

TALCOTT LIFE 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

TALCOTT LIFE RE, LTD.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
Talcott Life Re, Ltd.

Opinion

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

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

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.

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 audit.

Deloitte Ltd.

April 29, 2024

TALCOTT LIFE RE, LTD.
Balance Sheets

<i>(in millions, except share data)</i>	As of December 31,	
	2023	2022
Assets		
Investments		
Fixed maturities, available-for-sale, at fair value (amortized cost: \$126 and \$547)	\$ 128	\$ 523
Funds withheld at interest (portion at fair value: \$(1,211) and \$(1,969))	8,937	9,304
Short-term investments (related party: \$253 and \$128)	533	185
Total investments	9,598	10,012
Cash and cash equivalents	5	71
Market risk benefits	6	15
Deferred acquisition costs	130	139
Deferred income taxes	230	—
Other assets	8	8
Total assets	9,977	10,245
Liabilities and Stockholder's Equity		
Liabilities		
Reserve for future policy benefits	\$ 3	\$ 2
Other policyholder funds and benefits payable (portion at fair value: \$621 and \$632)	9,360	10,243
Market risk benefits	596	503
Other liabilities (related party: \$3 and \$2)	14	163
Total liabilities	9,973	10,911
Stockholder's Equity		
Common stock (par value: \$1 per share; authorized, issued, and outstanding: and 260,000 shares)	—	—
Additional paid-in capital	1,206	1,206
Accumulated other comprehensive income (loss)	(19)	57
Retained deficit	(1,183)	(1,929)
Total stockholder's equity	4	(666)
Total liabilities and stockholder's equity	\$ 9,977	\$ 10,245

See Notes to Annual Financial Statements.

TALCOTT LIFE RE, LTD.
Statements of Operations

<i>(in millions)</i>	Year Ended December 31,	
	2023	2022
Revenues		
Premiums	\$ 1	\$ 2
Policy charges and fee income	67	57
Net investment income	460	329
Investment related gains (losses)	320	(2,328)
Total revenues	848	(1,940)
Benefits, Losses, and Expenses		
Benefits and losses	267	255
Change in market risk benefits	—	(346)
Amortization of deferred acquisition costs	9	9
Insurance operating costs and other expenses	56	63
Total benefits, losses, and expenses	332	(19)
Income (loss) before income taxes	516	(1,921)
Income tax expense (benefit)	(230)	—
Net income (loss)	\$ 746	\$ (1,921)

See Notes to Annual Financial Statements.

TALCOTT LIFE RE, LTD.
Statements of Comprehensive Income (Loss)

<i>(in millions)</i>	Year Ended December 31,	
	2023	2022
Net income (loss)	\$ 746	\$ (1,921)
Other comprehensive income (loss)		
Unrealized gain (loss) on available-for-sale securities	26	(24)
Gain (loss) related to credit risk for market risk benefits	(102)	81
Other comprehensive income (loss), net of tax	(76)	57
Comprehensive income (loss)	\$ 670	\$ (1,864)

See Notes to Annual Financial Statements.

TALCOTT LIFE RE, LTD.
Statements of Changes in Stockholder's Equity

<i>(in millions)</i>	Common Stock	Additional Paid- in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Deficit	Total
Balance at January 1, 2022	\$ —	\$ 1,206	\$ —	\$ (8)	\$ 1,198
Net loss	—	—	—	(1,921)	(1,921)
Other comprehensive income	—	—	57	—	57
Balance at December 31, 2022	\$ —	\$ 1,206	\$ 57	\$ (1,929)	\$ (666)
Balance at January 1, 2023	\$ —	\$ 1,206	\$ 57	\$ (1,929)	\$ (666)
Net income	—	—	—	746	746
Other comprehensive loss	—	—	(76)	—	(76)
Balance at December 31, 2023	\$ —	\$ 1,206	\$ (19)	\$ (1,183)	\$ 4

See Notes to Annual Financial Statements.

TALCOTT LIFE RE, LTD.
Statements of Cash Flows

<i>(in millions)</i>	Year Ended December 31,	
	2023	2022
Operating Activities		
Net income (loss)	\$ 746	\$ (1,921)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Investment related losses (gains)	(320)	2,328
Amortization of deferred acquisition cost	9	9
Depreciation and amortization	(14)	(1)
Deferred income taxes benefit	(230)	—
Other non-cash income adjustments related to funds withheld and modified coinsurance agreements:		
Premiums	(1)	(2)
Policy charges and fee income	(67)	(57)
Net investment income	(438)	(326)
Benefits and losses	267	255
Insurance operating costs and other expenses	48	47
Net change in market risk benefits	—	(346)
Changes in operating assets and liabilities:		
Accrued investment income	(1)	(1)
Cash profit settlements on funds withheld and modified coinsurance agreements	(68)	46
Net change in other assets and other liabilities	(73)	6
Net cash provided by (used for) operating activities	(142)	37
Investing Activities		
Proceeds from the sales, maturities, and prepayments of:		
Fixed maturities	475	410
Payments for purchases of:		
Fixed maturities	(7)	(204)
Net payments for:		
Short-term investments	(392)	(185)
Net cash provided by investing activities	76	21
Net increase (decrease) in cash and cash equivalents	(66)	58
Cash and cash equivalents at beginning of year	71	13
Cash and cash equivalents at end of year	\$ 5	\$ 71
Supplemental Disclosures of Non-Cash Activity:		
Deposits on investments-type policies and contracts through reinsurance agreements	—	21
Withdrawals on investment-type policies and contracts through reinsurance agreements	(978)	(572)
Investments received from settlements on reinsurance agreements	—	430
Non-cash proceeds (payments) for short term affiliate investments	(79)	—

See Notes to Annual Financial Statements.

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements

(Dollar amounts in millions, unless otherwise stated)

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

Talcott Life Re, Ltd. ("TLR," the "Company," "we" or "our"), a Bermuda exempted company and Class E long term insurer, is a wholly-owned subsidiary of Talcott Re Holdings, Ltd. ("TRH"). The Company's ultimate parent is Talcott Financial Group, Ltd. ("TFG"), a leading provider of comprehensive risk solutions for the insurance industry. TLR was incorporated on August 23, 2021 and registered as a Bermuda Class E insurer effective November 24, 2021.

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.

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");

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.

Significant Accounting Policies

The Company's significant accounting policies are as follows:

Investments

Fixed Maturities

Fixed maturities consist of debt securities including bonds and structured securities. Structured securities include asset-backed securities ("ABS"), 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 income or loss ("AOCI").

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 \$280 and \$— 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.

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

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

Funds Withheld at Interest and Funds Withheld Liability

Funds withheld at interest (“funds withheld”) represents a receivable for investments that are contractually withheld by a ceding company under a coinsurance with funds withheld or modified coinsurance arrangement in which we are the assuming reinsurer. Typically, assets legally owned by the ceding company with a U.S. statutory book value equal to U.S. statutory reserves are withheld and any excess or shortfall is settled on a periodic basis. All of the economics of the assets inure to the benefit of the assuming reinsurer.

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 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.

Impairment of Investments and ACL

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, 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, which are recognized when earned;
- A portion of the change in funds withheld, measured as the risk-free return on the host contract.
- A reduction for investment expenses,

Investment Related Gains (Losses)

The components of investment related gains (losses) include:

- Realized gains and losses on the sale of investments, determined on a specific identification basis;

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

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

- Fair value changes in derivative contracts (including the embedded derivative within the funds withheld) that do not qualify, or are not designated, as a hedge for accounting purposes;
- Impairments and changes in the ACL on AFS debt securities

Derivative Instruments

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).

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. 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). 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").

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.

Deferred Acquisition Costs and Other Balances

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.

Amortization of Deferred Acquisition Costs and Other Balances

The Company amortizes DAC and other balances (e.g., adjustments associated with FIA MRBs) through net income on a constant-level basis over the expected duration for a group of contracts (i.e., cohorts), using the same cohorts used in estimating 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 DAC balance initially established.

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

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

Refer to Note 7 - Deferred Acquisition Costs for further information.

Refer to Note 8 - Reserve for Future Policy Benefits for additional information regarding the assumptions for the Liability for Future Policy Benefits ("LFPB") 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.

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") and deferred profit liability ("DPL") related to life-contingent payout annuities.

Liability for Future Policy Benefits

The LFPB includes reserves for life-contingent contract annuitizations, including structured settlements and terminal funding agreements.

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 reported as benefits and losses. However, actuarial 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).

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

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

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

updates in cash flow assumptions are reported as a separate remeasurement loss (gain) within benefits and losses in the statements of operations.

Refer to Note 8 - 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”) and other balances. 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 such as fixed indexed annuities (“FIA”). 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 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.

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 9. Other Policyholder Funds and Benefits Payable and Note 5. Fair Value Measurements for additional information.

Market Risk Benefits

The Company assumes via reinsurance certain guarantees and product features on 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 lifetime withdrawal benefit (“GLWB”) 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 consolidated 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 contractholder, 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.

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.

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

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

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.

Refer to Note 10 - Market Risk Benefits for additional information.

Revenue Recognition

For investment type contracts, amounts collected from policyholders are considered deposits and are not included in revenue. Policy charges and fee income for FIA 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.

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.

Recently Issued Accounting Standards

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, 2025, with early adoption permitted. The Company is currently evaluating the impact of this guidance on the financial statements.

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

2. Adoption of Long-Duration Targeted Improvements

Targeted Improvements to the Accounting for Long Duration Contracts

The Financial Accounting Standards Board (“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 August 23, 2021, the date of incorporation. 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 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			
Market risk benefits	—	15	15
Deferred acquisition costs and value of business acquired	643	(504)	139
Total assets	10,734	(489)	10,245
Liabilities			
Other policyholder funds and benefits payable	11,061	(818)	10,243
Market risk benefits	—	503	503
Other liabilities	162	1	163
Total liabilities	11,225	(314)	10,911
Stockholder's equity			
Accumulated other comprehensive income (loss), net of tax	(24)	81	57
Retained earnings (deficit)	(1,673)	(256)	(1,929)
Total stockholder's equity	(491)	(175)	(666)
Total liabilities and stockholder's equity	10,734	(489)	10,245

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

	Reported	Adoption	Adjusted
Revenues			
Investment related losses, net	(2,211)	(117)	(2,328)
Total revenues	(1,823)	(117)	(1,940)
Benefits, losses, and expenses			
Benefits and losses	(295)	550	255
Change in market risk benefits	—	(346)	(346)
Amortization of deferred acquisition costs	74	(65)	9
Total benefits, losses, and expenses	(158)	139	(19)
Loss before income taxes	(1,665)	(256)	(1,921)
Net loss	(1,665)	(256)	(1,921)

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

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 comprehensive loss for the year ended December 31, 2022:

	Reported	Adoption	Adjusted
Net loss	(1,665)	(256)	(1,921)
Other comprehensive income (loss):			
Gain related to credit risk for market risk benefits	—	81	81
Other comprehensive income (loss)	(24)	81	57
Comprehensive loss	(1,689)	(175)	(1,864)

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

	Reported	Adoption	Adjusted
Net loss	\$ (1,665)	\$ (256)	\$ (1,921)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Investment related losses (gains)	2,211	117	2,328
Amortization of deferred acquisition costs	74	(65)	9
Other non-cash income adjustments related to funds withheld and modified coinsurance agreements:			
Benefits and losses	(295)	550	255
Change in market risk benefits	—	(346)	(346)
Net cash provided by operating activities	\$ 37	\$ —	\$ 37

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

3. Investments

Fixed Maturities, Available-for-Sale

The following table presents the balances of fixed maturities, AFS, by major security type:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As of December 31, 2023				
Fixed maturities, available-for-sale				
Corporate bonds	\$ 125	\$ 4	\$ (2)	\$ 127
Foreign government and agencies	1	—	—	1
Total fixed maturities, available-for-sale	\$ 126	\$ 4	\$ (2)	\$ 128
As of December 31, 2022				
Fixed maturities, available-for-sale				
Asset-backed securities	\$ 67	\$ —	\$ (1)	\$ 66
Commercial mortgage-backed securities	52	—	(3)	49
Corporate bonds	417	3	(22)	398
Foreign government and agencies	1	—	—	1
Residential mortgage-backed securities	10	—	(1)	9
Total fixed maturities, available-for-sale	\$ 547	\$ 3	\$ (27)	\$ 523

The following table presents the balances of fixed maturities, AFS, 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	\$ —	\$ —	\$ —	\$ —
Over one year through five years	—	—	24	23
Over five years through ten years	3	3	31	31
Over ten years	123	125	363	345
Structured securities	—	—	129	124
Total	\$ 126	\$ 128	\$ 547	\$ 523

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).

The following tables present the Company's unrealized loss aging for fixed maturities AFS, 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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial mortgage-backed securities	—	—	—	—	—	—
Corporate bonds	40	(2)	8	—	48	(2)
Foreign government and agencies	1	—	—	—	1	—
Residential mortgage-backed securities	—	—	—	—	—	—
Total fixed maturities, available-for-sale	\$ 41	\$ (2)	\$ 8	\$ —	\$ 49	\$ (2)

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

3. Investments (continued)

	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, 2022						
Fixed maturities, available-for-sale						
Asset-backed securities	\$ 67	\$ (1)	\$ —	\$ —	\$ 67	\$ (1)
Commercial mortgage-backed securities	49	(3)	—	—	49	(3)
Corporate bonds	291	(22)	—	—	291	(22)
Residential mortgage-backed securities	9	(1)	—	—	9	(1)
Total fixed maturities, available-for-sale	\$ 416	\$ (27)	\$ —	\$ —	\$ 416	\$ (27)

As of December 31, 2023, fixed maturities, AFS in an unrealized loss position consisted of 29 instruments, and were primarily depressed due to increasing interest rates and/or widening credit spreads since the purchase. As of December 31, 2023, 100% of these fixed maturities were depressed less than 20% of cost or amortized cost. The decrease in unrealized losses for the year ended December 31, 2023 is primarily driven by disposition of assets in loss positions to fund settlements and all incoming funds were redeployed in short term or higher yielding assets. .

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 fixed maturities, AFS 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 fixed maturities, AFS were \$475 and \$494 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.

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.

No ACL was recorded as of and for the years ended December 31, 2023 and 2022.

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

3. Investments (continued)

Net Investment Income

Net investment income by asset class consists of the following:

	Year Ended December 31,	
	2023	2022
Fixed maturities	\$ 15	\$ 11
Funds withheld at interest ^[1]	438	326
Short-term investments	21	2
Investment expense	(14)	(10)
Total net investment income	\$ 460	\$ 329

^[1] Represents accretion using a risk-free rate on the book value of the investment portfolios of funds withheld arrangements.

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	\$ 2	\$ —
Gross losses on sales	(13)	(15)
Net realized investment related losses on available-for-sale debt securities	(11)	(15)
Embedded derivatives ^[1]	331	(1,988)
Fixed indexed annuities hedge program	—	(332)
Other, net	—	7
Investment related losses	\$ 320	\$ (2,328)

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

Accrued Interest Receivable

Accrued interest receivable on fixed maturities, AFS recorded in other assets on the balance sheets, were \$2 and \$7 as of December 31, 2023 and 2022, respectively.

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

3. Investments (continued)

Funds Withheld at Interest

The following presents the underlying investment composition of the Company's funds withheld at interest:

	As of December 31,			
	2023		2022	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
Fixed maturities				
Asset-backed securities	\$ 1,514	16.9 %	\$ 156	1.7 %
Commercial mortgage-backed securities	108	1.2 %	21	0.2 %
Corporate bonds:				
Foreign	199	2.2 %	62	0.7 %
U.S.	4,862	54.5 %	4,887	52.4 %
Foreign government and agencies	343	3.8 %	214	2.3 %
Municipal bonds	528	5.9 %	670	7.2 %
U.S. Treasury bonds	61	0.7 %	124	1.3 %
Total fixed maturities	7,615	85.2 %	6,134	65.8 %
Equity securities	45	0.5 %	33	0.4 %
Mortgage loans	678	7.6 %	1,596	17.2 %
Option value	194	2.2 %	100	1.1 %
Cash and cash equivalents	431	4.8 %	1,382	14.9 %
Other, net	(26)	(0.3)%	59	0.6 %
Total funds withheld at interest	\$ 8,937	100.0 %	\$ 9,304	100.0 %

Approximately 99.8% and 98.6% of the fixed maturity securities within the funds withheld at interest are investment grade by the National Association of Insurance Commissioners ("NAIC") designation as of December 31, 2023 and 2022, respectively.

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. As of December 31, 2023, the Company does not have any significant credit concentrations, other than the U.S. government and certain U.S. government securities.

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

4. Derivatives

Fixed Indexed Annuities Embedded Derivative

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.

Funds Withheld at Interest

The funds withheld at interest is recorded as the total of the host contract, which we have assessed as the book value of assets, and the embedded derivative, which we have assessed as the net unrealized gain (loss) on the underlying assets. Receivables for investments, net of any payables and receivables, contractually withheld by a ceding company were \$8.9 billion and \$9.3 billion, as of December 31, 2023 and 2022, respectively. The Company records funds withheld at interest equal to the fair value of the underlying assets.

The table below provides a summary of the gross fair value of embedded derivatives by the primary underlying risks they are utilized to manage:

	Notional Amount	Fair Value		
		Net	Assets	Liabilities
As of December 31, 2023				
Funds withheld at interest ^[1]	\$ —	\$ (1,405)	\$ (1,405)	\$ —
Fixed indexed annuities ^{[1][2]}	—	(621)	—	621
Total	—	(2,026)	(1,405)	621
As of December 31, 2022				
Funds withheld at interest ^[1]	\$ —	\$ (2,069)	\$ (2,069)	\$ —
Fixed indexed annuities ^{[1][2]}	—	(632)	—	632
Total	—	(2,701)	(2,069)	632

^[1] For certain assumed 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.

^[2] These derivatives are not held for risk management purposes. Liabilities are recorded in other policyholder funds and benefits payable..

Non-Qualifying Derivatives

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

	Year Ended December 31,	
	2023	2022
Funds withheld	\$ 321	\$ (2,553)
Fixed indexed annuities	10	565
Total	\$ 331	\$ (1,988)

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

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.

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:

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

5. Fair Value Measurements (continued)

	Total	Level 1	Level 2	Level 3
As of December 31, 2023				
Assets				
Fixed maturities				
Corporate bonds	\$ 127	\$ —	\$ 127	\$ —
Foreign government and agencies	1	—	1	—
Total fixed maturities, available-for-sale	128	—	128	—
Funds withheld at interest				
Funds withheld embedded derivative	(1,405)	—	—	(1,405)
Fixed indexed annuities hedge program	194	—	—	194
Total funds withheld at interest	(1,211)	—	—	(1,211)
Short-term investments	533	280	—	253
Market risk benefits	6	—	—	6
Total assets	\$ (544)	\$ 280	\$ 128	\$ (952)
Liabilities				
Other policyholder funds and benefits payable				
Fixed indexed annuities embedded derivatives	\$ 621	\$ —	\$ —	\$ 621
Market risk benefits	596	—	—	596
Total liabilities	\$ 1,217	\$ —	\$ —	\$ 1,217
As of December 31, 2022				
Assets				
Fixed maturities				
Asset-backed securities	\$ 66	\$ —	\$ 66	\$ —
Commercial mortgage-backed securities	49	—	49	—
Corporate bonds	398	—	398	—
Foreign government and agencies	1	—	1	—
Residential mortgage-backed securities	9	—	9	—
Total fixed maturities, available-for-sale	523	—	523	—
Funds withheld at interest				
Funds withheld embedded derivative	(2,069)	—	—	(2,069)
Fixed indexed annuities hedge program	100	—	—	100
Total funds withheld at interest	(1,969)	—	—	(1,969)
Short-term investments	185	—	57	128
Market risk benefits	15	—	—	15
Total assets	\$ (1,246)	\$ —	\$ 580	\$ (1,826)
Liabilities				
Other policyholder funds and benefits payable				
Fixed indexed annuities embedded derivatives	\$ 632	\$ —	\$ —	\$ 632
Market risk benefits	503	—	—	503
Total liabilities	\$ 1,135	\$ —	\$ —	\$ 1,135

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

5. Fair Value Measurements *(continued)*

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 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.

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.

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

5. Fair Value Measurements (continued)

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.

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.

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

5. Fair Value Measurements (continued)

The following summarizes the significant unobservable inputs for level 3 FIA embedded derivatives:

Significant Unobservable Inputs for Level 3 FIA Embedded Derivative

As of December 31, 2023				
	Unobservable Inputs (Minimum)	Unobservable Inputs (Maximum)	Weighted Average ^[1]	Impact of Increase in Input on Fair Value Liability ^[2]
Withdrawal rates ^[3]	0.8%	1.9%	1.3%	Decrease
Lapse rates ^[4]	1.0%	30.0%	5.2%	Decrease
Option budgets ^[5]	0.4%	3.6%	1.4%	Increase
Credit standing adjustment ^[6]	0.6%	2.5%	1.7%	Decrease
As of December 31, 2022				
	Unobservable Inputs (Minimum)	Unobservable Inputs (Maximum)	Weighted Average ^[1]	Impact of Increase in Input on Fair Value Liability ^[2]
Withdrawal rates ^[3]	0.5%	2.2%	1.7%	Decrease
Lapse rates ^[4]	1.0%	25%	3.7%	Decrease
Option budgets ^[5]	0.5%	3.6%	1.5%	Increase
Credit standing adjustment ^[6]	0.4%	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] Range represents assumed annual percentage of allowable amount withdrawn.

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

^[5] Range represents assumed annual budget for index options.

^[6] 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.

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

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. 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.

	Beginning Balance	Total Realized and Unrealized Gains (Losses) in Net Income (Loss)	Net Purchases, Sales, and Settlements	Net Transfers	Ending Balance
Year Ended December 31, 2023					
Embedded derivatives ^[1]:					
Funds withheld	\$ (2,069)	\$ 664	\$ —	\$ —	(1,405)
Fixed indexed annuities	(632)	10	(41)	42	(621)
Short-term investments	128	—	125	—	253
Fixed indexed annuities hedge program	100	—	94	—	194
Year Ended December 31, 2022					
Embedded derivatives ^[1]:					
Funds withheld	\$ —	\$ (2,074)	\$ —	\$ 5	(2,069)
Fixed indexed annuities	(1,197)	565	(26)	26	(632)
Short-term investments	—	—	128	—	128
Fixed indexed annuities hedge program	307	(332)	125	—	100

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

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 Gains (Losses), Net	Net Income (Loss)
Year Ended December 31, 2023			
Embedded derivatives:			
Funds withheld	\$ —	\$ 664	664
Fixed indexed annuities	—	10	10
Fixed indexed annuities hedge program	—	—	—
Year Ended December 31, 2022			
Embedded derivatives:			
Funds withheld	\$ —	\$ (2,074)	(2,074)
Fixed indexed annuities	—	565	565
Fixed indexed annuities hedge program	—	(332)	(332)

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

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							
Embedded derivatives:							
Fixed indexed annuities	\$ —	\$ (41)	\$ —	\$ (41)	\$ —	\$ 42	\$ 42
Short-term investments	283	(158)	—	125	—	—	—
Fixed indexed annuities hedge program	162	(68)	—	94	—	—	—
Year Ended December 31, 2022							
Embedded derivatives:							
Funds withheld	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5	\$ 5
Fixed indexed annuities	—	(26)	—	(26)	—	26	26
Short-term investments	153	(25)	—	128	—	—	—
Fixed indexed annuities hedge program	173	(48)	—	125	—	—	—

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):

	Year Ended December 31,	
	2023	2022
Fixed indexed annuities hedge program	94	(207)

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

	Fair Value Hierarchy Level	As of December 31,			
		2023		2022	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets					
Funds withheld at interest ^[1]	Level 2	\$ 10,148	\$ 10,148	\$ 11,274	\$ 11,274

^[1] Represents the host contract which is equal to the book value of the value of the underlying investments that support the funds withheld account.

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

6. Reinsurance

On December 30, 2021, the Company entered into reinsurance agreements with Allianz Life Insurance Company of North America ("Allianz") and Resolution Re, Ltd. ("Resolution Re") to assume approximately \$12 billion of reserves from Resolution Re on a modified coinsurance basis. Certain of the FIA contracts included living withdrawal benefits. The Company paid \$864 to Allianz upon closing, primarily relating to a ceding commission of \$864. 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. In 2023, Resolution Re was novated from the reinsurance agreement with the Company, therefore, TLR will assume the underlying business directly from Allianz. In addition, the basis of reinsurance was changed from a modified coinsurance arrangement to a funds withheld arrangement. This change in the reinsurance arrangement did not have any impact on the Company's financial results.

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

Liabilities assumed ^[1]	\$	12,172
Net ceding commission paid		864
Less: assets received		(12,888)
Net loss on reinsurance	\$	148

^[1] Includes certain adjustments to FIA MRBs of approximately \$0.9 billion

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

7. Deferred Acquisition Costs and Other Balances

The following presents a rollforward of DAC, 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:

	Deferred Acquisition		
	Costs		Other Balances ^[1]
Balance as of January 1, 2022	\$	148	\$ 915
Amortization		(9)	(58)
Balance as of December 31, 2022		139	857
Amortization		(9)	(58)
Balance as of December 31, 2023	\$	130	\$ 799

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

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

8. Reserve for Future Policy Benefits

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

	As of December 31,	
	2023	2022
Life-contingent payout annuities ^[1]	\$ 2	\$ 2
Deferred profit liability	1	—
Reserve for future policy benefits	\$ 3	\$ 2

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

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.

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

9. 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]	\$ 10,396	\$ 11,440
Other reserves ^[2]	(1,036)	(1,197)
Other policyholder funds and benefits payable	\$ 9,360	\$ 10,243

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

^[2] Includes the following items which are excluded from the subsequent tables:

- the FIA embedded derivative and unaccreted host contract adjustments;
- adjustments associated FIA MRBs.

Refer to Note 5 - Fair Value Measurements for rollforwards of the embedded derivatives and Note 7 - Deferred Acquisition Costs for a rollforward of adjustments associated with FIA MRBs.

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

	Fixed Indexed Annuities	Non-Life Contingent Payout Annuities	Total
Balance as of January 1, 2023	\$ 11,400	\$ 40	\$ 11,440
Deposits	—	30	30
Policy charges	(44)	—	(44)
Surrenders and other benefits	(1,092)	(12)	(1,104)
Interest credited	85	—	85
Other	(11)	—	(11)
Balance as of December 31, 2023	\$ 10,338	\$ 58	\$ 10,396
Balance as of January 1, 2022	\$ 11,982	\$ 8	\$ 11,990
Deposits	21	39	60
Policy charges	(48)	—	(48)
Surrenders and other benefits	(617)	(7)	(624)
Interest credited	59	—	59
Other	3	—	3
Balance as of December 31, 2022	\$ 11,400	\$ 40	\$ 11,440

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

9. Other Policyholder Funds and Benefits Payable (continued)

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

	Fixed Indexed Annuities	Non-Life Contingent Payout Annuities	Total
As of December 31, 2023			
Weighted-average crediting rate	0.8 %	0.7 %	0.8 %
Net amount at risk ^[1]	\$ —	\$ —	\$ —
Cash surrender value ^[2]	9,964	—	9,964

	Fixed Indexed Annuities	Non-Life Contingent Payout Annuities	Total
As of December 31, 2022			
Weighted-average crediting rate	0.5 %	0.9 %	0.5 %
Net amount at risk ^[1]	\$ —	\$ —	\$ —
Cash surrender value ^[2]	10,885	—	10,885

^[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 10 - Market Risk Benefits.

^[2] CSV represents the amount of the contractholder’s account balance distributable at the balance sheet date, less certain surrender charges

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						
Fixed Indexed Annuities	Less than 2.0%	—	2	477	525	1,004
	2.0% - 4.0%	—	—	—	—	—
	Greater than 4.0%	—	—	—	—	—
	Total	—	2	477	525	1,004
As of December 31, 2022						
Fixed Indexed Annuities	Less than 2.0%	—	4	351	375	730
	2.0% - 4.0%	—	—	—	—	—
	Greater than 4.0%	—	—	—	—	—
	Total	—	4	351	375	730

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

10. Market Risk Benefits

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

	As of December 31,	
	2023	2022
Asset position	\$ 6	\$ 15
Liability position	596	503
Net liability	\$ 590	\$ 488

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

	Year Ended	
	December 31, 2023	December 31, 2022
Balance at beginning of year	\$ 488	\$ 915
Balance at beginning of year, before effect of changes in the instrument-specific credit risk	569	915
Issuances	—	—
Interest accrual	33	16
Attributed fees collected	29	32
Benefit payments	(3)	(4)
Effect of changes in interest rates	(25)	(391)
Effect of changes in equity markets	(1)	(32)
Effect of changes in equity index volatility	1	(3)
Actual policyholder behavior different from expected behavior	16	42
Effect of changes in future expected policyholder behavior	(41)	—
Effect of changes in other future expected assumptions	(9)	(6)
Balance at end of year, before effect of changes in the instrument-specific credit risk	569	569
Cumulative effect of changes in the instrument-specific credit risk	21	(81)
Balance at end of year	\$ 590	\$ 488

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

	As of December 31,	
	2023	2022
Net amount at risk ^[1]	\$ 28	\$ 15
Weighted average attained age of contract holders (in years)	69.1	68.3

^[1] NAR is generally defined as the current guarantee amount in excess of the current account balance at the balance sheet date. For products with multiple guarantees, only the benefit with the highest NAR is presented for the contract. The FIA NAR represents the withdrawal portion of the contract.

The Company's MRBs primarily relate to FIA contracts with GLWB features. As described in Note 1 - Basis of Presentation and Significant Accounting Policies, MRBs 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 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

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

10. Market Risk Benefits (continued)

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.

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.

Fixed Indexed Annuities

FIA contracts the Company assumes represents 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 market indices, such as the S&P 500. FIAs generally protect the contract owner against loss of principal and may include GLWBs 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:

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					
Fixed indexed annuities:					
\$ 590	Discounted cash flows	Withdrawal utilization ^[2]	—% to 42.4%	2.7%	Increase
		Withdrawal rates ^[3]	2.3% to 8.3%	4.5%	Increase
		Lapse rates ^[4]	—% to 30.0%	5.2%	Decrease
		Market volatility ^[5]	4.9% to 25.6%	10.5%	Increase
		Nonperformance risk ^[6]	0.6% to 2.5%	1.7%	Increase
		Mortality rate ^[7]	—% to 25.8%	1.3%	Decrease
		Option budgets ^[8]	0.4% to 3.6%	1.4%	Increase
As of December 31, 2022					
Fixed indexed annuities:					
\$ 488	Discounted cash flows	Withdrawal utilization ^[2]	—% to 29.1%	3.5%	Increase
		Withdrawal rates ^[3]	—% to 20.0%	5.6%	Increase
		Lapse rates ^[4]	0.5% to 25.0%	2.9%	Decrease
		Market volatility ^[5]	4.5% to 23.6%	9.5%	Increase
		Nonperformance risk ^[6]	0.4% to 3.2%	2.4%	Increase
		Mortality rate ^[7]	—% to 12.6%	1.5%	Decrease
		Option budgets ^[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, adjusted for market recoverability.

^[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.

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

11. Income Taxes

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. TFG expects to be an in scope MNE Group and as such TLR will be subject to the 15% CIT beginning January 1, 2025. As a result of the enactment of the CIT in 2023, the Company recorded a deferred tax benefit of \$230 related to the establishment of an opening tax loss carryforward.

TLR is resident in the United Kingdom (“U.K.”) for U.K. tax purposes and is subject to U.K. corporation tax due to being centrally managed and controlled in the U.K. TLR is not, however, expected to be liable for material U.K. corporation tax because most of its income is attributable to its permanent establishment in Bermuda and exempt from U.K. corporation tax in accordance with a foreign branch exemption election (18A Corporation Tax Act 2009).

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 23.5% have been used for Bermuda and the U.K., respectively, for the year ended December 31, 2023. Statutory tax rates of 0% and 19% have been used for Bermuda and the U.K., respectively, for the year ended December 31, 2022.

Income tax expense (benefit) consists of the following:

	Year Ended December 31,	
	2023	2022
Current income taxes	\$ —	\$ —
Deferred income taxes	(230)	—
Total Income tax expense (benefit)	\$ (230)	\$ —

The deferred income tax expense recorded for 2023 is due solely to the establishment of the opening Bermuda CIT net operating loss carryforward (“NOL”) of \$1.6 billion.

The difference between the expected tax provision at the weighted average tax rate and income tax expense is attributable to the establishment of the opening Bermuda CIT NOL.

Deferred tax represents the tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities, and carryforwards. As of December 31, 2023 and 2022, the net deferred tax asset consisted entirely of the expected tax benefit related to the establishment of Bermuda NOLs of \$230 and \$0, respectively due to the enactment of the Bermuda CIT in 2023.

Bermuda NOL

The Bermuda NOL was recorded due to the 2023 enactment of the CIT and reflects the estimated carryforward of \$1.6 billion as of January 1, 2025 (the effective date of the CIT). The Bermuda NOL utilization in any carryforward year is limited to 80% of taxable income in that year and the NOL has no expiration date.

Given the Company's expected future earnings, the Company believes sufficient Bermuda taxable income will be generated in the future to utilize its Bermuda 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.

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

12. 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 may be 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. The Company is not involved in any litigation as of December 31, 2023 and through the date the financial statements were issued.

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

13. Related Party Transactions

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

- ***Investment Management Service & Other Agreements***

- As of December 31, 2023, 16% (\$1,490) of the Company's general account assets (including those in a funds withheld receivable account on a ceding company's balance sheet) are managed by Sixth Street. The Company recorded expenses related to these arrangements of \$2 for the year ended December 31, 2023.
- As of December 31, 2023, amounts payable under the above agreement was \$2.

- ***Investments***

For the year ended December 31, 2023 the Company entered into certain investments that are issued and controlled by Sixth Street affiliates, with a total value as of December 31, 2023 of \$69.

During 2022, the Company entered into Intercompany Liquidity Agreements with various affiliates, permitting the Company to borrow up to \$1.2 billion and lend up to \$500. The Company has not entered into any new intercompany liquidity agreements during 2023.

As of December 31, 2023, the Company had loans to affiliates outstanding of \$253 with maturity of less than one year, classified as short-term investments on the Company's Balance Sheets.

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

14. Statutory Results

Bermuda

The Company 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. 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 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 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, the Company 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:

	For the Year Ended December 31, 2023	
Change to capital and surplus due to permitted practice	\$	1,403
Change to statutory net income due to permitted practice	\$	(664)

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 the Company's eligible capital used to meet the ECR was Tier 1 Capital.

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 the Company 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.

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

14. Statutory Results (continued)

The following table shows the Company's estimated SFS and EBS capital and surplus and net loss:

	Year Ended December 31,			
	2023		2022	
	SFS	EBS	SFS	EBS
Capital and surplus	\$ 1,177	\$ 596	\$ 1,108	\$ 676
Net loss	\$ (148)	N/A	\$ (90)	N/A

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

Dividends

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. As of December 31, 2023 and 2022, the maximum distribution the Company was permitted to pay without prior approval of the BMA was \$181 and \$181, respectively.

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

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

15. Accumulated Other Comprehensive Income

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	\$ (24)	\$ —
Other comprehensive income (loss), net of tax before reclassifications	15	(39)
Reclassification adjustments ^[1]	11	15
Other comprehensive income (loss), net of tax	26	(24)
Ending balance	2	(24)
Gain (loss) related to credit risk for market risk benefits:		
Beginning balance	81	\$ —
Other comprehensive income (loss), net of tax before reclassifications	(102)	81
Other comprehensive income (loss), net of tax	(102)	81
Ending balance	(21)	81
Accumulated other comprehensive loss:		
Beginning balance	57	—
Other comprehensive income (loss), net of tax before reclassifications	(87)	42
Reclassification adjustments ^[1]	11	15
Other comprehensive income (loss), net of tax	\$ (76)	\$ 57
Ending balance	\$ (19)	\$ 57

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

TALCOTT LIFE RE, LTD.

Notes to Annual Financial Statements (continued)

16. Subsequent Events

The Company has evaluated subsequent events through April 29, 2024, the date the financial statements were issued. On January 24th, 2024, the Company distributed \$100 to its parent company Talcott Re Holdings ("TRH").