims and IBNR related to long-duration contracts were included in other policy claims and benefits. Upon adoption of ASU 2018-12, the Company revised prior period amounts to conform to the current period's presentation. See [Note 3 - "Impact of New Accounting Standard"](#) for additional information.

Interest-Sensitive Contract Liabilities and Policyholder Account Balances

Liabilities for future benefits on interest-sensitive life and investment-type contract liabilities are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges. The Company reinsures asset-intensive products, including annuities. The liabilities under asset-intensive insurance contracts or reinsurance contracts reinsured on a coinsurance basis are included in interest-sensitive contract liabilities on the consolidated balance sheets. Asset-intensive contracts principally include individual fixed annuities in the accumulation phase, individual variable annuities, and group fixed annuities. Interest-sensitive contract liabilities are equal to (i) policy account values, which consist of an accumulation of gross premium payments; (ii) credited interest less expenses, mortality charges, and withdrawals; and (iii) fair value adjustments relating to business combinations. Liabilities for immediate annuities are calculated as the present value of the expected cash flows, with the locked-in discount rate determined such that there is no gain or loss at inception.

The Company reviews its estimates of actuarial liabilities for interest-sensitive contract liabilities and compares them with its actual experience. Differences between actual experience and the assumptions used in pricing these guarantees and benefits and in the establishment of the related liabilities result in variances in profit and could result in losses. The effects of changes in such estimated liabilities are included in the results of operations in the period in which the changes occur.

Unpaid Claims and Claim Expense - Short-Duration Contracts

The Company provides reinsurance of medical, disability, life and other products for a fixed period of short-duration, typically one to three years. Under the short-duration insurance accounting model, claims or benefits are recognized when insured events occur, based on the ultimate cost to settle the claim, and are adjusted to reflect changes in estimates during the life of the contract. The estimated cost to settle the claim is based on actuarial assumptions for similar claims. The Company also establishes an IBNR liability based on historical reporting patterns.

Market Risk Benefits

Market risk benefits are contracts or contract features that both provide protection to the contract holder from other-than-nominal capital market risk and expose the Company to other-than-nominal capital market risk. Market risk benefits are measured at fair value using an option-based valuation model based on current net amounts at risk, market data, Company 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 liability's instrument-specific credit risk, which is recognized in OCI.

Market risk benefits include the following contract features on certain annuity products that provide minimum guarantees to policyholders:

- Guaranteed minimum income benefits ("GMIB") provide the contract holder, after a specified period of time determined at the time of issuance of the variable annuity contract, with a minimum level of income (annuity) payments. Under the reinsurance treaty, the Company makes a payment to the ceding company equal to the GMIB net amount-at-risk at the time of annuitization.
- Guaranteed minimum withdrawal benefits ("GMWB") guarantee the contract holder a return of their purchase payment via partial withdrawals, even if the account value is reduced to zero, provided that the contract holder's cumulative withdrawals in a contract year do not exceed a certain limit. The initial guaranteed withdrawal amount is equal to the initial benefit base as defined in the contract (typically, the initial purchase payments plus applicable bonus amounts).
- Guaranteed minimum accumulation benefits ("GMAB") provide the contract holder, after a specified period of time determined at the time of issuance of the variable annuity contract, with a minimum accumulation of their purchase

payments even if the account value is reduced to zero. The initial guaranteed accumulation amount is equal to the initial benefit base as defined in the contract (typically, the initial purchase payments plus applicable bonus amounts).

- Guaranteed minimum death benefits ("GMDB") provides the beneficiary a guaranteed minimum amount upon the death of the contract holder, regardless of the account balance.

The fair values of the GMIB, GMWB, GMAB and GMDB contract features are reflected in market risk benefits, at fair value and are calculated based on actuarial and capital market assumptions related to the projected cash flows, including benefits and related contract charges over the lives of the contracts. These projected cash flows incorporate expectations concerning policyholder behavior, such as lapses, withdrawals and benefit selections, and capital market assumptions such as interest rates and equity market volatilities. In measuring the fair value of GMIBs, GMWBs, GMABs and GMDBs, the Company attributes a portion of the fees collected from the policyholder equal to the present value of expected future guaranteed minimum income, withdrawal and accumulation and death benefits (at inception). The changes in fair value are reported in market risk benefits remeasurement gains. Any additional fees represent "excess" fees and are reported in other revenues. These variable annuity guaranteed living and death benefits may be more costly than expected in volatile or declining equity markets or falling interest rate markets, causing an increase in market risk benefit liabilities.

Deferred Policy Acquisition Costs

Costs of acquiring new business, which vary with and are directly related to the production of new business, have been deferred to the extent that such costs are deemed recoverable from future premiums or gross profits. Such costs include commissions and allowances as well as certain costs of policy issuance and underwriting. Non-commission costs related to the acquisition of new and renewal insurance contracts may be deferred only if they meet the following criteria:

- Incremental direct costs of a successful contract acquisition
- Portions of employees' salaries and benefits directly related to time spent performing specified acquisition activities for a contract that has been acquired or renewed
- Other costs directly related to the specified acquisition or renewal activities that would not have been incurred had that acquisition contract transaction not occurred

DAC related to traditional life and interest-sensitive contracts are grouped by contract type and issue year into cohorts for consistency with the groupings used in estimating the associated liability. DAC is amortized on a constant level basis for the grouped contracts over the expected term of the related contracts to approximate straight-line amortization. The constant level basis used is based on the number of policies or policy face amount of the risk assumed in the reinsurance contract. The constant level bases used for amortization are projected using mortality and actuarial assumptions for policyholder behavior 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. Changes in assumptions are reflected in DAC amortization prospectively, and actual experience relating to number of policies reinsured will likely differ from the experience previously estimated.

Eligible DAC related to short-duration contracts are capitalized and amortized in proportion to premium.

Amortization of DAC is included in policy acquisition costs and other insurance expenses.

Reinsurance Ceded Receivables

The Company generally reports retrocession activity on a gross basis. Amounts paid or deemed to have been paid for reinsurance are reflected in reinsurance ceded receivables. Reinsurance ceded receivables related to long-duration contracts are estimated using mortality, morbidity, and persistency assumptions that are similar to the liability for future policy benefits ceded. The discount rate used to measure the ceded receivable is based on the current yields of an upper-medium grade fixed income instrument. Similar to the liability for future policy benefits, ceded receivables for traditional business are grouped into annual cohorts based on the effective date of the reinsurance contract. Given the unique risks and highly customizable nature of the financial solutions business, they are not aggregated with other reinsurance contracts for the purposes of calculating the ceded receivable.

Investments

Fixed Maturity Securities

Fixed maturity securities classified as available-for-sale are reported at fair value and are so classified based upon the possibility that such securities could be sold prior to maturity if that action enables the Company to execute its investment philosophy and appropriately match investment results to operating and liquidity needs.

Unrealized gains and losses on fixed maturity securities classified as available-for-sale, less applicable deferred income taxes, are recorded in OCI.

Investment income is recognized as it accrues or is legally due. Realized gains and losses on sales of investments are included in investment related losses, net, as are changes in allowance for credit losses and impairments. The cost of investments sold is primarily determined based upon the specific identification method.

[Table of Contents](#)

Equity Securities

Equity securities are carried at fair value and realized and unrealized gains and losses are included in investment related losses, net.

Policy Loans

Policy loans are reported at the unpaid principal balance. Interest income on such loans is recorded as earned using the contractually agreed-upon interest rate. These policy loans present no credit risk because the amount of the loan cannot exceed the obligation due the ceding company upon the death of the insured or surrender of the underlying policy.

Funds Withheld at Interest

Funds withheld at interest represent amounts contractually withheld by ceding companies in accordance with reinsurance agreements. For agreements written on a modified coinsurance ("modco") basis and agreements written on a coinsurance funds withheld basis, assets that support the transactions are defined in the treaty, and are withheld and legally owned by the ceding company. Interest, recorded in net investment income, accrues to these assets at calculated rates as defined by the treaty terms.

Short-term Investments

Short-term investments represent investments with remaining maturities of one year or less, but greater than three months, at the time of acquisition and are stated at estimated fair value or amortized cost, which approximates estimated fair value. Interest on short-term investments is recorded in net investment income.

Other Invested Assets

In addition to derivative contracts discussed below, other invested assets include limited partnerships, real estate joint ventures, lifetime mortgages, mortgage loans and unit-linked investments.

The fair value option ("FVO") was elected for contractholder-directed investments supporting unit-linked variable annuity type liabilities that do not qualify for presentation and reporting as separate accounts. Changes in estimated fair value of unit-linked investments are included in net investment income.

Limited partnerships and real estate joint ventures, in which the Company has more than a minor influence over the investee's operations, are reported using the equity method of accounting. The Company generally recognizes its share of the investee's earnings in net investment income on a three-month lag in instances where the investee's financial information is not sufficiently timely or when the investee's reporting period differs from the Company's reporting period.

Limited partnerships, in which the Company has a minor ownership interest in or virtually no influence over the investee's operations, are primarily carried at estimated fair value. If a readily determinable fair value is not available, the Company uses the net asset value ("NAV") per share. Changes in estimated fair value are included in investment related losses, net. Certain other limited partnerships are carried at cost less impairment.

The Company holds beneficial interests in lifetime mortgages in the United Kingdom. Lifetime mortgages represent loans provided to individuals 55 years of age and older secured by the borrower's residence. Lifetime mortgages are comparable to a home equity loan by allowing the borrower to utilize the equity in their home as collateral. The amount of the loan is dependent on the appraised value of the home at the time of origination, the borrower's age and interest rate. Unlike a home equity loan, no payment of principal or interest is required until the death of the borrower or sale of the home. Lifetime mortgages may also be either fully funded at origination, or the borrower can request periodic funding similar to a line of credit. Lifetime mortgages are subject to risks, including market, credit, interest rate, liquidity, operational, reputational and legal risks. Lifetime mortgages are carried at unpaid principal balances, net of any unamortized premium or discount, unamortized balance of loan origination fees and expenses, and allowance for credit losses. Interest income is accrued on the principal amount of the lifetime mortgage based on its contractual interest rate.

Mortgage loans are carried at unpaid principal balances, net of any unamortized premium or discount, unamortized balance of loan origination fees and expenses, and allowance for credit losses. Interest income is accrued on the principal amount of the mortgage loan based on its contractual interest rate. Amortization of premiums, discounts, and loan origination fees are recorded using the effective yield method. The Company accrues interest on loans until it is probable the Company will not receive interest or the loan is 90 days past due. Interest income, amortization of premiums, accretion of discounts, amortization of loan origination fees and prepayment fees are reported in net investment income.

Securities Lending and Repurchase/Reverse Repurchase Programs

The Company participates in securities lending programs whereby securities, which are not reflected on the Company's consolidated balance sheets, are borrowed from third parties. The borrowed securities are used to provide collateral under affiliated reinsurance transactions. The Company is generally required to maintain a minimum of 100% to 110% of the fair value, or par value under certain programs, of the borrowed securities as collateral. The collateral generally consists of securities pledged to the third parties or rights to reinsurance treaty cash flows. If cash flows from the reinsurance treaties are insufficient to maintain the minimum collateral requirement, the Company may substitute cash or securities to meet the requirement.

The Company participates in securities lending programs whereby securities, which are not reflected on the Company's consolidated balance sheets, are borrowed from an affiliated party. The borrowed securities are used to provide collateral under affiliated reinsurance transactions. The collateral consists of rights to reinsurance treaty cash flows. If cash flows from the

[Table of Contents](#)

reinsurance treaties are insufficient to maintain the minimum collateral requirement, the Company may substitute cash or securities to meet the requirement.

The Company participates in a securities lending program whereby securities, reflected as investments on the Company's consolidated balance sheets, are loaned to an affiliated party. In return, the Company receives securities as collateral, in an amount equal to a minimum of 102% of the fair value of the securities lent. For the securities received, there is a payable included in securities lending and repurchase liability on the Company's consolidated balance sheets. The Company deposited the securities received as collateral with an affiliated party under a reinsurance agreement.

The Company participates in repurchase/reverse repurchase programs whereby securities, reflected as investments on the Company's consolidated balance sheets, are sold to third parties. In return, the Company purchases securities from the third parties. Under the agreements the Company's value of the securities sold is generally equal to 100% to 105% of the estimated fair value of the securities purchased. The securities purchased under reverse repurchase agreements are not reflected on the Company's consolidated balance sheets. Securities sold under such transactions may be sold or re-pledged by the transferee.

The Company participates in a repurchase/reverse repurchase program whereby securities, reflected as investments on the Company's consolidated balance sheets, are sold to an affiliated party. In return, the Company purchases securities from the affiliated party. Under the agreement the Company's value of the securities sold is generally equal to 100% of the estimated fair value of the securities purchased. The securities purchased are reflected as investments on an affiliate's consolidated balance sheets. In return, the Company pledges securities to the affiliate, which are reflected in the Company's consolidated balance sheets.

The Company participates in repurchase programs whereby securities, reflected as investments on the Company's consolidated balance sheets are sold to a third party. Under these agreements, the Company receives cash in an amount generally equal to 72% to 100% of the estimated fair value of the securities sold at the inception of the transaction, with a simultaneous agreement to repurchase such securities at a future date or on demand in an amount equal to the cash initially received plus interest. The Company monitors the ratio of the cash held to the estimated fair value of the securities sold throughout the duration of the transaction and additional cash or securities are provided or obtained as necessary. Securities sold under such transactions may be sold or re-pledged by the transferee. The obligation to repurchase bonds is reflected in securities lending and repurchase liability on the Company's consolidated balance sheets.

The Company participates in a repurchase program whereby securities, reflected as investments the Company's consolidated balance sheets, are sold to an affiliated party. Under this agreement, the Company receives cash from the affiliate, which is offset by a payable included in securities lending and repurchase liability on the Company's consolidated balance sheets. The Company is required to maintain a minimum collateral balance with a fair value of 102% of the cash received. The Company monitors the ratio of the cash held to the estimated fair value of the securities sold throughout the duration of the transaction and additional cash or securities are provided or obtained as necessary. Securities sold under such transactions may be sold or re-pledged by the transferee.

The Company participates in a repurchase program whereby securities, reflected as investments on an affiliate's consolidated balance sheets, are purchased by the Company. In return, the Company pays cash to the affiliate, which is offset by a receivable in other assets in the Company's consolidated balance sheets. The affiliate is required to maintain a minimum collateral balance with a fair value of 102% of the cash received.

See [Note 9 - "Investments"](#) and [Note 16 - "Related-Party Transactions"](#) for further details on the Company's securities lending and repurchase/reverse repurchase programs.

Allowance for Credit Losses and Impairments

Fixed Maturity Securities

The Company identifies fixed maturity securities that could result in a credit loss by monitoring market events that could impact issuers' credit ratings, business climates, management changes, litigation, government actions and other similar factors. The Company also monitors late payments, pricing levels, rating agency actions, key financial ratios, financial statements, revenue forecasts and cash flow projections as indicators of credit issues.

The Company reviews all securities to determine whether a decline in fair value below amortized cost has resulted from a credit loss and whether an allowance for credit loss should be recognized. In making this determination, the Company considers relevant facts and circumstances including: (1) the reasons for the decline in fair value; (2) the issuer's financial position and access to capital; and (3) the Company's intent to sell a security or whether it is more likely than not it will be required to sell the security before the recovery of its amortized cost that, in some cases, may extend to maturity.

If the Company intends to sell a security or it is more likely than not that it would be required to sell a security before the recovery of its amortized cost, less any recorded credit loss, it recognizes an impairment loss in investment related losses, net for the difference between amortized cost and fair value.

Credit impairments and changes in the allowance for credit losses on fixed maturity securities are reflected in investment related losses, net, while non-credit impairment losses are recognized in AOCI.

The Company estimates the amount of the credit loss component of a fixed maturity security impairment as the difference between amortized cost and the present value of the expected cash flows of the security. The Company excludes accrued

interest from the amortized cost and the present value of the expected cash flows of the security. The present value is determined using the best estimate cash flows discounted at the effective interest rate implicit to the security at the date of purchase or the current yield to accrete an asset-backed or floating rate security. The techniques and assumptions for establishing the best estimate cash flows vary depending on the type of security. The asset-backed securities' cash flow estimates are based on security-specific facts and circumstances that may include collateral characteristics, expectations of delinquency and default rates, loss severity and prepayment speeds and structural support, including subordination and guarantees.

The Company writes off uncollectible fixed maturity securities when (1) it has sufficient information to determine that the issuer of the security is insolvent or (2) it has received notice that the issuer of the security has filed for bankruptcy, and the collectability of the asset is expected to be adversely impacted by the bankruptcy.

Other Invested Assets

Allowance for credit losses on mortgage loans are computed on an expected loss basis using a model that utilizes probability of default and loss given default methods over the lifetime of the loan. Within the reasonable and supportable forecast period (i.e. typically two years), the allowance for credit losses for mortgage loans is established based on several pool-level loan assumptions, defaults and loss severity, loss expectations for loans with similar risk characteristics and industry statistics. These evaluations are revised as conditions change and new information becomes available. The evaluation also includes the impact of expected changes in future macro-economic conditions. The Company reverts to historical loss information for periods beyond which it believes it is able to develop or obtain reasonable and supportable forecasts of future economic conditions. When individual loans no longer have similar credit risk characteristics of the commercial mortgage loan pool, they are removed from the pool and are evaluated individually for an allowance.

Any interest accrued or received on the net carrying amount of the impaired loan is included in net investment income or applied to the principal of the loan, depending on the assessment of the collectability of the loan. Mortgage loans deemed to be uncollectible or that have been foreclosed are charged off against the allowance for credit losses and subsequent recoveries, if any, are credited to the allowance for credit losses. Changes in allowance for credit losses are reported in investment related losses, net.

The Company considers its limited partnership investments that are carried at cost for impairment when the carrying value of these investments exceeds the fair value. The Company takes into consideration the severity and duration of this excess when deciding if the investment is impaired. For equity method investments (including real estate joint ventures), the Company considers financial and other information provided by the investee, other known information and inherent risks in the underlying investments, as well as future capital commitments, in determining whether an impairment has occurred.

Derivative Instruments

Overview

The Company utilizes a variety of derivative instruments including swaps, options, forwards and futures, primarily to manage or hedge interest rate risk, credit risk, inflation risk, foreign currency risk, market volatility and various other market risks associated with its business. The Company does not invest in derivatives for speculative purposes. It is the Company's policy to enter into derivative contracts primarily with highly rated parties. See [Note 10 - "Derivative Instruments"](#) for additional detail on the Company's derivative positions.

Accounting and Financial Statement Presentation of Derivatives

Derivatives are carried on the Company's consolidated balance sheets primarily in other invested assets or other liabilities, at fair value. Certain derivatives are subject to master netting provisions and reported as a net asset or liability. On the date a derivative contract is executed, the Company designates the derivative as (1) a cash flow hedge, (2) a net investment hedge in a foreign operation or (3) free-standing derivatives held for other risk management purposes, which primarily involve managing asset or liability risks associated with the Company's reinsurance treaties that do not qualify for hedge accounting.

Changes in the fair value of free-standing derivative instruments, which do not receive accounting hedge treatment, are primarily reflected in investment related losses, net.

Hedge Documentation and Hedge Effectiveness

To qualify for hedge accounting, at the inception of the hedging relationship, the Company formally documents its risk management objective and strategy for undertaking the hedging transaction, as well as its designation of the hedge as either (i) a cash flow hedge or (ii) a hedge of a net investment in a foreign operation ("NIFO"). In this documentation, the Company sets forth how the hedging instrument is expected to hedge the designated risks related to the hedged item and sets forth the method that will be used to retrospectively and prospectively assess the hedging instrument's effectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and periodically throughout the life of the designated hedging relationship.

Under a cash flow hedge, changes in the fair value of the hedging derivative measured as effective are reported within AOCI and the deferred gains or losses on the derivative are reclassified into the consolidated statements of income when the Company's earnings are affected by the variability in cash flows of the hedged item. The fair values of the hedging derivatives are exclusive

of any accruals that are separately reported within net investment income or other operating expenses, if applicable, to match the location of the hedged item.

In a NIFO hedge, changes in the fair value of the hedging derivative that are measured as effective are reported within AOCI consistent with the translation adjustment for the hedged net investment in the foreign operation.

The Company discontinues hedge accounting prospectively when: (i) it is determined that the derivative is no longer highly effective in offsetting changes in the estimated fair value or cash flows of a hedged item; (ii) the derivative expires, is sold, terminated, or exercised; (iii) it is no longer probable that the hedged forecasted transaction will occur; or (iv) the derivative is designated as a hedging instrument.

When hedge accounting is discontinued because it is determined that the derivative is not highly effective, the derivative continues to be carried in the consolidated balance sheets at fair value, with changes in fair value recognized in investment related losses, net. Provided the hedged forecasted transaction occurrence is still probable, the changes in estimated fair value of derivatives recorded in OCI related to discontinued cash flow hedges are released into the consolidated statements of income when the Company's earnings are affected by the variability in cash flows of the hedged item.

When hedge accounting is discontinued because it is no longer probable that the forecasted transactions will occur on the anticipated date or within two months of that date, the derivative continues to be carried in the consolidated balance sheets at its estimated fair value, with changes in estimated fair value recognized currently in investment related losses, net. Deferred gains and losses of a derivative recorded in OCI pursuant to the discontinued cash flow hedge of a forecasted transaction that is no longer probable are recognized immediately in investment related losses, net.

In all other situations in which hedge accounting is discontinued, the derivative is carried at its estimated fair value in the consolidated balance sheets, with changes in its estimated fair value recognized in the current period as investment related losses, net.

Embedded Derivatives

The Company assesses reinsurance contract terms to identify embedded derivatives, which are required to be bifurcated under the general accounting principles for *Derivatives and Hedging*. If the contract is not reported for in its entirety at fair value and it is determined that the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract, and that a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host contract and accounted for separately.

Reinsurance treaties written on a modco or funds withheld basis are subject to the general accounting principles for *Derivatives and Hedging* related to embedded derivatives. The Company's funds withheld at interest assets and liabilities are associated with its reinsurance treaties structured on a modco or funds withheld basis, the majority of which were subject to the general accounting principles for *Derivatives and Hedging* related to embedded derivatives. The valuation of embedded derivatives is sensitive to the investment credit spread environment. Changes in the embedded derivatives caused by changes in investment credit spreads are also affected by the application of a credit valuation adjustment ("CVA"). The fair value calculation of an embedded derivative in an asset position utilizes a CVA based on the ceding company's or retrocessionaire's credit risk. Conversely, the fair value calculation of an embedded derivative in a liability position utilizes a CVA based on RGA's credit risk. Generally, an increase in investment credit spreads, ignoring changes in the CVA, will have a negative impact on the fair value of the embedded derivative (decrease in income). The fair value of the embedded derivative assets and liabilities are included in the funds withheld at interest and funds withheld payable, respectively. The change in the fair value of the embedded derivatives is recorded in change in value of funds withheld embedded derivatives on the consolidated statements of income.

The Company has entered into various financial reinsurance treaties on a funds withheld and modco basis. These treaties do not transfer significant insurance risk and are recorded on a deposit method of accounting with the Company earning a net fee. As a result of the experience refund provisions contained in these treaties, the value of the embedded derivatives in these contracts is currently considered immaterial. The Company monitors the performance of these treaties on a quarterly basis. Significant adverse performance or losses on these treaties may result in a loss associated with the embedded derivative.

Fair Value Measurements

General accounting principles for *Fair Value Measurements and Disclosures* define fair value, establish a framework for measuring fair value, establish a fair value hierarchy based on the inputs used to measure fair value and enhance disclosure requirements for fair value measurements. In compliance with these principles, the Company has categorized its assets and liabilities, based on the priority of the inputs to the valuation technique, into a three level hierarchy or separately for assets measured using NAV. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), the second highest priority to quoted prices in markets that are not active or inputs that are observable either directly or indirectly (Level 2) and the lowest priority to unobservable inputs (Level 3).

If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the asset or liability.

See [Note 11 - "Fair Value of Assets and Liabilities"](#) for further details on the Company's assets and liabilities recorded at fair value.

Income Taxes

The Company provides for federal and foreign income taxes currently payable, as well as those deferred due to temporary differences between the tax basis of assets and liabilities and the reported amounts, and are recognized in net income or in certain cases in OCI. The Company's accounting for income taxes represents management's best estimate of various events and transactions considering the laws enacted as of the reporting date.

Deferred tax assets and liabilities are measured by applying the relevant jurisdictions' enacted tax rate for the period in which the temporary differences are expected to reverse to the temporary difference change for that period. The Company will establish a valuation allowance if management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized. The Company has deferred tax assets including those related to foreign tax credits and net operating losses. The Company has projected its ability to utilize its U.S. and foreign deferred tax assets and has determined that all of the U.S. assets including losses are expected to be utilized and established a valuation allowance on the portion of the foreign deferred tax assets the Company believes more likely than not will not be realized.

Significant judgment is required in determining whether valuation allowances should be established as well as the amount of such allowances. When making such a determination, consideration is given to, among other things, the following:

- (i) taxable income in prior carryback years;
- (ii) future reversals of existing taxable temporary differences;
- (iii) future taxable income exclusive of reversing temporary differences and carryforwards; and
- (iv) tax planning strategies.

Any such changes could significantly affect the amounts reported in the consolidated financial statements in the year these changes occur.

It is the Company's policy to account for global intangible low-taxed income ("GILTI") as a period cost.

The Company reports uncertain tax positions in accordance with GAAP. In order to recognize the benefit of an uncertain tax position, the position must meet the more likely than not criteria of being sustained. Unrecognized tax benefits due to tax uncertainties that do not meet the more likely than not criteria are included within income tax liability in other liabilities and are charged to earnings in the period that such determination is made. The Company classifies interest related to tax uncertainties as interest expense in other operating expenses whereas penalties related to tax uncertainties are classified as a component of income tax.

See [Note 12 - "Income Tax"](#) for further discussion including the impact of the December 27, 2023, enactment of the Bermuda corporate income tax regime and enactment of numerous Organization for Economic Cooperation Pillar II regimes.

Other Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit and highly liquid debt instruments purchased with an original maturity of three months or less.

Other Reinsurance Balances

The Company assumes and retrocedes financial reinsurance contracts that do not expose it to a reasonable possibility of loss from insurance risk. These contracts are reported as deposits and are included in other reinsurance balance assets and/or liabilities. The amount of revenue reported in other revenues on these contracts represents fees and the cost of insurance under the terms of the reinsurance agreement. Assets and liabilities are reported on a net or gross basis, depending on the specific details within each treaty. Reinsurance agreements reported on a net basis, where a legal right of offset exists, are generally included in other reinsurance balances on the consolidated balance sheets. Balances resulting from the assumption and/or subsequent transfer of benefits and obligations resulting from cash flows related to variable annuities have also been classified as other reinsurance balance assets and/or liabilities. Other reinsurance assets are included in other reinsurance balances within total assets, while other reinsurance liabilities are included in other reinsurance balances within total liabilities on the consolidated balance sheets.

Receivable From/Payable To Parent and Affiliates

Receivable from/payable to parent and affiliates is primarily comprised of non-reinsurance related receivables/payables. See [Note 16 - "Related-Party Transactions"](#) for further details about transactions with affiliated companies.

Other Assets

Other assets primarily include surplus notes receivable, capitalized assets, right-of-use assets, operating joint ventures, investments in transit, and cash collateral pledged on derivative positions. Capitalized assets are stated at cost, less accumulated depreciation and amortization. Carrying values are reviewed at least annually for indicators of impairment in value.

[Table of Contents](#)

Operating Joint Ventures

The Company has made investments in certain joint ventures that are strategic in nature and made other than for the sole purpose of generating investment income. These investments are reported under the equity method of accounting and are included in other assets. The Company's share of earnings from these joint ventures is reported in other revenues on the consolidated statements of income. The Company's investments in operating joint ventures do not have a material effect on the Company's results of operations and financial condition, and as a result no additional disclosures have been presented.

Affiliated Notes Payable

Affiliated notes payable includes cash borrowed from affiliated companies. Refer to [Note 16 - "Related-Party Transactions"](#) for further details.

Funds Withheld Payable

Funds withheld payable represent amounts contractually withheld by the Company in accordance with reinsurance agreements. For agreements written on a modco basis and agreements written on a coinsurance funds withheld basis, assets that support the ceded transactions are defined in the treaty, and are withheld and legally owned by the Company. Interest expense, recorded in interest credited, accrues to these assets at calculated rates as defined by the treaty terms.

Other Liabilities

Other liabilities primarily include investments in transit, employee benefits, and income tax liability.

Foreign Currency Translation

Assets, liabilities and results of foreign operations are recorded based on the functional currency of each foreign operation. The determination of the functional currency is based on economic facts and circumstances pertaining to each foreign operation. The Company's material functional currencies are the U.S. dollar, Australian dollar, Canadian dollar, British pound, Euro, Chinese yuan, Japanese yen and South African rand. The translation of the functional currency into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using weighted-average exchange rates during each year. Gains or losses, net of applicable deferred income taxes, resulting from such translation are included in accumulated currency translation adjustments in AOCI until the underlying functional currency operation is sold or substantially liquidated.

Equity Based Compensation

RGA issues stock awards included in its incentive compensation plans. The fair value of the award is expensed over the performance or service period, which generally corresponds to the vesting period, and is recognized as an increase to additional paid-in-capital in shareholder's equity, and stock-based compensation expense is reflected in other operating expenses. The Company recognized an immaterial amount of equity compensation expense in 2023 and 2022.

NOTE 3 IMPACT OF NEW ACCOUNTING STANDARD

As discussed in [Note 1 - "Business and Basis of Presentation"](#), the Company adopted ASU 2018-12 during the first quarter of 2023. The updated guidance materially changed how the Company accounts for its long-duration insurance contracts. Below is a summary of the impact of adopting ASU 2018-12:

- For the liability for future policy benefits, the transition adjustment of \$4,980.9 million, pretax, recorded in AOCI is related to the difference in the discount rate used prior to the adoption of ASU 2018-12 and the discount rate at January 1, 2021.
- At transition, the Company identified certain cohorts where the present value of future expected benefits and expenses exceeded the sum of existing benefit reserve and the present value of future gross premiums, resulting in a decrease to retained earnings, net of reinsurance (and a corresponding increase in the liabilities for future policy benefits and reinsurance recoverable). The Company also identified certain cohorts, primarily longevity swaps, where the present value of future premiums exceeded the present value of future benefits resulting in a negative liability. The elimination of the negative liability at transition resulted in a decrease to retained earnings (and a corresponding increase in the liabilities for future policy benefits). The net transition adjustment was \$859.2 million, pretax.
- For market risk benefits, the transition adjustment of \$22.2 million, pretax, recognized in AOCI relates to the cumulative effect of changes in the instrument-specific credit risk between contract issue date and transition date. The remaining difference of \$(7.3) million, pretax between the fair value and carrying value of the market risk benefits at transition, excluding the amounts recorded in AOCI, was recorded as an adjustment to retained earnings as of the transition date.
- As a result of adopting ASU 2018-12 effective as of January 1, 2021, the Company's net loss, as previously reported, decreased from \$(240.3) million to \$(235.8) million, and the Company's OCI, as previously reported, increased from \$(926.0) million to \$432.8 million. The changes in the amounts previously reported were the result of applying the updated measurement guidance in ASU 2018-12, as described in [Note 2 - "Significant Accounting Policies and Pronouncements"](#), as of the beginning of 2021.

Impact on Shareholder's Equity

The following table provides the after-tax transition impact on January 1, 2021, to the reinsurance ceded receivables, liability for future policy benefits, market risk benefits, deferred tax asset and liability and foreign currency translation for the Company's adoption of ASU 2018-12 (dollars in thousands):

	January 1, 2021	
	Retained Earnings	Accumulated Other Comprehensive Income (Loss)
Reinsurance ceded receivables	\$ 39,841	\$ 519,778
Future policy benefits	(859,203)	(4,980,902)
Market risk benefits, at fair value	(7,274)	22,182
Deferred tax asset	8,078	—
Deferred tax liability (included in deferred income taxes)	155,074	1,022,646
Foreign currency translation	—	(7)
Total	\$ (663,484)	\$ (3,416,303)

Impact to Previously Reported Amounts

The adoption of ASU 2018-12 impacted the Company's previously reported consolidated balance sheets as of December 31, 2022, and related statements of income and comprehensive income for the year ended December 31, 2022 as follows (dollars in thousands). The adoption of ASU 2018-12 did not materially impact the Company's previously reported consolidated statements of cash flows for the year ended December 31, 2022.

[Table of Contents](#)

	As Previously Reported	Adoption of ASU 2018-12	As Adjusted
Consolidated Balance Sheet			
December 31, 2022:			
Assets			
Fixed maturity securities available-for-sale, at fair value	\$ 23,468,197	\$ —	\$ 23,468,197
Equity securities, at fair value	45,261	—	45,261
Policy loans	9,323	—	9,323
Funds withheld at interest	8,437,800	—	8,437,800
Short-term investments	64,462	—	64,462
Other invested assets	2,295,024	—	2,295,024
Total investments	34,320,067	—	34,320,067
Cash and cash equivalents	1,035,023	—	1,035,023
Accrued investment income	285,563	—	285,563
Premiums receivable	1,357,572	—	1,357,572
Reinsurance ceded receivables	5,825,320	525,272	6,350,592
Deferred policy acquisition costs	1,692,088	55,109	1,747,197
Income tax recoverable	158,982	—	158,982
Deferred tax asset	87,245	—	87,245
Other reinsurance balances	2,149,510	(334)	2,149,176
Receivable from parent and affiliates	140,071	—	140,071
Other assets	295,026	1,175	296,201
Total assets	\$ 47,346,467	\$ 581,222	\$ 47,927,689
Liabilities and shareholder's equity			
Future policy benefits	\$ 22,919,604	\$ 761,342	\$ 23,680,946
Interest-sensitive contract liabilities	10,967,821	(501,954)	10,465,867
Market risk benefits, at fair value	—	115,901	115,901
Other policy claims and benefits	3,304,738	(1,892,443)	1,412,295
Other reinsurance balances	3,892,685	(108)	3,892,577
Securities lending and repurchase liability	216,090	—	216,090
Deferred income taxes	471,836	467,116	938,952
Affiliated notes payable	3,407	—	3,407
Payable to parent and affiliates	52,774	—	52,774
Funds withheld payable	3,424,233	—	3,424,233
Derivative liabilities	343,925	—	343,925
Other liabilities	124,662	—	124,662
Total liabilities	45,721,775	(1,050,146)	44,671,629
Shareholder's equity:			
Common stock	75,500	—	75,500
Additional paid-in-capital	907,612	—	907,612
Retained earnings	3,436,410	(750,526)	2,685,884
Accumulated other comprehensive loss	(2,794,830)	2,381,894	(412,936)
Total shareholder's equity	1,624,692	1,631,368	3,256,060
Total liabilities and shareholder's equity	\$ 47,346,467	\$ 581,222	\$ 47,927,689

[Table of Contents](#)

	As Previously Reported	Adoption of ASU 2018-12	As Adjusted
Consolidated Statement of Income			
For the year ended December 31, 2022:			
Revenues			
Net premiums	\$ 4,756,876	\$ —	\$ 4,756,876
Net investment income	1,491,414	—	1,491,414
Change in value of funds withheld embedded derivative	(1,123,233)	—	(1,123,233)
Investment related gains losses, net	(117,873)	(38,299)	(156,172)
Other revenues	414,350	73,292	487,642
Total revenues	5,421,534	34,993	5,456,527
Benefits and expenses			
Claims and other policy benefits	4,418,161	986,619	5,404,780
Future policy benefits remeasurement gains	—	(827,896)	(827,896)
Market risk benefits remeasurement gains	—	(3,568)	(3,568)
Interest credited	275,568	—	275,568
Policy acquisition costs and other insurance expenses	850,204	(27,681)	822,523
Other operating expenses	397,648	—	397,648
Total benefits and expenses	5,941,581	127,474	6,069,055
Loss before income taxes	(520,047)	(92,481)	(612,528)
Provision for income taxes	(79,170)	(982)	(80,152)
Net loss	\$ (440,877)	\$ (91,499)	\$ (532,376)

	As Previously Reported	Adoption of ASU 2018-12	As Adjusted
Consolidated Statement of Comprehensive Income			
For the year ended December 31, 2022:			
Comprehensive income (loss)			
Net loss	\$ (440,877)	\$ (91,499)	\$ (532,376)
Other comprehensive loss, net of tax			
Foreign currency translation adjustments	(163,559)	63,288	(100,271)
Net unrealized investment losses	(4,514,683)	889	(4,513,794)
Effect of updating discount rates on future policy benefits	—	4,361,626	4,361,626
Change in instrument-specific credit risk for market risk benefits	—	13,546	13,546
Defined benefit pension and postretirement plan adjustments	2,348	—	2,348
Total other comprehensive loss, net of tax	(4,675,894)	4,439,349	(236,545)
Total comprehensive loss	\$ (5,116,771)	\$ 4,347,850	\$ (768,921)

NOTE 4 FUTURE POLICY BENEFITS

The Company reviews actual and anticipated experience compared to the assumptions used to establish policy benefits on a quarterly basis and will update those assumptions if evidence suggests that they should be revised. It is the Company's policy to complete its annual assumption review during the third quarter of each year. However, updates may occur in other quarters if information becomes available during the quarter that indicates an assumption update is necessary.

During 2023, the Company completed its annual assumption review resulting in an increase in its total liability for future policy benefits. The increase was primarily the result of updated mortality assumptions, which had an unfavorable impact on the liability for future policy benefits for the Company's Traditional business and a favorable impact on the Company's Financial Solutions business.

During 2022, the Company's assumption review resulted in an increase in its total liability for future policy benefits. The increase was primarily the result of updated mortality assumptions, which had an unfavorable impact on the liability for future policy benefits for the Company's Traditional business and a favorable impact on the Company's Financial Solutions business.

The following tables provide the balances of and changes in the Company's liability for future policy benefits for long-duration reinsurance contracts for its Traditional business, which primarily consists of individual life, group life and critical illness reinsurance, and its Financial Solutions business, including the DPL related to the longevity business, which primarily consists of longevity reinsurance, reinsurance of asset-intensive products, primarily annuities and financial reinsurance, for the years ended December 31, 2023 and 2022 (dollars in thousands):

Table of Contents

For the year ended December 31, 2023:	Traditional	Financial Solutions
Present Value of Expected Net Premiums		
Beginning of year balance at original discount rate	\$ 57,160,857	\$ 42,048,857
Effect of changes in cash flow assumptions	(209,399)	(610,119)
Effect of actual variances from expected experience	71,753	2,182,738
Adjusted balance, beginning of year	57,023,211	43,621,476
Issuances ⁽¹⁾	3,474,492	12,678,669
Interest accrual ⁽²⁾	2,046,579	1,081,562
Net premiums collected ⁽³⁾	(3,743,809)	(4,128,828)
Foreign currency translation	1,191,557	1,909,418
Ending balance at original discount rate	59,992,030	55,162,297
Effect of changes in discount rate assumptions	(10,522,274)	(6,604,461)
Balance, end of period	\$ 49,469,756	\$ 48,557,836
Present Value of Expected Future Policy Benefits		
Beginning of year balance at original discount rate	\$ 67,783,869	\$ 54,217,200
Effect of changes in cash flow assumptions	(119,553)	(667,033)
Effect of actual variances from expected experience	(219,513)	2,127,095
Adjusted balance, beginning of year	67,444,803	55,677,262
Issuances ⁽¹⁾	3,476,129	12,684,738
Interest accrual ⁽²⁾	2,575,589	1,310,741
Benefit payments ⁽⁴⁾	(3,075,920)	(4,012,803)
Foreign currency translation	1,363,839	1,795,490
Ending balance at original discount rate	71,784,440	67,455,428
Effect of changes in discount rate assumptions	(11,824,449)	(8,146,262)
Balance, end of period	\$ 59,959,991	\$ 59,309,166
Liability for future policy benefits	\$ 10,490,235	\$ 10,751,330
Less: reinsurance recoverable	(1,042,057)	(3,296,348)
Net liability for future policy benefits	\$ 9,448,178	\$ 7,454,982
Weighted-average duration of the liability (in years)	13	10
Weighted-average interest accretion rate	3.6 %	2.2 %
Weighted-average current discount rate	5.0 %	4.2 %

- (1) Issuances: The present value, using the original discount rate, of the expected net premiums or the expected future policy benefits related to new reinsurance contracts that became effective during the current period and new policies assumed on existing contracts.
- (2) Interest accrual: The interest earned on the beginning present value of either the expected net premiums or the expected future policy benefits using the original interest rate.
- (3) Net premiums collected: The portion of gross premiums collected from the ceding company that is used to fund expected benefit payments.
- (4) Benefit payments: The release of the present value, using the original discount rate, of the expected future policy benefits due to death, lapse/withdrawal, and other benefit payments based on current assumptions.

Table of Contents

For the year ended December 31, 2022:	Traditional	Financial Solutions
Present Value of Expected Net Premiums		
Beginning of year balance at original discount rate	\$ 54,751,715	\$ 34,539,147
Effect of changes in cash flow assumptions	285,435	(135,343)
Effect of actual variances from expected experience	(2,810,671)	180,466
Adjusted balance, beginning of year	52,226,479	34,584,270
Issuances ⁽¹⁾	8,481,882	14,633,068
Interest accrual ⁽²⁾	2,009,727	773,972
Net premiums collected ⁽³⁾	(2,801,419)	(3,973,922)
Derecognition ⁽⁴⁾	—	124,752
Foreign currency translation	(2,755,812)	(4,093,283)
Ending balance at original discount rate	57,160,857	42,048,857
Effect of changes in discount rate assumptions	(11,987,200)	(9,029,323)
Balance, end of period	\$ 45,173,657	\$ 33,019,534
Present Value of Expected Future Policy Benefits		
Beginning of year balance at original discount rate	\$ 64,015,100	\$ 50,011,552
Effect of changes in cash flow assumptions	355,150	(150,535)
Effect of actual variances from expected experience	(3,528,868)	153,534
Adjusted balance, beginning of year	60,841,382	50,014,551
Issuances ⁽¹⁾	8,484,810	14,632,999
Interest accrual ⁽²⁾	2,462,217	1,069,164
Benefit payments ⁽⁵⁾	(843,764)	(3,835,127)
Derecognition ⁽⁴⁾	—	(2,257,777)
Foreign currency translation	(3,160,776)	(5,406,610)
Ending balance at original discount rate	67,783,869	54,217,200
Effect of changes in discount rate assumptions	(13,694,770)	(10,624,918)
Balance, end of period	\$ 54,089,099	\$ 43,592,282
Liability for future policy benefits	\$ 8,915,442	\$ 10,572,748
Less: reinsurance recoverable	(923,463)	(3,900,233)
Net liability for future policy benefits	\$ 7,991,979	\$ 6,672,515
Weighted-average duration of the liability (in years)	13	9
Weighted-average interest accretion rate	3.7 %	2.1 %
Weighted-average current discount rate	5.1 %	4.2 %

- (1) Issuances: The present value, using the original discount rate, of the expected net premiums or the expected future policy benefits related to new reinsurance contracts that became effective during the current period and new policies assumed on existing contracts.
- (2) Interest accrual: The interest earned on the beginning present value of either the expected net premiums or the expected future policy benefits using the original interest rate.
- (3) Net premiums collected: The portion of gross premiums collected from the ceding company that is used to fund expected benefit payments.
- (4) Derecognition: Includes the effects of treaty recaptures and treaty amendments that resulted in the termination of an existing treaty and the issuance of a new treaty under the internal replacement model.
- (5) Benefit payments: The release of the present value, using the original discount rate, of the expected future policy benefits due to death, lapse/withdrawal, and other benefit payments based on current assumptions.

Significant assumptions used to compute the liability for future policy benefits for the Traditional business include mortality, morbidity, lapse rates and discount rates (both accretion and current). During 2023 and 2022, the Company updated its assumptions which resulted in increases of \$89.8 million and \$69.7 million, respectively, in the Company's liability for future policy benefits for its Traditional business, excluding the effects of reinsurance. Including the effects of reinsurance, a future policy benefits remeasurement loss of \$84.7 million and \$64.8 million was recognized for the years ending December 31, 2023 and 2022, respectively, as a result of changes in cash flow assumptions. The increase in the liability in 2023 and 2022 was primarily the result of updating the mortality assumptions used to measure the liability for future policy benefits. The Company also updated the underlying market data used to determine the current discount rate resulting in changes to the discount rate assumption used to measure the net liability for future policy benefits.

Significant assumptions used to compute the liability for future policy benefits for the Financial Solutions business include mortality, morbidity, lapse rates and discount rates (both accretion and current). During 2023 and 2022, the Company updated its assumptions which resulted in a \$56.9 million and \$15.2 million decrease, excluding the effects of reinsurance, in the Company's liability for future policy benefits for its Financial Solutions business during 2023 and 2022, respectively. Including the effects of

[Table of Contents](#)

reinsurance, a future policy benefits remeasurement gain of \$49.4 million and \$15.6 million was recognized during the years ending December 31, 2023 and 2022, respectively, as a result of changes in cash flow assumptions. The decrease in the liability in 2023 and 2022 was primarily the result of updating the mortality assumptions used to measure the liability for future policy benefits. The Company also updated the underlying market data used to determine the current discount rate resulting in changes to the discount rate assumption used to measure the net liability for future policy benefits.

Reconciliation and Other Disclosures

The reconciliation of the rollforward of the liability for future policy benefits to the consolidated balance sheets as of December 31, 2023 and 2022 is as follows (dollars in thousands):

	2023	2022
Liability for future policy benefits included in the rollforwards:		
Traditional	\$ 10,490,235	\$ 8,915,442
Financial Solutions	10,751,330	10,572,748
Other long-duration contracts	386,436	1,333,289
Claims liability and IBNR	2,404,791	2,632,543
Unearned revenue liability	217,719	226,924
Total liability for future policy benefits	\$ 24,250,511	\$ 23,680,946

The amount of undiscounted and discounted expected future gross premiums and expected future benefit payments for the liability for future policy benefits included in the rollforwards as of December 31, 2023 and 2022 is as follows (dollars in thousands):

	2023		2022	
	Undiscounted	Discounted	Undiscounted	Discounted
Expected future gross premiums				
Traditional	\$ 139,156,043	\$ 62,602,168	\$ 128,854,825	\$ 55,465,884
Financial Solutions	92,815,014	54,100,829	55,824,413	32,966,142
Expected future policy benefit payments				
Traditional	\$ 150,592,571	\$ 59,959,991	\$ 140,662,461	\$ 54,089,099
Financial Solutions	101,339,029	59,309,166	64,562,703	43,592,282

The amount of gross premiums and interest expense recognized in the consolidated statements of income for the liability for future policy benefits included in the rollforwards for the years ended December 31, 2023 and 2022 is as follows (dollars in thousands):

	Gross Premiums		Interest Expense	
	2023	2022	2023	2022
Traditional	\$ 4,517,558	\$ 4,249,237	\$ 529,010	\$ 452,490
Financial Solutions	931,997	895,627	229,179	295,192

During the years ended December 31, 2023 and 2022, no material charges were incurred resulting from net premiums exceeding gross premiums.

NOTE 5 POLICYHOLDER ACCOUNT BALANCES

The following tables provide the balances of and changes in the Company's liability for its policyholder account balances, reflected in interest-sensitive contract liabilities, for the years ended December 31, 2023 and 2022 (dollars in thousands):

For the year ended December 31, 2023:	Traditional	Financial Solutions
Balance, beginning of year	\$ 510,031	\$ 7,364,575
Premiums received	7,503	706,496
Policy charges	(10,627)	(10,837)
Surrenders and withdrawals	(14,201)	(355,807)
Benefit payments	(29,753)	(221,802)
Interest credited	20,663	262,463
Foreign currency translation	—	1,798
Balance, end of period	\$ 483,616	\$ 7,746,886
Weighted-average crediting rate	4.0 %	3.6 %
Net amount at risk ⁽¹⁾	\$ 350,298	\$ —
Cash surrender value	\$ 488,372	\$ 7,056,632

Table of Contents

(1) Net amount at risk is defined as the guaranteed amount less the account value as of the balance sheet date. The balance represents the amount of the claim the Company would incur if death claims were filed on all contracts on the balance sheet date.

For the year ended December 31, 2022:	Traditional	Financial Solutions
Balance, beginning of year	\$ 557,141	\$ 8,414,357
Premiums received	8,470	2,761,223
Policy charges	(11,196)	(137,394)
Surrenders and withdrawals	(15,688)	(967,670)
Benefit payments	(48,896)	(203,455)
Interest credited	20,200	314,856
Issuances/(Derecognition)	—	(2,810,548)
Foreign currency translation	—	(6,794)
Balance, end of period	<u>\$ 510,031</u>	<u>\$ 7,364,575</u>
Weighted-average crediting rate	4.0 %	3.6 %
Net amount at risk ⁽¹⁾	\$ 370,084	\$ —
Cash surrender value	\$ 514,357	\$ 6,742,792

(1) Net amount at risk is defined as the guaranteed amount less the account value as of the balance sheet date. The balance represents the amount of the claim the Company would incur if death claims were filed on all contracts on the balance sheet date.

Information regarding the Company's policyholder account balances as of December 31, 2023 and 2022 is as follows (dollars in thousands):

	2023	2022
Policyholder account balances included in the rollforwards:		
Traditional	\$ 483,616	\$ 510,031
Financial Solutions	7,746,886	7,364,575
Total policyholder account balances	<u>\$ 8,230,502</u>	<u>\$ 7,874,606</u>

The balance of account values by range of guaranteed minimum crediting rates and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums as of December 31, 2023 and 2022 is as follows (dollars in thousands):

		December 31, 2023					
	Range of Guaranteed Minimum Crediting Rate	At Guaranteed Minimum	1 Basis Point - 50 Basis Points Above	51 Basis Points - 100 Basis Points Above	101 Basis Points - 150 Basis Points Above	Greater Than 150 Basis Points Above	Total
Traditional	Less than 1.00%	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	1.00 - 1.99%	—	—	—	—	—	—
	2.00 - 2.99%	—	—	—	—	—	—
	3.00 - 3.99%	—	—	—	—	—	—
	4.00% and Greater	483,616	—	—	—	—	483,616
	Total	<u>\$ 483,616</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Financial Solutions	Less than 1.00%	\$ 274,478	\$ —	\$ —	\$ —	\$ —	\$ 274,478
	1.00 - 1.99%	697,138	—	—	—	—	697,138
	2.00 - 2.99%	712,959	—	—	—	—	712,959
	3.00 - 3.99%	1,328,798	—	—	—	—	1,328,798
	4.00% and Greater	4,733,513	—	—	—	—	4,733,513
	Total	<u>\$ 7,746,886</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

December 31, 2022							
	Range of Guaranteed Minimum Crediting Rate	At Guaranteed Minimum	1 Basis Point - 50 Basis Points Above	51 Basis Points - 100 Basis Points Above	101 Basis Points - 150 Basis Points Above	Greater Than 150 Basis Points Above	Total
Traditional	Less than 1.00%	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
	1.00 - 1.99%	—	—	—	—	—	—
	2.00 - 2.99%	—	—	—	—	—	—
	3.00 - 3.99%	—	—	—	—	—	—
	4.00% and Greater	510,031	—	—	—	—	510,031
Total	<u>\$ 510,031</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 510,031</u>
Financial Solutions	Less than 1.00%	\$ 275,971	\$ —	\$ —	\$ —	\$ —	\$ 275,971
	1.00 - 1.99%	729,894	—	—	—	—	729,894
	2.00 - 2.99%	764,279	—	—	—	—	764,279
	3.00 - 3.99%	1,076,157	—	—	—	—	1,076,157
	4.00% and Greater	4,518,274	—	—	—	—	4,518,274
Total	<u>\$ 7,364,575</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,364,575</u>

NOTE 6 MARKET RISK BENEFITS

The following table provides the balances of and changes in the Company's market risk benefits for the years ended December 31, 2023 and 2022 (dollars in thousands):

	Financial Solutions	
	2023	2022
Balance, beginning of year	\$ 114,726	\$ 135,442
Balance, beginning of year, before effect of changes in the instrument-specific credit risk	117,879	121,448
Interest accrual	5,168	5,377
Attributed fees collected	19,813	22,301
Benefit payments	(719)	(9,484)
Effect of changes in interest rates	(3,444)	(111,485)
Effect of changes in equity markets	(51,510)	47,895
Effect of changes in volatility	(7,406)	8,522
Other market impacts	(401)	25,456
Actual policyholder behavior different from expected behavior	6,618	7,849
Balance, end of period, before effect of changes in the instrument-specific credit risk	85,998	117,879
Effect of changes in the instrument-specific credit risk	4,406	(3,153)
Balance, end of period	<u>\$ 90,404</u>	<u>\$ 114,726</u>
Net amount at risk	\$ 440,954	\$ 488,109
Weighted-average attained age of contract holders (in years)	75	74

The reconciliation of the rollforward for market risk benefits to the consolidated balance sheets as of December 31, 2023 and 2022 is as follows (dollars in thousands):

	2023			2022		
	Asset ⁽¹⁾	Liability	Net	Asset ⁽¹⁾	Liability	Net
Financial solutions	\$ 9,287	\$ 99,691	\$ (90,404)	\$ 1,175	\$ 115,901	\$ (114,726)

(1) Included in Other assets.

Fair Value Measurement

See [Note 11 - "Fair Value of Assets and Liabilities"](#) for information about fair value measurement of assets and liabilities, except for market risk benefits.

Market risk benefits are classified within Level 3 on the fair value hierarchy. The fair value of market risk benefits is monitored through the use of attribution reports to quantify the effect of underlying sources of fair value change, including capital market inputs based on policyholder account values, interest rates and short-term and long-term implied volatility from period to period.

During the years ended December 31, 2023 and 2022, there were no material changes made to the inputs in the market risk benefit calculations, and nonfinancial assumptions were unchanged.

[Table of Contents](#)

Note 7 DEFERRED POLICY ACQUISITION COSTS

The following tables provide the balances of and changes in DAC for the years ended December 31, 2023 and 2022 (dollars in thousands):

For the year ended December 31, 2023:	Traditional	Financial Solutions
Balance, beginning of year	\$ 1,230,658	\$ 516,539
Capitalization	203,235	121,039
Amortization expense	(104,148)	(56,310)
Foreign currency translation	9,953	(46,649)
Balance, end of period	<u>\$ 1,339,698</u>	<u>\$ 534,619</u>
For the year ended December 31, 2022:	Traditional	Financial Solutions
Balance, beginning of year	\$ 1,298,684	\$ 632,570
Capitalization	168,952	121,285
Amortization expense	(206,201)	(236,470)
Foreign currency translation	(30,777)	(846)
Balance, end of period	<u>\$ 1,230,658</u>	<u>\$ 516,539</u>

The reconciliation of DAC to the consolidated balance sheets as of December 31, 2023 and 2022 is as follows (dollars in thousands):

	2023	2022
DAC included in the rollforwards:		
Traditional	\$ 1,339,698	\$ 1,230,658
Financial Solutions	534,619	516,539
Total DAC	<u>\$ 1,874,317</u>	<u>\$ 1,747,197</u>

Note 8 REINSURANCE

Ceded Reinsurance

In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding reinsurance to other insurance or reinsurance companies under excess coverage and coinsurance contracts.

Retrocession reinsurance treaties do not relieve the Company from its obligations to the ceding companies. Failure of retrocessionaires to honor their obligations could result in losses to the Company. The Company regularly evaluates the financial condition of the insurance and reinsurance companies from which it assumes and to which it cedes reinsurance. Allowances would be established for amounts deemed uncollectible. At December 31, 2023 and 2022, no allowances were deemed necessary.

Retrocessions are arranged through the Company's retrocession pools for amounts in excess of the Company's retention limit. As of December 31, 2023, all rated retrocession pool participants followed by the A.M. Best Company were rated "A- (excellent)" or better.

As of December 31, 2023 and 2022, \$183.8 million and \$202.4 million of claims recoverable were with affiliates, respectively.

The effect of reinsurance on net premiums is as follows for the years ended December 31, 2023 and 2022 (dollars in thousands):

	2023	2022
Reinsurance assumed:		
Affiliated	\$ 1,261,945	\$ 1,053,929
Non-affiliated	5,033,441	4,950,560
Total reinsurance assumed	<u>6,295,386</u>	<u>6,004,489</u>
Direct insurance issued:		
Non-affiliated	404	24
Reinsurance ceded:		
Affiliated	(719,920)	(777,136)
Non-affiliated	(584,690)	(470,501)
Total reinsurance ceded	<u>(1,304,610)</u>	<u>(1,247,637)</u>
Net premiums	<u>\$ 4,991,180</u>	<u>\$ 4,756,876</u>

The effect of reinsurance on claims and other policy benefits and future policy benefits remeasurement gains is as follows for the years ended December 31, 2023 and 2022 (dollars in thousands):

Table of Contents

	2023	2022
Reinsurance assumed:		
Affiliated	\$ 889,479	\$ 1,401,142
Non-affiliated	4,531,382	4,499,042
Total reinsurance assumed	5,420,861	5,900,184
Direct insurance issued:		
Non-affiliated	6,374	17,364
Reinsurance ceded:		
Affiliated	(771,265)	(932,345)
Non-affiliated	(548,052)	(408,319)
Total reinsurance ceded	(1,319,317)	(1,340,664)
Net claims and other policy benefits and future policy benefits remeasurement gains	\$ 4,107,918	\$ 4,576,884

The effect of reinsurance on life reinsurance in force is shown in the following schedule as of December 31, 2023 and 2022 (dollars in millions):

	2023	2022
Life insurance in force assumed:		
Affiliated	\$ 363,464	\$ 327,254
Non-affiliated	1,649,343	1,469,131
Total life insurance in force assumed	2,012,807	1,796,385
Life insurance in force ceded:		
Affiliated	(233,509)	(238,024)
Non-affiliated	(36,737)	(36,735)
Total life insurance in force ceded	(270,246)	(274,759)
Life insurance in force net:		
Affiliated	129,955	89,230
Non-affiliated	1,612,606	1,432,396
Total life insurance in force net	\$ 1,742,561	\$ 1,521,626
Assumed/net percentage	115.51 %	118.06 %

Assumed Reinsurance

At December 31, 2023 and 2022, respectively, the Company provided approximately \$4.8 billion and \$4.6 billion of financial reinsurance, as measured by pre-tax statutory surplus, risk based capital and other financial reinsurance structures, to other insurance companies under financial reinsurance or capital solutions transactions to assist ceding companies in meeting applicable regulatory requirements. Generally, such financial reinsurance is provided by the Company committing cash or assuming insurance liabilities, which are collateralized by future profits on the reinsured business. The Company earns a fee based on the amount of net outstanding financial reinsurance.

Reinsurance treaties, whether facultative or automatic, may provide for recapture rights on the part of the ceding company. Recapture rights permit the ceding company to reassume all, or a portion of, the risk formerly ceded to the reinsurer after an agreed-upon period of time, generally 10 years, or in some cases due to changes in the financial condition or ratings of the reinsurer. Recapture of business previously ceded does not affect premiums ceded prior to the recapture of such business but would reduce premiums in subsequent periods. Additionally, some reinsurance treaties give the ceding company the right to require the Company to place assets in trust for their benefit to support the ceding company's statutory reserve credits, in the event of a downgrade of the Company's credit ratings and/or other statutory measure to specified levels, generally non-investment grade levels, or if minimum levels of financial condition are not maintained. As of December 31, 2023, the Company was not required to post additional collateral and did not have a reinsurance treaty recaptured as a result of credit downgrade or defined statutory measure decline.

Note 9 INVESTMENTS

Fixed Maturity Securities Available-for-Sale

The Company holds various types of fixed maturity securities available-for-sale and classifies them as corporate securities ("Corporate"), Canadian and Canadian provincial government securities ("Canadian government"), Japanese government and agencies ("Japanese government"), asset-backed securities ("ABS"), commercial mortgage-backed securities ("CMBS"), residential mortgage-backed securities ("RMBS"), U.S. government and agencies ("U.S. government"), state and political subdivisions, and other foreign government, supranational and foreign government-sponsored enterprises ("Other foreign government"). ABS, CMBS, and RMBS are collectively "structured securities".

The following tables provide information relating to investments in fixed maturity securities by type as of December 31, 2023 and 2022 (dollars in thousands):

Table of Contents

December 31, 2023:	Amortized Cost	Allowance for Credit Losses	Unrealized Gains	Unrealized Losses	Estimated Fair Value	% of Total
Available-for-sale:						
Corporate	\$ 17,924,373	\$ 10,752	\$ 254,128	\$ 1,764,354	\$ 16,403,395	62.6 %
Canadian government	3,366,609	—	473,240	25,908	3,813,941	14.6
Japanese government	2,331,403	—	—	394,711	1,936,692	7.4
ABS	893,088	—	4,583	74,541	823,130	3.1
CMBS	356,310	30	238	43,903	312,615	1.2
RMBS	145,240	—	281	15,155	130,366	0.5
U.S. government	310,632	—	1,746	8,039	304,339	1.2
State and political subdivisions	223,443	—	1,187	33,942	190,688	0.7
Other foreign government	2,497,532	—	23,273	245,334	2,275,471	8.7
Total fixed maturity securities	\$ 28,048,630	\$ 10,782	\$ 758,676	\$ 2,605,887	\$ 26,190,637	100.0 %

December 31, 2022:	Amortized Cost	Allowance for Credit Losses	Unrealized Gains	Unrealized Losses	Estimated Fair Value	% of Total
Available-for-sale:						
Corporate	\$ 16,670,857	\$ 2,961	\$ 73,850	\$ 2,397,221	\$ 14,344,525	61.1 %
Canadian government	3,203,819	—	380,846	54,706	3,529,959	15.0
Japanese government	2,200,039	—	—	409,784	1,790,255	7.7
ABS	859,077	—	1,330	115,786	744,621	3.2
CMBS	401,822	—	2	48,647	353,177	1.5
RMBS	140,914	—	113	14,860	126,167	0.5
U.S. government	192,048	—	2,645	5,914	188,779	0.8
State and political subdivisions	222,860	—	693	44,462	179,091	0.8
Other foreign government	2,511,103	—	7,622	307,102	2,211,623	9.4
Total fixed maturity securities	\$ 26,402,539	\$ 2,961	\$ 467,101	\$ 3,398,482	\$ 23,468,197	100.0 %

The Company enters into various collateral arrangements with counterparties that require both the pledging and acceptance of fixed maturity securities as collateral. Pledged fixed maturity securities are included in fixed maturity securities, available-for-sale in the consolidated balance sheets. Fixed maturity securities received as collateral are held in separate custodial accounts and are not recorded on the Company's consolidated balance sheets. Subject to certain constraints, the Company is permitted by contract to sell or repledge collateral it receives; however, as of December 31, 2023 and 2022, none of the collateral received had been sold or repledged. The Company also holds assets in trust to satisfy collateral requirements under derivative transactions and reinsurance treaties. The following table includes fixed maturity securities pledged and received as collateral and assets in trust held to satisfy collateral requirements under derivative transactions and reinsurance treaties as of December 31, 2023 and 2022 (dollars in thousands):

	2023		2022	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Fixed maturity securities pledged as collateral	\$ 311,276	\$ 271,348	\$ 342,938	\$ 280,835
Fixed maturity securities received as collateral	n/a	860,707	n/a	540,084
Assets in trust held to satisfy collateral requirements	13,345,676	12,306,771	11,776,340	10,179,554

Of the assets in trust shown above, the Company held \$355.8 million and \$567.2 million in estimated fair values for the benefit of a related party as of December 31, 2023 and 2022, respectively.

The Company monitors its concentrations of financial instruments on an ongoing basis and mitigates credit risk by maintaining a diversified investment portfolio that limits exposure to any one issuer. The Company's exposure to concentrations of credit risk from single issuers greater than 10% of the Company's equity included securities of the Japanese government and its agencies, as well as the securities disclosed below as of December 31, 2023 and 2022 (dollars in thousands):

	2023		2022	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Fixed maturity securities guaranteed or issued by:				
Canadian province of Quebec	\$ 1,428,484	\$ 1,710,420	\$ 1,395,265	\$ 1,610,466
Canadian province of Ontario	1,018,717	1,125,318	981,710	1,067,741

The amortized cost and estimated fair value of fixed maturity securities classified as available-for-sale as of December 31, 2023 are shown by contractual maturity in the table below (dollars in thousands). Actual maturities can differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Structured securities are shown separately in the table below as they are not due at a single maturity date.

Table of Contents

	Amortized Cost	Estimated Fair Value
Available-for-sale:		
Due in one year or less	\$ 569,755	\$ 569,598
Due after one year through five years	4,606,818	4,542,882
Due after five years through ten years	5,627,882	5,402,087
Due after ten years	15,849,537	14,409,959
Structured securities	1,394,638	1,266,111
Total	\$ 28,048,630	\$ 26,190,637

Corporate Fixed Maturity Securities

The tables below show the major sectors of the Company's corporate fixed maturity holdings as of December 31, 2023 and 2022 (dollars in thousands):

December 31, 2023:			
	Amortized Cost	Estimated Fair Value	% of Total
Finance	\$ 6,849,501	\$ 6,189,135	37.7 %
Industrial	8,844,750	8,171,578	49.8
Utility	2,230,122	2,042,682	12.5
Total	\$ 17,924,373	\$ 16,403,395	100.0 %

December 31, 2022:			
	Amortized Cost	Estimated Fair Value	% of Total
Finance	\$ 6,653,440	\$ 5,693,938	39.7 %
Industrial	8,155,014	7,083,715	49.4
Utility	1,862,403	1,566,872	10.9
Total	\$ 16,670,857	\$ 14,344,525	100.0 %

Allowance for Credit Losses and Impairments - Fixed Maturity Securities Available-for-Sale

As discussed in [Note 2 - "Significant Accounting Policies and Pronouncements"](#), allowances for credit losses on fixed maturity securities are recognized in investment related losses, net. The amount recognized represents the difference between the amortized cost of the security and the net present value of its projected future cash flows discounted at the effective interest rate implicit in the fixed maturity security prior to the allowance for credit losses. Any remaining difference between the fair value and amortized cost is recognized in OCI.

The following tables present the rollforward of the allowance for credit losses in fixed maturity securities by type for the years ended December 31, 2023 and 2022 (dollars in thousands):

For the year ended December 31, 2023:			
	Corporate	CMBS	Total
Balance, beginning of period	\$ 2,961	\$ —	\$ 2,961
Credit losses recognized on securities for which credit losses were not previously recorded	10,752	30	10,782
Write-offs charged against the allowance	(2,961)	—	(2,961)
Balance, end of period	\$ 10,752	\$ 30	\$ 10,782

For the year ended December 31, 2022:		Corporate
Balance, beginning of period		\$ 122
Credit losses recognized on securities for which credit losses were not previously recorded		2,961
Reductions for securities sold during the period		(122)
Balance, end of period		\$ 2,961

Unrealized Losses for Fixed Maturity Securities Available-for-Sale

The Company's determination of whether a decline in value necessitates the recording of an allowance for credit losses includes an analysis of whether the issuer is current on its contractual payments, evaluating whether it is probable that the Company will be able to collect all amounts due according to the contractual terms of the security and analyzing the overall ability of the Company to recover the amortized cost of the investment.

The following tables present the estimated fair values and gross unrealized losses for the 2,906 and 3,408 fixed maturity securities for which an allowance for credit loss has not been recorded as of December 31, 2023 and 2022, and the estimated fair value had declined and remained below amortized cost (dollars in thousands). These investments are presented by class and grade of security, as well as the length of time the related fair value has continuously remained below amortized cost.

Table of Contents

December 31, 2023:	Less than 12 months		12 months or greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Investment grade securities:						
Corporate	\$ 735,994	\$ 31,157	\$ 10,264,381	\$ 1,677,936	\$ 11,000,375	\$ 1,709,093
Canadian government	22,204	109	368,962	25,747	391,166	25,856
Japanese government	284,187	3,582	1,649,970	391,129	1,934,157	394,711
ABS	61,236	1,010	559,518	71,564	620,754	72,574
CMBS	28,745	861	270,603	42,183	299,348	43,044
RMBS	18,588	317	89,523	14,838	108,111	15,155
U.S. government	113,314	3,231	91,532	4,808	204,846	8,039
State and political subdivisions	20,479	273	145,203	33,669	165,682	33,942
Other foreign government	154,850	1,413	1,511,556	239,325	1,666,406	240,738
Total investment grade securities	1,439,597	41,953	14,951,248	2,501,199	16,390,845	2,543,152
Below investment grade securities:						
Corporate	71,296	12,304	305,347	42,947	376,643	55,251
Canadian government	—	—	610	52	610	52
ABS	1,134	51	26,551	1,916	27,685	1,967
CMBS	—	—	2,066	592	2,066	592
Other foreign government	5,304	54	52,442	4,542	57,746	4,596
Total below investment grade securities	77,734	12,409	387,016	50,049	464,750	62,458
Total fixed maturity securities	\$ 1,517,331	\$ 54,362	\$ 15,338,264	\$ 2,551,248	\$ 16,855,595	\$ 2,605,610

December 31, 2022:	Less than 12 months		12 months or greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
Investment grade securities:						
Corporate	\$ 8,512,935	\$ 1,091,818	\$ 3,597,430	\$ 1,249,517	\$ 12,110,365	\$ 2,341,335
Canadian government	482,123	38,307	48,061	16,212	530,184	54,519
Japanese government	342,272	43,163	1,447,983	366,621	1,790,255	409,784
ABS	399,238	33,785	291,994	78,705	691,232	112,490
CMBS	274,955	32,339	72,962	15,961	347,917	48,300
RMBS	94,941	6,832	22,529	8,028	117,470	14,860
U.S. government	172,202	5,914	—	—	172,202	5,914
State and political subdivisions	140,566	34,897	24,338	9,565	164,904	44,462
Other foreign government	1,211,357	116,622	682,577	184,519	1,893,934	301,141
Total investment grade securities	11,630,589	1,403,677	6,187,874	1,929,128	17,818,463	3,332,805
Below investment grade securities:						
Corporate	280,026	16,280	176,540	39,606	456,566	55,886
Canadian government	—	—	1,348	187	1,348	187
ABS	21,222	1,875	5,058	1,421	26,280	3,296
CMBS	—	—	2,308	347	2,308	347
Other foreign government	30,315	1,262	31,822	4,699	62,137	5,961
Total below investment grade securities	331,563	19,417	217,076	46,260	548,639	65,677
Total fixed maturity securities	\$ 11,962,152	\$ 1,423,094	\$ 6,404,950	\$ 1,975,388	\$ 18,367,102	\$ 3,398,482

The Company did not intend to sell, and more likely than not would not be required to sell, the securities outlined in the tables above, as of the dates indicated. However, unforeseen facts and circumstances may cause the Company to sell fixed maturity securities in the ordinary course of managing its portfolio to meet certain diversification, credit quality and liquidity guidelines. Changes in unrealized losses are primarily driven by changes in risk-free interest rates and credit spreads.

Net Investment Income

Major categories of net investment income consist of the following for the years ended December 31, 2023 and 2022 (dollars in thousands):

Table of Contents

	2023	2022
Fixed maturity securities available-for-sale	\$ 1,137,213	\$ 924,353
Equity securities	1,930	1,957
Policy loans	270	254
Funds withheld at interest	413,511	568,278
Short-term investments and cash and cash equivalents	27,054	10,461
Other invested assets	61,385	43,236
Investment income	1,641,363	1,548,539
Investment expense	(65,856)	(57,125)
Net investment income	<u>\$ 1,575,507</u>	<u>\$ 1,491,414</u>

As of December 31, 2023, the Company held non-income producing securities with amortized costs, net of allowances, of \$10.8 million and estimated fair values of \$11.1 million. As of December 31, 2022, securities held by the Company that were non-income producing were not material. Generally, securities that are non-income producing when principal or interest is not paid primarily as a result of bankruptcies or credit defaults.

Investment Related Losses, Net

Investment related losses, net consist of the following for the years ended December 31, 2023 and 2022 (dollars in thousands):

	2023	2022
Fixed maturity securities available for sale:		
Change in allowance for credit losses	\$ (7,821)	\$ (2,839)
Impairments on fixed maturity securities	(1,560)	(4,199)
Realized gains on investment activity	40,266	143,570
Realized losses on investment activity	(145,652)	(179,501)
Net losses on equity securities	(73)	(4,051)
Change in mortgage loan allowance for credit losses	(3,441)	(2,238)
Change in fair value of certain limited partnership investments and other, net	21,798	17,789
Net losses on free-standing derivatives	(64,083)	(124,703)
Total investment related losses, net	<u>\$ (160,566)</u>	<u>\$ (156,172)</u>

For the years ended December 31, 2023 and 2022, there were securities purchased from affiliates for cash with estimated fair values of \$20.8 million and \$13.3 million, respectively, at the time of transfer. For the years ended December 31, 2023 and 2022, there were no securities sold to affiliates for cash.

Securities Lending and Repurchase/Reverse Repurchase Agreements

The following table provides information relating to securities lending and repurchase/reverse repurchase agreements as of December 31, 2023 and 2022 (dollars in thousands):

	2023		2022	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Securities borrowing transactions:				
Securities borrowed ⁽¹⁾	n/a	\$ 961,961	n/a	\$ 801,658
Securities pledged as collateral ⁽²⁾	899,438	728,698	858,844	692,752
Securities lending transactions:				
Securities loaned ⁽²⁾	59,965	55,654	59,360	55,181
Securities received as collateral ⁽³⁾	n/a	66,000	n/a	66,000
Repurchase/reverse repurchase transactions:				
Securities sold ⁽²⁾	1,363,696	1,214,478	913,482	793,915
Cash loaned ⁽⁴⁾	—	—	51,414	51,414
Securities purchased ⁽⁵⁾	n/a	517,190	n/a	686,797
Cash received ⁽⁶⁾	692,053	692,053	149,432	149,432

(1) Securities borrowed are not reflected on the consolidated balance sheets. Collateral associated with certain borrowed securities is not included within this table as the collateral pledged to the counterparty is the right to reinsurance treaty cash flows.

(2) Securities loaned, pledged or sold to counterparties are included within fixed maturity securities.

(3) As of both December 31, 2023 and 2022, a payable for the securities received totaled \$66 million and is included within securities lending and repurchase liability. The Company deposited the securities received as collateral totaling \$66 million to an affiliated party under a reinsurance agreement.

(4) A receivable for the cash held by counterparties is included within other assets.

(5) Securities purchased from counterparties are not reflected on the consolidated financial statements.

(6) A payable for the cash received by the Company is included within other liabilities.

Table of Contents

The following tables present information on the remaining contractual maturity of the Company's securities lending and repurchase/reverse repurchase agreements as of December 31, 2023 and 2022 (dollars in thousands).

	December 31, 2023				
	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 Days	30 - 90 Days	Greater than 90 Days	Total
Securities lending transactions:					
Corporate	\$ —	\$ —	\$ —	\$ 39,654	\$ 39,654
State and political subdivisions	—	—	—	11,248	11,248
Other foreign government	—	—	—	4,752	4,752
Total	—	—	—	55,654	55,654
Repurchase/reverse repurchase transactions:					
Corporate	—	—	—	798,848	798,848
Japanese government	—	—	—	158,407	158,407
ABS	—	—	—	64,145	64,145
CMBS	—	—	—	56,643	56,643
RMBS	—	—	—	14,289	14,289
U.S. government and agencies	—	—	—	13,584	13,584
Other foreign government	—	—	—	106,110	106,110
Other	—	—	—	2,452	2,452
Total	—	—	—	1,214,478	1,214,478
Total transactions	\$ —	\$ —	\$ —	\$ 1,270,132	\$ 1,270,132

	December 31, 2022				
	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 Days	30 - 90 Days	Greater than 90 Days	Total
Securities lending transactions:					
Corporate	\$ —	\$ —	\$ —	\$ 42,796	\$ 42,796
State and political subdivisions	—	—	—	2,817	2,817
Other foreign government	—	—	—	9,568	9,568
Total	—	—	—	55,181	55,181
Repurchase/reverse repurchase transactions:					
Corporate	—	—	—	279,402	279,402
Japanese government	—	—	—	277,949	277,949
ABS	—	—	—	53,503	53,503
CMBS	—	—	—	62,608	62,608
RMBS	—	—	—	10,075	10,075
U.S. government and agencies	—	—	—	14,725	14,725
Other foreign government	—	—	—	95,653	95,653
Total	—	—	—	793,915	793,915
Total transactions	\$ —	\$ —	\$ —	\$ 849,096	\$ 849,096

Policy Loans

The majority of policy loans are associated with one reinsurance agreement with an affiliated company. These policy loans present no credit risk as the amount of the loan cannot exceed the obligation due to the ceding company upon the death of the insured or surrender of the underlying policy. The provisions of the treaties in force and the underlying policies determine the policy loan interest rates. The Company earns a spread between the interest rate earned on policy loans and the interest rate credited to corresponding liabilities.

Funds Withheld at Interest

As of December 31, 2023, \$7.6 billion of the funds withheld at interest balance is associated with reinsurance agreements with affiliated companies. See [Note 16 - "Related-Party Transactions"](#) for further details of affiliated transactions. In the event of a ceding company's insolvency, the Company would need to assert a claim on the assets supporting its reserve liabilities. However, the risk of loss to the Company is mitigated by its ability to offset amounts it owes the ceding company for claims or allowances against amounts owed to the Company from the ceding company.

Other Invested Assets

Other invested assets include limited partnerships, real estate joint ventures, lifetime mortgages, derivative contracts and mortgage loans. Other invested assets also include unit-linked securities, which are included in "Other" in the table below. As of December 31, 2023 and 2022, the allowance for credit losses for lifetime mortgages was not material, and the allowance for credit losses for mortgage loans was \$7.6 million and \$4.1 million, respectively. The carrying values of other invested assets as of December 31, 2023 and 2022 are as follows (dollars in thousands):

	2023	2022
Limited partnerships and real estate joint ventures	\$ 527,642	\$ 452,455
Lifetime mortgages	944,679	868,222
Derivatives	66,579	140,243
Mortgage loans	1,099,558	806,271
Other	25,645	27,833
Total other invested assets	<u>\$ 2,664,103</u>	<u>\$ 2,295,024</u>

Note 10 DERIVATIVE INSTRUMENTS

Accounting for Derivative Instruments and Hedging Activities

See [Note 2 - "Significant Accounting Policies and Pronouncements"](#) for a detailed discussion of the accounting treatment for derivative instruments, including embedded derivatives and [Note 11 - "Fair Value of Assets and Liabilities"](#) for additional disclosures related to the fair value hierarchy for derivative instruments, including embedded derivatives.

Types of Derivatives Used by the Company

Interest Rate Derivatives

Interest rate swaps are used by the Company primarily to reduce market risks from changes in interest rates, to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches) and to manage the risk of cash flows of liabilities that are variable based on a benchmark rate. With an interest rate swap, the Company agrees with another party to exchange, at specified intervals, the difference between two rates, which can be either fixed-rate or floating-rate interest amounts, tied to an agreed-upon notional principal amount. These transactions are executed pursuant to master agreements that provide for a single net payment or individual gross payments at each due date.

Interest rate options include swaptions that are used by the Company to hedge interest rate risk associated with the Company's long-term liabilities and invested assets. A swaption is an option to enter a swap with a forward starting effective date. The Company pays a premium for purchased swaptions.

Total return swaps are used by the Company to exchange, at specified intervals, the difference between the economic risk and calculated rate of return of an asset or a market index and a benchmark interest rate, calculated by reference to an agreed notional amount. No cash is exchanged at the outset of the contract. Cash is paid and received over the life of the contract based on the terms of the swap. These transactions are entered into pursuant to master agreements that provide for a single net payment to be made by the counterparty at each due date. Total return swaps are used by the Company to reduce market risks from changes in interest rates and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches).

Interest rate futures are used primarily to hedge minimum guarantees embedded in certain variable annuity products reinsured by the Company. With exchange-traded interest rate futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by different classes of interest rate securities. The Company posts variation margin on a daily basis in an amount equal to the difference between the daily estimated fair values of those contracts. The Company enters into exchange-traded interest rate futures with regulated futures commission merchants that are members of the exchange.

Forward bond purchase commitments are used by the Company to hedge against the variability in the anticipated cash flows required to purchase securities. With forward bond purchase commitments, the forward price is agreed upon at the time of the contract and payment for such contract is made at the future specified settlement date of the securities.

Foreign Currency Derivatives

Foreign currency swaps are used by the Company to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets and liabilities denominated in foreign currencies. With a foreign currency swap transaction, the Company agrees with another party to exchange, at specified intervals, the difference between one currency and another at a forward exchange rate calculated by reference to an agreed upon principal amount. The principal amount of each currency is exchanged at the termination of the currency swap by each party.

Foreign currency forwards are used by the Company to reduce the risk from fluctuations in foreign currency exchange rates associated with its assets and liabilities denominated in foreign currencies. With a foreign currency forward transaction, the Company agrees with another party to deliver a specified amount of an identified currency at a specified future date. The price is agreed upon at the time of the contract and payment for such a contract is made in a different currency at the specified future date.

Equity Derivatives

Equity index options are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products. To hedge against adverse changes in equity indices, the Company buys put options. The contracts are net settled in cash based on differentials in the indices at the time of exercise and the strike price.

Equity futures are used primarily to economically hedge liabilities embedded in certain variable annuity products. With exchange-traded equity futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the relevant stock indices. The Company posts variation margin on a daily basis in an amount equal to the difference between the daily estimated fair values of those contracts. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange.

Credit Derivatives

The Company sells protection under single name credit default swaps and credit default swap index tranches, as well as other credit derivatives, to diversify its credit risk exposure in certain portfolios and, in combination with purchasing securities, to replicate characteristics of similar investments based on the credit quality and term of the credit default swap. Credit default triggers for indexed reference entities and single name reference entities are defined in the contracts. The Company's maximum exposure to credit loss equals the notional value for credit default swaps. In the event of default of a referencing entity, the Company is typically required to pay the protection holder the full notional value less a recovery amount determined at auction.

Other Derivatives

Consumer price index ("CPI") swaps are used by the Company primarily to economically hedge liabilities embedded in certain insurance products where value is directly affected by changes in a designated benchmark CPI. With a CPI swap transaction, the Company agrees with another party to exchange the actual amount of inflation realized over a specified period of time for a fixed amount of inflation determined at inception. These transactions are executed pursuant to master agreements that provide for a single net payment or individual gross payments to be made by the counterparty at each due date. Most of these swaps will require a single payment to be made by one counterparty at the maturity date of the swap.

The Company has certain embedded derivatives that are required to be separated from their host contracts and reported as derivatives. Host contracts include reinsurance treaties structured on a modco or funds withheld basis.

Summary of Derivative Positions

Derivatives, except for embedded derivatives, are included in other invested assets or derivative liabilities, at fair value. Embedded derivative assets on modco or funds withheld arrangements are included on the consolidated balance sheets with the host contract in funds withheld at interest, at fair value. The following table presents the notional amounts and gross fair value of derivative instruments prior to taking into account the netting effects of master netting agreements as of December 31, 2023 and 2022 (dollars in thousands):

[Table of Contents](#)

	Primary Underlying Risk	December 31, 2023			December 31, 2022		
		Notional Amount	Carrying Value/ Fair Value		Notional Amount	Carrying Value/ Fair Value	
			Assets	Liabilities		Assets	Liabilities
Derivatives not designated as hedging instruments:							
Interest rate swaps	Interest rate	\$ 1,571,230	\$ 2,619	\$ 1,846	\$ 1,065,892	\$ 1,888	\$ 674
Interest rate options	Interest rate	5,554,750	6,512	—	5,554,750	32,548	—
Total return swaps	Interest rate	500,000	23,932	—	500,000	18,327	—
Interest rate futures	Interest rate	96,780	—	—	96,387	—	—
Foreign currency swaps	Foreign currency	149,698	26,950	—	149,698	18,429	—
Foreign currency forwards	Foreign currency	349,451	14,604	—	386,450	24,067	—
Equity options	Equity	253,165	8,007	—	332,961	34,873	—
Equity futures	Equity	255,401	—	—	163,782	—	—
Credit default swaps	Credit	1,290,000	2,727	464	1,407,500	507	19,173
CPI swaps	CPI	433,875	10,563	2,959	489,394	18,487	2,685
Embedded derivatives in modco or funds withheld arrangements		—	451,802	876,476	—	438,681	798,210
Total non-designated derivatives		10,454,350	547,716	881,745	10,146,814	587,807	820,742
Derivatives designated as hedging instruments:							
Interest rate swaps	Interest rate	480,000	—	83,551	421,500	312	82,427
Forward bond purchase commitments	Interest rate	1,007,226	11,469	74,158	407,226	—	95,705
Foreign currency swaps	Foreign currency	148,841	6,927	1,650	148,841	2,914	—
Foreign currency forwards	Foreign currency	1,142,571	5,026	16,798	1,019,221	37,872	766
Total hedging derivatives		2,778,638	23,422	176,157	1,996,788	41,098	178,898
Total derivatives		\$ 13,232,988	\$ 571,138	\$ 1,057,902	\$ 12,143,602	\$ 628,905	\$ 999,640

Cash Flow Hedges

Certain derivative instruments are designated as cash flow hedges when they meet the requirements of the general accounting principles for *Derivatives and Hedging*. The Company designates and accounts for the following as cash flow hedges: (i) certain interest rate swaps, in which the cash flows of assets and liabilities are variable based on a benchmark rate; (ii) forward bond purchase commitments; and (iii) certain foreign currency swaps, in which the cash flows of assets are denominated in different currencies, commonly referred to as cross-currency swaps.

The following table presents the components of AOCI, before income tax, and the consolidated income statement classification where the gain or loss is recognized related to cash flow hedges for the years ended December 31, 2023 and 2022 (dollars in thousands):

	Amounts Included in AOCI
Balance, January 1, 2022	\$ 19,368
Losses, net deferred in OCI	(263,163)
Amounts reclassified to net investment income	494
Balance, December 31, 2022	(243,301)
Gains, net deferred in OCI	14,770
Amounts reclassified to net investment income	2,744
Balance, December 31, 2023	\$ (225,787)

As of December 31, 2023, approximately \$1.1 million of before-tax deferred net losses on derivative instruments recorded in AOCI are expected to be reclassified to net investment income during the next twelve months.

The following table presents the effect of derivatives in cash flow hedging relationships on the consolidated statements of income for the years ended December 31, 2023 and 2022 (dollars in thousands):

Table of Contents

Derivative Type	Gains (Losses) Deferred in OCI	Losses Reclassified into Income from AOCI
		Net Investment Income
For the year ended December 31, 2023:		
Interest rate	\$ 13,206	\$ (1,947)
Foreign currency	1,564	(797)
Total	<u>\$ 14,770</u>	<u>\$ (2,744)</u>
For the year ended December 31, 2022:		
Interest rate	\$ (265,142)	\$ —
Foreign currency	1,979	(494)
Total	<u>\$ (263,163)</u>	<u>\$ (494)</u>

For the years ended December 31, 2023 and 2022, there were no amounts reclassified into earnings relating to instances in which the Company discontinued cash flow hedge accounting because the forecasted transaction did not occur by the anticipated date or within the additional time period permitted by the authoritative guidance for the accounting for derivatives and hedging.

Hedges of Net Investments in Foreign Operations

The Company uses foreign currency swaps and foreign currency forwards to hedge a portion of its net investment in certain foreign operations against adverse movements in exchange rates. The following table illustrates the Company's NIFO hedges and the gains (losses) deferred in OCI for the years ended December 31, 2023 and 2022 (dollars in thousands):

Derivative Type	Derivative Gains (Losses) Deferred in OCI	
	2023	2022
Foreign currency swaps	\$ —	\$ 406
Foreign currency forwards	(17,530)	72,330
Total	<u>\$ (17,530)</u>	<u>\$ 72,736</u>

The cumulative foreign currency translation gain recorded in AOCI related to these hedges was \$50.6 million and \$68.1 million as of December 31, 2023 and 2022, respectively. If a hedged foreign operation was sold or substantially liquidated, the amounts in AOCI would be reclassified to the consolidated statements of income. A pro rata portion would be reclassified upon partial sale of a hedged foreign operation. There were no sales or substantial liquidations of NIFO that would have required the reclassification of gains or losses from AOCI into investment income during the periods presented.

Non-qualifying Derivatives and Derivatives for Purposes Other Than Hedging

The Company uses various other derivative instruments for risk management purposes that either do not qualify or have not been elected for hedge accounting treatment. The gain or loss related to the change in fair value for these derivative instruments is recognized in investment related losses, net, except where otherwise noted.

A summary of the effect of non-qualifying derivatives, including embedded derivatives, on the Company's consolidated statements of income for the years ended December 31, 2023 and 2022 is as follows (dollars in thousands):

Type of Non-qualifying Derivative	Income Statement Location of Gains (Losses)	Gains (Losses) for the years ended December 31,	
		2023	2022
Interest rate swaps	Investment related losses, net	\$ (16,633)	\$ (122,487)
Interest rate options	Investment related losses, net	(30,626)	2,578
Total return swaps	Investment related losses, net	14,361	21,382
Interest rate futures	Investment related losses, net	1,287	5,747
Foreign currency swaps	Investment related losses, net	17,081	20,770
Foreign currency forwards	Investment related losses, net	(33,404)	(49,683)
Equity options	Investment related losses, net	(27,625)	14,068
Equity futures	Investment related losses, net	(30,838)	21,773
Credit default swaps	Investment related losses, net	37,534	(65,684)
CPI swaps	Investment related losses, net	4,780	25,746
Subtotal		(64,083)	(125,790)
Embedded derivatives in modco or funds withheld arrangements	Change in value of funds withheld embedded derivatives	(65,135)	(1,123,233)
Total non-qualifying derivatives		<u>\$ (129,218)</u>	<u>\$ (1,249,023)</u>

[Table of Contents](#)

The Company's utilization of a CVA did not have a material effect on the change in fair value of embedded derivatives for the years ended December 31, 2023 and 2022.

Credit Derivatives

The following table presents the estimated fair value, maximum amount of future payments and weighted average years to maturity of credit default swaps sold by the Company as of December 31, 2023 and 2022 (dollars in thousands):

Rating Agency Designation of Referenced Credit Obligations ⁽¹⁾	2023			2022		
	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps ⁽²⁾	Weighted Average Years to Maturity ⁽³⁾	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps ⁽²⁾	Weighted Average Years to Maturity ⁽³⁾
AAA/AA/A						
Single name credit default swaps	\$ 1,908	\$ 415,000	18.3	\$ (18,406)	\$ 415,000	19.3
BBB						
Single name credit default swaps	819	65,000	2.6	167	67,500	3.1
Credit default swaps referencing indices	(464)	810,000	5.0	(362)	915,000	6.2
Subtotal	355	875,000	4.8	(195)	982,500	6.0
BB						
Single name credit default swaps	—	—	—	(65)	10,000	2.5
Total	\$ 2,263	\$ 1,290,000	9.2	\$ (18,666)	\$ 1,407,500	9.9

(1) The rating agency designations are based on ratings from Standard and Poor's.

(2) Assumes the value of the referenced credit obligations is zero.

(3) The weighted average years to maturity of the credit default swaps is calculated based on weighted average notional amounts.

Netting Arrangements and Credit Risk

Certain of the Company's derivatives are subject to enforceable master netting arrangements and reported as a net asset or liability in the consolidated balance sheets. The Company nets all derivatives that are subject to such arrangements.

The Company has elected to include all derivatives, except embedded derivatives, in the table below, irrespective of whether they are subject to an enforceable master netting arrangement or a similar agreement. See [Note 9 - "Investments"](#) for information regarding the Company's securities lending and repurchase/reverse repurchase programs. See "Embedded Derivatives" above for information regarding the Company's bifurcated embedded derivatives.

The following table provides information relating to the netting of the Company's derivative instruments as of December 31, 2023 and 2022 (dollars in thousands):

	Gross Amounts Recognized	Gross Amounts Offset in the Balance Sheets	Net Amounts Presented in the Balance Sheets	Financial Instruments/ Collateral ⁽¹⁾	Net Amount
December 31, 2023:					
Derivative assets	\$ 119,336	\$ (52,757)	\$ 66,579	\$ (66,579)	\$ —
Derivative liabilities	181,426	(52,757)	128,669	(128,669)	—
December 31, 2022:					
Derivative assets	\$ 190,224	\$ (49,981)	\$ 140,243	\$ (140,243)	\$ —
Derivative liabilities	201,430	(49,981)	151,449	(151,449)	—

(1) Includes initial margin posted to a central clearing partner for financial instruments and excludes the excess of collateral received/pledged from/to the counterparty.

The Company may be exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. Generally, the credit exposure of the Company's derivative contracts is limited to the fair value and accrued interest of non-collateralized derivative contracts in an asset position at the reporting date. As of December 31, 2023, the Company had credit exposure of \$14.8 million.

Derivatives may be exchange-traded or they may be privately negotiated contracts, which are referred to as over-the-counter ("OTC") derivatives. Certain of the Company's OTC derivatives are cleared and settled through central clearing counterparties ("OTC cleared") and others are bilateral contracts between two counterparties. The Company manages its credit risk related to OTC derivatives by entering into transactions with creditworthy counterparties, maintaining collateral arrangements and through the use of master netting agreements that provide for a single net payment to be made by one counterparty to another at each due date and upon termination. The Company is only exposed to the default of the central clearing counterparties for OTC cleared derivatives, and these transactions require initial and daily variation margin collateral postings. Exchange-traded derivatives are settled on a daily basis, thereby reducing the credit risk exposure in the event of non-performance by counterparties to such financial instruments.

Note 11 FAIR VALUE OF ASSETS AND LIABILITIES

Fair Value Measurement

General accounting principles for *Fair Value Measurements and Disclosures* define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. These principles also establish a three-level fair value hierarchy that requires the Company to maximize the use of observable inputs and to minimize the use of unobservable inputs when measuring fair value:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities. Active markets are defined through various characteristics for the measured asset/liability, such as having many transactions and narrow bid/ask spreads.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or market standard valuation techniques and assumptions that use significant inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the related assets or liabilities and include those whose value is determined using market standard valuation techniques described above. Prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques that require management's judgment or estimation in developing inputs that are consistent with those other market participants would use when pricing similar assets and liabilities.

See [Note 6 - "Market Risk Benefits"](#) for information about fair value measurement of market risk benefits.

Assets and Liabilities by Hierarchy Level

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2023 and 2022 are summarized below (dollars in thousands):

	Total	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
December 31, 2023:				
Assets:				
Fixed maturity securities - available-for-sale:				
Corporate	\$ 16,403,395	\$ —	\$ 14,609,079	\$ 1,794,316
Canadian government	3,813,941	—	3,813,941	—
Japanese government	1,936,692	—	1,936,692	—
ABS	823,130	—	348,941	474,189
CMBS	312,615	—	255,369	57,246
RMBS	130,366	—	130,366	—
U.S. government	304,339	299,502	4,837	—
State and political subdivisions	190,688	—	190,688	—
Other foreign government	2,275,471	—	2,245,283	30,188
Total fixed maturity securities - available-for-sale	26,190,637	299,502	23,535,196	2,355,939
Equity securities	46,608	27,931	—	18,677
Funds withheld at interest - embedded derivatives	(876,476)	—	—	(876,476)
Funds withheld at interest	54,005	—	—	54,005
Cash equivalents	199,432	199,432	—	—
Short-term investments	88,385	38,693	49,432	260
Other invested assets ⁽¹⁾ :				
Derivatives	66,579	—	66,579	—
Other	21,507	—	21,507	—
Total other invested assets	88,086	—	88,086	—
Total	\$ 25,790,677	\$ 565,558	\$ 23,672,714	\$ 1,552,405
Liabilities:				
Funds withheld payable - embedded derivatives	\$ (451,802)	\$ —	\$ —	\$ (451,802)
Derivatives - other liabilities	128,669	—	128,669	—
Total	\$ (323,133)	\$ —	\$ 128,669	\$ (451,802)

(1) Excludes limited partnerships that are measured at estimated fair value using the NAV per share (or its equivalent) as a practical expedient. As of December 31, 2023, the fair value of such investments was \$31.9 million.

Table of Contents

December 31, 2022:	Total	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Assets:				
Fixed maturity securities - available-for-sale:				
Corporate	\$ 14,344,525	\$ —	\$ 12,759,501	\$ 1,585,024
Canadian government	3,529,959	—	3,529,959	—
Japanese government	1,790,254	—	1,790,254	—
ABS	744,621	—	320,843	423,778
CMBS	353,177	—	286,744	66,433
RMBS	126,167	—	126,167	—
U.S. government	188,779	184,013	4,766	—
State and political subdivisions	179,091	—	174,110	4,981
Other foreign government	2,211,624	—	2,180,163	31,461
Total fixed maturity securities - available-for-sale	23,468,197	184,013	21,172,507	2,111,677
Equity securities	45,261	26,928	—	18,333
Funds withheld at interest - embedded derivatives	(798,210)	—	—	(798,210)
Funds withheld at interest	53,615	—	—	53,615
Cash equivalents	367,566	367,566	—	—
Short-term investments	64,169	11,072	49,843	3,254
Other invested assets ⁽¹⁾ :				
Derivatives	140,243	—	140,243	—
Other	23,460	—	23,460	—
Total other invested assets	163,703	—	163,703	—
Total	\$ 23,364,301	\$ 589,579	\$ 21,386,053	\$ 1,388,669
Liabilities:				
Funds withheld payable - embedded derivatives	\$ (438,681)	\$ —	\$ —	\$ (438,681)
Derivatives - other liabilities	151,449	—	151,449	—
Total	\$ (287,232)	\$ —	\$ 151,449	\$ (438,681)

- (1) Excludes limited partnerships that are measured at estimated fair value using the NAV per share (or its equivalent) as a practical expedient. As of December 31, 2022, the fair value of such investments was \$7.8 million.

The Company may utilize information from third parties, such as pricing services and brokers, to assist in determining the fair value for certain assets and liabilities; however, management is ultimately responsible for all fair values presented in the Company's consolidated financial statements. This includes responsibility for monitoring the fair value process, ensuring objective and reliable valuation practices and pricing of assets and liabilities, and approving changes to valuation methodologies and pricing sources. The selection of the valuation technique(s) to apply considers the definition of an exit price and the nature of the asset or liability being valued and significant expertise and judgment is required.

The Company performs initial and ongoing analysis and review of the various techniques utilized in determining fair value to ensure that they are appropriate and consistently applied, and that the various assumptions are reasonable. The Company analyzes and reviews the information and prices received from third parties to ensure that the prices represent a reasonable estimate of the fair value and to monitor controls around pricing, which includes quantitative and qualitative analysis and is overseen by the Company's investment and accounting personnel. Examples of procedures performed include, but are not limited to, review of pricing trends, comparison of a sample of executed prices of securities sold to the fair value estimates, comparison of fair value estimates to management's knowledge of the current market, and ongoing confirmation that third party pricing services use, wherever possible, market-based parameters for valuation. In addition, the Company utilizes both internal and external cash flow models to analyze the reasonableness of fair values utilizing credit spread and other market assumptions, where appropriate. As a result of the analysis, if the Company determines there is a more appropriate fair value based upon the available market data, the price received from the third party is adjusted accordingly. The Company also determines if the inputs used in estimated fair values received from pricing services are observable by assessing whether these inputs can be corroborated by observable market data.

For assets and liabilities reported at fair value, the Company utilizes, when available, fair values based on quoted prices in active markets that are regularly and readily obtainable. Generally, these are very liquid investments, and the valuation does not require management judgment. When quoted prices in active markets are not available, fair value is based on market valuation techniques, market comparable pricing and the income approach. The use of different techniques, assumptions and inputs may have a material effect on the estimated fair values of the Company's securities holdings. For the periods presented, the application of market standard valuation techniques applied to similar assets and liabilities has been consistent.

The methods and assumptions the Company uses to estimate the fair value of assets and liabilities measured at fair value on a recurring basis are summarized below.

Fixed Maturity Securities - The fair values of the Company's publicly-traded fixed maturity securities are generally based on prices obtained from independent pricing services. Prices from pricing services are sourced from multiple vendors, and a vendor hierarchy is maintained by asset type based on historical pricing experience and vendor expertise. The Company generally receives prices from multiple pricing services for each security, but ultimately uses the price from the vendor that is highest in the hierarchy for the respective asset type. To validate reasonableness, prices are periodically reviewed as explained above. Consistent with the fair value hierarchy described above, securities with quotes from pricing services are generally reflected within Level 2, as they are primarily based on observable pricing for similar assets and/or other market observable inputs. If the pricing information received from third party pricing services is not reflective of market activity or other inputs observable in the market, the Company may challenge the price through a formal process with the pricing service.

If the Company ultimately concludes that pricing information received from the independent pricing service is not reflective of fair value, non-binding broker quotes are used, if available. If the Company concludes that the values from both pricing services and brokers are not reflective of fair value, an internally developed valuation may be prepared; however, this occurs infrequently. Internally developed valuations or non-binding broker quotes are also used to determine fair value in circumstances where vendor pricing is not available. These valuations may use significant unobservable inputs, which reflect the Company's assumptions about the inputs that market participants would use in pricing the asset. Observable market data may not be available in certain circumstances such as market illiquidity and credit events related to the security. Internally developed valuations and non-binding broker quotes are generally based on significant unobservable inputs and are reflected as Level 3 in the valuation hierarchy.

The inputs used in the valuation of corporate and government securities include, but are not limited to standard market observable inputs that are derived from, or corroborated by, market observable data including market yield curve, duration, call provisions, observable prices and spreads for similar publicly traded or privately placed issues that incorporate the credit quality and industry sector of the issuer. For internal pricing of private placements and structured securities, valuation is based primarily on matrix pricing or other similar techniques using standard market inputs including spreads for actively traded securities, spreads off benchmark yields, expected prepayment speeds and volumes, current and forecasted loss severity, rating, weighted average coupon, weighted average maturity, average delinquency rates, geographic region, debt service coverage ratios and issuance-specific information including, but not limited to: collateral type, payment terms of the underlying assets, payment priority within the tranche, structure of the security, transaction performance and vintage of loans.

When observable inputs are not available, the market standard valuation techniques for determining the estimated fair value of certain types of securities that trade infrequently, and therefore have little or no price transparency, rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from or corroborated by observable market data, such as market illiquidity. Other significant unobservable inputs used in the fair value measurement of the Company's private debt investments include a multiple of earnings before interest, taxes, depreciation and amortization ("EBITDA"). These unobservable inputs can be based in large part on management judgment or estimation and cannot be supported by reference to market activity. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and are believed to be consistent with what other market participants would use when pricing such securities.

Equity Securities - Equity securities consist principally of preferred stock of publicly and privately traded companies. The fair values of publicly traded equity securities are primarily based on quoted market prices in active markets and are classified within Level 1 in the fair value hierarchy. Non-binding broker quotes and internally developed evaluations for equity securities are generally based on significant unobservable inputs and are reflected as Level 3 in the fair value hierarchy.

Embedded Derivatives - The fair value of embedded derivative liabilities, including those calculated by third parties, are monitored through the use of attribution reports to quantify the effect of underlying sources of fair value change, including capital market inputs based on policyholder account values, interest rates and short-term and long-term implied volatilities, from period to period. Actuarial assumptions are based on experience studies performed internally in combination with available industry information and are reviewed on a periodic basis, at least annually.

For embedded derivative liabilities associated with the underlying products in reinsurance treaties, primarily variable annuity treaties, the Company utilizes a discounted cash flow model, which includes an estimate of future equity option purchases and an adjustment for a CVA. The variable annuity embedded derivative calculations are performed by third parties based on methodology and input assumptions provided by the Company. To validate the reasonableness of the resulting fair value, the Company's internal actuaries perform reviews and analytical procedures on the results. The capital market inputs to the model, such as equity indexes, short-term equity volatility and interest rates, are generally observable. The valuation also requires certain significant inputs, which are generally not observable and accordingly, the valuation is considered Level 3 in the fair value hierarchy.

The fair value of embedded derivatives associated with funds withheld reinsurance treaties is determined based upon a total return swap technique with reference to the fair value of the investments held by the ceding company that support the Company's funds withheld at interest asset with an adjustment for a CVA. The fair value of the underlying assets is generally based on variety of sources and pricing methodologies chosen by the ceding company, which are not transparent to the Company and may include significant unobservable inputs. Additionally, some of the valuations also require certain significant inputs, which are generally not observable. Therefore, the valuation of the embedded derivative assets and liabilities associated with these funds withheld reinsurance treaties are considered Level 3 in the fair value hierarchy. Where those funds withheld

Table of Contents

reinsurance agreements are ceded by the Company, the same approach is taken to valuing the embedded derivatives associated with the funds withheld at interest liability.

Credit Valuation Adjustment - The Company bases its CVA on corporate Option-adjusted spread ("OAS") indexes and market conditions adjusted for the Company's specific factors. The input assumptions are a combination of externally derived and publicly available information, corporate OAS indexes, market inputs, and internally developed data based on Company specific investments by rating category.

Funds Withheld at Interest - Funds withheld at interest, elected at fair value on a limited basis, include assets where inputs are not observable in the market and are considered Level 3 in the fair value hierarchy.

Cash Equivalents and Short-Term Investments - Cash equivalents and short-term investments include money market instruments and other highly liquid debt instruments which are generally valued using unadjusted quoted prices in active markets that are accessible for identical assets and are primarily classified as Level 1. The fair value of certain other cash equivalents and short-term investments, such as bonds with original maturities twelve months or less, are based upon other market observable data and are typically classified as Level 2. However, certain short-term investments may incorporate significant unobservable inputs resulting in a Level 3 classification. Various time deposits, certificates of deposit and sweeps carried as cash equivalents or short-term investments are not measured at estimated fair value and therefore are excluded from the tables presented.

Other - FVO contractholder-directed investments supporting unit-linked variable annuity type liabilities consist of fixed maturity securities. The fair value of the fixed maturity contractholder-directed securities is determined on a basis consistent with the methodologies described above for fixed maturity securities and are classified within Level 2 of the hierarchy.

Derivative Assets and Derivative Liabilities - All of the derivative instruments utilized by the Company are classified within Level 2 on the fair value hierarchy. These derivatives are principally valued using an income approach. Valuations of interest rate contracts are based on present value techniques, which utilize significant inputs that may include the swap yield curve, Secured Overnight Financing Rate basis curves, Overnight Index Swaps curves, and repurchase rates. Valuations of foreign currency contracts are based on present value techniques, which utilize significant inputs that may include the swap yield curve, currency spot rates, and cross currency basis curves. Valuations of credit contracts are based on present value techniques, which utilize significant inputs that may include the swap yield curve, credit curves, and recovery rates. Valuations of equity market contracts are based on present value techniques, which utilize significant inputs that may include the swap yield curve, spot equity index levels, and dividend yield curves. Valuations of equity market contracts, option-based, are based on option pricing models, which utilize significant inputs that may include the swap yield curve, spot equity index levels, dividend yield curves, and equity volatility.

Quantitative Information Regarding Internally-Priced Assets and Liabilities

The following table presents quantitative information about significant unobservable inputs used in Level 3 fair value measurements that are developed internally by the Company as of December 31, 2023 and 2022 (dollars in thousands):

	Estimated Fair Value		Valuation Technique	Unobservable Input	Range (Weighted Average)	
	2023	2022			2023	2022
Assets:						
Corporate	\$ 25,480	\$ —	Market comparable securities	Liquidity premium	0-1% (0%)	—
				EBITDA multiple	6.0x	—
ABS	63,312	62,870	Market comparable securities	Liquidity premium	0-9% (3%)	0-9% (3%)
Equity securities	4,589	416	Market comparable securities	Liquidity premium	4%	—
				EBITDA multiple	11.2x	11.2x
Liabilities:						
Funds withheld at interest - embedded derivatives, net	\$ 424,674	\$ 359,529	Total return swap	Mortality	0-100% (3%)	0-100% (3%)
				Lapse	0-35% (18%)	0-35% (17%)
				Withdrawal	0-5% (4%)	0-5% (4%)
				CVA	0-5% (0%)	0-5% (0%)
				Crediting rate	1-4% (2%)	1-4% (2%)

Changes in Level 3 Assets and Liabilities

Assets and liabilities transferred into Level 3 are due to a lack of observable market transactions and price information. Transfers out of Level 3 are primarily the result of the Company obtaining observable pricing information or a third party pricing quotation that appropriately reflects the fair value of those assets and liabilities.

The reconciliations for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows (dollars in thousands):

[Table of Contents](#)

	Fixed maturity securities - available-for-sale						Funds withheld at interest - embedded derivatives, net ⁽¹⁾	Funds withheld at interest
	Corporate	Foreign govt	Structured securities	U.S. and local govt	Equity securities	Short-term investments		
For the year ended December 31, 2023:								
Fair value, beginning of period	\$1,585,024	\$31,461	\$ 490,211	\$ 4,981	\$ 18,333	\$ 3,254	\$ (359,529)	\$53,615
Total gains/losses (realized/unrealized)								
Included in earnings, net:								
Net investment income	1,738	—	2,460	—	—	—	—	(816)
Investment related losses, net	1,802	—	1,411	—	344	(1)	—	—
Change in value of funds withheld embedded derivatives	—	—	—	—	—	—	(65,135)	—
Included in OCI	8,913	(1,273)	43,153	—	—	(1)	(10)	2,813
Purchases ⁽²⁾	325,852	—	75,190	—	—	337	—	1,721
Sales ⁽²⁾	(24,331)	—	(10,887)	—	—	—	—	—
Settlements ⁽²⁾	(127,483)	—	(75,567)	—	—	(195)	—	(3,328)
Transfers into Level 3	22,987	—	9,427	—	—	186	—	—
Transfers out of Level 3	(186)	—	(3,963)	(4,981)	—	(3,320)	—	—
Fair value, end of period	<u>\$1,794,316</u>	<u>\$30,188</u>	<u>\$ 531,435</u>	<u>\$ —</u>	<u>\$ 18,677</u>	<u>\$ 260</u>	<u>\$ (424,674)</u>	<u>\$54,005</u>
Total gains/losses (realized/unrealized) recorded for the period relating to those Level 3 assets and liabilities that were still held at the end of the period								
Included in earnings, net:								
Net investment income	\$ 1,483	\$ —	\$ 2,426	\$ —	\$ —	\$ —	\$ —	\$ (862)
Investment related losses, net	(4,970)	—	—	—	1,236	—	—	—
Change in value of funds withheld embedded derivatives	—	—	—	—	—	—	(65,135)	—
Included in OCI	10,434	(1,273)	42,546	—	—	2	(10)	2,778

- (1) Funds withheld at interest - embedded derivative assets and liabilities are presented net for purposes of the rollforward.
(2) The amount reported within purchases, sales and settlements is the purchase price (for purchases) and the sales/settlement proceeds (for sales and settlements) based upon the actual date purchased or sold/settled. Items purchased and sold/settled in the same period are excluded from the rollforward.

	Fixed maturity securities - available-for-sale						Funds withheld at interest - embedded derivatives, net ⁽¹⁾	Funds withheld at interest
	Corporate	Foreign govt	Structured securities	U.S. and local govt	Equity securities	Short-term investments		
For the year ended December 31, 2022:								
Fair value, beginning of period	\$1,176,460	\$27,645	\$ 518,049	\$ —	\$ 13,773	\$ 19,999	\$ 765,370	\$ 83,085
Total gains/losses (realized/unrealized)								
Included in earnings, net:								
Net investment income	1,638	—	352	41	—	5	—	(13,569)
Investment related losses, net	4,981	—	(111)	—	4,560	1,100	—	—
Change in value of funds withheld embedded derivatives	—	—	—	—	—	—	(1,123,233)	—
Included in OCI	(170,042)	(10,091)	(120,240)	462	—	(1,095)	(1,666)	(8,931)
Purchases ⁽²⁾	795,228	—	144,186	4,478	—	3,265	—	3,211
Sales ⁽²⁾	(43,826)	—	(29,254)	—	—	—	—	—
Settlements ⁽²⁾	(162,061)	—	(37,758)	—	—	(20,020)	—	(10,181)
Transfers into Level 3	21,538	13,907	14,987	—	—	—	—	—
Transfers out of Level 3	(38,892)	—	—	—	—	—	—	—
Fair value, end of period	<u>\$1,585,024</u>	<u>\$31,461</u>	<u>\$ 490,211</u>	<u>\$ 4,981</u>	<u>\$ 18,333</u>	<u>\$ 3,254</u>	<u>\$ (359,529)</u>	<u>\$ 53,615</u>
Total gains/losses (realized/unrealized) recorded for the period relating to those Level 3 assets and liabilities that were still held at the end of the period								
Included in earnings, net:								
Net investment income	\$ 648	\$ —	\$ 350	\$ 41	\$ —	\$ —	\$ —	\$ (13,607)
Investment related losses, net	(2,953)	—	—	—	4,560	—	—	—
Change in value of funds withheld embedded derivatives	—	—	—	—	—	—	(1,123,233)	—
Included in OCI	(158,079)	(10,091)	(120,016)	462	—	—	(1,666)	(8,544)

- (1) Funds withheld at interest - embedded derivative assets and liabilities are presented net for purposes of the rollforward.

Table of Contents

- (2) The amount reported within purchases, sales and settlements is the purchase price (for purchases) and the sales/settlement proceeds (for sales and settlements) based upon the actual date purchased or sold/settled. Items purchased and sold/settled in the same period are excluded from the rollforward.

Nonrecurring Fair Value Measurements

The Company has certain assets subject to measurement at fair value on a nonrecurring basis, in periods subsequent to their initial recognition if they are determined to be impaired. For the years ended December 31, 2023 and 2022, the Company did not have any material assets that were measured at fair value due to impairment.

Fair Value of Financial Instruments Carried at Other Than Fair Value

The following table presents the carrying values and estimated fair values of the Company's financial instruments, which were not measured at fair value on a recurring basis, as of December 31, 2023 and 2022 (dollars in thousands). This table excludes any payables or receivables for collateral under repurchase/reverse repurchase programs and other transactions. The estimated fair value of the excluded amount approximates carrying value as they equal the amount of cash collateral received/paid.

December 31, 2023:	Carrying Value ⁽¹⁾	Estimated Fair Value	Fair Value Measurement Using:		
			Level 1	Level 2	Level 3
Assets:					
Policy loans	\$ 9,936	\$ 9,936	\$ —	\$ 9,936	\$ —
Funds withheld at interest	9,450,241	9,450,241	—	—	9,450,241
Cash and cash equivalents	663,067	663,067	663,067	—	—
Short-term investments	54	54	54	—	—
Other invested assets	2,052,413	1,813,508	4,074	—	1,809,434
Accrued investment income	349,589	349,589	—	349,589	—
Liabilities:					
Interest-sensitive contract liabilities	\$ 11,548,059	\$ 11,537,470	\$ —	\$ —	\$ 11,537,470
Funds withheld payable	3,534,371	3,534,371	—	—	3,534,371
December 31, 2022:					
Assets:					
Policy loans	\$ 9,323	\$ 9,323	\$ —	\$ 9,323	\$ —
Funds withheld at interest	9,182,395	9,182,395	—	—	9,182,395
Cash and cash equivalents	667,457	667,457	667,457	—	—
Short-term investments	293	293	293	—	—
Other invested assets	1,682,838	1,428,005	4,313	—	1,423,692
Accrued investment income	285,563	285,563	—	285,563	—
Liabilities:					
Interest-sensitive contract liabilities	\$ 10,446,786	\$ 10,532,448	\$ —	\$ —	\$ 10,532,448
Funds withheld payable	3,862,914	3,862,914	—	—	3,862,914

- (1) Carrying values presented herein may differ from those in the Company's consolidated balance sheets because certain items within the respective financial statement captions may be measured at fair value on a recurring basis.

Policy Loans - Policy loans typically carry an interest rate that is adjusted annually based on an observable market index and therefore carrying value approximates fair value. The valuation of policy loans is considered Level 2 in the fair value hierarchy.

Funds Withheld at Interest and Funds Withheld Payable - The carrying value of funds withheld at interest approximates fair value except where the funds withheld are specifically identified in the agreement. When funds withheld are specifically identified in the agreement, the fair value is based on the fair value of the underlying assets that are held by the ceding company. A variety of sources and pricing methodologies, which are not transparent to the Company and may include significant unobservable inputs, are used to value the securities that are held in distinct portfolios, therefore the valuation of these funds withheld assets and liabilities are considered Level 3 in the fair value hierarchy.

Cash and Cash Equivalents and Short-term Investments - The carrying values of cash and cash equivalents and short-term investments approximate fair values due to the short-term maturities of these instruments and are considered Level 1 in the fair value hierarchy.

Other Invested Assets - This primarily includes lifetime mortgages, mortgage loans, limited partnerships accounted for using the cost method and cash collateral. The fair value of the Company's lifetime mortgage loan portfolio, considered Level 3 in the fair value hierarchy, is estimated by discounting cash flows, both principal and interest, using a risk-free rate plus an illiquidity premium. The cash flow analysis considers future expenses, changes in property prices, and actuarial analysis of borrower behavior, mortality and morbidity. The fair value of mortgage loans is estimated by discounting cash flows, both principal and interest, using current interest rates for mortgage loans with similar credit ratings and similar remaining maturities. As such, inputs include current treasury yields and spreads, which are based on the credit rating and average life of the loan, corresponding to the market spreads. The valuation of mortgage loans is considered Level 3 in the fair value hierarchy. The fair

value of limited partnerships accounted for using the cost method, considered Level 3 in the fair value hierarchy, is estimated by internally developed valuation techniques. The fair value of the Company's cash collateral is considered to be the carrying value and considered to be Level 1 in the fair value hierarchy.

Accrued Investment Income - The carrying value for accrued investment income approximates fair value as there are no adjustments made to the carrying value. This is considered Level 2 in the fair value hierarchy.

Interest-Sensitive Contract Liabilities - The carrying and fair values of interest-sensitive contract liabilities reflected in the table above exclude contracts with significant mortality risk. The fair value of the Company's interest-sensitive contract liabilities utilizes a market standard technique with both capital market inputs and policyholder behavior assumptions, as well as cash values adjusted for recapture fees. The capital market inputs to the model, such as interest rates, are generally observable. Policyholder behavior assumptions are generally not observable and may require use of significant management judgment. The valuation of interest-sensitive contract liabilities is considered Level 3 in the fair value hierarchy.

Note 12 INCOME TAX

RGA files a U.S. consolidated tax return which includes the operations of the Company and all its U.S. subsidiaries. The Company's foreign subsidiaries are taxed under applicable local statutes.

The Inflation Reduction Act of 2022 ("the Reduction Act") was enacted in 2022. For tax years ending after December 31, 2022, the Reduction Act imposes a 15% minimum tax on adjusted financial statement income for "applicable corporations" with average financial statement income over \$1 billion for the previous 3-year period ending in 2022 or after. Based on the current guidance RGA is not an applicable corporation for 2023 and is evaluating the likelihood that RGA will be an applicable corporation in 2024. The Reduction Act is not expected to have a material impact to the Company's tax expense.

Bermuda enacted the Corporate Income Tax Act of 2023 on December 27, 2023. The Bermuda regime establishes a statutory tax rate of 15%, applicable to companies with annual revenue of EUR 750 million or more. The Company established no net deferred taxes as a result of the enactment. The tax regime is effective for fiscal years beginning on or after January 1, 2025. The Company is still evaluating the impact of the newly enacted Bermuda corporate income tax regime on its financial position.

The Organization for Economic Cooperation and Development developed Model Global Anti-Base Erosion ("GloBE") rules under Pillar II establishing a Global Minimum Tax to ensure multinational enterprises with consolidated revenue of more than EUR 750 million pay at least an effective tax rate of 15% on income arising in each jurisdiction in which they operate. The GloBE model rules serve as a template to allow for each jurisdiction to modify and incorporate into domestic law. As of December 31, 2023, many of the jurisdictions in which RGA operates enacted Pillar II legislation into domestic law with an effective date of January 1, 2024. Guidance is expected to continue throughout 2024 and beyond. The Company continues to evaluate the expected impact of the new law.

RGA Americas has made the Internal Revenue Code Section 953(d) election to be taxed as a U.S. domestic corporation for purposes of U.S. corporate tax.

RGA Atlantic is domiciled in Barbados. As part of the Insurance (Amendment) Act of Barbados, RGA Atlantic was granted a class one license and is subject to tax at 0%.

RGA Atlantic, RGA Canada, RGA South African Holdings (Pty) Ltd. ("RGA South Africa"), RGA International, RGA Australia, Omnilife, and Hodge are Controlled Foreign Corporations ("CFC") for U.S. federal income tax purposes and file Form 5471 - Information Return of U.S. Persons With Respect to Certain Foreign Corporations. These CFCs are not subject to U.S. income taxes directly but are subject to tax as a CFC under subchapter N, Subpart F of the U.S. Internal Revenue Code. Further, RGA South Africa, RGA International, RGA Australia, Omnilife, and Hodge are subject to GILTI in the U.S. Any U.S. tax liability generated under Subpart F or GILTI for RGA South Africa, RGA Atlantic and Hodge would be borne by its parent company, RGA Americas. Any U.S. tax liability generated under Subpart F or GILTI for RGA International, RGA Australia, RGA Canada, and Omnilife would be borne by its parent company, RGA Americas Investments LLC.

The provision for income tax expense for the years ended December 31, 2023 and 2022 consists of the following (dollars in thousands):

	2023	2022
Current income tax expense (benefit)	\$ 59,443	\$ (117,988)
Deferred income tax expense	141,527	37,836
Total provision for income taxes	<u>\$ 200,970</u>	<u>\$ (80,152)</u>

The effective tax rate for 2023 was higher than the U.S. statutory rate of 21% primarily as a result of income in jurisdictions with tax rates differing from the U.S. and Subpart F income generated primarily in RGA Canada, as well as increases to valuation allowances. These increases were partially offset by return to provision adjustments and benefits from foreign tax credits.

The effective tax rate for 2022 on the pretax loss was lower than the U.S. statutory rate of 21% primarily as a result of income in jurisdictions with tax rates differing from the U.S., Subpart F income generated primarily in RGA Canada, and GILTI generated in RGA Australia, Omnilife, and Hodge. These increases were partially offset by return to provision adjustments, benefits from foreign tax credits and valuation allowance releases.

Table of Contents

The Company's effective tax rate differed from the U.S. statutory rate of 21% as a result of the following for the years ended December 31, 2023 and 2022 (dollars in thousands):

	2023	2022
Tax provision at U.S. statutory rate	\$ 180,993	\$ (128,987)
Increase (decrease) in income taxes resulting from:		
Tax rate differences on income in other jurisdictions	16,264	29,176
Differences in tax basis in foreign jurisdictions	6,155	12,603
Corporate rate changes	5,368	7,162
Deferred tax valuation allowance	20,252	(9,024)
Amounts related to uncertain tax positions	8,843	(3,322)
Subpart F for non-full inclusion companies	26,946	59,568
Foreign tax credits	(39,257)	(50,305)
GILTI, net of credits	—	20,423
Return to provision adjustments	(23,664)	(14,268)
Other, net	(930)	(3,178)
Total provision for income taxes	<u>\$ 200,970</u>	<u>\$ (80,152)</u>
Effective tax rate	<u>23.3 %</u>	<u>13.0 %</u>

Total income taxes for the years ended December 31, 2023 and 2022 were as follows (dollars in thousands):

	2023	2022
Provision for income taxes	\$ 200,970	\$ (80,152)
Income tax from OCI:		
Foreign currency translation	12,603	33,374
Net unrealized investment gains (losses)	202,909	(1,280,576)
Liability for future policyholder benefits	(154,632)	1,283,812
Market risk benefits	(1,587)	3,601
Unrealized pension and postretirement	(417)	850
Total income taxes provided	<u>\$ 259,846</u>	<u>\$ (39,091)</u>

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities at December 31, 2023 and 2022 are presented in the following tables (dollars in thousands):

	2023	2022
Deferred income tax assets:		
Nondeductible accruals	\$ 9,090	\$ 7,069
Net operating loss carryforward	248,591	284,220
Tax credit carryforward	90,951	29,795
Capital loss carryforward	34,695	—
Anticipated future foreign tax credit	382,244	—
Invested assets	733,927	653,883
Other	—	5,053
Subtotal	<u>1,499,498</u>	<u>980,020</u>
Valuation allowance	(513,598)	(191,682)
Total deferred income tax assets	<u>985,900</u>	<u>788,338</u>
Deferred income tax liabilities:		
Deferred acquisition costs	229,947	230,107
Policy reserves and other reinsurance liabilities	1,388,721	1,162,739
Anticipated future tax credit reduction	—	1,815
Outside basis difference foreign subsidiaries	175,966	167,503
Foreign currency translation	135,782	77,881
Other	82,105	—
Total deferred income tax liabilities	<u>2,012,521</u>	<u>1,640,045</u>
Net deferred income tax liabilities	<u>\$ 1,026,621</u>	<u>\$ 851,707</u>
Balance sheet presentation of net deferred income tax liabilities:		
Included in deferred tax asset	\$ 108,652	\$ 87,245
Included in deferred income taxes	1,135,273	938,952
Net deferred income tax liabilities	<u>\$ 1,026,621</u>	<u>\$ 851,707</u>

Table of Contents

As of December 31, 2023, the valuation allowance against deferred tax assets was \$513.6 million. During 2023, the Company established a \$302.6 million deferred tax asset and a corresponding valuation allowance related to the enactment of the Bermuda tax regime. Other increases to the valuation allowance were related to losses in foreign subsidiaries that do not have a history of income. These increases were partially offset by releases in certain jurisdictions where the deferred tax assets are more likely than not to be utilized.

As of December 31, 2022, the valuation allowance against deferred tax assets was \$191.7 million. During 2022, there were increases to the valuation allowance related to losses in foreign subsidiaries that do not have a history of income. These increases were partially offset by pretax earnings in certain subsidiaries with valuation allowances, and foreign currency translation.

The earnings of substantially all of the Company's foreign subsidiaries have been permanently reinvested in foreign operations. The Company has provided a deferred tax liability for the future expected tax on foreign subsidiaries where the Company cannot assert permanent reinvestment. At December 31, 2023 and 2022, the financial reporting basis in excess of the tax basis for which no deferred taxes have been recognized was approximately \$1.6 billion and \$1.4 billion, respectively. As U.S. tax law generally eliminates U.S. federal income taxes on dividends from foreign subsidiaries, the Company does not expect to incur material income taxes if these funds were repatriated.

During 2023 and 2022, the Company received federal and foreign income tax refunds of approximately \$147.9 million and \$2.6 million, respectively. The Company made cash income tax payments of approximately \$79.1 million and \$155.2 million in 2023 and 2022, respectively.

The following table presents consolidated net operating loss carryforwards ("NOL") as of December 31, 2023 (dollars in thousands):

NOL with no expiration and with no valuation allowance	\$	427,599
NOL with a full valuation allowance		75,491
NOL with no expiration and a partial valuation allowance		470,347
Total NOL carryforwards	\$	<u>973,437</u>

These NOLs, other than the NOLs for which there is a valuation allowance, are expected to be utilized in the normal course of business during the period allowed for carryforwards and in any event, are not expected to be lost, due to the application of tax planning strategies that management would utilize.

As of December 31, 2023, the Company had foreign tax credit carryforwards of \$90.9 million related to the U.S. and RGA International. The earliest year of expiration on the U.S. foreign tax credits is 2032. The U.S. credits are expected to be utilized in the ordinary course of business to offset U.S. tax liabilities. The RGA International foreign tax credit of \$23.0 million has a full valuation allowance. Furthermore, the Company established anticipatory future foreign tax credits to offset Bermuda deferred tax liabilities established upon enactment of the Bermuda Corporate Income Tax Act of 2023.

The Company files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for years prior to 2020, Canadian tax authorities for years prior to 2018 and with a few exceptions, the Company is no longer subject to state and foreign income tax examinations by tax authorities for years prior to 2019.

As of December 31, 2023, the Company's total amount of unrecognized tax benefits is \$17.2 million, all of which would affect the effective tax rate, if recognized. Management believes it is reasonably possible that the unrecognized tax benefit could decrease by up to \$1.9 million over the next 12 months.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2023 and 2022 is as follows (dollars in thousands):

	Total Unrecognized Tax Benefits	
	2023	2022
Beginning balance, January 1	\$ 8,397	\$ 12,074
Additions for tax positions of prior years	9,262	—
Additions for tax positions of current year	840	—
Reductions for tax positions of prior years	—	(3,677)
Reductions for tax positions of current year	(1,293)	—
Ending balance, December 31	<u>\$ 17,206</u>	<u>\$ 8,397</u>

The Company recognized minimal interest expense (benefit) associated with uncertain tax positions in 2023 and \$(0.8) million in 2022. For both December 31, 2023 and 2022, the Company had \$1.1 million of accrued interest related to unrecognized tax benefits. There are no penalties accrued as of December 31, 2023 or 2022.

Note 13 EMPLOYEE BENEFIT PLANS

RGA Canada sponsors an unfunded non-contributory defined benefit pension plan ("Pension Plan") for certain eligible employees. The benefits under the Pension Plan, which is a non-qualified plan, are generally based on years of service and

[Table of Contents](#)

compensation levels. For non-qualified plans, there are no required funding levels. The Pension Plan is closed to new employees.

A December 31 measurement date is used for the Pension Plan. The status of the Pension Plan as of December 31, 2023 and 2022 is summarized below (dollars in thousands):

	2023	2022
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 14,541	\$ 17,803
Service cost	324	425
Interest cost	739	475
Actuarial (gains) losses	1,578	(2,648)
Benefits paid	(622)	(398)
Foreign exchange translations	378	(1,116)
Benefit obligation at end of year	<u>\$ 16,938</u>	<u>\$ 14,541</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ —	\$ —
Employer contributions	622	398
Benefits paid and expenses	(622)	(398)
Fair value of plan assets at end of year	<u>\$ —</u>	<u>\$ —</u>
Funded status at end of year	<u>\$ (16,938)</u>	<u>\$ (14,541)</u>
Aggregate fair value of plan assets		
	2023	2022
Aggregate fair value of plan assets	\$ —	\$ —
Aggregate projected benefit obligations	16,938	14,541
Under funded	<u>\$ (16,938)</u>	<u>\$ (14,541)</u>
Amounts recognized in AOCI:		
Net actuarial loss	\$ 1,939	\$ 370
Total	<u>\$ 1,939</u>	<u>\$ 370</u>

The following table presents information for the Pension Plan with a projected benefit obligation in excess of plan assets as of December 31, 2023 and 2022 (dollars in thousands):

	2023	2022
Projected benefit obligation	\$ 16,938	\$ 14,541
Fair value of plan assets	—	—

The following table presents information for the Pension Plan with an accumulated benefit obligation in excess of plan assets as of December 31, 2023 and 2022 (dollars in thousands):

	2023	2022
Accumulated benefit obligation	\$ 14,714	\$ 12,927
Fair value of plan assets	—	—

The components of net periodic benefit cost, included in other operating expenses on the consolidated statements of income, and other changes in plan assets and benefit obligations recognized in OCI were as follows (dollars in thousands):

Table of Contents

	2023	2022
Net periodic benefit cost:		
Service cost	\$ 324	\$ 425
Interest cost	739	475
Amortization of net actuarial losses	47	433
Net periodic benefit cost	<u>1,110</u>	<u>1,333</u>
Other changes in plan assets and benefit obligations recognized in OCI:		
Net actuarial (gains) losses	1,578	(2,648)
Amortization of net actuarial losses	(47)	(433)
Foreign exchange translations	38	(118)
Total recognized in OCI	<u>1,569</u>	<u>(3,199)</u>
Total recognized in net periodic benefit cost and OCI	<u>\$ 2,679</u>	<u>\$ (1,866)</u>

During 2024, RGA Canada expects to contribute \$1.1 million to the Pension Plan.

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid (dollars in thousands):

2024	\$ 1,111
2025	1,287
2026	1,287
2027	1,633
2028	2,123
2029-2033	10,620

Assumptions

The weighted average assumptions used to determine the benefit obligation and net periodic benefit cost for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Benefit obligation		
Discount rate	4.60 %	5.05 %
Rate of compensation increase	4.50 %	5.75 %
Net periodic benefit cost		
Discount rate	5.05 %	2.70 %
Rate of compensation increase	5.75 %	3.75 %

Savings and Investment Plans

Certain subsidiaries of RGA Americas also sponsor savings and investment plans under which a portion of employee contributions are matched. Subsidiary contributions to these plans were \$4.2 million and \$3.7 million in 2023 and 2022, respectively.

Note 14 FINANCIAL CONDITION AND NET INCOME ON A STATUTORY BASIS - SIGNIFICANT SUBSIDIARIES

The foreign insurance subsidiaries of RGA Americas prepare their statutory financial statements in conformity with statutory accounting practices prescribed or permitted by the local regulatory authority, which vary materially from statements prepared in accordance with GAAP. The differences between statutory financial statements and financial statements prepared in accordance with GAAP vary between jurisdictions.

Statutory net income and capital and surplus of the Company's primary operating insurance subsidiaries are determined in accordance with statutory accounting practices prescribed by the local regulatory authority. The amounts below reflect the Company's best estimate of the statutory capital, surplus and net income for the subsidiaries listed below as of the date the Company files these consolidated financial statements (dollars in thousands):

	Statutory Capital & Surplus		Statutory Net Income (Loss)	
	2023	2022	2023	2022
RGA Atlantic ⁽¹⁾	\$ 474,931	\$ 729,107	\$ 67,954	\$ 3,767
RGA Canada ⁽¹⁾	1,303,158	1,241,253	38,251	(7,071)
RGA International ⁽¹⁾	718,478	438,680	21,366	44,210
RGA Australia ⁽¹⁾	455,816	402,941	51,743	(66,707)
Other ⁽¹⁾	222,149	207,951	42,769	(50,954)

(1) Prior period amounts have been updated to reflect the entity's adoption of ASU 2018-12 or International Financial Reporting Standards No. 17.

[Table of Contents](#)

The Company's foreign insurance subsidiaries prepare financial statements in accordance with local regulatory requirements. The regulatory authorities in these foreign jurisdictions establish some form of minimum regulatory capital and surplus requirements. All of the Company's foreign insurance subsidiaries have regulatory capital and surplus that exceed the local minimum requirements. These requirements do not represent a significant constraint for the payment of dividends by the Company's foreign insurance companies.

Note 15 SHAREHOLDER'S EQUITY

The Company is registered under the Bermuda Insurance Act 1978 (the "Act") and amendments thereto and related regulations, which require that the Company maintain a minimum solvency margin. The minimum solvency margin required at December 31, 2023 and 2022 is the greater of \$8.0 million or 2% of the first \$500 million of statutory assets of the Company plus 1.5% of statutory assets of the Company above \$500 million. The Company is required to calculate an enhanced capital requirement ("ECR") and target capital level ("TCL") as prescribed by or under rules made under Section 6A of the Act, which are additional capital and surplus requirements to the minimum solvency margin. The Company's ECR is the higher of the Bermuda Solvency Capital Requirement ("BSCR") model and the minimum margin of solvency. The TCL is calculated as 120% of the ECR. As of December 31, 2023 and 2022, the Company has met the requirements. As of December 31, 2023 and 2022, statutory capital and surplus of the Company was \$4,307.9 million and \$1,606.9 million, respectively.

The Bermuda Monetary Authority considers prepaid and fixed assets non-admitted assets. As non-admitted assets, such balances were reflected as a reduction of statutory surplus.

In 2023 and 2022, the Company paid dividends of \$150 million and \$100 million, respectively, to RGA.

Note 16 RELATED-PARTY TRANSACTIONS

The Company transacts business with affiliated companies on a regular basis. These transactions primarily consist of reinsurance agreements, notes with affiliates, securities lending agreements, administrative service agreements, investment management agreements, and the Company may purchase or sell securities with affiliated companies. The table below contains material related-party reinsurance transactions, other than those previously disclosed in [Note 8 - "Reinsurance"](#), as of December 31, 2023 and 2022 (in thousands):

	2023	2022
Future policy benefits	\$ 6,215,064	\$ 6,813,241
Interest-sensitive contract liabilities	5,217,695	4,802,346
Market risk benefits liabilities	99,691	115,901
Funds withheld payable	3,060,873	3,410,199

RGA established an intercompany revolving credit facility where certain subsidiaries, including the Company, can lend to or borrow from each other and from RGA in order to manage capital and liquidity more efficiently. The intercompany revolving credit facility, which is a series of demand loans among RGA and its affiliates, is permitted under applicable insurance laws. This facility reduces overall borrowing costs by allowing RGA and its affiliates to access internal cash resources instead of incurring third-party transaction costs. The lending and borrowing under the intercompany revolving credit facility include the following notes:

The Company issued a note payable to RGA International Division Sydney Office Pty Limited with a maturity date of September 16, 2025. The outstanding note balances as of December 31, 2023 and 2022 were \$6.5 million and \$3.4 million, respectively.

See [Note 9 - "Investments"](#) for information on security purchases and sales with affiliated companies.

During 2020, RGA established an intercompany derivative cash collateral pool where RGA and certain subsidiaries, including the Company, pool derivative cash collateral into a single concentration account held by an affiliated company. This derivative cash collateral pool allows the Company to lend or borrow cash from the concentration account in order to more efficiently meet its collateral obligations under its respective derivative transactions. The Company is paid or charged an arm's length interest rate based on its net loan balance with the concentration account. As of December 31, 2023 and 2022, the Company had amounts due from affiliates under the concentration agreement of \$38.7 million and \$132.9 million, respectively.

The Company regularly transacts business with affiliates under various service agreements and investment management agreements. As of December 31, 2023 and 2022, the Company had receivables from affiliates of \$7.0 million and \$7.2 million, respectively, and payables to affiliates of \$49.5 million and \$52.8 million, respectively, associated with these agreements.

The Company also participates in securities lending transactions with affiliates. As of December 31, 2023 and 2022, the amounts due to affiliates under these agreements were \$759.9 million and \$216.1 million, respectively.

Note 17 COMMITMENTS AND CONTINGENCIES

Commitments

Funding of Investments

The Company's commitments to fund investments as of December 31, 2023 and 2022 are presented in the following table (dollars in thousands):

Table of Contents

	2023	2022
Limited partnership interests and joint ventures	\$ 130,397	\$ 92,610
Mortgage loans	32,625	7,500
Bank loans and private placements	282,069	334,226
Lifetime mortgages	53,217	59,168

The Company anticipates that the majority of its current commitments will be invested over the next five years; however, these commitments could become due any time at the request of the counterparties. Bank loans and private placements are included in fixed maturity securities available-for-sale.

The Company has an immaterial liability, included in other liabilities, for current expected credit losses associated with unfunded commitments as of December 31, 2023 and 2022.

Letters of Credit

In the ordinary course of business, the Company provides letters of credit as security to cover liabilities relating to reinsurance agreements. The total amount of letters of credit outstanding at December 31, 2023 was \$25.6 million, none of which was for the benefit of a related party. The total amount of letters of credit outstanding at December 31, 2022 was \$24.5 million, none of which was for the benefit of a related party. RGA is the guarantor to these letters of credit as of December 31, 2023 and 2022.

Contingencies

Litigation

The Company is subject to litigation and regulatory investigations or actions from time to time. Based on current knowledge, management does not believe that loss contingencies arising from pending legal, regulatory and governmental matters will have a material adverse effect on the financial condition, results of operations or cash flows of the Company. However, in light of the inherent uncertainties involved in future or pending legal, regulatory and governmental matters, some of which are beyond the Company's control, and indeterminate or potentially substantial amount of damages sought in any such matters, an adverse outcome could be material to the Company's financial condition, results of operations or cash flows for any particular reporting period. A legal reserve is established when the Company is notified of an arbitration demand, litigation or regulatory action, or is notified that an arbitration demand, litigation or regulatory action is imminent, it is probable that the Company will incur a loss as a result and the amount of the probable loss is reasonably capable of being estimated.

Note 18 OTHER COMPREHENSIVE INCOME (LOSS)

The following tables present the components of the Company's OCI for the years ended December 31, 2023 and 2022 (dollars in thousands):

For the year ended December 31, 2023:	Before-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Foreign currency translation adjustments:			
Change arising during the year	\$ 138,132	\$ (8,922)	\$ 129,210
Foreign currency swap	17,530	(3,681)	13,849
Net foreign currency translation adjustments	155,662	(12,603)	143,059
Unrealized gains on investments: ⁽¹⁾			
Unrealized net holding gains arising during the year	989,990	(177,555)	812,435
Less: Reclassification adjustment for net losses realized in net income	(111,679)	25,354	(86,325)
Net unrealized gains	1,101,669	(202,909)	898,760
Effect of updating discount rates on future policy benefits	(629,782)	154,632	(475,150)
Change in instrument-specific credit risk for market risk benefits	(7,559)	1,587	(5,972)
Net unrealized losses related to pension and postretirement benefits arising during the year	(1,569)	417	(1,152)
Other comprehensive income	\$ 618,421	\$ (58,876)	\$ 559,545

Table of Contents

For the year ended December 31, 2022:	Before-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Foreign currency translation adjustments:			
Change arising during the year	\$ 5,839	\$ (48,649)	\$ (42,810)
Foreign currency swap	(72,736)	15,275	(57,461)
Net foreign currency translation adjustments	(66,897)	(33,374)	(100,271)
Unrealized losses on investments: ⁽¹⁾			
Unrealized net holding losses arising during the year	(5,827,302)	1,281,244	(4,546,058)
Less: Reclassification adjustment for net losses realized in net income	(32,932)	668	(32,264)
Net unrealized losses	(5,794,370)	1,280,576	(4,513,794)
Effect of updating discount rates on future policy benefits	5,645,438	(1,283,812)	4,361,626
Change in instrument-specific credit risk for market risk benefits	17,147	(3,601)	13,546
Net unrealized gains related to pension and postretirement benefits arising during the year	3,198	(850)	2,348
Other comprehensive loss	\$ (195,484)	\$ (41,061)	\$ (236,545)

(1) Includes cash flow hedges. See [Note 10 - "Derivative Instruments"](#) for additional information on cash flow hedges.

The balances of and changes in each component of AOCI for the years ended December 31, 2023 and 2022 were as follows (dollars in thousands):

	Accumulated Currency Translation Adjustments	Unrealized Appreciation (Depreciation) of Investments ⁽¹⁾	Effect of Updating Discount Rates on Future Policy Benefits	Instrument- Specific Credit Risk for Market Risk Benefits	Pension and Postretirement Benefits	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2022	\$ (121,418)	\$ 1,997,617	\$ (2,038,915)	\$ (11,055)	\$ (2,620)	\$ (176,391)
OCI before reclassifications	(100,271)	(4,546,058)	4,361,626	13,546	2,030	(269,127)
Amounts reclassified from AOCI	—	32,264	—	—	318	32,582
Balance, December 31, 2022	(221,689)	(2,516,177)	2,322,711	2,491	(272)	(412,936)
OCI before reclassifications	143,059	812,435	(475,150)	(5,972)	(1,187)	473,185
Amounts reclassified from AOCI	—	86,325	—	—	35	86,360
Balance, December 31, 2023	\$ (78,630)	\$ (1,617,417)	\$ 1,847,561	\$ (3,481)	\$ (1,424)	\$ 146,609

(1) Includes cash flow hedges of \$(225.8) million and \$(243.3) million as of December 31, 2023 and 2022, respectively. See [Note 10 - "Derivative Instruments"](#) for additional information on cash flow hedges.

The following table presents the amounts of AOCI reclassifications for the years ended December 31, 2023 and 2022 (dollars in thousands):

Details about AOCI Components	Amount Reclassified from AOCI		Affected Line Item in Statements of Income
	2023	2022	
Net unrealized investment losses:			
Net unrealized losses on available-for-sale securities	\$ (111,679)	\$ (32,932)	Investment related losses, net
Provision for income taxes	25,354	668	
Net unrealized losses, net of tax	\$ (86,325)	\$ (32,264)	
Amortization of defined benefit plan items:			
Actuarial losses	\$ (47)	\$ (433)	(1)
Provision for income taxes	12	115	
Amortization of defined benefit plans, net of tax	(35)	(318)	
Total reclassifications for the year	\$ (86,360)	\$ (32,582)	

(1) See [Note 13 - "Employee Benefit Plans"](#) for information on employee benefit plans.

Note 19 NEW ACCOUNTING STANDARDS NOT YET ADOPTED

Changes to the general accounting principles are established by the Financial Accounting Standards Board ("FASB") in the form of accounting standards updates to the FASB Accounting Standards Codification™. See "New Accounting Pronouncements" in [Note 1 - "Business and Basis of Presentation"](#) and [Note 3 - "Impact of New Accounting Standard"](#) for information on new accounting standards adopted. Accounting standards updates not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's consolidated financial statements.

[Table of Contents](#)

Description	Anticipated Date of Adoption	Effect on the Consolidated Financial Statements
<i>Income Taxes</i> <i>This standard improves income tax disclosure requirements, which requires disaggregated information about a reporting entity's effective tax rate reconciliation, information on income taxes paid and other disclosure requirements. Early adoption is permitted.</i>	December 31, 2025	The adoption of the new standard will be applied prospectively. Retrospective application is permitted. The adoption of the new standard will not be material to the Company's results of operations or financial position.