TR RE, LTD.

Independent Auditor's Report

Annual Financial Statements

As of December 31, 2023 and 2022

For the Years Ended December 31, 2023 and 2022

TR RE, LTD.

Index to Annual Financial Statements

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
TR Re Ltd.

Opinion

We have audited the consolidated financial statements of TR Re Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2023 and 2022, and the related consolidated statement of operation, comprehensive income, changes in stockholder's equity, and cash flows, for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

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

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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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INDEPENDENT AUDITOR'S REPORT (Cont'd)

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 audits.

Deloitte Ltd.

May 8, 2024

TR RE, LTD.

Balance Sheets

(in millions, except share data)	As of December 31, 2023	2022
Assets		
Investments		
Fixed maturities, available-for-sale, at fair value (net of allowance for credit losses: $16 and $0; amortized cost: $17,592 and $18,832)	$ 15,104	$ 15,516
Fixed maturities, at fair value using the fair value option	252	331
Equity securities, at fair value	182	179
Mortgage loans (net of allowance for credit losses: $26 and $15)	2,019	2,520
Policy loans	1,535	1,495
Investment funds (portion at fair value: $238 and $58)	1,428	1,300
Other investments (portion at fair value: $35 and $83)	35	95
Short-term investments, at fair value	1,675	1,655
Total investments	**22,230**	**23,091**
Cash	456	203
Reinsurance recoverables (net of allowance for credit losses: $18 and $21; portion at fair value: $588 and $718)	28,238	29,610
Market risk benefits	578	325
Value of business acquired and deferred acquisition costs	343	320
Deferred income taxes	901	952
Goodwill and other intangible assets, net	444	460
Other assets	425	443
Separate account assets	89,514	87,255
Total assets	**$ 143,129**	**$ 142,659**
Liabilities and Stockholder's Equity		
Liabilities		
Reserve for future policy benefits	$ 19,379	$ 18,738
Other policyholder funds and benefits payable (portion at fair value: $536 and $295)	28,978	31,245
Market risk benefits	1,074	1,204
Short-term debt	100	—
Long-term debt	268	291
Funds withheld liability (portion at fair value: $(110) and $0)	1,062	1,226
Other liabilities (portion at fair value: $57 and $105)	732	943
Separate account liabilities	89,514	87,255
Total liabilities	**141,107**	**140,902**
Commitments and Contingencies (Note 15)		
Stockholder's Equity		‘
Common stock (par value: $1 per share; authorized, issued, and outstanding: and 250,000 shares)	—	—
Additional paid-in capital	1,951	1,951
Accumulated other comprehensive loss	(751)	(903)
Retained earnings	822	709
Total stockholder's equity	**2,022**	**1,757**
Total liabilities and stockholder's equity	**$ 143,129**	**$ 142,659**

See Notes to Annual Financial Statements.

TR RE, LTD.

Statements of Operations

(in millions)	Year Ended December 31, 2023	Year Ended December 31, 2022
Revenues		
Premiums	$ 142	$ 126
Policy charges and fee income	947	828
Net investment income	993	917
Investment related losses, net	(1,292)	(774)
Total revenues	**790**	**1,097**
Benefits, Losses, and Expenses		
Benefits and losses (remeasurement loss (gain): $(28) and $17)	581	637
Change in market risk benefits	(382)	(299)
Amortization of value of business acquired and deferred acquisition costs	41	43
Insurance operating costs and other expenses	451	402
Interest expense	6	6
Total benefits, losses, and expenses	**697**	**789**
Income before income taxes	**93**	**308**
Income tax expense (benefit)	(20)	20
Net income	**$ 113**	**$ 288**

See Notes to Annual Financial Statements.

TR RE, LTD.

Statements of Comprehensive Income (Loss)

(in millions)	Year Ended December 31, 2023	2022
Net income	**$ 113**	**$ 288**
Other comprehensive income (loss), net of tax		
Unrealized gain (loss) on available-for-sale securities	675	(2,614)
Unrealized gain (loss) on cash flow hedges	4	(27)
Gain (loss) related to discount rate for reserve for future policy benefits	(394)	1,635
Gain (loss) related to credit risk for market risk benefits	(133)	95
Other comprehensive income (loss), net of tax	**152**	**(911)**
Comprehensive income (loss)	**$ 265**	**$ (623)**

See Notes to Annual Financial Statements.

TR RE, LTD.

Statements of Changes in Stockholder's Equity

(in millions)	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance at January 1, 2022	**$ —**	**$ 1,951**	**$ 8**	**$ 421**	**$ 2,380**
Net income	—	—	—	288	288
Other comprehensive loss	—	—	(911)	—	(911)
Balance at December 31, 2022	**$ —**	**$ 1,951**	**$ (903)**	**$ 709**	**$ 1,757**
Balance at January 1, 2023	**$ —**	**$ 1,951**	**$ (903)**	**$ 709**	**$ 1,757**
Net income	—	—	—	113	113
Other comprehensive income	—	—	152	—	152
Balance at December 31, 2023	**$ —**	**$ 1,951**	**$ (751)**	**$ 822**	**$ 2,022**

See Notes to Annual Financial Statements.

TR RE, LTD.

Statements of Cash Flows

(in millions)	Year Ended December 31, 2023	2022
Operating Activities		
Net income	$ 113	$ 288
Adjustments to reconcile net income to net cash provided by operating activities:		
Investment related losses, net	1,292	774
Amortization of unearned revenue reserves	(63)	(63)
Amortization of value of business acquired and deferred acquisition costs	41	43
Depreciation and amortization	155	226
Deferred income taxes	4	(33)
Interest credited on investment and universal life-type contracts	370	481
Change in market risk benefits	(382)	(299)
Other operating activities, net	(248)	(237)
Changes in operating assets and liabilities:		
Reinsurance recoverables	(332)	(543)
Reserve for future policy benefits	92	228
Other assets and liabilities	(130)	47
Net proceeds from reinsurance transaction	—	121
Net cash provided by operating activities	**912**	**1,033**
Investing Activities		
Proceeds from sales, maturities, and payments of:		
Fixed maturities	2,220	6,252
Equity securities	6	26
Mortgage loans	588	258
Investment funds	295	64
Other investments	6	—
Payments for purchases of:		
Fixed maturities	(1,350)	(4,643)
Equity securities	(2)	(22)
Mortgage loans	(132)	(667)
Investment funds	(126)	(158)
Net proceeds from (payments for):		
Repurchase agreements program	—	25
Policy loans	(40)	(11)
Derivatives	(913)	(559)
Short-term investments	(30)	(420)
Net cash provided by investing activities	**522**	**145**

TR RE, LTD.

Statements of Cash Flows (continued)

	Year Ended December 31,	
(in millions)	**2023**	**2022**
Financing Activities		
Investment and universal life-type contracts:		
Deposits and other additions	$ 2,693	$ 2,033
Withdrawals and other deductions	(10,635)	(8,109)
Net transfers from separate accounts	6,799	5,140
Net change in securities loaned or sold under agreements to repurchase	(123)	(99)
Proceeds from the issuance of debt	100	—
Repayment of debt	(15)	(15)
Net cash used for financing activities	**(1,181)**	**(1,050)**
Net increase in cash	253	128
Cash at beginning of year	203	75
Cash at end of year	**$ 456**	**$ 203**
Supplemental Disclosures of Cash Flow Information		
Net income taxes paid	(53)	(44)
Interest paid	14	15

See Notes to Annual Financial Statements.

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

TR Re, Ltd., incorporated on June 28, 2021 and registered as a Bermuda Class E insurer, together with its subsidiaries (collectively, “TR Re”, the “Company”, “we” or “our”) is a leading provider of comprehensive risk solutions for the insurance industry. The Company conducts business primarily through the following subsidiaries:

a. Our U.S. insurance subsidiary, Talcott Resolution Life Insurance Company and its subsidiaries ("TL") who primarily provide variable annuities (“VA”) and fixed annuities, and who reinsures third party business.

b. Talcott Administration Services Company (“TASC”) who provides insurance administration services for separate account assets within the Bank-Owner Life Insurance, Corporate-Owner Life Insurance, and Insurance Company Owned Life Insurance markets.

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), which differ materially from the accounting practices prescribed by various insurance regulatory authorities.

Acquisitions and Transactions

The Company has completed the following material transactions. See Note 6 - Reinsurance for additional details on the reinsurance transactions:

- Allianz block reinsurance closed on December 30, 2021: approximately $8 billion of fixed indexed annuities (“FIA”) and flow reinsurance which remains open;
- Guardian block reinsurance closed on November 1, 2022: approximately $7 billion of VA.

In addition, on March 13, 2023, the Company received approval from the Bermuda Monetary Authority to have TASC become a subsidiary. The reorganization occurred on October 1, 2023; therefore, TASC moved from being a wholly-owned subsidiary of the Company’s parent Talcott Resolution Life, Inc. (“TLI”) to being a wholly-owned subsidiary of TR Re. Furthermore, post-reorganization, both TASC and TL are now wholly-owned subsidiaries of TR Re.

Consolidation

The financial statements include the accounts of TR Re and entities the Company directly or indirectly has a controlling financial interest in which the Company is required to consolidate. All intercompany transactions and balances between TR Re and its subsidiaries have been eliminated. Entities in which TR Re has significant influence over the operating and financing decisions but is not required to consolidate are reported using the equity method.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions affecting the reported amount of assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses for the reporting period. In applying these estimates and assumptions, management makes subjective and complex judgments that are uncertain and subject to change. Many of these policies, estimates, and related judgments are common in the insurance and financial services industries; others are specific to the Company’s business and operations. Actual results could differ from these estimates.

Our principal estimates and assumptions impact the following reported amounts and disclosures:

- Fair value of investments;
- Impairment of investments and allowance for credit losses (“ACL”);
- Derivatives valuation, including embedded derivatives;
- Market risk benefits (“MRB”);
- Reserve for future policy benefits;
- Valuation allowances on deferred tax assets (“DTA”);
- Evaluation of goodwill for impairment.

Certain of these estimates are particularly sensitive to market conditions, and deterioration and/or volatility in the worldwide debt or equity markets could have a material impact on the annual financial statements. Additional details regarding these estimates and assumptions are discussed in the following significant accounting policies and the related footnote disclosures.

1. Basis of Presentation and Significant Accounting Policies (continued)

Significant Accounting Policies

The Company's significant accounting policies are as follows:

Investments

Fixed Maturities

Fixed maturities consist of debt securities including bonds, structured securities, redeemable preferred stock and commercial paper. Structured securities include asset-backed securities ("ABS"), collateralized loan obligations ("CLO"), commercial mortgage-backed securities ("CMBS"), and residential mortgage-backed securities ("RMBS"). Most of these investments are classified as available-for-sale ("AFS") and are carried at fair value, net of ACL. Unrealized gains and losses (i.e., after-tax difference between fair value and cost or amortized cost) not attributable to ACL are reflected in equity as a component of accumulated other comprehensive loss ("AOCI").

Equity Securities

Equity securities are carried at fair value with any changes in fair value recorded in investment related losses, net in the statement of operations.

Mortgage Loans

Mortgage loans are carried at the outstanding principal balance adjusted for amortization of premiums and accretion of discounts, net of ACL. Interest income is accrued on the principal balance of the loan based on the loan's contractual interest rate.

Policy Loans

Policy loans are carried at outstanding principal balance, which approximates fair value. Interest income is recognized as earned using the contractual interest rate. Generally, accrued interest is capitalized on the policy's anniversary date. Valuation allowances are not established for policy loans, as they are fully collateralized by the cash surrender value of the underlying insurance policies. Any unpaid principal and accrued interest are deducted from the cash surrender value or the death benefit prior to settlement of the insurance policy.

Investment Funds

Investment funds principally represent limited partnerships ("LPs") and other similar legal entity structures accounted for under the equity method. Under the equity method, investments are generally carried based on the Company's pro rata ownership percentage in the net assets of the investee, and the Company's share of earnings is included in net investment income.

Recognition of income related to investment funds is often delayed due to the availability of the related financial information, which may be reported on a lag of up to three months. Accordingly, income for the years ended December 31, 2023 and 2022 may not include the full impact of current year changes in valuations of the underlying assets and liabilities of the funds for that same calendar year, which are generally obtained from the entity's managers, general partners, or managing members.

Other Investments

Other investments consist of derivative instruments carried at fair value and real estate held directly, which is recorded at amortized cost.

Short-Term Investments

Short-term investments include financial instruments with remaining maturities less than twelve months when purchased. Short-term investments include financial instruments that would otherwise qualify as cash equivalents but are acquired with the primary objective of earning investment income, which make up $1,022 and $1,413 of the carrying amount as of December 31, 2023 and 2022, respectively.

Short-term loans and short-term investments that would otherwise qualify as cash equivalents are carried at fair value, where amortized cost approximates fair value. Short-term debt securities are generally classified as AFS and accounted for consistent with our policies for fixed maturities described above.

Funds Withheld Liability

Funds withheld are carried at the fair value of the underlying investments, net of any payables and receivables of the reinsurance arrangement. The funds withheld is measured as the total of the host contract, which we have assessed as the

1. Basis of Presentation and Significant Accounting Policies (continued)

book value of assets, and the embedded derivative, which we have assessed as the net unrealized gains or losses on the underlying assets as the ceding insurer is obligated to pay the total return on the underlying investments. We record the total return of the funds withheld within net income (inclusive of the return on both the host contract and the embedded derivative). We allocate the total return between net investment income, measured as a risk-free rate on the host contract, and investment related losses, net, measured as the difference between the total return and net investment income.

Fair Value Option

The Company has elected the fair value option ("FVO") for certain corporate bonds included in fixed maturities, and investment funds. Where elected, changes in fair value of investments are recorded as investment related losses, net.

Impairment of Investments and the Allowance for Credit Losses

We review our fixed maturities for declines in fair value that could be impairment related, or attributable to credit risk factors that may require an ACL. If we intend to sell a debt security where amortized cost exceeds fair value, or we determine it is more likely than not that we will be required to sell a debt security before recovery of amortized cost, we determine an impairment has occurred and amortized cost is written down to fair value with a corresponding charge recorded as a component of investment related losses, net.

If amortized cost exceeds fair value, but we do not intend to sell a security and we determine it is not more likely than not that we will be required to sell before recovery of amortized cost, we evaluate the security for indicators of a credit loss that may require an ACL. We evaluate a number of factors to determine whether a decline in fair value is attributable to a credit loss, including but not limited to: market interest rates and issuer credit ratings and outlooks. The significance of the decline in fair value is a factor in our analysis, but is generally not determinative in whether we record a credit loss, as other factors are often more relevant in our evaluation of a security. If we determine a credit loss has occurred, we record as an ACL with a corresponding charge recorded as component of investment related losses, net. The remaining change in fair value is recorded in equity as a component of AOCI.

We also evaluate other financial instruments for credit losses, such as mortgage loans, reinsurance recoverables, and off-balance sheet credit exposures that the Company cannot unconditionally cancel. The measurement of the expected credit loss is based on historical loss data, current conditions, and reasonable and supportable forecasts and recorded as an ACL, consistent with treatment for fixed maturity debt securities.

Subsequent recoveries of credit losses are recognized as reversals of the ACL with a corresponding reversal recorded as a component of investment related losses, net. Additionally, for any purchased financial assets with a more-than-insignificant amount of credit deterioration since original issuance, we establish an ACL at acquisition, which is recorded with the purchase price to establish the initial amortized cost of the investment.

Net Investment Income

The components of net investment income include:

- Interest income from debt securities and mortgage loans, which is recognized when earned on the constant effective yield method based on estimated timing of cash flows. The amortization of premium and accretion of discount for fixed maturities also takes into consideration call and maturity dates that produce the lowest yield. For securitized financial assets subject to prepayment risk, yields are recalculated and adjusted periodically to reflect historical and/or estimated future prepayments;
- Prepayment fees and make-whole payments on debt securities and mortgage loans, which are recognized when earned;
- Dividends for equity securities, which are recognized on the ex-dividend date;
- Share of earnings for the Company's interests in investment funds, which is recognized when reported in the investee's financial statements;
- A reduction for investment expenses.

Investment Related Losses, Net

The components of investment related losses, net include:

- Realized gains and losses on the sale of investments, determined on a specific identification basis;
- Fair value changes in equity securities;

1. Basis of Presentation and Significant Accounting Policies (continued)

- Fair value changes in derivative contracts (both freestanding and embedded, including the embedded derivative within the funds withheld) that do not qualify, or are not designated, as a hedge for accounting purposes;
- Fair value changes for investments where the FVO has been elected;
- Impairments and changes in the ACL on AFS debt securities; mortgage loans; and reinsurance recoverables;
- Foreign currency transaction remeasurements.

Accrued Interest Receivable

Accrued interest receivable on AFS debt securities and mortgage loans are recorded in other assets on the balance sheets and are not included in the carrying value of the investment. The Company does not include the current accrued interest receivable balance when estimating the ACL. The Company has a policy to write-off accrued interest receivable balances that are more than 90 days past due. Write-offs of accrued interest receivable are recorded as a credit loss component of investment related gains (losses).

Interest income on AFS debt securities and mortgage loans is accrued unless it is past due over 90 days or management deems the interest uncollectible.

Variable Interest Entities

The Company is engaged with various special purpose entities and other entities that are deemed to be variable interest entities ("VIE") primarily as an investor through normal investment activities.

A VIE is an entity that either has investors that lack certain essential characteristics of a controlling financial interest, such as simple majority kick-out rights, or lacks sufficient funds to finance its own activities without financial support provided by other entities. The Company performs ongoing qualitative assessments of its VIE exposures to determine whether the Company has a controlling financial interest in the VIE and therefore is the primary beneficiary. The Company is deemed to have a controlling financial interest when it has both the ability to direct the activities that most significantly impact the economic performance of the VIE and the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. Based on the Company's assessment, if it determines it is the primary beneficiary, the Company consolidates the VIE on the Company's Financial Statements.

Non-Consolidated Variable Interest Entities

The Company, through normal investment activities, makes passive investments in LP and similar legal entity structures which are reported in investment funds on the Company's balance sheets. For these non-consolidated VIEs, the Company has determined it is not the primary beneficiary as it has no ability to direct activities that could significantly affect the economic performance of the investments.

In addition, the Company makes passive investments in structured securities issued by VIEs for which the Company is not the manager. These investments are reported in fixed maturities, on the Company's balance sheets. The Company has not provided financial or other support with respect to these investments other than its original investment. For these investments, the Company determined it is not the primary beneficiary due to the relative size of the Company's investment in comparison to the principal amount of the structured securities issued by the VIE, the Company's inability to direct the activities that most significantly impact the economic performance of the VIE, and, where applicable, the level of credit subordination which reduces the Company's obligation to absorb losses or right to receive benefits. The Company's maximum exposure to loss on these investments is limited to the amount of the Company's investment.

Derivative Instruments

Accounting and Financial Statement Presentation of Derivative Instruments and Hedging Activities

Derivatives are financial instruments whose values are derived from interest rates, foreign exchange rates, financial indices or other underlying notional amounts. We regularly invest in derivatives to hedge the risks inherent in our business, such as interest rate, equity market, issuer credit, currency exchange, or market volatility. We may also invest in derivatives to manage liquidity or engage in synthetic replication transactions. Derivatives are carried on the balance sheets at fair value and are reported in other investments and other liabilities. We have master netting agreements with certain of our counterparties that provide the legal right of offset and allow for the netting of our derivative asset and liability positions by counterparty. Where applicable, the Company has elected to offset the fair value amounts, income accruals, and related cash collateral receivables and payables of derivatives executed in a legal entity and with the same counterparty or under a master netting agreement.

1. Basis of Presentation and Significant Accounting Policies (continued)

On the date the derivative contract is entered into, the Company designates the derivative as (1) a hedge of the variability in cash flows of a forecasted transaction or of amounts to be received or paid related to a recognized asset or liability ("cash flow hedge") or (2) held for other investment and/or risk management purposes, which primarily involve managing asset or liability related risks and do not qualify for hedge accounting.

We formally document all relationships between hedging instruments and hedged items, as well as the risk-management objective and strategy for undertaking each hedge transaction. The documentation identifies how the hedging instrument (i.e., the derivative) is expected to hedge the designated risk (i.e., the specific forecasted transactions) and the method that will be used to assess the hedging instrument's effectiveness.

To qualify for hedge accounting, the hedging instrument must be assessed as highly effective in offsetting the designated risk. We formally assess hedge effectiveness at both at the hedge's inception and on a quarterly basis. This assessment is primarily performed using quantitative methods as well as using qualitative methods. Quantitative methods include regression or other statistical analysis of changes in fair value or cash flows associated with the hedge relationship. Qualitative methods may include comparison of critical terms of the derivative to the hedged item.

For derivatives that are designated and qualify as cash flow hedges, including foreign-currency cash flow hedges, the gain or loss on the derivatives are recorded in OCI and are reclassified into net income in the same period during which the hedged transaction impacts net income. Gains and losses on derivatives that are reclassified from AOCI to net income, as well as periodic net coupon settlements, are included in the line item within the statements of operations in which the cash flows of the hedged transaction are reported. Cash flows from cash flow hedge are presented in the same category as the cash flows from the hedged transaction on the statements of cash flows.

Investments in derivatives for the Company's other investment or risk management activities do not receive hedge accounting treatment, and primarily relate to strategies used to reduce economic risk or replicate permitted investments. Gains and losses on such derivatives, including periodic net coupon settlements, are reported as a component of investment related gains (losses) in the statements of operations.

We discontinue hedge accounting prospectively if: (1) it is determined that the qualifying criteria are no longer met; (2) the derivative is no longer designated as a hedging instrument; or (3) the derivative expires or is sold, terminated or exercised. When cash flow hedge accounting is discontinued because we become aware that it is not probable that the forecasted transaction will occur, the derivative continues to be carried at fair value on the balance sheets, and gains and losses previously recorded in OCI and reported in AOCI are immediately reclassified in net income. In other situations where hedge accounting is discontinued, including those where the derivative is sold, terminated or exercised, amounts previously deferred in AOCI are reclassified into earnings when earnings are impacted by the hedged transaction.

Embedded Derivatives

The Company purchases and historically issued and assumed financial instruments and products that contain embedded derivative instruments that we record with the associated host contract. For measurement purposes, we bifurcate the embedded derivative from the host contract when we determine that (1) the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract and (2) a separate instrument with the same terms would qualify as a derivative instrument. The embedded derivative is presented on the same financial statement line item as the host contract, and is carried at fair value with changes in fair value recorded as a component of investment related gains (losses).

Credit Risk

Credit risk is defined as the risk of financial loss due to uncertainty of an obligors' or counterparty's ability or willingness to meet its obligations in accordance with agreed upon terms. The Company minimizes the credit risk of derivative instruments by entering into transactions with high quality counterparties primarily rated A or better, which are monitored and evaluated by the Company's risk management team and reviewed by senior management. The Company monitors counterparty credit exposure on a monthly basis to ensure compliance with Company policies and statutory limitations. Credit exposures are measured using the market value of the derivatives, resulting in amounts owed to the Company by its counterparties or potential payment obligations from the Company to its counterparties.

The Company generally requires that over-the-counter ("OTC") derivative contracts, other than certain forward contracts, be governed by International Swaps and Derivatives Association agreements which are structured by legal entity and by counterparty, and permit right of offset. OTC-cleared derivatives are governed by clearinghouse rules. Transactions cleared through a central clearinghouse reduce risk due to their ability to require daily variation margin and act as an independent valuation source. Some agreements require daily collateral settlement based upon agreed upon thresholds. For purposes of daily derivative collateral maintenance, credit exposures are generally quantified based on the prior business day's market

1. Basis of Presentation and Significant Accounting Policies (continued)

value and collateral is pledged to and held by, or on behalf of, the Company to the extent the current value of the derivatives exceed the contractual thresholds. For the Company's domestic derivative programs, the maximum uncollateralized threshold for a derivative counterparty for a single legal entity is $7.

Cash and Cash Equivalents

Cash and cash equivalents are carried at cost and includes cash on hand, demand deposits with banks or other financial institutions, money market funds, and all highly liquid debt instruments purchased with an original maturity of three months or less.

Reinsurance

The Company enters into reinsurance transactions with unaffiliated insurer counterparties for a variety of reasons, including strategic business growth opportunities (for assumed transactions) and capital and risk management (for ceded transactions). Reinsurance is placed with reinsurers that meet strict financial criteria established by the Company, and the Company regularly evaluates the financial condition of its reinsurers and concentrations of credit risk. Failure of counterparties to honor their obligations could result in losses to the Company. Ceded reinsurance arrangements do not discharge the Company's liability as the primary insurer.

We assume insurance from and cede insurance to our counterparties using a variety of structures, including: coinsurance, coinsurance with funds withheld, modified coinsurance, and yearly renewable term. For an agreement to qualify for reinsurance accounting, it must include insurance risk (inclusive of underwriting, investment, and timing risk) and satisfy risk transfer conditions that include a reasonable possibility of a significant loss for the assuming entity. If an arrangement does not meet risk transfer requirements, the Company accounts for the arrangement using deposit accounting (i.e., as a financing transaction).

Reinsurance recoverables are generally recognized and measured consistent with the liabilities of the underlying contracts. Reinsurance recoverables include balances due from counterparties for paid and unpaid losses and are presented net of an ACL, which is based on the expectation of potential lifetime credit loss from the counterparty. Premiums and benefits and losses reflect the net effects of assumed and ceded reinsurance transactions. Included in other assets are prepaid reinsurance premiums, which represent the portion of premiums ceded to reinsurers applicable to the unexpired terms of the reinsurance agreements. For assumed reinsurance of existing in-force blocks, a net loss on reinsurance is recorded as deferred acquisition costs ("DAC") and a net gain on reinsurance is recorded as unearned revenue reserves ("URR"). Certain MRBs have also been reinsured, and these are reflected within reinsurance recoverables on the balance sheets.

Under coinsurance arrangements, reserves and invested assets are transferred from the ceding insurer to the reinsurer. In certain arrangements, the reinsurer holds the assets supporting the reserves in a trust for the benefit of the ceding insurer. Refer to Note 6 - Reinsurance for additional information related to the various trusts the Company maintains.

Under coinsurance with funds withheld arrangements, ceded reserves are transferred to the reinsurer; however, invested assets that support the reserves are retained by the ceding insurer, and the counterparties periodically settle profit and loss with respect to the investment returns. Under modified coinsurance arrangements, both the ceded reserves and the invested assets that support the reserves are retained by the ceding insurer, and the counterparties periodically net settle profit and loss with respect to both the investment returns and the underlying insurance obligations.

Both modified coinsurance and coinsurance with funds withheld arrangements require the ceding insurer to establish a mechanism which legally segregates the invested assets. The Company maintains the right of offset on general account assets and liabilities reinsured on both a coinsurance with funds withheld and modified coinsurance basis, but we have elected to present balances due from and due to reinsurance counterparties on a gross basis, as reinsurance recoverables and funds withheld liability for ceded reinsurance or funds withheld at interest for assumed reinsurance on the balance sheets. Separate account assets and liabilities assumed on a modified coinsurance basis are reported on a net basis on the balance sheets. Revenue, however, is recorded from the reinsurance of separate accounts as premiums or policy charges and fee income on the statements of operations.

Value of Business Acquired, Deferred Acquisition Costs, Unearned Revenue Reserves, and Other Balances

Value of Business Acquired

Value of business acquired ("VOBA") is an intangible asset that represents the portion of a purchase price allocated to the estimated value assigned to the right to receive future gross profits from cash flows and earnings of acquired insurance and investment contracts as of the date of the acquisition. It is based on the actuarially estimated present value of future cash flows of the acquired contracts in-force as of the date of the acquisition. The principal assumptions used in estimating VOBA include equity market returns, mortality, persistency, expenses, and discount rates, in addition to other factors that the

1. Basis of Presentation and Significant Accounting Policies (continued)

Company expects to experience in future years. Actual experience on the acquired contracts may vary from these projections and the recovery of VOBA is dependent upon the future profitability of the related business.

For certain transactions, the fair value of obligations related to acquired insurance and investment contracts exceed the book value of policy liabilities, resulting in additional reserves (“negative VOBA”). Negative VOBA is presented separately from VOBA as an additional reserve included either in the reserve for future policy benefits or other policyholder funds and benefits payable on the balance sheets, depending on the presentation for the underlying contracts generating the amount.

The Company tests the aggregate recoverability of positive VOBA by comparing the existing balance to the present value of future profitability.

Deferred Acquisition Costs

As noted in the Reinsurance section above, specific to assumed block reinsurance, the excess of reserves and ceding commission over assets received is recorded as DAC. In addition, costs such as commissions are capitalized when incurred if directly related to the successful acquisition of new or existing insurance contracts.

Unearned Revenue Reserve

As noted in the Reinsurance section above, a net gain on assumed reinsurance is recorded as URR within other policyholder funds and benefits payable on the balance sheets.

Amortization of Deferred Acquisition Costs and Other Balances

The Company amortizes VOBA, DAC, URR and other balances (e.g., adjustments associated with FIA MRBs) through net income on a constant-level basis over the expected term for a group of contracts (i.e., cohorts), using the same cohorts used to estimate the associated liabilities for those contracts. Inputs and assumptions are required for determining the expected term of contracts and are consistent with those used to estimate the related liabilities. The determination of such assumptions uses accepted actuarial methods to estimate decrement rates related to policyholder behavior for lapses, withdrawals (surrenders) and mortality.

The constant-level basis uses a method specific to the underlying product, generally policy counts or gross premiums, and approximates a pattern of straight-line amortization at an individual contract level. The amortization rate is calculated at the end of each reporting period, and is inclusive of actual experience for the reporting period and any assumption updates. The revised amortization rate is applied prospectively from the beginning of the current reporting period. Amortization can never result in an increase of the VOBA, DAC or URR balance initially established.

Refer to Note 7 - Value of Business Acquired, Deferred Acquisition Costs, Unearned Revenue Reserves, and Other Balances for further information.

Refer to Note 10 - Reserve for Future Policy Benefits for additional information regarding the assumptions for the liability for future policy benefits and additional liabilities for other insurance benefits.

Income Taxes

We measure income taxes using the asset and liability method, where deferred income taxes are recognized to represent the tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse. We evaluate the likelihood of realizing the benefit of deferred tax assets, and if required, record a valuation allowance to reduce the total deferred tax asset, net of valuation allowance, to an amount that will more likely than not be realized. The Company classifies interest and penalties (if applicable) as income tax expense in the statements of operations.

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value of identifiable net assets acquired, and is allocated to identified reporting units. Goodwill is not amortized but is evaluated for impairment on an annual basis or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Our methodology for conducting this goodwill impairment evaluation includes both a qualitative and quantitative assessment.

The Company has the option to initially perform an assessment of qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The qualitative factors may include, but are not limited to, economic conditions, industry and market considerations, cost factors, overall financial performance of the entity or a reporting unit and other company and entity-level or reporting unit-specific events. If it is determined that it is more likely

1. Basis of Presentation and Significant Accounting Policies (continued)

than not that the fair value of the reporting unit is less than its carrying amount, we then perform a quantitative assessment. If the carrying values of the reporting units exceed their fair value, an impairment loss is recognized and the carrying amount of goodwill is adjusted.

Refer to Note 8 - Goodwill and Other Intangible Assets for additional information.

Other Intangible Assets

Other intangible assets with definite lives are amortized over the estimated useful life of the asset and consist of administrative servicing rights amortized over a 30-year period, and software amortized over a period not to exceed seven years. Other intangible assets with indefinite lives primarily consist of state insurance licenses, and are not amortized but are reviewed annually in the Company's impairment evaluation. They will be tested for impairment more frequently if an event occurs or circumstances change to indicate the fair value of indefinite-lived other intangible assets is less than the carrying value.

Refer to Note 8 - Goodwill and Other Intangible Assets for additional information.

Separate Accounts

The Company has issued variable annuities and life insurance contracts through its separate accounts, which represent funds maintained to meet specific investment objectives of policyholders who direct the investments and bear the investment risk, with the exception of any contractual minimum guarantees made by the Company with respect to certain accounts, which are considered market risk benefits. Separate account assets are legally segregated and are not subject to claims that arise out of any other business of the Company. The Company's separate account products include the variable account value portion of VA, variable life insurance products and individual, institutional, and governmental investment contracts. The Company has reinsured certain separate account policies on a modified coinsurance basis to unaffiliated reinsurers.

We report separate account assets as a summary total based on the fair value of the underlying investments. A corresponding summary total separate account liabilities is reported at an amount equal to separate account assets, and represents the account balance to be returned to the contractholder. The investment risk is solely borne by the contractholders and investment income and investment related and unrealized gains and losses of the separate accounts directly accrue to the contractholders; therefore, they are not recognized in the statements of operations. The Company recognizes fee income for investment management, certain administrative services and cost of insurance charges.

Refer to Note 9 - Separate Accounts for additional information and Note 12 - Market Risk Benefits for further information.

Reserve for Future Policy Benefits

Reserve for future policy benefits represent estimated insurance liabilities and primarily consist of the liability for future policy benefits ("LFPB"), deferred profit liability ("DPL") related to life-contingent payout annuities, and additional liabilities for ULSG contracts. Reserve for Future Policy Benefits also consists of traditional long-duration insurance reserves for whole life and guaranteed term life insurance and other contracts.

Liability for Future Policy Benefits

The LFPB includes reserves for life-contingent contract annuitizations, including structured settlements and terminal funding agreements and traditional life insurance contracts. Insurance contracts are grouped into cohorts based on issue year and contract type for purposes of recognizing the LFPB. For contracts acquired through an inforce reinsurance arrangement or business combination, multiple issue years prior to the acquisition date are generally aggregated for purposes of identifying a single, issue-year cohort.

The LFPB is calculated using standard actuarial methods, which consider the present value of future benefits and related expenses to be paid, less the present value of the portion of future premiums required. Such calculations are measured using updated cash flow and discount rate assumptions. The Company updates the LFPB at least quarterly for actual experience and future cash flow assumptions are evaluated at least annually. Cash flow assumptions include, among others, mortality and lapse rates, and are reviewed and updated, as needed, following the Company's assumption review in the third quarter. Cash flow assumptions may be updated more frequently, if necessary, based on trending experience and future expectations. The effect on the LFPB attributable to updates for actual experience and updates in cash flow assumptions are both recorded as benefits and losses. However, actual experience (e.g., paid claims) is reported as benefits and losses while remeasurement of the LFPB for the effect of cash flow assumption updates is reported as a separate remeasurement loss (gain).

1. Basis of Presentation and Significant Accounting Policies (continued)

The LFPB is computed at amounts that, with additions from interest on such reserves compounded annually at assumed rates, are expected to be sufficient to meet the Company's policy obligations at their maturities or in the event of an insured's death.

Cash flows are discounted using an upper-medium grade (or low credit risk), fixed-income instrument yield (the equivalent of a Single A corporate bond rate). We establish the upper-medium grade yield for each cohort as of contract inception. The contract inception date is identified as the acquisition date for contracts acquired through an inforce reinsurance arrangement or business combination. For contracts issued evenly throughout a reporting period (or subsequent annuitizations for life-contingent payout annuities), a weighted-average discount rate is calculated on a quarterly basis. Reserve accretion in subsequent measurement periods calculated using the locked-in yield curve established at contract inception is recorded as benefit expense through net income.

The LFPB is additionally remeasured each reporting period using current upper-medium grade yields, and the effect on the LFPB attributable to changes in the discount rate is recorded in OCI. The Company maximizes the use of observable data as of each valuation date when developing an upper-medium grade yield curve designed to reflect the duration characteristics of the insurance liabilities.

Deferred Profit Liability

The DPL is recognized at contract inception of limited-payment contracts and represents the profit margin in premiums paid over a shorter duration than the claim payment period. The DPL accretes interest similar to the LFPB and is amortized in a constant relationship with expected future benefits payments for annuity contracts and insurance in force for life contracts. Amortization is recognized in benefits and losses within the statements of operations.

Consistent with the LFPB, the Company updates the DPL at least quarterly for actual experience, and future cash flow assumptions are reviewed and updated, as needed, following the Company's assumptions review in the third quarter. Cash flow assumptions may be updated more frequently, if necessary, based on trending experience and future expectations. Consistent with the LFPB, actual experience is reported as benefits and losses while the effect on the DPL attributable to updates in cash flow assumptions is reported as a separate remeasurement loss (gain) within benefits and losses in the statements of operations.

Refer to Note 10 - Reserve for Future Policy Benefits for additional information.

Additional Liability for Universal Life with Secondary Guarantees

Reserves for such ULSG benefits are included within the reserve for future policy benefits on the balance sheets, as they provide additional protection against policy termination and may continue to provide a death benefit, even if there is insufficient policy value to cover the monthly deductions and charges.

Additional liabilities for other insurance benefits are determined by estimating the expected present value of the benefits in excess of the policyholder's expected account value in proportion to the present value of total expected contract assessments and investment margin. Present values are discounted at the contract rate, and interest accrues on the liability using the same rate. The reserve is reduced by the amount of cumulative excess payments but is never reduced below zero. Consistent with the LFPB, the reserve calculation is updated on a quarterly basis for actual experience, and future cash flow assumptions are reviewed and updated, as needed, following the Company's assumptions review in the third quarter. Consistent with the LFPB, actual experience is reported as benefits and losses while the effect on the additional liabilities attributable to updates in cash flow assumptions is reported as a separate remeasurement loss (gain) within benefits and losses in the statements of operations.

Refer to Note 10 - Reserve for Future Policy Benefits for additional information.

Other Policyholder Funds and Benefits Payable

Other policyholder funds and benefits payable primarily consists of policyholder account balances ("PABs"), URR, negative VOBA, and other balances. Refer to the Reinsurance and VOBA policy sections above for additional information on URR and negative VOBA. Other balances primarily include FIA host offsets, which are amounts used to offset the value of the MRB at contract inception, and is further described in the MRB policy section below.

Policyholder Account Balance

PABs represent the fixed contract value that has accrued to the benefit of the policyholder as of the balance sheet date and are applicable for contracts with explicit account values, including VA, fixed annuities, corporate-owned life insurance ("COLI"), and other universal life-type products ("UL"). This liability is primarily associated with the accumulated account deposits, plus interest credited, less policyholder withdrawals and other charges assessed against the account balance, as

1. Basis of Presentation and Significant Accounting Policies (continued)

applicable. The liability recognized for non-life contingent payout annuities, including structured settlements, is measured as the present value of future payments using the effective yield at contract inception. Significant changes in experience or assumptions related to PABs for UL-type products may require the Company to establish premium deficiency reserves. Premium deficiency reserves, if any, are established based on current assumptions without considering a provision for adverse deviation. Changes in or deviations from the assumptions used can significantly affect the Company's reserve levels and results from operations.

FIA contract balances appreciate based on a minimum guaranteed credited rate or the performance of market indices, and generally protect the contract owner against loss of principal and may include living withdrawal benefits or enhanced annuitization benefits. FIAs allow the policyholder to elect a fixed interest rate return or an equity market index.

For FIA contracts where an equity market index is elected, the account value attributable to equity performance, which is not clearly and closely related to the host insurance contract, is recognized as an embedded derivative. The liability reported on the balance sheets is equal to the sum of the fair value of the embedded derivative and the host contract. The host contract, identified as the non-variable guaranteed minimum contract value, is initially measured as the contract inception account value less a host contract adjustment equal to the initial fair value of the embedded derivative. The host contract adjustment is subsequently accreted over the underlying policy's expected life. The fair value of the embedded derivative is measured as the present value of cash flows attributable to the indexed strategies, and is derived using assumptions to estimate future account values. The embedded derivative cash flows are discounted using a rate that reflects our own credit rating.

Refer to Note 11 - Other Policyholder Funds and Benefits Payable and Note 5 - Fair Value Measurements for additional information.

Market Risk Benefits

The Company historically issued and assumes via reinsurance certain guarantees and product features on VA and FIA products which protect the contractholder from, and expose the Company to, other-than-nominal capital market risk. The Company recognizes these features as MRBs, which include guaranteed minimum death benefit ("GMDB"), guaranteed minimum withdrawal benefit ("GMWB") and guaranteed minimum income benefit ("GMIB") for VA products, as well as guaranteed lifetime withdrawal benefit ("GLWB") and expected annuitization benefits for FIA products.

MRBs are measured at the individual contract level and multiple MRBs within a single contract are measured and recognized as a single, compound MRB. MRBs are carried at fair value and may be recognized as a liability or an asset, and are reported separately as MRB liabilities or assets on the balance sheets as there is no legal right of offset between contracts.

The fair value of MRBs is measured as the present value of expected future benefits payments to contractholders, less the present value of expected fees attributable to the MRB, if applicable. The cash flows associated with MRBs are discounted utilizing a risk-free discount rate, plus an applicable credit spread for the instrument-specific credit risk ("ISCR"). To estimate the appropriate credit spread, the Company considers its own credit risk for directly written and assumed contracts and the reinsurer's credit risk for MRBs that are reinsured. Changes in the fair value of MRBs are recorded as a change in market risk benefits within net income, excluding portions attributed to changes in the Company's own credit risk, which are recorded in OCI. For MRBs that are reinsured, changes in the MRB attributable to changes in the reinsurer's nonperformance risk are recognized as part of the change in MRBs recorded through net income.

At contract inception, we assess the fees and assessments collectible from the policyholder and allocate them to the extent they are attributable to the MRB. If attributed fees are sufficient to cover the projected benefits, a non-option based valuation model is used. If attributed fees are insufficient to cover the projected benefits (or there are no explicit fees collectible from the policyholder), an option-based valuation model is used. MRBs calculated using an option-based model are measured and recognized at contract inception and for FIA contracts, an equivalent contra-liability, referred to as a host offset, is recognized in other policyholder funds and benefits payable on the balance sheets.

Upon annuitization of the contract or the extinguishment of the account balance, the MRB, related annuity contract and unamortized deferred costs are derecognized, including amounts within AOCI, and a LFPB for the remaining payout annuity contract is established, if applicable.

Directly written and assumed MRBs are not reduced for those riders that are ceded under reinsurance agreements. Instead, ceded MRBs are measured at fair value and are separately recorded in reinsurance recoverables on the balance sheets.

Refer to Note 12 - Market Risk Benefits for additional information.

1. Basis of Presentation and Significant Accounting Policies (continued)

Revenue Recognition

For investment and universal life-type contracts, amounts collected from policyholders are considered deposits and are not included in revenue. Policy charges and fee income for VA, FIA, fixed annuities and other universal life-type contracts primarily consists of policy charges for policy administration, cost of insurance charges and surrender charges assessed against policyholders' account balances and are recognized in the period in which services are provided. For traditional life products, premiums are recognized as revenue when due from policyholders.

Adoption of New Accounting Standards

*Targeted Improvements to the Accounting for Long-Duration Contracts (*ASU 2018-12*)*

Refer to Note 2 - Adoption of Long-Duration Targeted Improvements for additional information.

*Business Combinations – Contract Assets and Contract Liabilities from Contracts with Customers (*ASU 2021-08*)*

ASU 2021-08 applies to business combinations on or after January 1, 2023 and modifies how acquiring entities measure contract assets and contract liabilities from contracts with customers held by the acquiree. Such balances will be measured in a manner consistent with how the acquiree recognized and measured them in its pre-acquisition financial statements. We adopted these updates effective January 1, 2023, and it did not have an impact on our financial statements as the Company did not enter into any business combinations in 2023.

*Financial Instruments – Credit Losses (Topic 326) – Troubled Debt Restructurings and Vintage Disclosures (*ASU 2022-02*)*

ASU 2022-02 modified guidance for troubled debt restructurings and expanded disclosure requirements to present write-off of financing receivables disaggregated by year of origination (i.e., vintage). We adopted these updates effective January 1, 2023, and it did not have a material effect on our financial statements.

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

ASU 2020-04 and ASU 2021-01 provided practical expedients as codified within Topic 848 which were intended to ease operational burdens related to modifications to certain contracts, hedges and derivatives compelled due to reference rate reform. Each ASU was effective at issuance, adopted by the Company in prior years, and did not have a material effect on our financial statements. ASU 2022-06 deferred the sunset of Topic 848 from December 31, 2022 to December 31, 2024, at which point the practical expedients within Topic 848 will no longer be available. The Company will continue to evaluate the impact of reference rate reform on contract modifications and hedging relationships.

*Derivatives and Hedging: Fair Value Hedging - Portfolio Layer Method (*ASU 2022-01*)*

ASU 2022-01 expanded the scope of financial assets that are qualified for use in a portfolio layer hedging strategy. We adopted these updates effective January 1, 2023, and it did not have a material effect on our financial statements.

Recently Issued Accounting Standards

*Fair Value Measurements of Equity Securities Subject to Contractual Sale Restrictions (*ASU 2022-03*)*

ASU 2022-03 applies to both holders and issuers of equity and equity-linked securities measured at fair value, and clarifies that a contractual sales restriction is not considered in measurement. The amendments are effective for the Company in fiscal years beginning after December 15, 2023, and interim periods within those fiscal years, with early adoption permitted. The Company will adopt the provisions of ASU 2022-03 in the first quarter of 2024 and does not expect it to have a material effect on the financial statements.

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

ASU 2023-09 will require additional disclosures with respect to taxes paid and the Company's effective tax rate reconciliation for federal, state, and foreign income taxes. The amendments are effective for the Company in fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of this guidance on the financial statements.

2. Adoption of Long-Duration Targeted Improvements

The FASB issued ASU 2018-12 *Targeted Improvements to the Accounting for Long-Duration Contracts* ("LDTI") in August 2018, which impacted the recognition, measurement, presentation, and disclosure requirements for certain long-duration contracts issued by an insurance company. The guidance is intended to improve the timeliness of recognizing changes in the LFPB, by requiring annual or more frequent updates of insurance assumptions and modifying rates used to discount future cash flows. Further, the guidance amends the accounting for certain market-based options or guarantees associated with account balance contracts, simplify the amortization of DAC and other balances amortized on a basis consistent with DAC, and improve the effectiveness of the required disclosures.

The Company adopted the update effective as of January 1, 2023 and applied the retrospective method as of July 1, 2021, the date of the Talcott Resolution Acquisition. At the acquisition date, VOBA and negative VOBA balances were established for the difference between the fair value of the insurance contract assets and liabilities. Upon adoption, the LFPB and contractual features that meet the criteria for MRBs were adjusted to conform to LDTI, with an offsetting adjustment made to VOBA or negative VOBA. No adjustments were recorded to AOCI or retained earnings (deficit) upon the initial adoption. As such, the Company retrospectively adjusted prior period amounts shown in the annual financial statements to reflect the new guidance.

The following table presents a rollforward of life contingent payout annuities from the acquired balance measured before adoption, to the opening balance as of the adoption date:

Balance as of July 1, 2021	**$**	**14,613**
Change in discount rate assumptions		(2,280)
Change in cash flow assumptions and other activity		(554)
Adjusted balance as of July 1, 2021	**$**	**11,779**
Less: reinsurance recoverables		(2,938)
Adjusted balance as of July 1, 2021, net of reinsurance	**$**	**8,841**

The previously reported and adjusted gross reserve balances in the table above exclude certain fully reinsured life-contingent payout annuities, traditional life insurance reserves, and other reserves of $0.9 billion and $1.1 billion, respectively.

The following table presents a rollforward of MRB liabilities associated with VA, from the acquired balance measured before adoption, to the opening balance as of the adoption date:

Balance as of July 1, 2021	**$**	**—**
Addition of existing balances [1]		261
Fair value adjustments		399
Adjusted balance as of July 1, 2021	**$**	**660**
Less: ceded market risk benefits [2]		(776)
Adjusted balance as of July 1, 2021, net of reinsurance	**$**	**(116)**

[1] *Associated reserves were previously recorded within reserve for future policy benefits and other policyholder funds and benefits payable on the balance sheets.*

[2] *Included within reinsurance recoverables on the balance sheets.*

2. Adoption of Long-Duration Targeted Improvements (continued)

The following table presents a rollforward of VOBA associated with VA and negative VOBA associated with life-contingent payout annuities, from the acquired balance measured before adoption, to the opening balance as of the adoption date:

	Value of Business Acquired	Negative VOBA [1]
Balance, as of July 1, 2021	**$ 565**	**$ 17**
Establishment of market risk benefits	(200)	
Change in discount rate assumptions for the liability for future policy benefits [2]		2,280
Change in cash flow assumptions and other activity for the liability for future policy benefits		554
Adjusted balance, as of July 1, 2021	**$ 365**	**$ 2,851**

[1] *Included within other policyholder funds and benefits payable on the balance sheets.*

[2] *Relates to the change from a risk-free discount rate to an upper-medium grade (or low credit risk), fixed-income instrument yield.*

The following table summarizes the effects of adoption on the applicable financial statement line items on the balance sheet as of December 31, 2022:

	Reported	Adoption	Adjusted
Assets			
Reinsurance recoverables	$ 29,165	$ 445	$ 29,610
Market risk benefits	—	325	325
Value of business acquired and deferred acquisition costs	562	(242)	320
Deferred income taxes	1,414	(462)	952
Other assets	455	(12)	443
Total assets	**142,605**	**54**	**142,659**
Liabilities and Stockholder's Equity			
Liabilities			
Reserve for future policy benefits	21,432	(2,694)	18,738
Other policyholder funds and benefits payable	31,320	(75)	31,245
Market risk benefits	—	1,204	1,204
Funds withheld liability	1,237	(11)	1,226
Other liabilities	1,054	(111)	943
Total liabilities	**142,589**	**(1,687)**	**140,902**
Stockholder’s Equity			
Accumulated other comprehensive loss	(2,197)	1,294	(903)
Retained earnings (deficit)	262	447	709
Total stockholder’s equity	**16**	**1,741**	**1,757**
Total liabilities and stockholder’s equity	**$ 142,605**	**$ 54**	**$ 142,659**

2. Adoption of Long-Duration Targeted Improvements (continued)

The following table summarizes the effects of adoption on the applicable financial statement line items in the consolidated statement of operations for the year ended December 31, 2022:

	Reported	Adoption	Adjusted
Revenues			
Premiums	$ 133	$ (7)	$ 126
Policy charges and fee income	786	42	828
Investment related losses, net	(676)	(98)	(774)
Total revenues	**1,160**	**(63)**	**1,097**
Benefits, Losses, and Expenses			
Benefits and losses	817	(180)	637
Change in market risk benefits	—	(299)	(299)
Amortization of value of business acquired and deferred acquisition costs	94	(51)	43
Insurance operating costs and other expenses	404	(2)	402
Total benefits, losses, and expenses	**1,321**	**(532)**	**789**
Income (loss) before income taxes	(161)	469	308
Income tax expense (benefit)	(78)	98	20
Net income (loss)	**$ (83)**	**$ 371**	**$ 288**

The following table summarizes the effects of adoption on the applicable financial statement line items in the statement of comprehensive loss for the year ended December 31, 2022:

	Reported	Adoption	Adjusted
Net income (loss)	**$ (83)**	**$ 371**	**$ 288**
Other comprehensive income (loss), net of tax			
Unrealized loss on available-for-sale securities	(2,159)	(455)	(2,614)
Gain related to discount rate for reserve for future policy benefits	—	1,635	1,635
Gain related to credit risk for market risk benefits	—	95	95
Other comprehensive loss, net of tax	**$ (2,186)**	**$ 1,275**	**$ (911)**
Comprehensive loss	**$ (2,269)**	**$ 1,646**	**$ (623)**

2. Adoption of Long-Duration Targeted Improvements (continued)

The following table summarizes the effects of adoption on the applicable financial statement line items in the statement of cash flows for the year ended December 31, 2022:

	Reported	Adoption	Adjusted
Net income (loss)	**$ (80)**	**$ 368**	**$ 288**
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities			
Investment related losses, net	676	98	774
Amortization of unearned revenue reserves	(6)	(57)	(63)
Amortization of value of business acquired and deferred acquisition costs	94	(51)	43
Deferred income taxes	(131)	98	(33)
Interest credited on investment and universal life-type contracts	534	(53)	481
Change in market risk benefits	—	(299)	(299)
Other operating activities, net	(196)	(41)	(237)
Changes in operating assets and liabilities			
Reinsurance recoverables	(482)	(61)	(543)
Reserve for future policy benefits	230	(2)	228
Net cash provided by operating activities	**$ 1,033**	**$ —**	**$ 1,033**

3. Investments

Available-for-Sale Debt Securities

The following table presents the balances of AFS debt securities, by major security type:

	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of December 31, 2023					
Fixed maturities, available-for-sale					
Asset-backed securities	$ 478	$ —	$ 3	$ (16)	$ 465
Collateralized loan obligations	970	(2)	3	(5)	966
Commercial mortgage-backed securities	1,650	(7)	—	(186)	1,457
Corporate bonds	11,245	(7)	21	(1,715)	9,544
Foreign government and agencies	442	—	10	(48)	404
Municipal bonds	961	—	—	(158)	803
Residential mortgage-backed securities	508	—	—	(63)	445
U.S. Treasury bonds	1,338	—	—	(318)	1,020
Total fixed maturities, available-for-sale	**$ 17,592**	**$ (16)**	**$ 37**	**$ (2,509)**	**$ 15,104**
Short-term investments, available-for-sale	**$ 28**	**$ —**	**$ —**	**$ —**	**$ 28**
As of December 31, 2022					
Fixed maturities, available-for-sale					
Asset-backed securities	$ 276	$ —	$ —	$ (22)	$ 254
Collateralized loan obligations	703	—	—	(27)	676
Commercial mortgage-backed securities	1,724	—	1	(211)	1,514
Corporate bonds	12,565	—	2	(2,326)	10,241
Foreign government and agencies	377	—	—	(62)	315
Municipal bonds	1,309	—	—	(269)	1,040
Residential mortgage-backed securities	503	—	—	(86)	417
U.S. Treasury bonds	1,375	—	—	(316)	1,059
Total fixed maturities, available-for-sale	**$ 18,832**	**$ —**	**$ 3**	**$ (3,319)**	**$ 15,516**

The following table presents the balances of AFS debt securities, by contractual maturity:

	As of December 31, 2023		As of December 31, 2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	$ 449	$ 433	$ 445	$ 437
Over one year through five years	2,392	2,260	2,535	2,347
Over five years through ten years	3,351	2,960	4,438	3,732
Over ten years	7,822	6,143	8,209	6,140
Structured securities	3,606	3,336	3,205	2,860
Total	**$ 17,620**	**$ 15,132**	**$ 18,832**	**$ 15,516**

Estimated maturities may differ from contractual maturities due to call or prepayment provisions. Due to the potential for variability in payment speeds (i.e., prepayments or extensions).

3. Investments (continued)

The following tables present the Company's unrealized loss aging for AFS debt securities, by major security type and length of time that the securities were in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
As of December 31, 2023						
Fixed maturities, available-for-sale						
Asset-backed securities	$ 82	$ (2)	$ 181	$ (14)	$ 263	$ (16)
Collateralized loan obligations	238	(1)	296	(4)	534	(5)
Commercial mortgage-backed securities	49	(4)	1,373	(182)	1,422	(186)
Corporate bonds	376	(32)	8,299	(1,683)	8,675	(1,715)
Foreign government and agencies	1	—	290	(48)	291	(48)
Municipal bonds	8	(1)	794	(157)	802	(158)
Residential mortgage-backed securities	—	—	408	(63)	408	(63)
U.S. Treasury bonds	6	(4)	1,007	(314)	1,013	(318)
Total fixed maturities, available-for-sale	**$ 760**	**$ (44)**	**$ 12,648**	**$ (2,465)**	**$ 13,408**	**$ (2,509)**
As of December 31, 2022						
Fixed maturities, available-for-sale						
Asset-backed securities	$ 96	$ (5)	$ 162	$ (17)	$ 258	$ (22)
Collateralized loan obligations	644	(27)	11	—	655	(27)
Commercial mortgage-backed securities	819	(102)	682	(109)	1,501	(211)
Corporate bonds	6,659	(1,544)	3,412	(782)	10,071	(2,326)
Foreign government and agencies	185	(41)	128	(21)	313	(62)
Municipal bonds	859	(219)	180	(50)	1,039	(269)
Residential mortgage-backed securities	123	(20)	293	(66)	416	(86)
U.S. Treasury bonds	996	(303)	63	(13)	1,059	(316)
Total fixed maturities, available-for-sale	**$ 10,381**	**$ (2,261)**	**$ 4,931**	**$ (1,058)**	**$ 15,312**	**$ (3,319)**

As of December 31, 2023, fixed maturities, AFS in an unrealized loss position consisted of 3,647 instruments and were primarily depressed due to increasing interest rates and/or widening credit spreads since the purchase and/or application of pushdown accounting dates. As of December 31, 2023, 67% of these fixed maturities were depressed less than 20% of cost or amortized cost.

The Company neither has an intention to sell nor does it expect to be required to sell the fixed maturities. The decision to record credit losses on fixed maturities, AFS in the form of an ACL requires us to make qualitative and quantitative estimates of expected future cash flows. Actual cash flows could deviate significantly from our expectations resulting in realized losses in future periods.

Sales

Sales of AFS debt securities in 2023 were primarily a result of strategic asset allocations, tactical changes to the portfolio driven by changing market conditions, and duration and liquidity management. Proceeds from sales of AFS debt securities were $1,304 and $5,632 for the years ended December 31, 2023 and 2022, respectively.

Allowance for Credit Losses

Developing the Company's best estimate of expected future cash flows for ACL on AFS debt securities is a quantitative and qualitative process that incorporates information received from third-party sources along with certain internal assumptions regarding the future performance. Cash flows are discounted at the effective yield that is used to record interest income. The Company's considerations include, but are not limited to (a) changes in the financial condition of the issuer and/or the underlying collateral, (b) whether the issuer is current on contractually obligated interest and principal payments, (c) credit ratings, (d) payment structure of the security and (e) the extent to which the fair value has been less than the amortized cost of the security.

For non-structured securities, assumptions include, but are not limited to: economic and industry-specific trends and fundamentals, instrument-specific developments including changes in credit ratings, industry earnings multiples and the issuer's ability to restructure, access capital markets, and execute asset sales.

3. Investments (continued)

For structured securities, assumptions include, but are not limited to, various performance indicators such as historical and projected default and recovery rates, credit ratings, current and projected delinquency rates, loan-to-value ratios ("LTV"), average cumulative collateral loss rates that vary by vintage year, prepayment speeds, and property value declines. These assumptions require the use of significant management judgment and include the probability of issuer default and estimates regarding timing and amount of expected recoveries which may include estimating the underlying collateral value.

The following presents a rollforward of the ACL for AFS debt securities, by major security type:

	Collateralized Loan Obligations	Commercial Mortgage-Backed Securities	Corporate Bonds	Total
Balance as of January 1, 2022	**$ —**	**$ —**	**$ —**	**$ —**
Initial credit losses	—	—	1	1
Write-offs	—	—	(1)	(1)
Balance as of December 31, 2022 [1]	**—**	**—**	**—**	**—**
Initial credit losses	2	7	8	17
Reduction for sales	—	—	(1)	(1)
Balance at December 31, 2023 [1]	**$ 2**	**$ 7**	**$ 7**	**$ 16**

[1] *As of December 31, 2023 and 2022, the Company held no Purchased Credit Deteriorated ("PCD") AFS debt securities.*

Net Investment Income

Net investment income by asset class consists of the following:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Fixed maturities	$ 647	$ 606
Equity securities	11	9
Mortgage loans	80	74
Policy loans	90	82
Investment funds	114	168
Other investments	2	(10)
Short-term investments	70	18
Investment expense	(21)	(30)
Total net investment income	**$ 993**	**$ 917**

3. Investments (continued)

Investment Related Losses, Net

Investment related losses, net by asset class consists of the following:

	Year Ended December 31,	
	2023	2022
Available-for-sale debt securities		
Gross gains on sales	$ 1	$ 2
Gross losses on sales	(194)	(535)
Net realized gain/loss on other disposals	(12)	—
Net realized investment related losses on available-for-sale debt securities	**(205)**	**(533)**
Provision for credit losses on fixed maturities, available-for-sale	(16)	(1)
Net recognized investment related losses on fair value option fixed maturities	(11)	(21)
Net realized investment related gains on equity securities	12	5
Net unrealized investment related losses on equity securities still held at the end of the period	(8)	(24)
Provision for credit losses on mortgage loans	(11)	(3)
Net recognized investment related gains on fair value option investment funds	41	16
Embedded derivatives [1]	(231)	319
Freestanding derivatives [1]	(926)	(297)
Fixed indexed annuities hedge program	89	(247)
Other, net	(26)	12
Investment related losses	**$ (1,292)**	**$ (774)**

[1] *Refer to the Non-Qualifying Derivatives section of Note 4 - Derivatives for additional information.*

Accrued Interest Receivable

Accrued interest receivable recorded in other assets on the balance sheets consists of the following, by asset class:

	As of December 31,	
	2023	2022
Available-for-sale debt securities	$ 161	$ 183
Mortgage loans	6	8

3. Investments (continued)

Mortgage Loans

The following table presents the Company’s mortgage loans, by geographic location:

	As of December 31,			
	2023		2022	
	Amortized Cost	Percent of Total	Amortized Cost	Percent of Total
East North Central	$ 87	4.3 %	$ 74	2.9 %
East South Central	34	1.7 %	32	1.2 %
Middle Atlantic	175	8.6 %	194	7.7 %
Mountain	176	8.6 %	185	7.3 %
New England	70	3.4 %	82	3.2 %
Pacific	462	22.6 %	535	21.1 %
South Atlantic	621	30.4 %	694	27.4 %
West North Central	40	2.0 %	—	— %
West South Central	213	10.4 %	180	7.1 %
Other [1]	167	8.0 %	559	22.1 %
Total mortgage loans	**$ 2,045**	**100.0 %**	**$ 2,535**	**100.0 %**

[1] *Primarily represents loans collateralized by multiple properties in various regions.*

The following table presents the Company’s mortgage loans, by property type:

	As of December 31,			
	2023		2022	
	Amortized Cost	Percent of Total	Amortized Cost	Percent of Total
Industrial	$ 711	34.8 %	$ 787	31.0 %
Multifamily	617	30.2 %	669	26.4 %
Office	340	16.6 %	383	15.1 %
Retail	377	18.4 %	443	17.5 %
Single family	—	— %	253	10.0 %
Total mortgage loans	**$ 2,045**	**100.0 %**	**$ 2,535**	**100.0 %**

Allowance for Credit Losses

The Company reviews mortgage loans on a quarterly basis to estimate the ACL, with changes in the ACL recorded in investment related losses, net. Apart from an ACL recorded on individual mortgage loans where the borrower is experiencing financial difficulties, the Company records an ACL on the pool of mortgage loans based on lifetime expected credit losses. The Company utilizes a third-party forecasting model to estimate lifetime expected credit losses at a loan level under multiple economic scenarios. The scenarios use macroeconomic data provided by an internationally recognized economics firm that generates forecasts of varying economic factors such as GDP growth, unemployment and interest rates. The economic scenarios are projected over 10 years. The first two years to four years of the 10-year period assume a specific modeled economic scenario (including moderate upside, moderate recession and severe recession scenarios) and then revert to historical long-term assumptions over the remaining period. Using these economic scenarios, the forecasting model projects property-specific operating income and capitalization rates used to estimate the value of a future operating income stream. The operating income and the property valuations derived from capitalization rates are compared to loan payment and principal amounts to create debt-service coverage ratios ("DSCRs") and LTVs over the forecast period. The Company's process also considers qualitative factors. The model overlays historical data about mortgage loan performance based on DSCRs and LTVs and projects the probability of default, amount of loss given a default and resulting expected loss through maturity for each loan under each economic scenario. Economic scenarios are probability-weighted based on a statistical analysis of the forecasted economic factors and qualitative analysis. The Company records the change in the ACL on mortgage loans based on the weighted-average expected credit losses across the selected economic scenarios. When a

3. Investments (continued)

borrower is experiencing financial difficulty, including when foreclosure is probable, the Company measures an ACL on individual mortgage loans. The ACL is established for any shortfall between the amortized cost of the loan and the fair value of the collateral less costs to sell. Estimates of collectibility from an individual borrower require the use of significant management judgment and include the probability and timing of borrower default and loss severity estimates. In addition, cash flow projections may change based upon new information about the borrower's ability to pay and/or the value of underlying collateral such as changes in projected property value estimates. As of December 31, 2023 and 2022, the Company did not have any mortgage loans for which an ACL was established on an individual basis.

There were no mortgage loans held-for-sale as of December 31, 2023 and 2022. In addition, as of December 31, 2023 and 2022, the Company had no mortgage loans that have had extensions or restructurings other than what is allowable under the original terms of the contract. As of December 31, 2023 and 2022, the Company held no PCD mortgage loans.

The following table presents a rollforward of the ACL for mortgage loans:

	Year Ended December 31,	
	2023	2022
Beginning balance	**$ 15**	**$ 12**
Current-period provision	11	3
Ending balance	**$ 26**	**$ 15**

The increase in the allowance for the year ended December 31, 2023 was primarily attributable to changes in market conditions and an update in assumptions. The increase in the allowance for the year ended December 31, 2022 was primarily attributable to the deteriorating economic conditions and the potential impact on real estate property valuations and, to a lesser extent, net additions of new loans.

Credit Quality Indicators

The weighted-average LTV ratio at origination of the Company’s mortgage loans held as of December 31, 2023 was 60%. LTV ratios compare the loan amount to the value of the underlying property collateralizing the loan with property values based on appraisals performed at origination. Factors considered in estimating property values include, among other things, actual and expected property cash flows, geographic market data and the ratio of the property's net operating income to its value. DSCR compares a property’s net operating income to the borrower’s principal and interest payments which are updated no less than annually through reviews of underlying properties.

3. Investments (continued)

The following represents the LTV ratio and DSCR for mortgage loans, by origination year:

	As of December 31, 2023						
	2023	2022	2021	2020	2019	Prior	Total
Amortized cost for loan-to-values:							
Greater than 80%	$ —	$ 56	$ 16	$ —	$ —	$ 48	**$ 120**
65% to 80%	—	81	137	23	27	175	**443**
Less than 65%	19	235	198	49	165	816	**1,482**
Total	**$ 19**	**$ 372**	**$ 351**	**$ 72**	**$ 192**	**$ 1,039**	**$ 2,045**
Amortized cost for debt-service coverage ratios:							
Greater than 1.50x	$ —	$ 239	$ 301	$ 72	$ 171	$ 952	**$ 1,735**
1.15x to 1.50x	3	50	29	—	13	87	**182**
0.95x to 1.15x	16	19	16	—	8	—	**59**
Less than 0.95x	—	64	5	—	—	—	**69**
Total	**$ 19**	**$ 372**	**$ 351**	**$ 72**	**$ 192**	**$ 1,039**	**$ 2,045**
Average loan-to-value for debt-service coverage ratios:							
Greater than 1.50x	— %	54.3 %	58.6 %	55.9 %	54.2 %	49.4 %	**52.4 %**
1.15x to 1.50x	51.6 %	38.6 %	62.2 %	— %	69.5 %	61.5 %	**55.7 %**
0.95x to 1.15x	39.8 %	77.5 %	84.3 %	— %	76.9 %	— %	**68.8 %**
Less than 0.95x	— %	77.1 %	50.3 %	— %	— %	— %	**75.2 %**
Weighted average	**42.7 %**	**57.4 %**	**59.7 %**	**56.2 %**	**56.3 %**	**50.4 %**	**54.0 %**

	As of December 31, 2022						
	2022	2021	2020	2019	2018	Prior	Total
Amortized cost for loan-to-values:							
Greater than 80%	$ 54	$ —	$ —	$ —	$ —	$ 41	**$ 95**
65% to 80%	10	21	14	27	116	60	**248**
Less than 65%	461	379	166	220	181	785	**2,192**
Total	**$ 525**	**$ 400**	**$ 180**	**$ 247**	**$ 297**	**$ 886**	**$ 2,535**
Amortized cost for debt-service coverage ratios:							
Greater than 1.50x	$ 229	$ 372	$ 175	$ 225	$ 181	$ 762	**$ 1,944**
1.15x to 1.50x	27	28	—	14	74	122	**265**
0.95x to 1.15x	16	—	—	8	42	—	**66**
Less than 0.95x	—	—	5	—	—	2	**7**
Not applicable [1]	253	—	—	—	—	—	**253**
Total	**$ 525**	**$ 400**	**$ 180**	**$ 247**	**$ 297**	**$ 886**	**$ 2,535**
Weighted average loan-to-value for debt-service coverage ratios:							
Greater than 1.50x	51.1 %	53.9 %	34.4 %	45.1 %	51.7 %	51.3 %	**49.6 %**
1.15x to 1.50x	29.2 %	55.6 %	— %	65.0 %	65.4 %	52.0 %	**54.4 %**
0.95x to 1.15x	50.1 %	— %	— %	72.8 %	71.7 %	— %	**66.7 %**
Less than 0.95x	— %	— %	50.0 %	— %	— %	47.3 %	**50.8 %**
Not applicable [1]	60.9 %	— %	— %	— %	— %	— %	**60.9 %**
Weighted average	**54.6 %**	**54.0 %**	**34.8 %**	**47.1 %**	**57.9 %**	**51.4 %**	**51.7 %**

[1] *Represents certain construction and other mortgage loans in which rent is not collected.*

3. Investments (continued)

Past-Due Mortgage Loans

Mortgage loans are considered past due if a payment of principal or interest is not received according to the contractual terms of the loan agreement, which typically includes a grace period. As of December 31, 2023 and 2022, the Company held no mortgage loans considered past due.

Repurchase Agreements and Other Collateral Transactions

The Company enters into securities financing transactions as a way to earn additional income or manage liquidity, primarily through repurchase agreements.

Repurchase Agreements

From time to time, the Company enters into repurchase agreements to manage liquidity or to earn incremental income. A repurchase agreement is a transaction in which one party (transferor) agrees to sell securities to another party (transferee) in return for cash (or securities), with a simultaneous agreement to repurchase the same securities at a specified price at a later date. The maturity of these transactions is generally of ninety days or less. Repurchase agreements include master netting provisions that provide both parties the right to offset claims and apply securities held by them with respect to their obligations in the event of a default. Although the Company has the contractual right to offset claims, the Company's current positions do not meet the specific conditions for net presentation.

Under repurchase agreements, the Company transfers collateral of U.S. government and government agency securities and receives cash. For repurchase agreements, the Company obtains cash in an amount equal to at least 95% of the fair value of the securities transferred. The agreements require additional collateral to be transferred under specified conditions and provide the counterparty the right to sell or re-pledge the securities transferred. The cash received from the repurchase program is typically invested in short-term investments or fixed maturities and is reported as an asset on the Company's balance sheets. The Company accounts for the repurchase agreements as collateralized borrowings. The securities transferred under repurchase agreements are included in fixed maturities, AFS with the obligation to repurchase those securities recorded in other liabilities on the Company's balance sheets.

As noted above, the Company’s current positions do not permit net presentation, however, the following presents the potential effect of rights of setoff associated with repurchase agreements:

	As of December 31,	
	2023	**2022**
Gross amounts recognized	$ (421)	$ (564)
Gross amounts not offset:		
Financial instruments [1]	439	577
Net amount	**$ 18**	**$ 13**

[1] *Included within fixed maturities and short-term investments on the Company's balance sheets.*

Refer to Note 4 - Derivatives the potential effect of rights of set-off associated with recognized derivative assets and liabilities.

Other Collateral Transactions

The Company is required by law to deposit securities with government agencies in certain states in which it conducts business. As of December 31, 2023 and 2022, the fair value of securities on deposit was $22 and $20, respectively.

For disclosure of collateral in support of derivative transactions, refer to the Derivative Collateral Arrangements section of Note 4 - Derivatives.

Variable Interest Entities

As of December 31, 2023 and 2022, the Company did not hold any investment in a VIE for which it was the primary beneficiary.

The Company’s maximum exposure to loss as of December 31, 2023 and 2022 of non-consolidated VIE included in investment funds on the Company's balance sheets is limited to $1,428 and $1,300, respectively. The Company’s maximum exposure to loss as of December 31, 2023 and 2022 of non-consolidated VIEs included in fixed maturities on the Company's balance sheets is limited to $4,124 and $323, respectively. As of December 31, 2023 and 2022, the Company had outstanding commitments totaling $939 and $410, respectively, whereby the Company is committed to fund these investments and may be called by the VIE during the commitment period to fund the purchase of new investments and

3. Investments (continued)

partnership expenses. These investments are generally of a passive nature in that the Company does not take an active role in management.

Equity Method Investments

The majority of the Company's investment funds, including hedge funds, mortgage and real estate funds, and private equity and other funds, are accounted for under the equity method of accounting. The Company recognized total equity method income of $114 and $168 for the years ended December 31, 2023 and 2022. Equity method income is reported in net investment income. The Company's maximum exposure to loss as of December 31, 2023 is limited to the total carrying value of $1.4 billion. In addition, the Company has outstanding commitments totaling approximately $559 related to investment funds as of December 31, 2023.

For the year ended December 31, 2023, aggregate net investment income from investment funds exceeded 10% of the Company's pre-tax net income. Accordingly, the Company is disclosing summarized financial data in the subsequent table which reflects the latest available financial information. This aggregated summarized financial data does not represent the Company's proportionate share of the investment's assets or earnings.

	As of December 31,	
(in billions)	2023	2022
Total assets	$ 176.4	$ 172.7
Total liabilities	29.4	28.6
Net income	12.7	6.6

Concentration of Credit Risk

The Company aims to maintain a diversified investment portfolio including issuer, sector and geographic stratification, where applicable, and has established certain exposure limits, diversification standards and review procedures to mitigate credit risk. The Company evaluated its investment exposure to any credit concentration risk of a single issuer greater than 10% of the Company's equity. The following table discloses the Company's investment exposure to any credit concentration risk of a single issuer greater than 10% of the Company's shareholder's equity, other than the U.S. government and certain U.S. government agencies:

	Market Value
Pacific Investment Management Inc	$ 370
Morgan Stanley	263
Wells Fargo & Company	256
J.P. Morgan Chase & Co	229

4. Derivatives

The Company utilizes a variety of OTC, OTC-cleared and exchange traded derivative instruments as a part of its overall risk management strategy as well as to enter into replication transactions. Derivative instruments are used to manage risk associated with interest rate, equity market, credit spread, issuer default and currency exchange rate exposures or movements. Replication transactions are used as an economical means to synthetically replicate the characteristics and performance of assets that are permissible investments under the Company's investment policies.

Derivatives Designated and Qualifying as Hedging Instruments

Some of the Company's derivatives satisfy hedge accounting requirements as outlined in Note 1 - Basis of Presentation and Significant Accounting Policies of these financial statements. Typically, these hedging instruments include interest rate swaps and, to a lesser extent, foreign currency swaps where the terms or expected cash flows of the hedged item closely match the terms of the swap. The interest rate swaps are typically used to manage interest rate duration of certain fixed maturity securities or liability contracts. The hedge strategies by hedge accounting designation include:

Cash Flow Hedges

Interest rate swaps are predominantly used to manage portfolio duration and better match cash receipts from assets with cash disbursements required to fund liabilities. These derivatives primarily convert interest receipts on floating-rate fixed maturity securities to fixed rates. Foreign currency swaps are used to convert foreign currency-denominated cash flows related to certain investment receipts and liability payments to U.S. dollars in order to reduce cash flow fluctuations due to changes in currency rates.

Derivatives Not Designated as Hedging Instruments

Derivative relationships that do not qualify for hedge accounting ("non-qualifying strategies") primarily include the hedge program for the Company's VA products, as well as the hedging and replication strategies that utilize credit default swaps. In addition, hedges of interest rate, foreign currency and equity risk of certain fixed maturities, equities and liabilities do not qualify for hedge accounting.

The non-qualifying strategies include:

Interest Rate Swaps, Swaptions and Futures

The Company uses interest rate swaps, swaptions and futures to manage interest rate duration between assets and liabilities in certain investment portfolios. In addition, the Company enters into interest rate swaps to terminate existing swaps, thereby offsetting the changes in value of the original swap. As of December 31, 2023, there were no interest rate swaps in offsetting relationships and as of December 31, 2022, the notional amount of interest rate swaps in offsetting relationships was $276.

Foreign Currency Swaps and Forwards

The Company enters into foreign currency swaps to convert the foreign currency exposures of certain foreign currency-denominated fixed maturity investments to U.S. dollars. The Company also enters into foreign currency forwards to hedge non-U.S. dollar denominated cash.

Credit Contracts

Credit default swaps are used to purchase credit protection on an individual entity or referenced index to economically hedge against default risk and credit-related changes in the value of fixed maturity securities. Credit default swaps are also used to assume credit risk related to an individual entity or referenced index as a part of replication transactions. These contracts require the Company to pay or receive a periodic fee in exchange for compensation from the counterparty or the Company should the referenced security issuers experience a credit event, as defined in the contract. In addition, the Company enters into credit default swaps to terminate existing credit default swaps, thereby offsetting the changes in value of the original swap going forward.

Macro Hedge Program

The Company utilizes equity swaps, options and futures as well as interest rate swaps to provide protection against the statutory tail scenario risk to the Company's statutory surplus arising from higher GMWB and GMDB claims, as well as lower VA fee revenue.

Embedded Derivatives

The Company has assumed through reinsurance certain FIA products with index-based crediting that constitutes an embedded derivative. The cedant hedges this risk and provides the benefits of this hedging as part of the reinsurance settlements.

4. Derivatives (continued)

The Company formerly offered, and subsequently fully reinsured, certain UL products with index-linked features that also constitute an embedded derivative.

Ceded Modified Coinsurance Reinsurance Contracts

As of December 31, 2023 and 2022, the Company had approximately $877 and $645, respectively, of invested assets supporting other policyholder funds and benefits payable reinsured under a modified coinsurance arrangement in connection with the sale of the Individual Life business, which was structured as a reinsurance transaction. The assets are primarily held in trust accounts established by the Company. The Company pays or receives cash quarterly to settle the operating results of the reinsured business, including the investment results. As a result of this modified coinsurance arrangement, the Company has an embedded derivative that transfers to the reinsurer certain unrealized changes in fair value of investments subject to interest rate and credit risk. The notional amount of the embedded derivative reinsurance contracts are the reinsured liabilities which are generally measured on a statutory basis and equivalent to the book value of the identified invested assets which support the reinsured reserves. The identified underlying is the total return on the identified invested assets which support the reinsured reserves. A funds withheld liability is recorded for funds contractually withheld by the Company under modified coinsurance arrangements in which the Company is the cedant.

Derivative Balance Sheet Classification

For reporting purposes, the Company has elected to offset within assets or liabilities based upon the net of the fair value amounts, income accruals, and related cash collateral receivables and payables of OTC derivative instruments executed in a legal entity and with the same counterparty under a master netting agreement, which provides the Company with the legal right of offset. The following fair value amounts do not include income accruals or related cash collateral receivables and payables, which are netted with derivative fair value amounts to determine balance sheet presentation. Derivatives in the Company’s separate accounts, where the associated gains and losses accrue directly to policyholders are not included in the table below. The Company’s derivative instruments are held for risk management purposes, unless otherwise noted in the following table. The notional amount of derivative contracts represents the basis upon which pay or receive amounts are calculated and is presented in the table to quantify the volume of the Company’s derivative activity. Notional amounts are not necessarily reflective of credit risk. The following tables exclude investments that contain an embedded credit derivative for which the Company has elected the FVO.

The table below provides a summary of the gross notional amount and fair value of derivative contracts by the primary underlying risks they are utilized to manage. The fair value amounts below represent the value of derivative contracts prior to taking into account the netting effects of master netting agreements, accrued interest, and cash collateral.

	Notional Amount	Fair Value Net	Fair Value Assets	Fair Value Liabilities
	As of December 31, 2023			
Designated and qualifying as hedges				
Cash flow hedges				
Interest rate swaps	$ 250	$ (29)	$ —	$ 29
Not designated as hedges				
Embedded derivatives				
Modified coinsurance [2] [3]	—	110	—	(110)
Fixed indexed annuities [2] [3]	—	(541)	—	541
Other [2] [3]	—	—	(5)	(5)
Total embedded derivatives	**—**	**(431)**	**(5)**	**426**
Freestanding derivatives [1]				
Variable annuities macro hedge program	10,340	5	151	146
Foreign currency swaps and forwards	202	12	12	—
Interest rate swaps, swaptions, and futures	1,087	(188)	—	188
Credit derivatives	500	10	10	—
Total freestanding derivatives	**12,129**	**(161)**	**173**	**334**
Total not designated as hedges	**12,129**	**(592)**	**168**	**760**
Total derivatives	**$ 12,379**	**$ (621)**	**$ 168**	**$ 789**

4. Derivatives (continued)

	Notional	Fair Value		
	As of December 31, 2022			
Designated and qualifying as hedges				
Cash flow hedges [1]				
Interest rate swaps	$ 250	$ —	$ —	$ —
Not designated as hedges				
Embedded derivatives				
Modified coinsurance [2] [3]	—	129	129	—
Fixed indexed annuities [2] [3]	—	(324)	—	324
Other [2] [3]	—	—	(29)	(29)
Total embedded derivatives	**—**	**(195)**	**100**	**295**
Freestanding derivatives [1]				
Variable annuities macro hedge program	22,823	211	506	295
Foreign currency swaps and forwards	161	15	16	1
Interest rate swaps, swaptions, and futures	1,363	(1)	3	4
Credit derivatives	500	4	4	—
Total freestanding derivatives	**24,847**	**229**	**529**	**300**
Total not designated as hedges	**24,847**	**34**	**629**	**595**
Total derivatives	**$ 25,097**	**$ 34**	**$ 629**	**$ 595**

[1] *Represents the gross fair value of freestanding derivatives excluding collateral and accrued income which are recorded in other investments and other liabilities on the balance sheets.*

[2] *For certain assumed and ceded reinsurance agreements the notional value is not indicative of the volume of activity. Refer to Note 6 - Reinsurance for additional information regarding the activity which generated the value of the embedded derivative.*

[3] *These derivatives are not held for risk management purposes. Assets are recorded in reinsurance recoverables and liabilities in other policyholder funds and benefits payable.*

Offsetting of Derivative Assets/Liabilities

The following table presents the gross fair value amounts, inclusive of income accruals, amounts offset, and the net position of derivative instruments eligible for offset on the Company's balance sheets. Amounts offset include fair value amounts, income accruals and related cash collateral receivables and payables associated with derivative instruments that are traded under a common master netting agreement, as described in the preceding discussion. Also included in the tables are financial collateral receivables and payables, which are contractually permitted to be offset upon an event of default, although are disallowed for offsetting under US GAAP.

The following presents the effect or potential effect of rights of set-off associated with recognized derivative assets and liabilities:

	As of December 31, 2023		As of December 31, 2022	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Gross amounts recognized [1]	$ 202	$ (386)	$ 529	$ (300)
Gross amounts offset [2]	(167)	329	(446)	195
Net amount presented [3]	**35**	**(57)**	**83**	**(105)**
Gross amounts not offset:				
Cash collateral [2]	(30)	30	—	—
Net amount	**5**	**(27)**	**83**	**(105)**
Off-balance sheet securities collateral [4]	(1)	58	(68)	103
Net amount	**$ 4**	**$ 31**	**$ 15**	**$ (2)**

[1] *Represents the fair value of freestanding derivatives inclusive of accrued income.*

4. Derivatives (continued)

[2] *Excludes collateral associated with exchange-traded derivative instruments included in other assets.*

[3] *Derivative assets and liabilities, including cash collateral and accrued interest, are presented on the Company's balance sheets in other investments and other liabilities, respectively.*

[4] *Non-cash collateral received excludes initial margin and is not recognized on our balance sheets unless the obligor (transferor) has defaulted under the terms of the secured contract and is no longer entitled to redeem the pledged asset.*

Refer to Note 3 - Investments for the effect of rights of set-off associated with repurchase agreements.

Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the gain or loss on the derivative is reported as a component of OCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. All components of each derivative's gain or loss were included in the assessment of hedge effectiveness.

As of December 31, 2023, there were no before tax deferred net losses on derivative instruments expected to be reclassified from AOCI to earnings over the next twelve months. This expectation is based on the anticipated interest payments on hedged investments in fixed maturity securities that will occur over the next twelve months, at which time the Company will recognize the deferred net gains (losses) as an adjustment to net investment income over the term of the investment cash flows.

For all periods presented, the Company had no net reclassifications from AOCI to earnings resulting from the discontinuance of cash-flow hedges due to forecasted transactions that were no longer probable of occurring.

Refer to Note 18 - Accumulated Other Comprehensive Income (Loss) for details regarding amounts recorded in and reclassified from AOCI for cash flow hedges.

Non-Qualifying Derivatives

For non-qualifying, including embedded derivatives that are required to be bifurcated from their host contracts, the gain or loss on the derivative is recognized within investment related losses, net as follows:

	Year Ended December 31,	
	2023	**2022**
Embedded derivatives		
Funds withheld and modified coinsurance	$ (19)	$ 114
Fixed indexed annuities	(217)	200
Other	5	5
Total embedded derivatives	**(231)**	**319**
Freestanding derivatives		
Variable annuities macro hedge program	(897)	(1)
Foreign currency swaps and forwards	(1)	7
Interest rate swaps, swaptions, and futures	(40)	(306)
Credit derivatives	12	3
Total freestanding derivatives	**(926)**	**(297)**
Total	**$ (1,157)**	**$ 22**

Credit Risk Assumed through Credit Derivatives

The Company enters into credit default swaps that assume credit risk of a single entity or referenced index in order to synthetically replicate investment transactions that are permissible under the Company's investment policies. The Company will receive periodic payments based on an agreed upon rate and notional amount and will only make a payment if there is a credit event. A credit event payment will typically be equal to the notional value of the swap contract less the value of the referenced security issuer's debt obligation after the occurrence of the credit event. A credit event is generally defined as a default on contractually obligated interest or principal payments or bankruptcy of the referenced entity. The credit default swaps in which the Company assumes credit risk primarily reference investment grade single corporate issuers and

4. Derivatives (continued)

baskets, which include standard diversified portfolios of corporate and CMBS issuers. The diversified portfolios of corporate issuers are established within sector concentration limits and may be divided into tranches that possess different credit ratings.

	Notional Amount [2]	Fair Value	Weighted Average Years to Maturity	Underlying Referenced Credit Obligation [1] Type	Underlying Referenced Credit Obligation [1] Average Credit Rating	Offsetting Notional Amount	Offsetting Fair Value
Basket credit default swaps [3] with investment grade risk exposure:							
As of December 31, 2023	$ 500	$ 10	5 years	Corporate Credit	BBB+	$ —	$ —
As of December 31, 2022	$ 500	$ 4	5 years	Corporate Credit	BBB+	$ —	$ —

[1] *The average credit ratings are based on availability and are generally the midpoint of the available ratings among Moody's, S&P, and Fitch. If no rating is available from a rating agency, then an internally developed rating is used.*

[2] *Notional amount is equal to the maximum potential future loss amount. These derivatives are governed by agreements and applicable law which include collateral posting requirements. There is no additional specific collateral related to these contracts or recourse provisions included in the contracts to offset losses.*

[3] *Comprised of swaps of standard market indices of diversified portfolios of corporate and CMBS issuers referenced through credit default swaps. These swaps are subsequently valued based upon the observable standard market index.*

Derivative Collateral Arrangements

The Company enters into various collateral arrangements in connection with its derivative instruments, which require both the pledging and accepting of collateral. As of December 31, 2023 and 2022, the Company pledged cash collateral with a fair value of $265 and $5, respectively, associated with derivative instruments. The collateral receivable has been recorded in other assets or other liabilities on the Company's balance sheets, as determined by the Company's election to offset on the balance sheet. As of December 31, 2023 and 2022, the Company also pledged securities collateral associated with derivative instruments with a fair value of $58 and $106, respectively, which have been included in fixed maturities, AFS on the balance sheets. The counterparties have the right to sell or re-pledge these securities. In addition, as of December 31, 2023 and 2022, the Company has pledged initial margin of cash related to OTC-cleared and exchange traded derivatives with a fair value of $42 and $15, respectively, which is recorded in other investments or other assets on the Company's balance sheets. As of December 31, 2023 and 2022, the Company has pledged initial margin of securities related to OTC-cleared and exchange traded derivatives with a fair value of $130 and $187, respectively, which are included within fixed maturities, AFS on the Company's balance sheets.

As of December 31, 2023 and 2022, the Company accepted cash collateral associated with derivative instruments of $89 and $262, respectively, which was invested and recorded on the balance sheets in fixed maturities, AFS and short-term investments with corresponding amounts recorded in other investments or other liabilities as determined by the Company's election to offset on the balance sheet. The Company also accepted securities collateral as of December 31, 2023 and 2022 with a fair value of $1 and $79, respectively, which the Company has the right to sell or repledge. As of December 31, 2023 and 2022, the Company had not repledged securities and did not sell any securities. The non-cash collateral accepted was held in separate custodial accounts and was not included on the Company's balance sheets.

5. Fair Value Measurements

The Company carries certain financial assets and liabilities at estimated fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants. Our fair value framework includes a hierarchy that gives the highest priority to the use of quoted prices in active markets, followed by the use of market observable inputs, followed by the use of unobservable inputs. The fair value hierarchy levels are as follows:

Level 1 Fair values based primarily on unadjusted quoted prices for identical assets or liabilities, in active markets that the Company has the ability to access at the measurement date.

Level 2 Fair values primarily based on observable inputs, other than quoted prices included in Level 1, or based on prices for similar assets and liabilities.

Level 3 Fair values derived when one or more of the significant inputs are unobservable (including assumptions about risk). With little or no observable market, the determination of fair value uses considerable judgment and represents the Company's best estimate of an amount that could be realized in a market exchange for the asset or liability. Also included are securities that are traded within illiquid markets and/or priced by independent brokers.

Net Asset Value ("NAV") – Other invested assets within separate accounts are typically measured using NAV as a practical expedient in determining fair value and are not classified in the fair value hierarchy. The carrying value reflects the pro rata ownership percentage as indicated by NAV in the investment's financial statements, which may be adjusted if it's determined NAV is not calculated consistent with investment company fair value principles. The underlying investments may have significant unobservable inputs, which may include but are not limited to, comparable multiples and weighted average cost of capital rates applied in valuation models or a discounted cash flow model.

The Company will classify the financial asset or liability by level based upon the lowest level input that is significant to the determination of the fair value. In most cases, both observable inputs (e.g., changes in interest rates) and unobservable inputs (e.g., changes in risk assumptions) are used to determine the fair value of assets and liabilities that the Company has classified within Level 3.

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

	Total	NAV / Netting [1]	Level 1	Level 2	Level 3
		As of December 31, 2023			
Assets					
Fixed maturities					
Asset-backed securities	$ 465	$ —	$ —	$ 415	$ 50
Collateralized loan obligations	966	—	—	847	119
Commercial mortgage-backed securities	1,457	—	—	1,451	6
Corporate bonds	9,544	—	—	8,053	1,491
Foreign government and agencies	404	—	—	404	—
Municipal bonds	803	—	—	803	—
Residential mortgage-backed securities	445	—	—	412	33
U.S. Treasury bonds	1,020	—	—	1,020	—
Total fixed maturities, available-for-sale	**15,104**	**—**	**—**	**13,405**	**1,699**
Fair value option fixed maturities	252	—	—	27	225
Total fixed maturities	**15,356**	**—**	**—**	**13,432**	**1,924**
Equity securities	182	—	9	150	23
Investment funds	238	—	—	—	238
Other investments					
Freestanding derivatives [1]	35	(138)	11	22	140
Short-term investments	1,675	—	661	361	653

5. Fair Value Measurements (continued)

Reinsurance recoverables					
Fixed indexed annuities hedge program	193	—	—	—	193
Ceded other embedded derivatives	(5)	—	—	—	(5)
Ceded market risk benefits	400	—	—	—	400
Total reinsurance recoverables	**588**	**—**	**—**	**—**	**588**
Market risk benefits	578	—	—	—	578
Separate account assets	89,514	200	54,877	34,389	48
Total assets	**$ 108,166**	**$ 62**	**$ 55,558**	**$ 48,354**	**$ 4,192**
Liabilities					
Other policyholder funds and benefits payable					
Fixed indexed annuities embedded derivatives	$ 541	$ —	$ —	$ —	$ 541
Other embedded derivatives	(5)	—	—	—	(5)
Total other policyholder funds and benefits payable	**536**	**—**	**—**	**—**	**536**
Market risk benefits	1,074	—	—	—	1,074
Funds withheld liability					
Modified coinsurance embedded derivative	(110)	—	—	(110)	—
Other liabilities					
Freestanding derivatives [1]	57	(306)	11	284	68
Total liabilities	**$ 1,557**	**$ (306)**	**$ 11**	**$ 174**	**$ 1,678**

As of December 31, 2022

Assets					
Fixed maturities					
Asset-backed securities	$ 254	$ —	$ —	$ 213	$ 41
Collateralized loan obligations	676	—	—	567	109
Commercial mortgage-backed securities	1,514	—	—	1,237	277
Corporate bonds	10,241	—	—	9,622	619
Foreign government and agencies	315	—	—	311	4
Municipal bonds	1,040	—	—	1,039	1
Residential mortgage-backed securities	417	—	—	400	17
U.S. Treasury bonds	1,059	—	—	1,059	—
Total fixed maturities, available-for-sale	**15,516**	**—**	**—**	**14,448**	**1,068**
Fair value option fixed maturities	331	—	—	25	306
Total fixed maturities	**15,847**	**—**	**—**	**14,473**	**1,374**
Equity securities	179	—	—	155	24
Investment funds	58	—	—	—	58
Other investments					
Freestanding derivatives [1]	83	(112)	—	40	155
Short-term investments	1,655	—	882	610	163
Reinsurance recoverables					
Fixed indexed annuities hedge program	49	—	—	—	49
Modified coinsurance embedded derivative	129	—	—	129	—

5. Fair Value Measurements (continued)

Ceded other embedded derivatives	(29)	—	—	—	(29)
Ceded market risk benefits	569	—	—	—	569
Total reinsurance recoverables	**718**	**—**	**—**	**129**	**589**
Market risk benefits	325	—	—	—	325
Separate account assets	87,255	288	53,775	33,139	53
Total assets	**$ 106,120**	**$ 176**	**$ 54,657**	**$ 48,546**	**$ 2,741**
Liabilities					
Other policyholder funds and benefits payable					
Fixed indexed annuities embedded derivatives	$ 324	$ —	$ —	$ —	$ 324
Other embedded derivative	(29)	—	—	—	(29)
Total other policyholder funds and benefits payable	**295**	**—**	**—**	**—**	**295**
Market risk benefits	1,204	—	—	—	1,204
Other liabilities					
Freestanding derivatives [1]	105	139	—	(41)	7
Total liabilities	**$ 1,604**	**$ 139**	**$ —**	**$ (41)**	**$ 1,506**

[1] *“Netting” represents the fair value of freestanding derivatives as well as cash collateral and accrued income offset under master netting agreements. Refer to Note 4 - Derivatives for additional information regarding offsetting of derivatives.*

Valuation Techniques

The Company generally determines fair values using valuation techniques that use prices, rates, and other relevant information evident from market transactions involving identical or similar instruments. Valuation techniques also include, where appropriate, estimates of future cash flows that are converted into a single discounted amount using current market expectations. The Company uses a "waterfall" approach comprised of the following pricing sources and techniques, which are listed in priority order:

- Quoted prices, unadjusted, for identical assets or liabilities in active markets, which are classified as Level 1.
- Prices from third-party pricing services, which primarily utilize a combination of techniques. These services utilize recently reported trades of identical, similar, or benchmark securities making adjustments for market observable inputs available through the reporting date. If there are no recently reported trades, they may use a discounted cash flow technique to develop a price using expected cash flows based upon the anticipated future performance of the underlying collateral discounted at an estimated market rate. Both techniques develop prices that consider the time value of future cash flows and provide a margin for risk, including liquidity and credit risk. Most prices provided by third-party pricing services are classified as Level 2 because the inputs used in pricing the securities are observable. However, some securities that are less liquid or trade less actively are classified as Level 3. Additionally, certain long-dated securities, such as municipal securities and bank loans, include benchmark interest rate or credit spread assumptions that are not observable in the marketplace and are thus classified as Level 3.
- Internal matrix pricing is a valuation process internally developed for private placement securities for which the Company is unable to obtain a price from a third-party pricing service. Internal pricing matrices determine credit spreads that, when combined with risk-free rates, are applied to contractual cash flows to develop a price. The Company develops credit spreads using market based data for public securities adjusted for credit spread differentials between public and private securities, which are obtained from a survey of multiple private placement brokers. The market-based reference credit spread considers the issuer’s sector, financial strength, and term to maturity, using an independent public security index, while the credit spread differential considers the non-public nature of the security. Securities priced using internal matrix pricing are classified as Level 2 because the significant inputs are observable or can be corroborated with observable data.
- Independent broker quotes, which are typically non-binding use inputs that can be difficult to corroborate with observable market based data. Brokers may use present value techniques using assumptions specific to the security

5. Fair Value Measurements (continued)

types, or they may use recent transactions of similar securities. Due to the lack of transparency in the process that brokers use to develop prices, valuations that are based on independent broker quotes are classified as Level 3.

The fair value of freestanding derivatives is determined primarily using a discounted cash flow model or option model technique and incorporates counterparty credit risk. In some cases, quoted market prices for exchange-traded and OTC cleared derivatives may be used and in other cases independent broker quotes may be used. The pricing valuation models primarily use inputs that are observable in the market or can be corroborated by observable market data. The valuation of certain derivatives may include significant inputs that are unobservable, such as volatility levels, and reflect the Company's view of what other market participants would use when pricing such instruments.

Fair values for FIA embedded derivatives are classified as Level 3 in the fair value hierarchy and are calculated using internally developed models that utilize significant unobservable inputs because active, observable markets do not exist for these items.

Valuation Inputs

Quoted prices for identical assets in active markets are considered Level 1 and consist of on-the-run U.S. Treasuries, money market funds, exchange-traded equity securities, open-ended mutual funds, certain short-term investments, and exchange traded futures and option contracts.

Primary observable and unobservable inputs for level 2 and level 3 fair value measurements are described below.

Fixed Maturities

Structured Securities

Primary observable inputs include: benchmark yields and spreads; monthly payment information; collateral performance, which varies by vintage year and includes delinquency rates, loss severity rates and refinancing assumptions; and credit default swap indices. Primary observable inputs specific to ABS, CLOs, and RMBS include: estimates of future principal prepayments, derived from the characteristics of the underlying structure; and prepayment speeds previously experienced at the interest rate levels projected for the collateral.

Primary unobservable inputs include: independent broker quotes; and credit spreads and interest rates beyond the observable curves. Primary unobservable inputs specific to less liquid securities or those that trade less actively, including subprime RMBS include: estimated cash flows; credit spreads, which include illiquidity premium; constant prepayment rates; constant default rates; and loss severity.

Corporate Bonds

Includes private placement securities for which the Company has elected the fair value option.

Primary observable inputs include: benchmark yields and spreads; reported trades, bids, offers of the same or similar securities; issuer spreads; and credit default swap curves. Primary observable specific to investment grade privately placed securities that utilize internal matrix pricing include credit spreads for public securities of similar quality, maturity, and sector, adjusted for non-public nature.

Primary unobservable inputs include: independent broker quotes; credit spreads beyond the observable curve; and interest rates beyond the observable curve. Primary unobservable inputs specific to below investment grade privately placed securities and private bank loans include credit spreads for public securities of similar quality, maturity, and sector, adjusted for non-public nature.

Foreign Government and Agencies, Municipal Bonds, and U.S. Treasury Bonds

Primary observable inputs include: benchmark yields and spreads; issuer credit default swap curves; political events in emerging market economies; Municipal Securities Rulemaking Board reported trades and material event notices; and issuer financial statements.

Primary unobservable inputs include credit spreads and interest rates beyond the observable curves.

Equity Securities

Primary observable inputs include quoted prices in markets that are not active.

Primary unobservable inputs include internal discounted cash flow models utilizing earnings multiples or other cash flow assumptions.

5. Fair Value Measurements (continued)

Investment Funds

There are no primary observable inputs.

Primary unobservable inputs include: prices of privately traded securities; and characteristics of privately traded securities, including yield, duration and spread duration. For equity method investments not held at fair value, the carrying value of the investment is based on the latest capital statement received by the Company for their investment.

Freestanding Derivatives

Credit Derivatives

Primary observable inputs include: swap yield curves; and credit default swap curves.

There are no primary unobservable inputs.

Foreign Currency Derivatives

Primary observable inputs include: the swap yield curve; currency spot and forward rates; and cross currency basis curves.

There are no primary unobservable inputs.

Interest Rate Derivatives

Primary observable inputs include the swap yield curve.

Primary unobservable inputs include: independent broker quotes; interest rate volatility; and the swap curve beyond 30 years.

Short-Term Investments

Primary observable inputs include: benchmark yields and spreads; reported trades, bids, and offers; issuer spreads and credit default swap curves; and material event notices and new issue money market rates.

Primary unobservable inputs include independent broker quotes.

Fixed Indexed Annuities Embedded Derivatives

Primary observable inputs include: risk-free rates as represented by the Eurodollar futures, LIBOR deposits and swap rates to derive forward curve rates; correlations of 10 years of observed historical returns across underlying well-known market indices; correlations of historical index returns compared to separate account fund returns; and equity index levels.

Primary unobservable inputs include: market implied equity volatility assumptions; credit standing adjustment assumptions; option budgets; and assumptions about policyholder behavior, such as withdrawal utilization, withdrawal rates, lapse rates, and reset elections.

The fair value for the FIA embedded derivatives are calculated as an aggregation of the following components: Best Estimate Benefits; Credit Standing Adjustment; and Margins. The Company believes the aggregation of these components results in an amount that a market participant in an active liquid market would require, if such a market existed. Each component described in the following discussion is unobservable in the marketplace and requires subjectivity by the Company in determining its value.

Best Estimate Benefits

The Best Estimate Benefits are calculated based on actuarial and capital market assumptions related to projected cash flows, including the present value of benefits and related contract charges, over the lives of the contracts, incorporating unobservable inputs including expectations concerning policyholder behavior.

Credit Standing Adjustment

The credit standing adjustment is an estimate of the adjustment to the fair value that market participants would require in determining fair value to reflect the risk will not be fulfilled. The Company incorporates a blend of estimates of peer company and reinsurer bond spreads and credit default spreads from capital markets.

Margins

The behavior risk margin adds a margin that market participants would require, in determining fair value, for the risk that the Company's assumptions about policyholder behavior could differ from actual experience. The behavior risk margin is calculated by taking the difference between adverse policyholder behavior assumptions and best estimate assumptions.

5. Fair Value Measurements (continued)

Separate Account Assets

Separate account assets include fixed maturities, equity securities (largely consisted of mutual funds), mortgage loans, short-term investments, and other invested assets (largely consisted of investment funds and freestanding derivatives) that are valued in the same manner, and using the same pricing sources and inputs, as those investments held by the Company.

For other invested assets in which fair value represents a share of the NAV 34% and 53% were subject to significant liquidation restrictions as of December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, there were no investment funds that did not allow any form of redemption.

Separate account assets classified as Level 3 primarily include long-dated bank loans, subprime RMBS and commercial mortgage loans.

The following summarizes the significant unobservable inputs for level 3 fixed maturities, freestanding derivatives, and FIA embedded derivatives:

Fair Value	Predominant Valuation Technique	Significant Unobservable Input	Range	Weighted Average [1]	Impact of Increase in Input on Fair Value [2]
As of December 31, 2023					
Asset-backed securities					
$ 50	Discounted cash flows	Spread	251bps to 426bps	316bps	Decrease
Collateralized loan obligations [3]:					
$ 59	Option model	Spread	268bps to 270bps	269bps	Decrease
Commercial mortgage-backed securities:					
$ 6	Discounted cash flows	Spread (encompasses prepayment, default risk and loss severity)	1,041bps to 1,041bps	1,041bps	Decrease
Corporate bonds [3]:					
$ 1,421	Discounted cash flows	Spread	49bps to 894bps	246bps	Decrease
Residential mortgage-backed securities [3]:					
$ 14	Discounted cash flows	Spread [5]	387bps to 387bps	387bps	Decrease
Fair value option fixed maturities					
$ 225	Discounted cash flows	Spread	2bps to 312bps	166bps	Decrease
Macro hedge program [3]:					
$ (2)	Option model	Equity volatility	10.8% to 31.7%	17.9%	Increase
$ 84		Interest rate volatility	0.2% to 2.9%	1.2%	Increase
Fixed indexed annuities embedded derivatives:					
$ 541		Withdrawal rates [6]	0.0% to 15.9%	1.7%	Decrease
		Lapse rates [7]	0.3% to 30.0%	6.4%	Decrease
		Option budgets [8]	0.1% to 3.8%	1.5%	Increase
		Credit standing adjustment [9]	0.6% to 2.5%	1.6%	Decrease
As of December 31, 2022					
Collateralized loan obligations [3]:					
$ 109	Discounted cash flows	Spread	55bps to 337bps	325bps	Decrease

5. Fair Value Measurements (continued)

Fair Value		Predominant Valuation Technique	Significant Unobservable Input	Range	Weighted Average [1]	Impact of Increase in Input on Fair Value [2]
Commercial mortgage-backed securities:						
$	277	Discounted cash flows	Spread (encompasses prepayment, default risk and loss severity)	419bps to 1,001bps	534bps	Decrease
Corporate bonds [3]:						
$	901	Discounted cash flows	Spread	71bps to 719bps	309bps	Decrease
Residential mortgage-backed securities [3]:						
$	13	Discounted cash flows	Spread [5]	62bps to 227bps	138bps	Decrease
			Constant prepayment rate [5]	2.0% to 10.0%	6.0%	Decrease [4]
			Constant default rate [5]	1.0% to 4.0%	2.0%	Decrease
			Loss severity [5]	10.0% to 65.0%	25.0%	Decrease
Variable annuities macro hedge program [3]:						
$	65	Option model	Equity volatility	18.0% to 64.0%	26.0%	Increase
$	97		Interest rate volatility	1.0% to 1.0%	1.0%	Increase
Fixed indexed annuities embedded derivatives:						
$	324		Withdrawal rates [6]	0.0% to 15.9%	1.7%	Decrease
			Lapse rates [7]	1.0% to 25.0%	6.5%	Decrease
			Option budgets [8]	0.5% to 3.8%	1.6%	Increase
			Credit standing adjustment [9]	0.4% to 3.1%	1.7%	Decrease

[1] *The weighted average is determined based on the fair value of the securities.*

[2] *Conversely, the impact of a decrease in input would have the opposite impact to the fair value as that presented in the table.*

[3] *Excludes securities for which the Company bases fair value on broker quotations.*

[4] *Decrease for above market rate coupons and increase for below market rate coupons.*

[5] *Generally, a change in the assumption used for the constant default rate would have been accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for constant prepayment rate and would have resulted in wider spreads.*

[6] *Range represents assumed annual percentage of allowable amount withdrawn.*

[7] *Range represents assumed annual percentages of policyholders electing a full surrender.*

[8] *Range represents assumed annual budget for index options.*

[9] *Range represents Company credit spreads.*

Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company uses derivative instruments to manage the risk associated with certain assets and liabilities. However, the derivative instrument may not be classified within the same fair value hierarchy level as the associated asset or liability. Therefore, the realized and unrealized gains and losses on derivatives reported in the Level 3 rollforwards may be offset by realized and unrealized gains and losses of the associated assets and liabilities in other line items of the financial statements.

5. Fair Value Measurements (continued)

The following tables present a reconciliation of the beginning and ending balances for Level 3 assets and liabilities measured at fair value on a recurring basis. Assets and liabilities are transferred in and/or out of Level 3 on the date the event or change in circumstances that caused the transfer occurs. The Company evaluates, at least annually, its valuation processes to determine if changes in circumstances has occurred that would result in a transfer between levels. Transfers in and/or out of Level 3 are primarily attributable to the availability of market observable information and the re-evaluation of the observability of pricing inputs. During the 2023 review of the inputs, the Company deemed the spread inputs to be unobservable, and transferred those private securities included in corporate bonds from Level 2 to Level 3.

		Total Realized and Unrealized Gains (Losses) in				
	Beginning Balance	Net Income (Loss)	Other Comprehensive Loss [2]	Net Purchases, Sales, and Settlements	Net Transfers	Ending Balance
Year Ended December 31, 2023						
Fixed maturities, available-for-sale:						
Asset-backed securities	$ 41	$ —	$ 1	$ 8	$ —	$ 50
Collateralized loan obligations	109	—	1	9	—	119
Commercial mortgage-backed securities	277	—	6	(65)	(212)	6
Corporate bonds	619	(3)	(68)	497	446	1,491
Foreign government and agencies	4	—	—	—	(4)	—
Municipal bonds	1	—	—	—	(1)	—
Residential mortgage-backed securities	17	—	—	31	(15)	33
Fair value option fixed maturities	306	(24)	—	80	(137)	225
Equity securities	24	—	—	(1)	—	23
Investment funds	58	36	—	7	137	238
Embedded derivatives [1]:						
Fixed indexed annuities	(324)	(217)	—	138	(138)	(541)
Other	—	5	—	(5)	—	—
Freestanding derivatives [1]:						
Interest rate derivatives	—	(10)	—	—	—	(10)
Variable annuities macro hedge program	148	(498)	—	432	—	82
Short-term investments	163	—	—	527	(37)	653
Fixed indexed annuities hedge program	49	89	—	55	—	193
Ceded market risk benefits	569	(169)	—	—	—	400
Separate account assets	53	3	—	(3)	(5)	48
Year Ended December 31, 2022						
Fixed maturities, available-for-sale:						
Asset-backed securities	$ —	$ —	$ (2)	$ 46	$ (3)	$ 41
Collateralized loan obligations	159	—	(1)	26	(75)	109
Commercial mortgage-backed securities	276	—	(26)	34	(7)	277
Corporate bonds	665	(2)	(43)	(15)	14	619
Foreign government and agencies	—	—	(1)	5	—	4
Municipal bonds	1	—	—	—	—	1
Residential mortgage-backed securities	74	—	(1)	(23)	(33)	17
Fair value option fixed maturities	—	(21)	—	327	—	306
Equity securities	21	6	—	(3)	—	24
Investment funds	—	16	—	42	—	58

5. Fair Value Measurements (continued)

		Total Realized and Unrealized Gains (Losses) in				
	Beginning Balance	Net Income (Loss)	Other Comprehensive Loss [2]	Net Purchases, Sales, and Settlements	Net Transfers	Ending Balance
Embedded derivatives [1]:						
Fixed indexed annuities	(524)	200	—	19	(19)	(324)
Other	—	5	—	(5)	—	—
Freestanding derivatives [1]:						
Interest rate derivatives	—	22	—	(22)	—	—
Variable annuities macro hedge program	(188)	74	—	262	—	148
Short-term investments	75	—	—	138	(50)	163
Fixed indexed annuities hedge program	225	(247)	—	71	—	49
Ceded market risk benefits	775	(206)	—	—	—	569
Separate account assets	79	(2)	—	76	(100)	53

[1] *Derivative instruments are reported in this table on a net basis for asset (liability) positions.*

[2] *Recorded in unrealized gain (loss) on available-for-sale securities in the statements of comprehensive income.*

5. Fair Value Measurements (continued)

The following presents the amount, for recurring fair value measurements categorized within Level 3 of the fair value hierarchy, of the total realized and unrealized gains (losses) for the period included in net income (loss) as shown in the table above:

	Net Investment Income	Investment Related Losses, Net[2]	Other [3]	Net Income (Loss)
Year Ended December 31, 2023				
Fixed maturities, available-for-sale:				
Corporate bonds	$ (3)	$ —	$ —	**$ (3)**
Fair value option fixed maturities	—	(24)	—	**(24)**
Investment funds	—	36	—	**36**
Embedded derivatives:				
Fixed indexed annuities	—	(217)	—	**(217)**
Other	—	5	—	**5**
Freestanding derivatives:				
Interest rate derivatives	—	(10)	—	**(10)**
Variable annuities macro hedge program	—	(498)	—	**(498)**
Fixed indexed annuities hedge program	—	89	—	**89**
Ceded market risk benefits	—	—	(169)	**(169)**
Separate account assets [1]	—	3	—	**3**
Year Ended December 31, 2022				
Fixed maturities, available-for-sale:				
Corporate bonds	$ (2)	$ —	$ —	**$ (2)**
Fair value option fixed maturities	—	(21)	—	**(21)**
Equity securities	—	6	—	**6**
Investment funds	—	16	—	**16**
Embedded derivatives:				
Fixed indexed annuities	—	200	—	**200**
Other	—	5	—	**5**
Freestanding derivatives:				
Interest rate derivatives	—	22	—	**22**
Variable annuities macro hedge program	—	74	—	**74**
Fixed indexed annuities hedge program	—	(247)	—	**(247)**
Ceded market risk benefits	—	—	(206)	**(206)**
Separate account assets [1]	—	(2)	—	**(2)**

[1] *The realized and unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which results in a net zero impact on net income (loss) for the Company.*

[2] *Includes both market and non-market impacts in deriving realized and unrealized gains (losses).*

[3] *Other represents change in MRBs for ceded MRBs and benefits and losses for FIA embedded derivatives.*

5. Fair Value Measurements (continued)

The following represents the gross components of net purchases, sales and settlements, and net transfers shown above:

	Purchases	Settlements	Sales	Net	Transfers in	Transfers out	Net
Year Ended December 31, 2023							
Fixed maturities, available-for-sale:							
Asset-backed securities	$ 25	$ (17)	$ —	$ 8	$ —	$ —	$ —
Collateralized loan obligations	59	—	(50)	9	—	—	—
Commercial mortgage-backed securities	1	—	(66)	(65)	—	(212)	(212)
Corporate bonds	674	(177)	—	497	488	(42)	446
Foreign government and agencies	—	—	—	—	—	(4)	(4)
Municipal bonds	—	—	—	—	—	(1)	(1)
Residential mortgage-backed securities	33	(2)	—	31	—	(15)	(15)
Fair value option fixed maturities	94	—	(14)	80	—	(137)	(137)
Equity securities	3	—	(4)	(1)	—	—	—
Investment funds	13	(6)	—	7	137	—	137
Embedded derivatives:							
Fixed indexed annuities	168	(30)	—	138	(168)	30	(138)
Other	—	(5)	—	(5)	—	—	—
Freestanding derivatives:							
Variable annuities macro hedge program	72	—	360	432	—	—	—
Short-term investments	713	(186)	—	527	—	(37)	(37)
Fixed indexed annuities hedge program	127	(72)	—	55	—	—	—
Separate account assets	123	—	(126)	(3)	43	(48)	(5)
Year Ended December 31, 2022							
Fixed maturities, available-for-sale:							
Asset-backed securities	$ 52	$ (6)	$ —	$ 46	$ —	$ (3)	$ (3)
Collateralized loan obligations	80	(54)	—	26	—	(75)	(75)
Commercial mortgage-backed securities	68	(34)	—	34	—	(7)	(7)
Corporate bonds	132	(137)	(10)	(15)	20	(6)	14
Foreign government and agencies	5	—	—	5	—	—	—
Residential mortgage-backed securities	22	(26)	(19)	(23)	—	(33)	(33)
Fair value option fixed maturities	327	—	—	327	—	—	—
Equity securities	8	(11)	—	(3)	—	—	—
Investment funds	42	—	—	42	—	—	—
Embedded derivatives:							
Fixed indexed annuities	41	(22)	—	19	(41)	22	(19)
Other	—	(5)	—	(5)	—	—	—
Freestanding derivatives:							
Interest rate derivatives	—	(22)	—	(22)	—	—	—
Variable annuities macro hedge program	351	(89)	—	262	—	—	—
Short-term investments	218	(80)	—	138	—	(50)	(50)
Fixed indexed annuities hedge program	123	(52)	—	71	—	—	—
Separate account assets	99	—	(23)	76	—	(100)	(100)

5. Fair Value Measurements (continued)

The following presents the amount, for recurring fair value measurements categorized within Level 3 of the fair value hierarchy still held at the end of the period, of the total unrealized gains (losses) for the period included in net income (loss) and OCI:

	Year Ended December 31,			
	2023		2022	
	Net Income (Loss)	Other Comprehensive Loss [1]	Net Income (Loss)	Other Comprehensive Loss [1]
Fixed maturities, available-for-sale:				
Asset-backed securities	$ —	$ (1)	$ —	$ (2)
Collateralized loan obligations	—	—	—	(1)
Commercial mortgage-backed securities	—	(2)	—	(26)
Corporate bonds	—	(171)	(2)	(43)
Residential mortgage-backed securities	—	—	—	(2)
Fair value option fixed maturities	9	—	(21)	—
Investment funds	(22)	—	16	—
Embedded derivatives:				
Other	5	—	5	—
Freestanding derivatives:				
Interest rate derivatives	(11)	—	(3)	—
Variable annuities macro hedge program	(216)	—	42	—
Fixed indexed annuities hedge program	89	—	(22)	—
Ceded market risk benefits	(169)	—	(206)	—
Separate account assets	3	—	(2)	—

[1] *Recorded in unrealized gain (loss) on available-for-sale securities in the statements of comprehensive income.*

The following presents the carrying amount and fair value of the Company's financial assets and liabilities not carried at fair value:

		As of December 31,			
		2023		2022	
	Fair Value Hierarchy Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets					
Policy loans	Level 2	$ 1,535	$ 1,535	$ 1,495	$ 1,495
Mortgage loans	Level 3	2,019	1,814	2,520	2,232
Liabilities					
Other policyholder funds and benefits payable [1]	Level 3	$ 9,921	$ 8,305	$ 10,675	$ 8,666
Short-term debt [2]	Level 3	100	100	—	—
Long-term debt [2]	Level 3	268	237	291	251
Funds withheld liability	Level 2	1,172	1,172	1,226	1,226

[1] *This amount includes contracts accounted for as investment contracts in the scope of ASC 944 and excludes contracts accounted for as insurance contracts, such as our group accident and health, universal life insurance contracts, COLI, and certain FIA and VA contracts with death or other additional benefits.*

[2] *Refer to Note 13 - Debt for a description of the Company's debt balances.*

6. Reinsurance

The Company assumes reinsurance from unaffiliated insurers to provide our counterparties with risk management solutions. In addition, the Company cedes reinsurance to unaffiliated insurers to enable the Company to manage capital and risk exposure. The Company's historical reinsurance cessions provided a level of risk mitigation desired by prior ownership. Such arrangements do not relieve the Company of its primary liability to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company regularly monitors the financial condition and ratings of its reinsurers and structures agreements to provide collateral funds where necessary.

The following summarizes premiums, policy charges and fee income, and benefits and losses by direct, assumed and ceded insurance types, in the statements of operations:

	Years Ended December 31,	
	2023	**2022**
Premiums, policy charges and fee income		
Direct	$ 2,207	$ 2,288
Reinsurance assumed	413	210
Reinsurance ceded	(1,531)	(1,544)
Total premiums, policy charges and fee income	**$ 1,089**	**$ 954**
Benefits and losses		
Direct	$ 4,659	$ 3,315
Reinsurance assumed	246	922
Reinsurance ceded	(4,324)	(3,600)
Benefits and losses	**$ 581**	**$ 637**

Insurance recoveries on ceded reinsurance agreements, which reduce death and other benefits, were $1.7 billion and $1.6 billion for the years ended December 31, 2023 and 2022, respectively.

The Company has reinsured a portion of the risk associated with VA and the associated GMDB and GMWB risks.

Assumed Reinsurance

Guardian

On November 1, 2022, the Company entered into a reinsurance agreement with Guardian to reinsure $7.1 billion in VA reserves, primarily comprised of contracts with living withdrawal benefit and death benefit riders. The Company assumed 100% of $439 in general account reserves on a coinsurance basis and 100% of $6.7 billion in separate account assets and liabilities, as well as the associated MRB on a modified coinsurance basis. The Company acquired general account assets to support the assumed reserves and received $121 in cash from Guardian upon closing, relating to a ceding commission of $65 and cash settlements. As part of this transaction, the Company entered into an administration services agreement for the reinsured block and will ultimately administer the reinsured block within two years following the close of the transaction. The separate account assets and liabilities are reported on a net basis on the Company's balance sheets and the Company earns income on the assumed separate account assets.

The following table summarizes the impacts of the Guardian transaction at inception:

Liabilities assumed	$ 481
Less: ceding commission received and other settlement amounts	(65)
Less: assets received	(464)
Net gain on reinsurance	**$ (48)**
Unearned revenue reserve [1]	48

[1] *Included in other policyholder funds and benefits payable on the balance sheets.*

6. Reinsurance (continued)

Allianz

On December 30, 2021, the Company entered into a reinsurance agreement with Allianz to assume approximately $8 billion of FIA reserves. Certain of the FIA contracts included living withdrawal benefits. The Company paid $693 to Allianz upon closing, primarily relating to a ceding commission of $866, offset by cash settlements. The Company will participate in an aggregated hedging pool administered by Allianz, whereby the Company will pay Allianz a fee in order to participate in the pool and will receive an index credit payout based on the level of participation in the pool. Allianz will continue to service and administer the policies reinsured under the agreement as the direct insurer of the business.

The following table summarizes the impacts of the Allianz transaction at inception:

Liabilities assumed [1]	$	7,355
Net ceding commission paid		866
Less: assets received		(8,849)
Net gain on reinsurance	**$**	**(628)**
Unearned revenue reserve [2]		628

[1] *Includes certain adjustments to FIA MRBs of approximately $0.8 billion.*

[2] *Included in other policyholder funds and benefits payable on the balance sheets.*

As part of the Allianz reinsurance transaction, the Company maintains a coinsurance trust for the benefit of Allianz. As of December 31, 2023, there was $6.4 billion of fixed income securities, $58 of short-term investments and $202 of cash in the coinsurance trust. As of December 31, 2022, there were $6.2 billion of fixed income securities, $199 of short-term investments and $130 of cash in the coinsurance trust.

Other Assumed Reinsurance

On July 29, 2022, the Company executed a flow reinsurance agreement with Allianz. Under the terms of the transaction, the Company assumes certain FIA contracts issued by Allianz after August 2, 2022 on a coinsurance basis. Allianz will continue to service and administer the policies reinsured under the agreement as the direct insurer of the business.

Ceded Reinsurance

Reinsurance recoverables include balances due from reinsurance companies and are presented net of ACL. The ACL represents an estimate of expected credit losses over the lifetime of the contracts that reflect management’s best estimate of reinsurance cessions that may be uncollectible in the future due to reinsurers’ inability to pay. Reinsurance recoverables include an estimate of the amount of policyholder benefits that may be ceded under the terms of the reinsurance agreements. Amounts recoverable from reinsurers are estimated in a manner consistent with assumptions used for the underlying policy benefits. Accordingly, the Company’s estimate of reinsurance recoverables is subject to similar risks and uncertainties as the estimate of the gross reserve for future policy benefits.

The following summarizes our reinsurance recoverables:

	As of December 31,			
		2023		**2022**
Prudential Financial, Inc. [1]	$	14,383	$	14,313
Massachusetts Mutual Life Insurance Company [1]		5,967		6,672
Commonwealth Annuity and Life Insurance Company [1]		6,531		7,243
Other reinsurers		1,375		1,403
Gross reinsurance recoverables		**28,256**		**29,631**
Less: allowance for credit losses		(18)		(21)
Reinsurance recoverables, net	**$**	**28,238**	**$**	**29,610**

[1] *The Company's obligations to its direct policyholders that have been reinsured are primarily secured by invested assets held in trust.*

6. Reinsurance (continued)

Allowance for Credit Losses

The Company closely monitors the financial condition, ratings and current market information of all its counterparty reinsurers and records an ACL considering the credit quality of the reinsurer, the invested assets in trust, and the period over which the recoverable balances are expected to be collected. Counterparty risk is assessed on a pooled basis in cases of shared risk characteristics, and separately for individual reinsurers when it is more relevant. The Company evaluates historical events, current conditions, and reasonable and supportable forecasts in developing its ACL estimate. Where its contracts permit, the Company secures future claim obligations with various forms of collateral, including irrevocable letters of credit, secured trusts and funds held accounts. The ACL is estimated using a probability of default and loss given default model applied to the amount of reinsurance recoverables, net of collateral, exposed to loss. The probability of default factor is assigned based on each reinsurer's credit rating. The Company reassesses and updates credit ratings on a quarterly basis. The probability of default factors encompass historical industry defaults for liabilities with similar durations to the reinsured liabilities as estimated through multiple economic cycles. The loss given default factors are based on a study of historical recovery rates for general creditors of corporations through multiple economic cycles.

7. Value of Business Acquired, Deferred Acquisition Costs, Unearned Revenue Reserves, and Other Balances

The following presents a rollforward of DAC by product and VOBA associated with VA:

	Deferred Acquisition Costs		
	Fixed Indexed Annuities	Value of Business Acquired	Total
Balance as of January 1, 2022	$ —	$ 341	$ 341
Additions	22	—	**22**
Amortization	(1)	(42)	**(43)**
Balance as of December 31, 2022	**21**	**299**	**320**
Additions	64	—	**64**
Amortization	(4)	(37)	**(41)**
Balance as of December 31, 2023	$ **81**	$ **262**	$ **343**

The following presents a rollforward by product of negative VOBA:

	Fixed Annuities [1]	Corporate-Owned Life Insurance [1]	Total [1]	Payout Annuities [2]
Balance as of January 1, 2022	$ **939**	$ **195**	$ **1,134**	$ **2,782**
Additions	—	—	**—**	—
Amortization	(136)	(32)	**(168)**	(137)
Balance as of December 31, 2022	**803**	**163**	**966**	**2,645**
Less: reinsurance recoverables	(670)	—	**(670)**	(939)
Balance as of December 31, 2022, net of reinsurance	**133**	**163**	**296**	**1,706**
Balance as of January 1, 2023	**803**	**163**	**966**	**2,645**
Additions	—	—	**—**	—
Amortization	(141)	(29)	**(170)**	(133)
Balance as of December 31, 2023	**662**	**134**	**796**	**2,512**
Less: reinsurance recoverables	(552)	—	(552)	(893)
Balance as of December 31, 2023, net of reinsurance	$ **110**	$ **134**	$ **244**	$ **1,619**

[1] *Recorded in other policyholder funds and benefits payable on the balance sheets. Reinsurance balances are included in reinsurance recoverables.*

[2] *Recorded in reserve for future policy benefits on the balance sheets. Reinsurance balances are included in reinsurance recoverables.*

7. Value of Business Acquired, Deferred Acquisition Costs, Unearned Revenue Reserves, and Other Balances (continued)

The following presents a rollforward of URR, by product, as well as other balances amortized on a basis consistent with DAC, which are included in other policyholder funds and benefits payable on the balance sheets:

	Unearned Revenue Reserves			
	Variable Annuities	Fixed Indexed Annuities	Total	Other Balances [1]
Balance as of January 1, 2022	**$ —**	**$ 628**	**$ 628**	**$ 845**
Additions	48	—	**48**	—
Amortization	(1)	(62)	**(63)**	(76)
Balance as of December 31, 2022	**47**	**566**	**613**	**769**
Additions	—	—	**—**	**—**
Amortization	(5)	(58)	**(63)**	**(72)**
Balance as of December 31, 2023	**$ 42**	**$ 508**	**$ 550**	**$ 697**

[1] *Relates to adjustments associated with FIA MRBs recorded in other policyholder funds and benefits payable on the balance sheets.*

8. Goodwill and Other Intangible Assets

The carrying amount of goodwill was $135 as of December 31, 2023 and 2022. There were no additions or impairments recorded for the years ended December 31, 2023 and 2022.

The following presents the Company‘s amortizing other intangible assets by major asset class:

	As of December 31,					
	2023			2022		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Administrative servicing rights	$ 278	$ (21)	$ 257	$ 278	$ (11)	$ 267
Software	41	(15)	26	41	(9)	32
Total	**$ 319**	**$ (36)**	**$ 283**	**$ 319**	**$ (20)**	**$ 299**

Indefinite-lived other intangible assets consisting of state insurance licenses were $26 as of December 31, 2023 and 2022. There were no additions or impairments recorded for the years ended December 31, 2023 and 2022.

For the years ended December 31, 2023 and 2022, total amortization expense for other intangible assets recorded within insurance operating costs and other expenses on the statements of operations was $16 and $15, respectively. As of December 31, 2023, total amortization expense for other intangible assets is expected to be as follows for each of the next five years:

Year Ended December 31,	
2024	$ 15
2025	15
2026	15
2027	15
2028	12

9. Separate Accounts

The following table presents the aggregate fair value of assets, by major investment asset category, supporting separate accounts:

	As of December 31,	
	2023	2022
Fixed maturities	$ 28,283	$ 27,485
Equity securities (including mutual funds)	55,678	53,832
Cash and cash equivalents	2,521	1,722
Short-term investments	1,001	2,184
Investment receivables, net [2]	1,814	1,751
Other invested assets [1]	217	281
Separate account assets	**$ 89,514**	**$ 87,255**

[1] *Primarily relates to investments in hedge funds.*

[2] *Includes trade receivables on investment sales executed in the ordinary course of business where the carrying amount approximates fair value, net of investment income due and accrued.*

The following table presents a rollforward of separate account liabilities by product:

	Variable Annuities	Corporate-Owned Life Insurance	Other [1]	Total
Balance as of January 1, 2022	**$ 34,985**	**$ 48,497**	**$ 28,110**	**$ 111,592**
Premiums and deposits	233	277	713	**1,223**
Policy charges	(451)	(643)	(280)	**(1,374)**
Surrenders and withdrawals	(3,081)	(169)	(2,061)	**(5,311)**
Benefit payments	(137)	(345)	(131)	**(613)**
Investment performance	(5,442)	(4,926)	(4,905)	**(15,273)**
Net transfers from (to) general account	51	(2,693)	(284)	**(2,926)**
Other	(9)	—	(54)	**(63)**
Balance as of December 31, 2022	**$ 26,149**	**$ 39,998**	**$ 21,108**	**$ 87,255**
Premiums and deposits	204	287	1,414	**1,905**
Policy charges	(417)	(660)	(330)	**(1,407)**
Surrenders and withdrawals	(3,111)	(142)	(3,606)	**(6,859)**
Benefit payments	(128)	(381)	(161)	**(670)**
Investment performance	4,313	2,502	3,650	**10,465**
Net transfers from (to) general account	9	(1,177)	(7)	**(1,175)**
Balance as of December 31, 2023	**$ 27,019**	**$ 40,427**	**$ 22,068**	**$ 89,514**
Cash surrender value [2] as of:				
December 31, 2022	$ 26,081	$ 36,192	$ 21,094	**$ 83,367**
December 31, 2023	26,948	37,731	22,053	**86,732**

[1] *Represents separate account liabilities that are fully reinsured to third parties on a modified coinsurance basis.*

[2] *CSV represents the amount of the contractholders' account balance distributable at the balance sheet date, less certain surrender charges.*

Not reflected in the tables above are separate account assets and liabilities associated with Guardian contracts assumed on a modified coinsurance basis of $6.4 billion and $6.6 billion as of December 31, 2023 and 2022, respectively.

10. Reserve for Future Policy Benefits

The following table summarizes the Company's reserve for future policy benefits on the balance sheets:

	As of December 31,	
	2023	2022
Life-contingent payout annuities [1]	$ 8,674	$ 8,560
Additional liabilities for other insurance benefits	6,787	6,253
Deferred profit liability	119	37
Negative VOBA [2]	2,512	2,645
Other reserves [3]	1,287	1,243
Reserve for future policy benefits	**$ 19,379**	**$ 18,738**

[1] *See "Liability for Future Policy Benefits" section below for further information.*

[2] *Refer to Note 7 - Value of Business Acquired, Deferred Acquisition Costs, Unearned Revenue Reserves, and Other Balances for additional details related to negative VOBA.*

[3] *Represents reserves for fully reinsured traditional life insurance of $0.8 billion as of December 31, 2023 and 2022, as well as COLI, other universal life-type products, and short-duration contracts, which are all excluded from the tables below.*

Liability for Future Policy Benefits

Significant assumptions and inputs to the calculation of the LFPB for life-contingent payout annuities primarily include assumptions for discount rates, mortality and other policyholder data, including certain demographic data. These assumptions are derived from both policyholder data and experience and industry data and the Company will adjust policyholder data and experience to reflect market data, where necessary. The Company does not include any expense assumptions in the calculation of the LFPB. Annually, the Company reviews all significant cash flow assumptions, such as mortality, unless emerging experience indicates a more frequent review is necessary. As part of its annual review process, the Company assesses trends in both policyholder experience and industry data and updates the assumptions in the liability calculation, as necessary.

A single-A interest rate curve is utilized to discount the cash flows used to calculate the LFPB. The discount rate reflects market observable inputs from upper-medium grade fixed income instrument yields and is reflective of the duration of the liabilities and is updated for market data. The updated cash flows used in the liability calculation are discounted using a forward rate curve.

In 2023, there were significant updates for favorable mortality for certain reserves, as a result of the Company's assumption update. These updates resulted in lower reserves, which were offset by a deferred profit liability. There were no significant changes in inputs or assumptions made in 2022.

10. Reserve for Future Policy Benefits (continued)

The Company's LFPBs consists only of the liability associated with limited pay annuities (e.g., single premium immediate annuities) with life contingencies. As this business has no future expected premiums, the following table presents a rollforward of the present value of expected future policy benefits for life-contingent payout annuities:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Beginning balance	**$ 8,335**	**$ 11,617**
Beginning balance at original discount rate	**11,048**	**11,571**
Effect of actual variances from expected experience due to mortality	(17)	2
Effect of changes in cash flow assumptions	(90)	(23)
Adjusted beginning balance at original discount rate	**10,941**	**11,550**
Issuances [1]	147	138
Interest accrual [2]	127	62
Benefit payments	(697)	(702)
Ending balance at original discount rate	**10,518**	**11,048**
Cumulative effect of changes in discount rate assumptions	(2,059)	(2,713)
Ending balance	**8,459**	**8,335**
Other business [3]	215	225
Adjusted ending balance	**8,674**	**8,560**
Less: reinsurance recoverables	(2,207)	(2,212)
Adjusted ending balance, net of reinsurance	**$ 6,467**	**$ 6,348**

[1] *Issuances are included within premiums in the statements of operations.*

[2] *Interest accretion (expense) is recorded as a component of benefits and losses in the statements of operations.*

[3] *Represents fully reinsured blocks, whose activity is not included in the table above.*

The following is a reconciliation of premiums to the statements of operations:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Life-contingent payout annuities	$ 147	$ 138
Reconciling items [1]	(5)	(12)
Total premiums	**$ 142**	**$ 126**

[1] *Reconciling items represent premiums related to fully reinsured traditional life insurance and other lines of business, net of reinsured premiums.*

The following presents supplemental disclosures related to the present value of expected future policy benefits for life-contingent payout annuities:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Undiscounted expected future benefits and expenses	$18,127	$18,696
Weighted-average duration of the liability *(in years)*	11.9	11.7
Weighted-average interest accretion rate	1.3%	0.6%
Weighted-average discount rate	4.9%	5.3%

11. Other Policyholder Funds and Benefits Payable

Other policyholder funds and benefits payable consists of the following:

	As of December 31,	
	2023	2022
Policyholder account balances [1]	$ 28,107	$ 30,364
Unearned revenue reserves [2]	550	613
Negative VOBA [2]	796	966
Other reserves [3]	(475)	(698)
Other policyholder funds and benefits payable	**$ 28,978**	**$ 31,245**

[1] *Refer to the subsequent tables for a rollforward of PABs.*

[2] *Refer to Note 7 - Value of Business Acquired, Deferred Acquisition Costs, Unearned Revenue Reserves, and Other Balances for additional details related to URR and negative VOBA.*

[3] *Includes the following items which are excluded from the subsequent tables:*

- *the FIA embedded derivative and unaccreted host contract adjustments;*
- *adjustments associated with FIA MRBs; and*
- *the embedded derivative associated with the index-linked features of certain fully reinsured UL products.*

Refer to Note 5 - Fair Value Measurements for rollforwards of the embedded derivatives and Note 7 - Value of Business Acquired, Deferred Acquisition Costs, Unearned Revenue Reserves, and Other Balances for a rollforward of adjustments associated with FIA MRBs.

The following presents a rollforward of policyholder account value, by product:

	Variable Annuities	Fixed Annuities	Fixed Indexed Annuities	Non-Life Contingent Payout Annuities	Universal Life and Other	Total
Balance as of January 1, 2022	**$ 2,649**	**$ 3,069**	**$ 7,241**	**$ 2,367**	**$ 1,957**	**$ 17,283**
Deposits	447	1	188	233	—	**869**
Policy charges	(1)	—	(12)	—	(22)	**(35)**
Surrenders and other benefits	(291)	(420)	(661)	(332)	(125)	**(1,829)**
Transfers from (to) separate accounts	33	—	—	9	55	**97**
Interest credited	82	82	71	32	93	**360**
Other	1	—	21	—	1	**23**
Balance as of December 31, 2022	**2,920**	**2,732**	**6,848**	**2,309**	**1,959**	**16,768**
Other business [1]	—	812	—	—	12,784	**13,596**
Adjusted balance	**2,920**	**3,544**	**6,848**	**2,309**	**14,743**	**30,364**
Less: reinsurance recoverables	(2)	(3,054)	—	(1,573)	(12,940)	**(17,569)**
Adjusted balance, net of reinsurance	**$ 2,918**	**$ 490**	**$ 6,848**	**$ 736**	**$ 1,803**	**$ 12,795**

11. Other Policyholder Funds and Benefits Payable (continued)

	Variable Annuities	Fixed Annuities	Fixed Indexed Annuities	Non-Life Contingent Payout Annuities	Universal Life and Other	Total
Balance as of January 1, 2023	**$ 2,920**	**$ 2,732**	**$ 6,848**	**$ 2,309**	**$ 1,959**	**$ 16,768**
Deposits	2	—	469	243	2	716
Policy charges	(1)	—	(11)	—	(23)	(35)
Surrenders and other benefits	(535)	(549)	(830)	(323)	(84)	(2,321)
Transfers from (to) separate accounts	—	—	—	7	42	49
Interest credited	84	72	105	28	95	384
Other	—	1	5	(3)	(2)	1
Balance as of December 31, 2023	**2,470**	**2,256**	**6,586**	**2,261**	**1,989**	**15,562**
Other business [1]	—	790	—	—	11,755	12,545
Adjusted balance	**2,470**	**3,046**	**6,586**	**2,261**	**13,744**	**28,107**
Less: reinsurance recoverables	(2)	(2,640)	—	(1,417)	(11,925)	(15,984)
Adjusted balance, net of reinsurance	**$ 2,468**	**$ 406**	**$ 6,586**	**$ 844**	**$ 1,819**	**$ 12,123**

[1] *Represents the account value of fully reinsured blocks whose activity is not included in the table above. These blocks were reinsured prior to 2022.*

The following table presents the weighted-average crediting rate, net amount at risk (“NAR”), and cash surrender value (“CSV”) for PABs, by product:

	Variable Annuities	Fixed Annuities	Fixed Indexed Annuities	Non-Life Contingent Payout Annuities	Universal Life and Other	Total
			As of December 31, 2023			
Weighted-average crediting rate	3.5 %	2.9 %	1.6 %	1.2 %	4.8 %	**2.4 %**
Net amount at risk [1]	$ —	$ —	$ —	$ —	$ 915	**$ 915**
Cash surrender value [2]	2,456	2,198	6,437	—	521	**11,612**
			As of December 31, 2022			
Weighted-average crediting rate	3.1 %	2.8 %	1.0 %	1.4 %	4.8 %	**2.2 %**
Net amount at risk [1]	$ —	$ —	$ —	$ —	$ 947	**$ 947**
Cash surrender value [2]	2,910	2,649	6,696	—	532	**12,787**

[1] *NAR is generally defined as the current guarantee amount in excess of the current account balance at the balance sheet date. The NAR associated with MRBs are presented within Note 12 - Market Risk Benefits. NAR for Variable Annuities is based on total account balances and includes both policyholder account balances and separate account balances.*

[1] *CSV represents the amount of the contractholder’s account balance distributable at the balance sheet date, less certain surrender charges.*

11. Other Policyholder Funds and Benefits Payable (continued)

The following presents the balance of account values by range of guaranteed minimum crediting rates ("GMCR") and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums.

	Range of Guaranteed Minimum Crediting Rate	At Guaranteed Minimum	1 Basis Point to 50 Basis Points Above	51 Basis Points to 150 Basis Points Above	Greater than 150 Basis Points Above	Total
		As of December 31, 2023				
Variable Annuities	Less than 2.0%	$ 60	$ 96	$ —	$ —	$ 156
	2.0% - 4.0%	2,122	143	49	—	2,314
	Greater than 4.0%	—	—	—	—	—
	Total	**2,182**	**239**	**49**	**—**	**2,470**
Fixed Annuities	Less than 2.0%	7	2	2	3	14
	2.0% - 4.0%	1,928	73	225	10	2,236
	Greater than 4.0%	6	—	—	—	6
	Total	**1,941**	**75**	**227**	**13**	**2,256**
Fixed Indexed Annuities	Less than 2.0%	136	—	119	416	671
	2.0% - 4.0%	560	3	11	—	574
	Greater than 4.0%	—	—	—	—	—
	Total	**696**	**3**	**130**	**416**	**1,245**
Universal Life and Other	Less than 2.0%	—	—	—	—	—
	2.0% - 4.0%	757	—	—	—	757
	Greater than 4.0%	1,232	—	—	—	1,232
	Total	**1,989**	**—**	**—**	**—**	**1,989**
		As of December 31, 2022				
Variable Annuities	Less than 2.0%	$ 175	$ 20	$ —	$ —	$ 195
	2.0% - 4.0%	2,544	178	3	—	2,725
	Greater than 4.0%	—	—	—	—	—
	Total	**2,719**	**198**	**3**	**—**	**2,920**
Fixed Annuities	Less than 2.0%	13	3	2	—	18
	2.0% - 4.0%	2,634	35	38	—	2,707
	Greater than 4.0%	7	—	—	—	7
	Total	**2,654**	**38**	**40**	**—**	**2,732**
Fixed Indexed Annuities	Less than 2.0%	160	1	88	136	385
	2.0% - 4.0%	857	6	12	—	875
	Greater than 4.0%	—	—	—	—	—
	Total	**1,017**	**7**	**100**	**136**	**1,260**
Universal Life and Other	Less than 2.0%	—	—	—	—	—
	2.0% - 4.0%	749	—	—	—	749
	Greater than 4.0%	1,210	—	—	—	1,210
	Total	**1,959**	**—**	**—**	**—**	**1,959**

12. Market Risk Benefits

The following table presents a reconciliation of the gross MRB by product and asset and liability position:

	As of December 31,					
	2023			2022		
	Variable Annuities	Fixed Indexed Annuities	Total	Variable Annuities	Fixed Indexed Annuities	Total
Asset position	$ 576	$ 2	**$ 578**	$ 321	$ 4	**$ 325**
Liability position	529	545	**1,074**	711	493	**1,204**
Net asset	**$ 47**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Net liability	**$ —**	**$ 543**	**$ 496**	**$ 390**	**$ 489**	**$ 879**

The following table presents a rollforward of the net MRB liability, by product:

	Variable Annuities	Fixed Indexed Annuities	Total
Balance as of January 1, 2022	**$ 617**	**$ 845**	**$ 1,462**
Balance as of January 1, 2022, before effect of changes in the instrument-specific credit risk	**661**	**845**	**1,506**
Issuances	10	—	**10**
Interest accrual	9	15	**24**
Attributed fees collected	232	8	**240**
Benefit payments	(110)	(71)	**(181)**
Effect of changes in interest rates	(709)	(248)	**(957)**
Effect of changes in equity markets	477	(40)	**437**
Effect of changes in equity index volatility	120	1	**121**
Actual policyholder behavior different from expected behavior	(142)	11	**(131)**
Effect of changes in future expected policyholder behavior	5	—	**5**
Effect of changes in other future expected assumptions	(29)	(2)	**(31)**
Balance as of December 31, 2022, before effect of changes in the instrument-specific credit risk	**524**	**519**	**1,043**
Cumulative effect of changes in the instrument-specific credit risk	(134)	(30)	**(164)**
Balance as of December 31, 2022	**390**	**489**	**879**
Less: ceded market risk benefits	(569)	—	**(569)**
Balance as of December 31, 2022, net of reinsurance	**$ (179)**	**$ 489**	**$ 310**

12. Market Risk Benefits (continued)

	Variable Annuities	Fixed Indexed Annuities	Total
Balance as of January 1, 2023	**$ 390**	**$ 489**	**$ 879**
Balance as of January 1, 2023, before effect of changes in the instrument-specific credit risk	**524**	**519**	**1,043**
Issuances	(10)	—	**(10)**
Interest accrual	13	29	**42**
Attributed fees collected	295	7	**302**
Benefit payments	(107)	(58)	**(165)**
Effect of changes in interest rates	(19)	(12)	**(31)**
Effect of changes in equity markets	(619)	19	**(600)**
Effect of changes in equity index volatility	(128)	2	**(126)**
Actual policyholder behavior different from expected behavior	17	13	**30**
Effect of changes in future expected policyholder behavior	(10)	21	**11**
Effect of changes in future expected assumptions	5	(8)	**(3)**
Balance as of December 31, 2023, before effect of changes in the instrument-specific credit risk	**(39)**	**532**	**493**
Cumulative effect of changes in the instrument-specific credit risk	(8)	11	**3**
Balance as of December 31, 2023	**$ (47)**	**$ 543**	**$ 496**
Less: ceded market risk benefits	(400)	—	**(400)**
Balance, net of reinsurance	**$ (447)**	**$ 543**	**$ 96**

The following table presents the NAR and weighted average attained age of contract holders for MRBs, by product:

	Variable Annuities	Fixed Indexed Annuities	Total
As of December 31, 2022			
Net amount at risk [1]	$ 1,719	$ 853	**$ 2,572**
Weighted average attained age of contract holders *(in years)*	74.1	71.8	**72.8**
As of December 31, 2023			
Net amount at risk [1]	$ 672	$ 780	**$ 1,452**
Weighted average attained age of contract holders *(in years)*	74.4	72.4	**72.2**

[1] *NAR is generally defined as the current guarantee amount in excess of the current account balance at the balance sheet date, net of reinsurance impacts. For products with multiple guarantees, only the benefit with the highest NAR is presented for the contract. The VA NAR represents the death benefit portion of the contract, as contracts with a withdrawal benefit also contain a death benefit. The FIA NAR represents the withdrawal portion of the contract. The total represents the combined NAR of VA and FIA.*

The Company's MRBs primarily relate to VA contracts with GMDB, GMIB, and GMWB guarantee features and FIA contracts with GLWB features and two-tier annuitization benefits. As described in Note 1 - Basis of Presentation and Significant Accounting Policies, MRBs and the related reinsurance are calculated using fair value measurement principles, which considers the price paid that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value of these MRBs are calculated as the present value of expected benefit payments, less the present value of expected fees attributable to the MRB. The determination of the fair value of MRBs requires the use of inputs related to fees and assessments, and assumptions in determining the expected benefits, in excess of the projected account balance.

Fair values for VA and FIA contract benefits are calculated using internally developed models because active, observable markets do not exist for the MRB. Many of these assumptions are established using accepted actuarial valuation methods and are considered unobservable inputs to the fair value measurement. Therefore, the fair value estimate of MRBs are classified as a level 3 measurement within the fair value hierarchy and the determination of the significant inputs included in the fair value measurement requires the use of management's judgment. Assumptions are mostly based on policyholder experience and pricing assumptions, which are updated for actual experience, if necessary.

12. Market Risk Benefits (continued)

The significant inputs to the valuation models for these MRBs include actuarially determined assumptions for contractholder behavior, as well as lapse rates, benefit utilization rates, surrender rates, and mortality rates. In addition, significant inputs include capital market assumptions, such as interest rate levels and market volatility assumptions.

Variable Annuities

The Company's VA contracts include variable insurance contracts both entered into directly between the Company and an individual policyholder or assumed through reinsurance with other insurers, including assumed separate account products. Products provide a current or future income stream based on the value of the individual's contract at annuitization, and can include a variety of guaranteed minimum death and withdrawal benefits.

The Company's VA contracts sold to individuals mostly provide GMDBs during the accumulation period that is generally equal to the greater of (a) the contract value at death or (b) premium payments less any prior withdrawals and may include adjustments that increase the benefit, such as for maximum anniversary value ("MAV"). In addition, some of the variable annuity contracts provide a GMWB, whereby if the account value is reduced to a specified level through a combination of market declines and withdrawals, the contractholder is entitled to a guaranteed remaining balance, which is generally equal to premiums less withdrawals. Many policyholders with a GMDB also have a GMWB. These benefits are not additive as policyholders that have a product with both guarantees can receive, at most, the greater of the GMDB or GMWB.

Fixed Indexed Annuities

FIA contracts the Company assumes represent annuity contracts issued by another insurance company under which the Company assumes through reinsurance a quota share of the liabilities. These annuity contracts have a cash value that appreciates based on a GMCR, or the performance of various equity market indices, such as the S&P 500. FIAs generally protect the contract owner against loss of principal and may include GMWBs or enhanced annuitization benefits.

For FIA contracts, assumptions include projected equity returns which impact cash flows attributable to indexed strategies, implied equity volatilities, expected index credits and future equity option costs.

The models are based on a risk neutral valuation framework and incorporate risk premiums inherent in valuation techniques, inputs, and the general uncertainty around the timing and amount of future cash flows. A risk margin is incorporated within the discount rate to reflect uncertainty in the projected cash flows, as well as credit spreads to reflect nonperformance risk, for the Company.

The following table summarizes the unobservable inputs for MRBs, net of reinsured balances (refer to Note 5 - Fair Value Measurements for a rollforward of ceded MRBs):

Fair Value	Predominant Valuation Technique	Significant Unobservable Input	Range	Weighted Average	Impact of Increase in Input on Fair Value [1]
		As of December 31, 2023			
Variable annuities (net of reinsurance):					
$ (447)	Discounted cash flows	Withdrawal utilization [2]	1.0% to 46.0%	18.0%	Increase
		Withdrawal rates [3]	0.0% to 8.0%	4.7%	Increase
		Lapse rates [4]	0.0% to 40.0%	5.0%	Decrease
		Market volatility [5]	10.5% to 26.9%	20.4%	Increase
		Nonperformance risk [6]	0.6% to 2.5%	1.6%	Decrease
		Mortality rate [7]	0.0% to 62.5%	1.8%	Decrease
		Fixed indexed annuities:			
$ 543	Discounted cash flows	Withdrawal utilization [2]	0.0% to 42.4%	2.7%	Increase
		Withdrawal rates [3]	2.3% to 8.3%	4.5%	Increase
		Lapse rates [4]	0.0% to 30.0%	3.5%	Decrease
		Market volatility [5]	4.9% to 25.6%	16.7%	Increase
		Nonperformance risk [6]	0.6% to 2.5%	1.7%	Increase
		Mortality rate [7]	0.0% to 40.0%	2.5%	Decrease
		Option budget [8]	0.0% to 3.8%	1.9%	Increase

12. Market Risk Benefits (continued)

Fair Value	Predominant Valuation Technique	Significant Unobservable Input	Range	Weighted Average	Impact of Increase in Input on Fair Value [1]
		As of December 31, 2022			
Variable annuities (net of reinsurance):					
$ (179)	Discounted cash flows	Withdrawal utilization [2]	1.8% to 63.0%	20.4%	Increase
		Withdrawal rates [3]	0.0% to 8.0%	4.6%	Increase
		Lapse rates [4]	0.0% to 40.0%	4.0%	Decrease
		Market volatility [5]	18.5% to 28.4%	23.3%	Increase
		Nonperformance risk [6]	0.4% to 3.2%	2.2%	Decrease
		Mortality rate [7]	0.0% to 100.0%	1.6%	Decrease
Fixed indexed annuities:					
$ 489	Discounted cash flows	Withdrawal utilization [2]	0.0% to 29.1%	3.5%	Increase
		Withdrawal rates [3]	0.0% to 20.0%	5.6%	Increase
		Lapse rates [4]	0.5% to 36.0%	4.6%	Decrease
		Market volatility [5]	4.5% to 23.6%	15.8%	Increase
		Nonperformance risk [6]	0.4% to 3.2%	2.2%	Increase
		Mortality rate [7]	0.0% to 39.8%	3.1%	Decrease
		Option budget [8]	1.0% to 4.0%	2.0%	Increase

[1] *Conversely, the impact of a decrease in input would have the opposite impact to the fair value as that presented in the table.*

[2] *Range represents assumed percentages of policyholders taking withdrawals.*

[3] *Range represents assumed annual percentage of allowable amount withdrawn.*

[4] *Range represents assumed annual percentages of policyholders electing a full surrender.*

[5] *Range represents implied market volatilities for equity indices based on multiple pricing sources.*

[6] *Range represents Company credit spreads.*

[7] *Mortality rates vary by age and by demographic characteristics, such as gender. The range shown reflects the mortality rate for policyholders. Mortality rate assumptions are set based on policyholder experience.*

[8] *Range represents assumed annual budget for index options.*

13. Debt

Debt is carried at the outstanding principal, plus fair value adjustments.

The following presents the Company's outstanding debt, by type:

		Year Ended December 31, 2023	As of December 31,	
	Maturity Date	**Interest Rate**	**2023**	**2022**
Short-term debt	July 13, 2024	5.22%	$ 100	$ —
Total short-term debt			**$ 100**	**$ —**
Long-term debt				
TASC note payable	July 25, 2028	5.96%	232	247
Plus: fair value adjustment			36	44
Total long-term debt			**$ 268**	**$ 291**
Total debt			**$ 368**	**$ 291**

The following presents the combined aggregate amount of maturities for each of the next five years:

Year Ended December 31,	
2024	$ 116
2025	17
2026	18
2027	19
2028	162

The following presents the components of interest expense:

	Year Ended December 31,	
	2023	**2022**
Interest expense on debt	$ 15	$ 15
Less: amortization of fair value adjustment	(9)	(9)
Interest expense	**$ 6**	**$ 6**

Outstanding Notes

TASC Note Payable

On August 21, 2018, the Company's subsidiary TASC issued a note payable in the amount of $300, which is secured by future administrative servicing rights receivables. As a result of purchase accounting, the Company adjusted the note payable to fair value. The resulting fair value adjustment is being amortized over the remaining life of the note using the effective-interest method. The note bears a fixed interest rate, with quarterly interest and principal payments which commenced on October 25, 2018. Principal payments are contingent upon the available cash balance subject to a series of contractual prioritized payments. The Company was in full compliance with the terms of the note's covenants as of December 31, 2023 and 2022.

Collateralized Advances

The Company is a member of the Federal Home Loan Bank of Boston ("FHLBB"). Membership allows the Company access to collateralized advances, which may be used to support various spread-based business and enhance liquidity management. FHLBB membership requires the Company to own member stock and advances require the purchase of activity stock. The amount of advances that can be taken are dependent on the asset types pledged to secure the advances. The pledge limit is recalculated annually based on statutory admitted assets and capital and surplus. The Company would need to seek the prior approval of the CTDOI in order to exceed these limits. As of December 31, 2023, the Company had no advances outstanding under the FHLBB facility.

14. Income Taxes

The Company is tax resident in the United States and Bermuda, and its subsidiaries are tax resident in the United States. Prior to 2023, the United States was the only jurisdiction in which tax had a material effect on the Company or its subsidiaries.

On December 27, 2023, after public comment, the government of Bermuda enacted the “Bermuda Corporate Income Tax Act 2023” (the “CIT”) which will apply a 15% corporate income tax on Bermuda constituent entities which are part of an In Scope MNE Group beginning January 1, 2025. The Company expects to be included in an in scope MNE Group with other related parties which are Bermuda constituent entities such that the Company will be subject to the 15% CIT beginning January 1, 2025. The Company did not record any opening tax attributes as a result of the CIT enactment in 2023.

The Company has elected to be treated as a U.S. domestic insurance company for U.S. federal tax purposes under section 953(d) of the U.S. Internal Revenue Code and is therefore subject to income taxation in the U.S.

The expected tax provision computed on pre-tax income at the weighted-average tax rate has been calculated as the sum of the pre-tax income in each jurisdiction multiplied by that jurisdiction’s applicable statutory tax rate. Statutory tax rates of 0% and 21% have been used for Bermuda and the U.S. respectively, for the year ended December 31, 2023.

Income tax expense (benefit) consists of the following:

	Year Ended December 31,	
	2023	**2022**
Current income taxes - U.S. Federal	$ (24)	$ 53
Deferred income taxes - U.S. Federal	4	(33)
Total Income tax expense (benefit)	**$ (20)**	**$ 20**

As of December 31, 2023 and 2022, significant reconciling items consisted of the dividends received deduction and foreign related investments.

Deferred tax represents the tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities. Significant temporary differences are attributable to VOBA and reserves, net unrealized losses on investments, tax basis deferred policy acquisition costs, deferred reinsurance gain, net operating loss carryovers, and investment related items.

The statute of limitations on the examination of United States federal tax returns is closed through the 2019 tax year with the exception of net operating loss ("NOL") carryforwards utilized in open tax years. Management believes that an adequate provision has been made on the financial statements for any potential adjustments that may result from tax examinations and other tax-related matters for all open tax years. As of December 31, 2023 and 2022, the Company had no reserves for uncertain tax positions. As of December 31, 2023 and 2022, there were no unrecognized tax benefits that if recognized would affect the effective tax rate and that had a reasonable possibility of significantly increasing or decreasing within the next 12 months.

The Company recognized no interest expense for the years ended December 31, 2023 and 2022. The Company had no interest payable as of December 31, 2023 and 2022. The Company does not believe it would be subject to any penalties in any open tax years and, therefore, has not recorded any accrual for penalties.

The Company believes it is more likely than not that all deferred tax assets will be fully realized. In assessing the need for a valuation allowance, management considered future taxable temporary difference reversals, future taxable income exclusive of reversing temporary differences and carryovers, taxable income in open carry back years and other tax planning strategies. From time to time, tax planning strategies could include holding a portion of debt securities with market value losses until recovery, making investments which have specific tax characteristics and business considerations such as asset-liability matching.

Net deferred income taxes include the future tax benefits associated with the NOL carryover and foreign tax credit carryover as follows:

United States Net Operating Loss Carryover (U.S. NOL)

As of December 31, 2023 and 2022, the net deferred tax asset included the expected tax benefit related to U.S. NOLs of $339 and $3, respectively. The NOLs were generated in 2018 and subsequent years. The losses do not expire, but their utilization in any carryforward year is limited to 80% of taxable income in that year. As of December 31, 2023 and 2022, $62 and $3, respectively, of the losses are also subject to Internal Revenue Code Section 382, which may limit the amount that can be utilized in any carryforward year.

14. Income Taxes (continued)

Given the Company's expected future earnings, the Company believes sufficient taxable income will be generated in the future to utilize its NOL carryover. Although the Company believes there will be sufficient future taxable income to fully recover the remainder of the loss carryover, the Company's estimate of the likely realization may change over time.

United States Foreign Tax Credit Carryover (U.S. FTC Carryover)

As of December 31, 2023 and 2022, the net deferred tax asset included the expected tax benefit attributable to U.S. FTC carryovers of $22 and $16, respectively.

Corporate Alternative Minimum Tax ("CAMT")

The Inflation Reduction Act of 2022 introduced a 15% CAMT among other tax provisions. The provisions had an effective date beginning after December 31, 2022. Generally, the CAMT imposes a minimum tax on the adjusted financial statement income ("AFSI") of certain corporations with average annual AFSI over a three-year period in excess of $1 billion ("applicable corporations"). The Company has determined that it is not an applicable corporation and therefore not subject to CAMT for the period ending December 31, 2023. Since enactment of the CAMT, the U.S. Treasury Department and the IRS continue to issue guidance to the public. The Company will continue to evaluate the guidance and assess its impact, if any in future years.

15. Commitments and Contingencies

Contingencies Relating to Corporate Litigation and Regulatory Matters

Management evaluates each contingent matter separately. A loss is recorded if probable and reasonably estimable. Management establishes reserves for these contingencies at its "best estimate," or, if no one number within the range of possible losses is more probable than any other, the Company records an estimated liability at the low end of the range of losses.

Litigation

The Company is involved in claims litigation arising in the ordinary course of business with respect to life and annuity contracts. The Company accounts for such activity through the establishment of reserve for future policy benefits. Management expects that the ultimate liability, if any, with respect to such ordinary-course claims litigation, after consideration of provisions made for potential losses and costs of defense, will not be material to the Company's financial condition, results of operations or cash flows of the Company.

On August 15, 2023, Talcott Resolution Life Insurance Company and Talcott Resolution Life and Annuity Insurance Company (collectively "Talcott Resolution") were named as defendants in two putative class action lawsuits in the United States District Courts for the District of Connecticut and the District of Massachusetts. These cases are captioned as follows: Casey v. Talcott Resolution Life Insurance Company and Talcott Resolution Life and Annuity Insurance Company, et al. (CT) and Guitang v. Talcott Resolution Life Insurance Company (MA). The lawsuits relate to data security events involving the MOVEit file transfer system ("MOVEit Cybersecurity Incident"). The MOVEit file transfer system is software used by a broad range of companies to move sensitive electronic data. PBI Research Services ("PBI"), a third-party service provider for Talcott Resolution, uses the MOVEit file transfer system in the performance of its services. PBI has used the software on behalf of Talcott Resolution to, among other things, search various databases to identify the deaths of insured persons and annuitants under life insurance policies and annuity contracts, respectively, as required by applicable law. Plaintiffs seek to represent various classes and subclasses of Talcott Resolution insurance policy and annuity contract holders whose data allegedly was accessed or potentially accessed in connection with the MOVEit Cybersecurity Incident. Plaintiffs allege that Talcott Resolution breached a purported duty to safeguard their sensitive data from unauthorized access. The complaints assert claims for, among other things, negligence, negligence per se, breach of contract, unjust enrichment, and violations of various consumer protection statutes, and the Plaintiffs seek declaratory and injunctive relief, compensatory and punitive damages, restitution, attorneys' fees and costs, and other relief. On October 4, 2023, the Joint Panel on Multidistrict Litigation issued an order consolidating all actions relating to the MOVEit Cybersecurity Incident before a single federal judge in the United States District Court for the District of Massachusetts. We intend to vigorously defend these actions.

The Company is also involved in other kinds of legal actions, some of which assert claims for substantial amounts. Such actions have alleged, for example, bad faith in the handling of insurance claims and improper sales practices in connection with the sale of insurance and investment products. Some of these actions also seek punitive damages. Management expects that the ultimate liability, if any, with respect to such lawsuits, after consideration of provisions made for estimated losses, will not be material to the financial condition of the Company. Nonetheless, given the large or indeterminate amounts sought in certain of these actions, and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company's financial condition, results of operations or cash flows in particular quarterly or annual periods.

Lease Commitments

The following presents the Company's minimum required payments on operating leases as of December 31, 2023:

2024	$	2
2025		2
2026		1
Total minimum lease payments	**$**	**5**

Unfunded Commitments

As of December 31, 2023, the Company had outstanding commitments totaling $1.1 billion, of which $559 was committed to investment funds, which may be called by the partnership during the commitment period to fund the purchase of new investments and partnership expenses. Additionally, $380 of the outstanding commitments are primarily related to various funding obligations associated with private debt. The remaining outstanding commitments of $116 are related to mortgage loans.

15. Commitments and Contingencies (continued)

Guaranty Fund and Other Insurance-Related Assessments

In the United States, insurers licensed to transact certain classes of insurance are required to become members of a guaranty fund. In most states, in the event of the insolvency of an insurer writing any such class of insurance in the state, members of the funds are assessed to pay certain claims of the insolvent insurer. A particular state's fund assesses its members based on their respective written premiums in the state for the classes of insurance in which the insolvent insurer was engaged. Assessments are generally limited for any year to one or two percent of premiums written per year depending on the state.

Liabilities for guaranty funds and other insurance-related assessments are accrued when an assessment is probable, when it can be reasonably estimated, and when the event obligating the Company to pay an imposed or probable assessment has occurred. Liabilities for guaranty funds and other insurance-related assessments are not discounted and are included as part of other liabilities on the balance sheets. As of December 31, 2023 and 2022, the liability balance was $4 and $4, respectively. As of December 31, 2023 and 2022 amounts related to premium tax offsets of $1 and $1, respectively, were included in other assets on the balance sheets.

Derivative Commitments

Certain of the Company's derivative agreements contain provisions that are tied to the financial strength ratings, as set by nationally recognized statistical agencies or RBC tests, of the individual legal entity that entered into the derivative agreement. If the legal entity's financial strength were to fall below certain ratings, the counterparties to the derivative agreements could demand immediate and ongoing full collateralization and in certain instances enable the counterparties to terminate the agreements and demand immediate settlement of all outstanding derivative positions traded under each impacted bilateral agreement. The settlement amount is determined by netting the derivative positions transacted under each agreement. If the termination rights were to be exercised by the counterparties, it could impact the legal entity's ability to conduct hedging activities by increasing the associated costs and decreasing the willingness of counterparties to transact with the legal entity. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position as of December 31, 2023 was $294. Of this, the legal entities have posted collateral of $461 in the normal course of business. This could change as derivative market values change, as a result of changes in our hedging activities or to the extent changes in contractual terms are negotiated. The nature of the collateral that is posted, when required, would be primarily in the form of U.S. Treasury bills, U.S. Treasury notes and government agency securities.

16. Related Party Transactions

Parent Company Transactions

As of December 31, 2023 and 2022, the Company had no direct employees as it is managed by TLI, the Company's direct parent, pursuant to an Intercompany Services and Cost Allocation Agreement between the Company, TLI and other Company affiliates.

Intercompany Liquidity Agreements

In 2022, the Company and its subsidiaries entered into several short-term related party Intercompany Liquidity Agreements, permitting the Company and its subsidiaries to borrow from and loan to their related parties.

As of December 31, 2023, the Company's affiliates had outstanding amounts borrowed of $625 from the Company. In 2023, the Company borrowed $100 from related party and $186 was repaid from prior loans the Company issued.

Refer to Note 13 - Debt for additional detail associated with notes issued by the Company to related parties.

Sixth Street

The Company has entered into the following arrangements with Sixth Street:

- ***Investment Management Services & Other Agreements***
    - As of December 31, 2023 and 2022, 3.6% ($798) and 0.5% ($126), respectively, of the Company's general account assets were managed by Sixth Street. The Company recorded expenses related to these arrangements of $30 and $26 for the years ended December 31, 2023 and 2022, respectively.
    - As of December 31, 2023 and 2022, amounts payable under the above agreements were $9 and $6, respectively.
- ***Investments***

  For the years ended December 31, 2023 and 2022, the Company entered into certain investments that are issued and controlled by Sixth Street affiliates, with a total value as of December 31, 2023 and 2022 of $87 and $12, respectively. The Company was not determined to be the primary beneficiary for these investments. As of December 31, 2023, outstanding commitments for these investments were $118.

17. Statutory Results

The Company's insurance and reinsurance operations are subject to insurance and/or reinsurance laws and regulations in the jurisdictions in which they operate including Bermuda and the U.S. These regulations include certain restrictions on the amount of dividends or other distributions, such as loans or cash advances, available to shareholders without prior approval of the insurance regulatory authorities.

Bermuda

TR Re is licensed by the Bermuda Monetary Authority (“BMA”) as Class E long term insurers and are subject to the Insurance Act 1978, as amended (“Bermuda Insurance Act”), and regulations promulgated thereunder. The BMA implemented the Economic Balance Sheet (“EBS”) framework into the Bermuda Solvency And Capital Requirement ("BSCR") for commercial insurers, which has been granted equivalency to the European Union’s Directive (2009/138/EC) (“Solvency II”). Under the Bermuda Insurance Act, a Class E insurer must produce three sets of financial statements, as follows:

1. ***US GAAP Financial Statements***

   Financial statements are required to be prepared in accordance with an internationally recognized comprehensive base of accounting. The GAAP financial statements form the basis for the preparation of the Statutory Financial Statements (“SFS”) and the EBS. The Company’s Bermuda insurance subsidiaries have elected US GAAP for the GAAP financial statements requirement.

2. ***Statutory Financial Statements***

   The SFS start with the US GAAP financial statements and are adjusted for Prudential Filters which include i) non-admitting goodwill, intangible, and other assets that cannot be monetized (but noting that DAC remains an admitted asset); ii) inclusion of certain assets and liabilities not otherwise recorded under US GAAP, for example guarantees the insurer has given that do not relate to the insurer’s own insurance contracts; and iii) any adjustments due to permitted practices.

3. ***Economic Balance Sheet***

   The EBS is a balance sheet where assets are recorded at fair value and policyholder insurance reserves are based on technical provisions comprised of a best estimate liability, plus a risk margin. The best estimate liability may be calculated by applying the standard approach or the scenario approach. Under both approaches, the best estimate of policyholder liability cash flows are used. The discount rate under the standard approach is prescribed by the BMA and updated periodically. Under the scenario approach, the discount rate is based on the yield on eligible assets (generally fixed income-like assets) owned by the insurer, including reinvestment projections, as determined under the worst result of a baseline scenario and eight stressed scenarios. The statutory economic capital surplus in the EBS must meet a minimum required capital amount prescribed as the Enhanced Capital Requirement (“ECR”).

For the year ended December 31, 2023, TR Re received permission from the BMA to modify the SFS to record investments at amortized cost instead of fair value as the basis for certain investments. The following represents the effect of the permitted practice to the statutory financial statements:

Change to capital and surplus due to permitted practice	$	1,866
Change to statutory net income due to permitted practice	$	15

Under the Bermuda Insurance Act, a Class E insurer is required to maintain statutory capital and surplus at least equal to the minimum margin of solvency ("MMS"), which is equal to the greater of $8 million or the sum of 2% of the first $500 million of statutory assets plus 1.5% of statutory assets in excess of $500 million. The MMS is floored at 25% of the ECR. The ECR is a risk-based capital calculation used to measure the risk associated with assets and liabilities and premiums of the insurer. The ECR is floored at the MMS.

To enable the BMA to better assess the quality of the insurer’s capital resources, a Class E insurer is required to disclose the makeup of its capital in accordance with a 3-tiered capital system. Highest quality capital is classified as Tier 1 Capital, lesser quality capital is classified as either Tier 2 or Tier 3 Capital. The capital supporting the Company’s ECR must be at least 50% Tier 1 capital. Additionally, no more than 50% of the Company’s ECR can be made up for Tier 2 capital and no more than 17.65% of the aggregate amount of the Company’s Tier 1 and Tier 2 capital can be classified as Tier 3 provided that the Tier 2 and Tier 3 capital do not exceed the amount of Tier 1 capital. As of December 31, 2023 and 2022 all of TR Re’s eligible capital used to meet the ECR was Tier 1 Capital.

17. Statutory Results (continued)

While not specifically referred to in the Bermuda Insurance Act, Target Capital Level ("TCL") is also an important threshold for statutory capital and surplus. TCL is equal to 120% of ECR as calculated pursuant to the BSCR formula. TCL serves as an early warning tool for the BMA. If TR Re fails to maintain statutory economic capital and surplus at least equal to the TCL, such failure will likely result in increased regulatory oversight by the BMA.

The following table shows TR Re's estimated SFS and EBS capital and surplus and net income (loss):

	Year Ended December 31,			
	2023		2022	
	SFS	EBS	SFS	EBS
Capital and surplus	$ 3,735	$ 4,122	$ 1,871	$ 3,407
Net income (loss)	$ 134	N/A	$ (177)	N/A

As of December 31, 2023 and 2022, TR Re had statutory and economic capital in excess of the MMS, ECR and TCL.

As of December 31, 2023 and 2022, TR Re's value of in-force VA business as recorded on the EBS was $1,776 and $1,227, respectively.

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

	Year Ended December 31,	
	2023	2022
TR Re	$ 263	$ 263

TR Re did not declare any dividends for the years ended December 31, 2023 and 2022.

U.S.

The Company and its U.S. insurance subsidiaries prepare their statutory financial statements in conformity with statutory accounting practices prescribed or permitted by the applicable state insurance department which vary materially from U.S. GAAP. Prescribed statutory accounting practices include publications of the NAIC, as well as state laws, regulations and general administrative rules. The differences between statutory financial statements and financial statements prepared in accordance with US GAAP vary between U.S. and foreign jurisdictions. The principal differences are that statutory financial statements do not reflect deferred policy acquisition and value of business acquired costs and limit deferred income taxes, predominately use interest rate and mortality assumptions prescribed by the NAIC for life benefit reserves, generally carry bonds at amortized cost and present reinsurance assets and liabilities net of reinsurance. For reporting purposes, statutory capital and surplus is referred to collectively as "statutory capital".

Statutory net income and statutory capital for the Company's U.S. insurance subsidiaries are as follows:

	Year Ended December 31,	
	2023	2022
Combined statutory net income	$ 48	$ 441

	As of December 31, 2023	As of December 31, 2022
Statutory capital [1]	$ 2,188	$ 2,738

[1] The Company relies upon a prescribed practice allowed by Connecticut state laws that allow the Company to receive a reinsurance reserve credit for reinsurance treaties that provide for a limited right of unilateral cancellation by the reinsurer. The benefit from this prescribed practice was approximately $27 and $40 as of December 31, 2023 and 2022, respectively.

17. Statutory Results (continued)

Statutory accounting practices do not consolidate the net income (loss) of subsidiaries that report under US GAAP. The combined statutory net income (loss) above represents the total statutory net income (loss) of the Company and its other insurance subsidiaries. Statutory accounting principles require that ceding commissions paid on reinsurance transactions be expensed in the period incurred, affecting statutory net loss, where US GAAP allows for the deferral of these amounts.

Regulatory Capital Requirements

The Company's U.S. insurance companies' states of domicile impose RBC requirements. The requirements provide a means of measuring the minimum amount of statutory capital appropriate for an insurance company to support its overall business operations based on its size and risk profile. Regulatory compliance is determined by a ratio of a company's total adjusted capital (“TAC”) to its authorized control level RBC (“ACL RBC”). Companies below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. The minimum level of TAC before corrective action commences (“Company Action Level”) is two times the ACL RBC. The adequacy of a company's capital is determined by the ratio of a company's TAC to its Company Action Level, known as the "RBC ratio". The Company and all of its operating insurance subsidiaries had RBC ratios in excess of the minimum levels required by the applicable insurance regulations. The RBC ratios for the Company and its principal life insurance operating subsidiaries were all in excess of 300% of their Company Action Levels as of December 31, 2023 and 2022. The reporting of RBC ratios is not intended for the purpose of ranking any insurance company, or for use in connection with any marketing, advertising or promotional activities.

Dividends

The payment of dividends by Connecticut-domiciled insurers is limited under the insurance holding company laws of Connecticut. These laws require notice to and approval by the state insurance commissioner for the declaration or payment of any dividend, which, together with other dividends or distributions made within the preceding twelve months, exceeds the greater of (i) 10% of the insurer’s policyholder surplus as of December 31 of the preceding year or (ii) net income (or net gain from operations, if such company is a life insurance company) for the twelve-month period ending on the thirty-first day of December last preceding, in each case determined under statutory insurance accounting principles. In addition, if any dividend of a domiciled insurer exceeds the insurer’s earned surplus or certain other thresholds as calculated under applicable state insurance law, the dividend requires the prior approval of the domestic regulator. In addition to statutory limitations on paying dividends, the Company also takes other items into consideration when determining dividends from subsidiaries. These considerations include, but are not limited to, expected earnings and capitalization of the subsidiary, regulatory capital requirements and liquidity requirements of the individual operating company.

The Company is permitted to pay up to a maximum of $571 in dividends and the Company's subsidiaries are permitted to pay up to a maximum of $429 in dividends, as determined by the above mentioned insurance regulations.

18. Accumulated Other Comprehensive Income (Loss)

The following provides the details and changes in AOCI:

	Year Ended December 31,	
	2023	2022
Unrealized gain (loss) on available-for-sale securities without an allowance for credit losses:		
Beginning balance	**$ (2,627)**	**$ (13)**
Other comprehensive income (loss) before reclassifications	310	(3,724)
Reclassification adjustments [1]	544	415
Income tax benefit (expense)	(179)	695
Other comprehensive income (loss), net of tax	**675**	**(2,614)**
Ending balance	**(1,952)**	**(2,627)**
Unrealized gain (loss) on cash flow hedges:		
Beginning balance	**(27)**	**—**
Other comprehensive income (loss) before reclassifications	5	(34)
Income tax benefit (expense)	(1)	7
Other comprehensive income (loss), net of tax	**4**	**(27)**
Ending balance	**(23)**	**(27)**
Gain (loss) related to discount rate for reserve for future policy benefits:		
Beginning balance	**1,621**	**(14)**
Other comprehensive income (loss) before reclassifications	(499)	2,070
Income tax benefit (expense)	105	(435)
Other comprehensive income (loss), net of tax	**(394)**	**1,635**
Ending balance	**1,227**	**1,621**
Gain (loss) related to credit risk for market risk benefits:		
Beginning balance	**130**	**35**
Other comprehensive income (loss) before reclassifications	(168)	121
Income tax benefit (expense)	35	(26)
Other comprehensive income (loss), net of tax	**(133)**	**95**
Ending balance	**(3)**	**130**
Accumulated other comprehensive loss:		
Beginning balance	**(903)**	**8**
Other comprehensive loss before reclassifications	(352)	(1,567)
Reclassification adjustments [1]	544	415
Income tax benefit (expense)	(40)	241
Other comprehensive income (loss), net of tax	**$ 152**	**$ (911)**
Ending balance	**$ (751)**	**$ (903)**

[1] Recorded in investment related losses, net in the statements of operations.

19. Revenue from Contracts with Customers (Loss)

The Company recognizes revenue from contracts with customers when, or as, goods or services are transferred to customers, in an amount that reflects the consideration that an entity is expected to receive in exchange for those goods or services.

The Company earns revenues from these contracts primarily for administration and distribution services fees from offering certain fund families as investment options in its VA products. Fees are primarily based on the average daily net asset values of the funds and are recorded in the period in which the services are provided and collected monthly. Fluctuations in domestic and international markets and related investment performance, volume and mix of sales and redemptions of the funds, and other changes to the composition of assets under management are all factors that ultimately have a direct effect on fee income earned.

The Company’s administration and distribution services fees were $94 and $76 for the years ended December 31, 2023 and 2022, respectively.

20. Subsequent Events

The Company has evaluated subsequent events through May 8, 2024, the date the financial statements were issued.

On January 1, 2024, the Company sold its subsidiary American Maturity Life Insurance Company ("AML") to TLI. As noted in the Note 17 - Statutory Results, AML paid TL a dividend of $36 prior to the sale.

On January 24, 2024, the Company paid $575 in dividends to TLI. On the same date, TLI repaid an intercompany borrowing to TR Re for $250, including accrued interest.