

RGA Global Reinsurance Company, Ltd.

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

RGA GLOBAL REINSURANCE COMPANY, LTD.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of RGA Global Reinsurance Company, Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, comprehensive income, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

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

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

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.

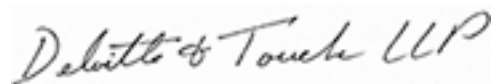
Auditor's Responsibilities for the Audit of the Financial Statements

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.



April 17, 2024

RGA GLOBAL REINSURANCE COMPANY, LTD.
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 \$2,747,503 and \$2,008,514; allowance for credit losses of \$13,929 and \$0)	\$ 2,667,331	\$ 1,834,074
Equity securities, at fair value	1,871	1,808
Funds withheld at interest	44,834	44,835
Short-term investments	42,445	72,128
Derivatives	14,375	24,138
Total investments	2,770,856	1,976,983
Cash and cash equivalents	199,299	220,702
Accrued investment income	20,404	14,846
Premiums receivable	486,535	397,804
Reinsurance ceded receivables	1,531,190	1,118,228
Deferred policy acquisition costs	60,049	51,224
Other reinsurance balances	—	1,957
Deferred tax asset	14,457	—
Receivable from parent and affiliates	3,373	5,382
Other assets	16,692	6,050
Total assets	<u>\$ 5,102,855</u>	<u>\$ 3,793,176</u>
Liabilities and shareholder's equity		
Future policy benefits	\$ 2,213,975	\$ 898,483
Interest-sensitive contract liabilities	1,096,651	1,361,889
Other policy claims and benefits	349,088	320,745
Other reinsurance balances	120,735	83,116
Securities lending obligation	101,002	—
Payable to parent and affiliates	5,241	4,528
Derivative liabilities	50,523	14,863
Funds withheld payable	549,716	684,538
Other liabilities	24,978	13,350
Total liabilities	<u>4,511,909</u>	<u>3,381,512</u>
Commitments and Contingencies (See Note 13)		
Shareholder's equity:		
Common stock (par value \$1.00 per share; 500,000 shares authorized; shares issued: 500,000 at December 31, 2023 and 2022)	500	500
Additional paid-in-capital	122,018	122,457
Retained earnings	392,033	384,731
Accumulated other comprehensive income (loss)	76,395	(96,024)
Total shareholder's equity	<u>590,946</u>	<u>411,664</u>
Total liabilities and shareholder's equity	<u>\$ 5,102,855</u>	<u>\$ 3,793,176</u>

See accompanying notes to financial statements.

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

	For the years ended December 31,	
	2023	2022
Revenues		
Net premiums	\$ 418,943	\$ 465,102
Net investment income	74,197	34,325
Investment related losses, net	(118,905)	(45,702)
Other revenues (expenses)	120,481	(2,681)
Total revenues	<u>494,716</u>	<u>451,044</u>
Benefits and expenses		
Claims and other policy benefits	382,148	393,205
Future policy benefits remeasurement (gains) losses	84,828	(8,894)
Interest credited	(2,432)	4,250
Policy acquisition costs and other insurance expenses	(6,550)	22,814
Other operating expenses	47,877	37,682
Total benefits and expenses	<u>505,871</u>	<u>449,057</u>
Income (loss) before income taxes	<u>(11,155)</u>	<u>1,987</u>
Provision for income taxes	(18,457)	6,203
Net income (loss)	<u>\$ 7,302</u>	<u>\$ (4,216)</u>

See accompanying notes to financial statements.

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

	For the years ended December 31,	
	2023	2022
Comprehensive income (loss)		
Net income (loss)	\$ 7,302	\$ (4,216)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	5,795	27,397
Net unrealized investment gains (losses)	70,861	(209,235)
Effect of updating discount rates on future policy benefits	95,763	16,645
Total other comprehensive income (loss), net of tax	172,419	(165,193)
Total comprehensive income (loss)	\$ 179,721	\$ (169,409)

See accompanying notes to financial statements.

RGA GLOBAL REINSURANCE COMPANY, LTD.
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	\$ 500	\$ 122,364	\$ 338,188	\$ 41,679	\$ 502,731
Cumulative effect of modified retrospective adoption of <i>Financial Services - Insurance</i> on long-duration contracts	—	—	(23,085)	20,295	(2,790)
Adjusted balance, January 1, 2021	500	122,364	315,103	61,974	499,941
Net income	—	—	73,844	—	73,844
Total other comprehensive income	—	—	—	7,195	7,195
Equity based compensation	—	41	—	—	41
Balance, December 31, 2021	500	122,405	388,947	69,169	581,021
Net loss	—	—	(4,216)	—	(4,216)
Total other comprehensive loss	—	—	—	(165,193)	(165,193)
Equity based compensation	—	52	—	—	52
Balance, December 31, 2022	500	122,457	384,731	(96,024)	411,664
Net income	—	—	7,302	—	7,302
Total other comprehensive income	—	—	—	172,419	172,419
Equity based compensation	—	61	—	—	61
Dissolution of representative company	—	(500)	—	—	(500)
Balance, December 31, 2023	<u>\$ 500</u>	<u>\$ 122,018</u>	<u>\$ 392,033</u>	<u>\$ 76,395</u>	<u>\$ 590,946</u>

See accompanying notes to financial statements.

RG A GLOBAL REINSURANCE COMPANY, LTD.
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)	\$ 7,302	\$ (4,216)
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in operating assets and liabilities:		
Accrued investment income	(6,269)	(10,087)
Premiums receivable and other reinsurance balances	(88,060)	(24,586)
Reinsurance ceded receivables	(412,962)	(328,507)
Deferred policy acquisition costs	(9,866)	(4,301)
Future policy benefits, other policy claims and benefits, and other reinsurance balances	1,803,465	(196,442)
Deferred income taxes	(14,639)	827
Receivable from/payable to parent and affiliates	15,195	(74,742)
Other assets and other liabilities, net	8,917	47,134
Amortization of net investment premiums, discounts and other	(2,578)	(136)
Depreciation and amortization expense	520	483
Investment related losses, net	118,905	45,702
Other, net	(56,343)	(25,590)
Net cash provided by (used in) operating activities	1,363,587	(574,461)
Cash flows from investing activities		
Sales of fixed maturity securities available-for-sale	653,533	1,258,678
Maturities of fixed maturity securities available-for-sale	8,788	2,769
Purchases of fixed maturity securities available-for-sale	(1,946,342)	(2,711,795)
Purchases of equity securities	—	(2,006)
Deposits in (withdrawals from) funds withheld at interest	(86,593)	671,845
Sales of short-term investments	51,603	102,958
Maturities of short-term investments	58,052	56,142
Purchases of short-term investments	(83,267)	(232,003)
Change in derivatives	11,855	(43,608)
Net cash used in investing activities	(1,332,371)	(897,020)
Cash flows from financing activities		
Change in securities lending obligation	101,002	—
Dissolution of representative company	(500)	—
Change in cash collateral for derivative positions and other arrangements	97,510	14,863
Deposits on investment-type policies and contracts	179,683	2,480,452
Withdrawals on investment-type policies and contracts	(415,145)	(929,808)
Net cash provided by (used in) financing activities	(37,450)	1,565,507
Effect of exchange rate changes on cash	(15,169)	(17,337)
Change in cash and cash equivalents	(21,403)	76,689
Cash and cash equivalents, beginning of period	220,702	144,013
Cash and cash equivalents, end of period	\$ 199,299	\$ 220,702
Supplemental disclosures of cash flow information:		
Income taxes paid, net of refunds	\$ 2,583	\$ 3,148

See accompanying notes to financial statements.

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

Note 1 BUSINESS AND BASIS OF PRESENTATION

Business

RGA Global Reinsurance Company, Ltd. (the "Company") was incorporated in accordance with the Bermuda Companies Act 1981 on December 14, 2005, and is registered as a Class E insurer under the Insurance Act 1978 as amended and related regulations. In 2016, Reinsurance Group of America, Incorporated ("RGA"), a United States of America ("U.S.") insurance holding company formed on December 31, 1992, contributed to RGA Reinsurance Company (Barbados) Ltd. ("RGA Barbados") all of the outstanding shares of the Company. RGA Barbados was incorporated under the laws of Barbados on June 27, 1995 and is a wholly owned subsidiary of RGA. As of December 31, 2023, all outstanding shares of the Company were owned by RGA Barbados.

The Company maintains branch licenses in Taiwan and Labuan, Malaysia and their results are included in these financial statements. The representative company in Brazil was dissolved in 2023.

The Company received authorization to operate a retakaful window in Labuan, Malaysia effective September 30, 2009. The retakaful window authorizes the Company to provide retakaful services to takaful operators. Takaful operators are entities that apply Islamic finance accounting ("Shariah"), that provide benefits to pools of participants for the purpose of sharing risk, which is similar to the principles of mutual insurance. Retakaful benefits can be provided under various models and a Shariah Advisory Council has been appointed to oversee the Company's retakaful operations. The Company began writing retakaful business in 2011.

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, primary annuities, financial reinsurance, and capital solutions.

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 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 and valuation of investments and investment impairments. Actual results could differ materially from the estimates and assumptions used by management.

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 12 - "Related-Party Transactions"](#) for further details.

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

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 reinsurers 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

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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) losses 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 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 estimates are 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 on long-duration contracts are included in the liability for future policy benefits on the 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

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 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.

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.

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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 change in allowance for credit losses and impairments. The cost of investments sold is primarily determined based upon the specific identification method.

Equity Securities

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

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.

Securities Lending and Repurchase Agreements

The Company participates in a securities lending program whereby securities, reflected as investments on the Company's balance sheets, are loaned to an affiliated party. The collateral consists of rights to reinsurance treaty cash flows.

The Company participates in a repurchase program whereby securities, reflected as investments on the Company's balance sheets are sold to a third party. Under this agreement, 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 repledged by the transferee. The obligation to repurchase bonds is reflected in other liabilities.

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.

Derivative Instruments

Overview

The Company utilizes a variety of derivative instruments including swaps and forwards, primarily to manage or hedge foreign currency risk 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 8 - "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 balance sheets primarily in derivatives and derivative 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 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 de-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 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 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 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 balance sheets, with changes in its estimated fair value recognized in the current period as investment related losses, net.

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. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (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).

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

Income Taxes

The Company provides for 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.

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 financial statements in the year these changes occur.

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 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 whereas penalties related to tax uncertainties are classified as a component of income tax.

See [Note 10 - "Income Tax"](#) for further discussion.

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 balance sheets. 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 balance sheets.

Receivable From/Payable To Parent and Affiliates

Receivable from/payable to parent and affiliates are primarily comprised of non-reinsurance related receivables/payables. See [Note 12 - "Related-Party Transactions"](#) for further details about transactions with affiliated companies.

Other Assets

Other assets primarily include capitalized assets, deferred tax asset, prepaid expenses, right-of-use assets and investments in transit. Capitalized assets are stated at cost, less accumulated depreciation and amortization. Carrying values are reviewed at least annually for indicators of impairment in value.

Funds Withheld Payable

Funds withheld payable represents 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 accounts payable, employee benefits, investments in transit payable, deferred income taxes and lease liabilities.

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, Thai bhat, Hong Kong dollar, Japanese yen, British pound sterling, Australian dollar, and Taiwanese dollar. 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

The Company expenses the fair value of 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 \$(53.9) 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 \$162.3 million, pretax.
- As a result of adopting ASU 2018-12 effective as of January 1, 2021, the Company's net income, as previously reported, decreased from \$93.3 million to \$73.8 million, and the Company's other comprehensive income (loss), as previously reported, increased from \$(29.2) million to \$7.2 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, deferred tax liability and foreign currency translation adjustments for the Company's adoption of ASU 2018-12 (dollars in thousand):

	January 1, 2021	
	Retained Earnings	Accumulated Other Comprehensive Income (Loss)
Reinsurance ceded receivables and other	\$ 138,348	\$ (29,722)
Future policy benefits	(162,294)	53,922
Deferred tax liability (included in deferred income taxes)	861	(3,910)
Foreign currency translation adjustments	—	5
Total	\$ (23,085)	\$ 20,295

Impact to Previously Reported Amounts

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

	As Previously Reported	Adoption of ASU 2018-12	As Adjusted
Balance Sheets			
December 31, 2022			
Assets			
Fixed maturity securities available-for-sale, at fair value	\$ 1,834,074	\$ —	\$ 1,834,074
Equity securities, at fair value	1,808	—	1,808
Funds withheld at interest	44,835	—	44,835
Short-term investments	72,128	—	72,128
Derivatives	24,138	—	24,138
Total investments	1,976,983	—	1,976,983
Cash and cash equivalents	220,702	—	220,702
Accrued investment income	14,846	—	14,846
Premiums receivable	397,804	—	397,804
Reinsurance ceded receivables and other	1,092,606	25,622	1,118,228
Deferred policy acquisition costs	54,499	(3,275)	51,224
Other reinsurance balances	8,897	(6,940)	1,957
Receivable from parent and affiliates	5,382	—	5,382
Other assets	6,050	—	6,050
Total assets	<u>\$ 3,777,769</u>	<u>\$ 15,407</u>	<u>\$ 3,793,176</u>
Liabilities and equity			
Future policy benefits	442,771	455,712	898,483
Interest-sensitive contract liabilities	1,361,889	—	1,361,889
Other policy claims and benefits	787,781	(467,036)	320,745
Other reinsurance balances	90,056	(6,940)	83,116
Payable to parent and affiliates	4,528	—	4,528
Funds withheld payable	684,538	—	684,538
Other liabilities	22,689	5,524	28,213
Total liabilities	3,394,252	(12,740)	3,381,512
Equity			
Common stock	500	—	500
Additional paid-in-capital	122,457	—	122,457
Retained earnings	431,122	(46,391)	384,731
Accumulated other comprehensive income (loss)	(170,562)	74,538	(96,024)
Total shareholder's equity	383,517	28,147	411,664
Total liabilities and shareholder's equity	<u>\$ 3,777,769</u>	<u>\$ 15,407</u>	<u>\$ 3,793,176</u>

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	As Previously Reported	Adoption of ASU 2018-12	As Adjusted
Statements of Income			
Year ended December 31, 2022			
Revenues			
Net premiums	\$ 465,102	\$ —	\$ 465,102
Net investment income	34,325	—	34,325
Investment related gains (losses), net	(45,702)	—	(45,702)
Other revenues (expenses)	(4,885)	2,204	(2,681)
Total revenues	448,840	2,204	451,044
Benefits and expenses			
Claims and other policy benefits	386,977	6,228	393,205
Future policy benefits remeasurement (gains) losses	—	(8,894)	(8,894)
Interest credited	4,250	—	4,250
Policy acquisition costs and other insurance expenses	14,916	7,898	22,814
Other operating expenses	37,682	—	37,682
Total benefits and expenses	443,825	5,232	449,057
Income before income taxes	\$ 5,015	\$ (3,028)	\$ 1,987
Provision for income taxes	5,390	813	6,203
Net loss	\$ (375)	\$ (3,841)	\$ (4,216)

	As Previously Reported	Adoption of ASU 2018-12	As Adjusted
Statements of Comprehensive Income			
Year ended December 31, 2022			
Net loss	\$ (375)	\$ (3,841)	\$ (4,216)
Foreign currency translation adjustments	26,166	1,231	27,397
Net unrealized investment losses	(209,235)	—	(209,235)
Effect of updating discount rates on future policy benefits	—	16,645	16,645
Total other comprehensive loss, net of tax	(183,069)	17,876	(165,193)
Total comprehensive loss	\$ (183,444)	\$ 14,035	\$ (169,409)

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 a decrease 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 decrease 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, 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):

For the year ended December 31, 2023:	<u>Traditional</u>	<u>Financial Solutions</u>
Present Value of Expected Net Premiums		
Beginning of year balance at original discount rate	\$ 6,294,975	\$ 6,473,873
Effect of changes in cash flow assumptions	(328,564)	(105,470)
Effect of actual variances from expected experience	397,817	3,396,801
Adjusted balance, beginning of year	6,364,228	9,765,204
Issuances ⁽¹⁾	833,336	1,970,111
Interest accrual ⁽²⁾	125,632	270,653
Net premiums collected ⁽³⁾	(388,376)	(2,333,472)
Foreign currency translation	48,474	351,911
Ending balance at original discount rate	6,983,294	10,024,407
Effect of changes in discount rate assumptions	(2,825,603)	(785,915)
Balance, end of period	<u>\$ 4,157,691</u>	<u>\$ 9,238,492</u>
Present Value of Expected Future Policy Benefits		
Beginning of year balance at original discount rate	\$ 6,759,921	\$ 6,519,888
Effect of changes in cash flow assumptions	(333,058)	(111,431)
Effect of actual variances from expected experience	412,531	3,370,184
Adjusted balance, beginning of year	6,839,394	9,778,641
Issuances ⁽¹⁾	834,007	1,974,280
Interest accrual ⁽²⁾	140,239	288,840
Benefit payments ⁽⁴⁾	(368,469)	(938,587)
Foreign currency translation	49,408	286,369
Ending balance at original discount rate	7,494,579	11,389,543
Effect of changes in discount rate assumptions	(2,961,749)	(831,346)
Balance, end of period	<u>\$ 4,532,830</u>	<u>\$ 10,558,197</u>
Liability for future policy benefits	\$ 375,139	\$ 1,319,705
Less: reinsurance recoverable	(99,717)	(440,290)
Net liability for future policy benefits	<u>\$ 275,422</u>	<u>\$ 879,415</u>
Weighted-average duration of the liability (in years)	13	9
Weighted-average interest accretion rate	1.9 %	3.3 %
Weighted-average current discount rate	4.6 %	4.3 %

- (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.

For the year ended December 31, 2022:	Traditional	Financial Solutions
Present Value of Expected Net Premiums		
Beginning of year balance at original discount rate	\$ 6,222,451	\$ 7,387,109
Effect of changes in cash flow assumptions	694,982	(33,251)
Effect of actual variances from expected experience	(1,105,932)	510,165
Adjusted balance, beginning of year	5,811,501	7,864,023
Issuances ⁽¹⁾	952,925	—
Interest accrual ⁽²⁾	119,177	256,499
Net premiums collected ⁽³⁾	(248,301)	(857,809)
Foreign currency translation	(340,327)	(788,840)
Ending balance at original discount rate	6,294,975	6,473,873
Effect of changes in discount rate assumptions	(2,441,531)	(704,649)
Balance, end of period	\$ 3,853,444	\$ 5,769,224
Present Value of Expected Future Policy Benefits		
Beginning of year balance at original discount rate	\$ 6,687,066	\$ 7,443,899
Effect of changes in cash flow assumptions	685,758	(37,301)
Effect of actual variances from expected experience	(993,878)	503,774
Adjusted balance, beginning of year	6,378,946	7,910,372
Issuances ⁽¹⁾	953,860	—
Interest accrual ⁽²⁾	133,008	257,308
Benefit payments ⁽⁴⁾	(347,778)	(852,770)
Foreign currency translation	(358,115)	(795,022)
Ending balance at original discount rate	6,759,921	6,519,888
Effect of changes in discount rate assumptions	(2,560,995)	(692,438)
Balance, end of period	\$ 4,198,926	\$ 5,827,450
Liability for future policy benefits	\$ 345,482	\$ 58,226
Less: reinsurance recoverable	(145,456)	—
Net liability for future policy benefits	\$ 200,026	\$ 58,226
Weighted-average duration of the liability (in years)	14	7
Weighted-average interest accretion rate	2.0 %	3.7 %
Weighted-average current discount rate	3.5 %	5.1 %

- (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.

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 decreases of \$4.5 million and \$9.2 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 gain of \$3.9 million and \$9.3 million was recognized for 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.

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 decreases of \$6.0 million and \$4.1 million, respectively, excluding the effects of reinsurance, in the

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Company's liability for future policy benefits for its financial solutions business. 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 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	\$ 375,139	\$ 345,482
Financial Solutions	1,319,705	58,226
Claims liability and IBNR	519,131	494,775
Total liability for future policy benefits	<u>\$ 2,213,975</u>	<u>\$ 898,483</u>

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	\$ 12,348,187	\$ 5,184,772	\$ 10,216,960	\$ 4,165,526
Financial Solutions	16,356,808	10,692,227	8,612,003	4,963,899
Expected future policy benefit payments				
Traditional	\$ 11,016,960	\$ 4,532,830	\$ 9,123,438	\$ 4,198,926
Financial Solutions	16,145,430	10,558,197	7,645,726	5,827,450

The amount of gross premiums and interest expense recognized in the 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	\$ 391,624	\$ 349,881	\$ 14,607	\$ 13,831
Financial Solutions	242,543	213,098	18,187	809

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

Note 5 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:

Balance, beginning of year	\$ 51,224
Capitalization	11,279
Amortization expense	(2,604)
Foreign currency translation	150
Balance, end of period	<u>\$ 60,049</u>

For the year ended December 31, 2022:

Balance, beginning of year	\$ 53,049
Capitalization	14,257
Amortization expense	(9,970)
Foreign currency translation	(6,112)
Balance, end of period	<u>\$ 51,224</u>

Note 6 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 and 2022, 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 \$1.5 million and \$8.0 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):

	<u>2023</u>	<u>2022</u>
Reinsurance assumed:		
Affiliated	44,739	50,334
Non-affiliated	704,245	655,742
Total reinsurance assumed	<u>748,984</u>	<u>706,076</u>
Reinsurance retroceded:		
Affiliated	(295,804)	(221,304)
Non-affiliated	(34,237)	(19,670)
Total reinsurance retroceded	<u>(330,041)</u>	<u>(240,974)</u>
Net premiums	<u>\$ 418,943</u>	<u>\$ 465,102</u>

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

	<u>2023</u>	<u>2022</u>
Reinsurance assumed:		
Affiliated	71,706	60,947
Non-affiliated	526,781	512,598
Total reinsurance assumed	<u>598,487</u>	<u>573,545</u>
Reinsurance retroceded:		
Affiliated	(99,987)	(176,367)
Non-affiliated	(31,524)	(12,867)
Total reinsurance retroceded	<u>(131,511)</u>	<u>(189,234)</u>
Net claims and other policy benefits and future policy benefits remeasurement gains and losses	<u>\$ 466,976</u>	<u>\$ 384,311</u>

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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	4,215	4,279
Non-affiliated	273,014	128,383
Total life insurance in force assumed	277,229	132,662
Life insurance in force retroceded:		
Affiliated	(2,371)	(6,216)
Non-affiliated	(14,228)	(11,878)
Total life insurance in force retroceded	(16,599)	(18,094)
Life insurance in force net:		
Affiliated	1,844	(1,937)
Non-affiliated	258,786	116,505
Total life insurance in force net	<u>\$ 260,630</u>	<u>\$ 114,568</u>
Assumed/net percentage	106.37 %	115.79 %

Assumed Reinsurance

At December 31, 2023 and 2022, respectively, the Company provided approximately \$173.8 million and \$194.5 million 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 7 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"), 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):

December 31, 2023:	Amortized	Allowance for	Unrealized	Unrealized	Estimated	% of
	Cost	Credit Losses	Gains	Losses	Fair Value	Total
Available-for-sale:						
Corporate	\$ 1,578,139	\$ 13,929	\$ 40,187	\$ 43,004	\$ 1,561,393	58.5 %
Japanese government	600,258	—	1	55,055	545,204	20.4
ABS	77,919	—	2,235	328	79,826	3.0
CMBS	124,672	—	1,234	11,754	114,152	4.3
RMBS	71,671	—	2,226	583	73,314	2.7
U.S. government	106,186	—	110	200	106,096	4.0
State and political subdivisions	12,131	—	—	581	11,550	0.5
Other foreign government	176,527	—	2,553	3,284	175,796	6.6
Total fixed maturity securities	<u>\$ 2,747,503</u>	<u>\$ 13,929</u>	<u>\$ 48,546</u>	<u>\$ 114,789</u>	<u>\$ 2,667,331</u>	<u>100.0 %</u>

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December 31, 2022:	Amortized Cost	Allowance for Credit Losses	Unrealized Gains	Unrealized Losses	Estimated Fair Value	% of Total
Available-for-sale:						
Corporate	\$ 1,135,125	\$ —	\$ 537	\$ 93,982	\$ 1,041,680	56.8 %
Japanese government	292,848	—	—	33,370	259,478	14.1
ABS	147,567	—	—	15,498	132,069	7.2
CMBS	144,673	—	—	18,154	126,519	6.9
RMBS	82,614	—	—	6,157	76,457	4.2
U.S. government	32,856	—	—	409	32,447	1.8
State and political subdivisions	12,212	—	—	890	11,322	0.6
Other foreign government	160,619	—	37	6,554	154,102	8.4
Total fixed maturity securities	\$ 2,008,514	\$ —	\$ 574	\$ 175,014	\$ 1,834,074	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 Company's balance sheets. Fixed maturity securities received as collateral are held in separate custodial accounts and are not recorded on the Company's 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 certain third-party 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 certain third-party 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	\$ 47,638	\$ 43,561	\$ 6,172	\$ 6,151
Fixed maturity securities received as collateral	n/a	754,978	n/a	684,946
Assets in trust held to satisfy collateral requirements	1,515,305	1,518,280	1,172,681	1,088,637

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 U.S. government and its agencies and the Japanese government and its agencies as of December 31, 2023 and 2022.

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.

	Amortized Cost	Estimated Fair Value
Available-for-sale:		
Due in one year or less	\$ 119,893	\$ 119,687
Due after one year through five years	632,363	633,238
Due after five years through ten years	490,429	489,561
Due after ten years	1,230,556	1,157,553
Structured securities	274,262	267,292
Total	\$ 2,747,503	\$ 2,667,331

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	\$ 773,837	\$ 766,182	49.1 %
Industrial	665,990	658,875	42.2
Utility	138,312	136,336	8.7
Total	\$ 1,578,139	\$ 1,561,393	100.0 %

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December 31, 2022:	Amortized Cost	Estimated Fair Value	% of Total
Finance	\$ 636,051	\$ 584,899	56.1 %
Industrial	422,678	389,414	37.4
Utility	76,396	67,367	6.5
Total	<u>\$ 1,135,125</u>	<u>\$ 1,041,680</u>	<u>100.0 %</u>

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 table presents the rollforward of the allowance for credit losses in fixed maturity securities by type for the year ended December 31, 2023 (dollars in thousands). There was no allowance for credit losses for the year ended December 31, 2022.

Year ended December 31, 2023:	Corporate
Balance, beginning of period	\$ —
Credit losses recognized on securities for which credit losses were not previously recorded	13,929
Balance, end of period	<u>\$ 13,929</u>

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 315 and 427 fixed maturity securities for which an allowance for credit loss has not been recorded as of December 31, 2023 and December 31, 2022, and the estimated fair values had declined and remained below amortized cost as of December 31, 2023 and 2022, respectively (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.

December 31, 2023:	Less than 12 months		12 months or greater		Total	
	Estimated	Gross	Estimated	Gross	Estimated	Gross
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Investment grade securities:						
Corporate	\$ 315,366	\$ 10,709	\$ 505,003	\$ 30,771	\$ 820,369	\$ 41,480
Japanese government	458,935	40,463	80,207	14,592	539,142	55,055
ABS	22,551	328	—	—	22,551	328
CMBS	17,420	584	76,353	11,170	93,773	11,754
RMBS	—	—	13,349	583	13,349	583
U.S. government	47,701	9	918	191	48,619	200
State and political subdivisions	—	—	11,550	581	11,550	581
Other foreign government	37,232	457	71,905	2,827	109,137	3,284
Total investment grade securities	<u>899,205</u>	<u>52,550</u>	<u>759,285</u>	<u>60,715</u>	<u>1,658,490</u>	<u>113,265</u>
Below investment grade securities:						
Corporate	—	—	6,899	1,471	6,899	1,471
Total fixed maturity securities	<u>\$ 899,205</u>	<u>\$ 52,550</u>	<u>\$ 766,184</u>	<u>\$ 62,186</u>	<u>\$ 1,665,389</u>	<u>\$ 114,736</u>

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December 31, 2022:

	Less than 12 months		12 months or greater		Total	
	Estimated	Gross	Estimated	Gross	Estimated	Gross
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized
	Value	Losses	Value	Losses	Value	Losses
Investment grade securities:						
Corporate	\$ 871,700	\$ 65,588	\$ 100,487	\$ 27,407	\$ 972,187	\$ 92,995
Japanese government	259,478	33,370	—	—	259,478	33,370
ABS	99,487	8,625	29,660	6,191	129,147	14,816
CMBS	121,754	15,856	4,765	2,298	126,519	18,154
RMBS	73,647	5,763	2,810	394	76,457	6,157
U.S. government	32,447	409	—	—	32,447	409
State and political subdivisions	11,322	890	—	—	11,322	890
Other foreign government	111,255	4,921	32,349	1,441	143,604	6,362
Total investment grade securities	<u>1,581,090</u>	<u>135,422</u>	<u>170,071</u>	<u>37,731</u>	<u>1,751,161</u>	<u>173,153</u>
Below investment grade securities:						
Corporate	21,730	394	3,483	593	25,213	987
ABS	2,378	511	544	171	2,922	682
Other foreign government	456	58	783	134	1,239	192
Total below investment grade securities	<u>24,564</u>	<u>963</u>	<u>4,810</u>	<u>898</u>	<u>29,374</u>	<u>1,861</u>
Total fixed maturity securities	<u>\$ 1,605,654</u>	<u>\$ 136,385</u>	<u>\$ 174,881</u>	<u>\$ 38,629</u>	<u>\$ 1,780,535</u>	<u>\$ 175,014</u>

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):

	2023	2022
Fixed maturity securities available-for-sale	\$ 83,748	\$ 52,144
Equity securities	126	8
Funds withheld at interest	2,912	(8,871)
Short-term investments and cash and cash equivalents	5,305	714
Derivatives	(14,330)	(7,361)
Investment income	77,761	36,634
Investment expense	(3,564)	(2,309)
Net investment income	<u>\$ 74,197</u>	<u>\$ 34,325</u>

As of December 31, 2023, the Company held non-income producing securities with amortized costs, net of allowances, of \$10.6 million and estimated fair values of \$11.8 million. As of December 31, 2022, the Company did not hold any securities that were non-income producing. Generally, securities 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	\$ (13,929)	\$ —
Impairments on fixed maturity securities	(194)	(17)
Realized gains on investment activity	1,915	21,449
Realized losses on investment activity	(53,116)	(22,827)
Net gains (losses) on equity securities	200	(211)
Net losses on derivatives	(64,557)	(43,608)
Other, net	10,776	(488)
Total investment related losses, net	<u>\$ (118,905)</u>	<u>\$ (45,702)</u>

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For the year ended December 31, 2023, there were securities sold to affiliates for cash with amortized costs of \$22.9 million and estimated fair values at the time of transfer of \$20.8 million. For the year ended December 31, 2023, there were no securities purchased from affiliates for cash. For the year ended December 31, 2022, there were no securities sold to or purchased from affiliates for cash.

Securities Lending and Repurchase Agreements

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

	2023	
	Amortized Cost	Estimated Fair Value
Securities lending transactions:		
Securities loaned ⁽¹⁾	\$ 24,724	\$ 26,119
Repurchase transactions:		
Securities sold ⁽¹⁾	125,875	115,541
Cash received ⁽²⁾	98,313	98,313

(1) Securities loaned or sold to counterparties are included within fixed maturity securities.

(2) A payable for the cash received by the Company is included within securities lending obligation.

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

	December 31, 2023				
	Remaining Contractual Maturity of the Agreements				Total
	Overnight and Continuous	Up to 30 Days	30 - 90 Days	Greater than 90 Days	
Securities lending transactions:					
Corporate	\$ —	\$ —	\$ —	\$ 26,119	\$ 26,119
Total	—	—	—	26,119	26,119
Repurchase transactions:					
Corporate	\$ —	\$ —	\$ —	\$ 57,259	\$ 57,259
ABS	—	—	—	2,948	2,948
CMBS	—	—	—	45,860	45,860
RMBS	—	—	—	3,502	3,502
Other foreign government	—	—	—	5,972	5,972
Total	—	—	—	115,541	115,541
Total transactions	\$ —	\$ —	\$ —	\$ 141,660	\$ 141,660

Funds Withheld at Interest

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.

Note 8 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 and [Note 9 - "Fair Value of Assets and Liabilities"](#) for additional disclosures related to the fair value hierarchy for derivative instruments.

Types of Derivatives Used by the Company

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

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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.

Credit Derivatives

The Company sells protection under credit default swap index tranches 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 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.

Interest Rate Derivatives

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. The Company uses forward bond purchase commitments in cash flow hedges.

Summary of Derivative Positions

Derivatives are included in total invested assets or derivative liabilities 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 thousand):

	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:							
Foreign currency forwards	Foreign currency	\$ 366,374	\$ 16,191	\$ —	\$ 380,000	\$ 25,078	\$ —
Credit default swaps	Credit	70,000	—	41	—	—	—
Total non-designated derivatives		436,374	16,191	41	380,000	25,078	—
Derivatives designated as hedging instruments:							
Foreign currency swaps	Foreign currency	468,309	—	31,583	321,309	544	1,484
Forward bond purchase commitments	Interest rate	69,269	—	6,655	—	—	—
Total hedging derivatives		537,578	—	38,238	321,309	544	1,484
Total derivatives		\$ 973,952	\$ 16,191	\$ 38,279	\$ 701,309	\$ 25,622	\$ 1,484

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 flows hedges: (i) foreign currency swaps, in which the cash flows of assets are denominated in different currencies, commonly referred to as cross-currency swaps; and (ii) forward bond purchase commitments.

The following table presents the components of AOCI, before income tax, and the 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	\$ —
Losses deferred in OCI	(8,301)
Amounts reclassified to net investment income	7,361
Balance, December 31, 2022	(940)
Losses deferred in OCI	(51,628)
Amounts reclassified to net investment income	14,330
Balance, December 31, 2023	<u>\$ (38,238)</u>

As of December 31, 2023, there are no material amounts recorded in AOCI that are expected to be reclassified to earnings during the next twelve months.

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

Derivative Type	Losses Deferred in OCI	Losses Reclassified into Income from AOCI
For the year ended December 31, 2023:		
Foreign currency	\$ (44,973)	\$ (14,330)
Interest rate	(6,655)	—
Total	\$ (51,628)	\$ (14,330)
For the year ended December 31, 2022:		
Foreign currency	(8,301)	(7,361)
Total	\$ (8,301)	\$ (7,361)

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

There was no gain or loss deferred in OCI for the year ended December 31, 2023. The loss deferred in OCI for the year ended December 31, 2022 was \$8.8 million and the cumulative foreign currency translation loss recorded in AOCI related to these hedges was \$8.8 million as of December 31, 2023.

If a hedged foreign operation was sold or substantially liquidated, the amounts in AOCI would be reclassified to the 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 net investments in foreign operations 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 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 on the Company's 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
Foreign currency forwards	Investment related losses, net	\$ (65,455)	\$ (43,603)
Credit default swaps	Investment related losses, net	873	—
Total non-qualifying derivatives		\$ (64,582)	\$ (43,603)

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 (dollars in thousands):

Rating Agency Designation of Referenced Credit Obligations ⁽¹⁾	2023		
	Estimated Fair Value of Credit Default Swaps	Maximum Amount of Future Payments under Credit Default Swaps ⁽²⁾	Weighted Average Years to Maturity ⁽³⁾
BBB			
Credit default swaps referencing indices	\$ (41)	\$ 70,000	5.0

(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 balance sheets. The Company nets all derivatives that are subject to such arrangements.

The Company has elected to include all derivatives in the table below, irrespective of whether they are subject to an enforceable master netting arrangement or a similar agreement 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	\$ 16,191	\$ (1,816)	\$ 14,375	\$ (14,060)	\$ 315
Derivative liabilities	38,279	(1,816)	36,463	(36,463)	—
December 31, 2022:					
Derivative assets	\$ 25,622	\$ (1,484)	\$ 24,138	\$ (14,863)	\$ 9,275
Derivative liabilities	1,484	(1,484)	—	—	—

(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 no credit exposure.

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 9 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.

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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):

December 31, 2023:	Total	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Assets:				
Fixed maturity securities — available-for-sale:				
Corporate	\$ 1,561,393	\$ —	\$ 1,285,743	\$ 275,650
Japanese government	545,204	—	545,204	—
ABS	79,826	—	55,505	24,321
CMBS	114,152	—	114,152	—
RMBS	73,314	—	73,314	—
U.S. government	106,096	105,178	918	—
State and political subdivisions	11,550	—	11,550	—
Other foreign government	175,796	—	175,796	—
Total fixed maturity securities — available-for-sale	2,667,331	105,178	2,262,182	299,971
Equity securities	1,871	—	—	1,871
Cash equivalents	14,784	14,784	—	—
Short-term investments	18,424	—	18,424	—
Derivatives	14,375	—	14,375	—
Total	\$ 2,716,785	\$ 119,962	\$ 2,294,981	\$ 301,842
Liabilities:				
Derivative liabilities	\$ 36,463	\$ —	\$ 36,463	\$ —
Total	\$ 36,463	\$ —	\$ 36,463	\$ —

December 31, 2022:	Total	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Assets:				
Fixed maturity securities — available-for-sale:				
Corporate	\$ 1,041,680	\$ —	\$ 940,445	\$ 101,235
Japanese government	259,478	—	259,478	—
ABS	132,069	—	116,295	15,774
CMBS	126,519	—	126,519	—
RMBS	76,457	—	76,457	—
U.S. government	32,447	31,589	858	—
State and political subdivisions	11,322	—	11,322	—
Other foreign government	154,102	—	154,102	—
Total fixed maturity securities — available-for-sale	1,834,074	31,589	1,685,476	117,009
Equity securities	1,808	—	—	1,808
Cash equivalents	66,712	66,712	—	—
Short-term investments	43,706	43,706	—	—
Derivatives	24,138	—	24,138	—
Total	\$ 1,970,438	\$ 142,007	\$ 1,709,614	\$ 118,817

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 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 privately traded companies. 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.

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 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. 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.

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

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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.

Quantitative Information Regarding Internally-Priced Assets

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	Weighted Average	
	2023	2022			2023	2022
Assets:						
Corporate	\$ 10,628	\$ —	Market comparable securities	EBITDA Multiple	6.0x	—

Changes in Level 3 Assets

Assets 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.

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

	Fixed maturity securities - available-for-sale			Equity securities
	Corporate	Structured securities		
For the year ended December 31, 2023:				
Fair value, beginning of period	\$ 101,235	\$ 15,774	\$ 1,808	
Total gains/losses (realized/unrealized)				
Included in earnings, net:				
Net investment income	(70)	—	—	
Investment related losses, net	(11,671)	1	63	
Included in OCI	(13,652)	1,062	—	
Purchases ⁽¹⁾	202,849	—	—	
Sales ⁽¹⁾	—	(2,610)	—	
Settlements ⁽¹⁾	(3,041)	(1,927)	—	
Transfers into Level 3	—	14,399	—	
Transfers out of Level 3	—	(2,378)	—	
Fair value, end of period	\$ 275,650	\$ 24,321	\$ 1,871	
Total gains/losses (realized/unrealized) recorded for the period relating to those Level 3 assets that were still held at the end of the period				
Included in earnings, net:				
Net investment income	\$ (70)	\$ —	\$ —	
Investment related losses, net	(11,827)	—	63	
Included in OCI	(13,652)	1,062	—	

(1) 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. The Company had no issuances during the period.

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For the year ended December 31, 2022:	Fixed maturity securities - available-for-sale		
	Corporate	Structured securities	Equity securities
Fair value, beginning of period	\$ 22,029	\$ 8,492	\$ —
Total gains/losses (realized/unrealized)			
Included in earnings, net:			
Net investment income	(1)	9	—
Investment related losses, net	19	(328)	(191)
Included in OCI	(6,745)	(1,725)	—
Purchases ⁽¹⁾	87,129	10,000	1,999
Sales ⁽¹⁾	—	(3,672)	—
Settlements ⁽¹⁾	(1,196)	—	—
Transfers into Level 3	—	2,998	—
Fair value, end of period	\$ 101,235	\$ 15,774	\$ 1,808
Total gains/losses (realized/unrealized) recorded for the period relating to those Level 3 assets and that were still held at the end of the period			
Included in earnings, net:			
Net investment income	\$ (1)	\$ 9	\$ —
Investment related losses, net	—	—	(191)
Included in OCI	(7,349)	(1,725)	—

(1) 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. The Company had no issuances during the period.

Nonrecurring Fair Value Measurements

The Company did not have any assets measured at estimated fair value on a nonrecurring basis during the periods ended December 31, 2023 and 2022.

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 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:					
Funds withheld at interest	\$ 44,834	\$ 44,834	\$ —	\$ —	\$ 44,834
Cash and cash equivalents	184,515	184,515	184,515	—	—
Short-term investments	24,021	24,021	24,021	—	—
Accrued investment income	20,404	20,404	—	20,404	—
Liabilities:					
Interest-sensitive contract liabilities ⁽²⁾	\$ 1,096,651	\$ 1,096,651	\$ —	\$ —	\$ 1,096,651
Funds withheld liabilities	549,716	549,716	—	—	549,716
December 31, 2022:					
Assets:					
Funds withheld at interest	\$ 44,835	\$ 44,835	\$ —	\$ —	\$ 44,835
Cash and cash equivalents	153,990	153,990	153,990	—	—
Short-term investments	28,422	28,422	28,422	—	—
Accrued investment income	14,846	14,846	—	14,846	—
Liabilities:					
Interest-sensitive contract liabilities ⁽²⁾	\$ 1,361,889	\$ 1,361,889	\$ —	\$ —	\$ 1,361,889
Funds withheld liabilities	684,538	684,538	—	—	684,538

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

(2) The carrying and fair values presented above are gross of amounts ceded of \$750 million and \$930 million as of December 31, 2023, and 2022, respectively. Including the effects of reinsurance, the net carrying value and fair value of the Company's interest-sensitive liabilities were \$346 million and \$432 million as of December 31, 2023 and 2022, respectively.

Funds Withheld at Interest and Funds Withheld Liabilities - 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

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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.

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 10 INCOME TAX

Bermuda enacted the Corporate Income Tax Act of 2023 on December 27, 2023. The Bermuda income tax regime establishes a statutory tax rate of 15%, applicable to companies with annual revenue of EUR 750 million or more. The income tax regime is effective for fiscal years beginning on or after January 1, 2025. In 2023, RGA Global recorded a net \$21.4 million deferred income tax benefit related to the Bermuda income tax regime transition.

Pursuant to an irrevocable election made in 2020 under the Malaysia Income Tax Act ("ITA") of 1967, the Labuan branch is subject to tax on reinsurance income at 8% and non-reinsurance income at 24%. Total income tax for the year in the Labuan branch was \$0.2 million.

The Taiwan branch is subject to a 20% income tax rate in Taiwan. Total income tax for the year in the Taiwan branch was \$2.7 million.

RGA Global Reinsurance Company, Ltd. - Escritório de Representação no Brasil Ltda. (dissolved in 2023) is subject to a 34% income tax rate. Total income tax for the year in Brazil was minimal.

The Company's earnings are not effectively connected to the U.S, therefore, there are no U.S. income taxes required in 2023 or 2022.

Note 11 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 \$539.5 million and \$381.9 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 did not receive any capital contributions.

Note 12 RELATED-PARTY TRANSACTIONS

The Company transacts business with affiliated companies on a regular basis. These transactions primarily consist of reinsurance agreements, notes with affiliates, 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 - 6 "Reinsurance"](#), as of December 31, 2023 and 2022 (in thousands):

	2023	2022
Balance Sheets		
Future policy benefits	\$ 318,757	\$ 333,473
Funds withheld payable	549,716	684,538

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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 \$3.4 million and \$5.4 million, respectfully, and payables to affiliates of \$5.2 million and \$4.5 million, respectfully, associated with these agreements.

See [Note - 7 "Investments"](#) for information on security purchases and sales with affiliated companies.

Note 13 COMMITMENTS AND CONTINGENCIES

Commitments

Funding of Investments

As of December 31, 2023, the Company had commitments to fund bank loans and private placements of \$1.7 million.

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 are included in fixed maturity securities available-for-sale.

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 14 OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents 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	\$ 5,795	\$ —	\$ 5,795
Unrealized gains on investments: ⁽¹⁾			
Unrealized net holding gains arising during the year	16,342	(2)	16,340
Less: Reclassification adjustment for net losses realized in net loss	(54,547)	26	(54,521)
Net unrealized gains	70,889	(28)	70,861
Effect of updating discount rates on future policy benefits	97,810	(2,047)	95,763
Other comprehensive income (loss)	<u>\$ 174,494</u>	<u>\$ (2,075)</u>	<u>\$ 172,419</u>

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	\$ 18,597	\$ 1,848	\$ 20,445
Foreign currency swap	8,800	(1,848)	6,952
Net foreign currency translation adjustments	27,397	—	27,397
Unrealized losses on investments: ⁽¹⁾			
Unrealized net holding losses arising during the year	(211,220)	91	(211,129)
Less: Reclassification adjustment for net losses realized in net loss	(1,883)	(11)	(1,894)
Net unrealized losses	(209,337)	102	(209,235)
Effect of updating discount rates on future policy benefits	17,361	(716)	16,645
Other comprehensive income (loss)	<u>\$ (164,579)</u>	<u>\$ (614)</u>	<u>\$ (165,193)</u>

(1) Includes cash flow hedges. See [Note 8 - "Derivative Instruments"](#) for additional information on cash flow hedges.

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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	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2022	\$ (21,203)	\$ 33,960	\$ 56,412	\$ 69,169
OCI before reclassifications	27,397	(211,129)	16,645	(167,087)
Amounts reclassified from AOCI	—	1,894	—	1,894
Balance, December 31, 2022	6,194	(175,275)	73,057	(96,024)
OCI before reclassifications	5,795	16,340	95,763	117,898
Amounts reclassified from AOCI	—	54,521	—	54,521
Balance, December 31, 2023	\$ 11,989	\$ (104,414)	\$ 168,820	\$ 76,395

(1) Includes cash flow hedge of \$(38.2) million and \$(0.9) million as of December 31, 2023 and 2022, respectively. See [Note 8 - "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 gains (losses):			
Net unrealized losses on available-for-sale securities	\$ (54,547)	\$ (1,883)	Investment related losses, net
Provision for income taxes	26	(11)	
Total reclassifications for the period	\$ (54,521)	\$ (1,894)	

Note 15 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.

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.