Financial Statements

F&G Life Re Ltd.
Years Ended December 31, 2023 and 2022
With Report of Independent Auditors

F&G Life Re Ltd

Financial Statements

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Report of Independent Auditors

The Board of Directors
F&G Life Re Ltd

Opinion

We have audited the financial statements of F&G Life Re Ltd (the Company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income (loss), comprehensive income (loss), changes in shareholder's equity (deficit) and cash flows for the years then ended, and the related notes (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 at 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 of material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

Building a better working world

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.

Ernst & Young Ltd.

Hamilton, Bermuda
April 25, 2024

F&G Life Re Ltd

Balance Sheets

(Expressed in USD Thousands)

	December 31, 2023	December 31, 2022
ASSETS		
Cash and Cash Equivalents	22,082	23,083
Investments		
Available for Sale Securities, at fair value (Allowance for credit losses: 2023: $0, 2022: $0)	20,948	22,333
Investments in Limited Partnerships	66,323	52,056
Total Investments	**87,271**	**74,389**
Property, Plant, and Equipment	18	24
Funds Withheld for Reinsurance Assumed (Allowance for credit losses: 2023: ($602), 2022: ($1,015))	4,428,606	6,781,291
Reinsurance Recoverable	—	2,063,598
Accounts Receivable from Affiliate	832	—
Embedded Derivative Receivable from Affiliate	—	423,370
Deferred Cost of Reinsurance	168,761	178,262
Accrued Investment Income	117	140
Deferred Tax Asset	52,704	77,814
Total Assets	**4,760,391**	**9,621,971**
LIABILITIES		
Contractholder Funds	4,122,103	4,588,126
Funds Withheld from Reinsurers	—	2,189,321
Future Policy Benefits	—	1,891,716
Embedded Derivative Payable to Affiliate	603,652	997,051
Deferred Reinsurance Revenue	—	88,445
Other Liabilities	15,550	4,729
Income Taxes Payable	7,908	883
Total Liabilities	**4,749,213**	**9,760,271**
SHAREHOLDER’S EQUITY (DEFICIT)		
Common Shares	250	250
Additional Paid in Capital	112,682	112,682
Retained Earnings (Deficit)	(94,283)	(244,842)
Accumulated Other Comprehensive Income (Loss)	(7,471)	(6,390)
Total Shareholder's Equity (Deficit)	**11,178**	**(138,300)**
Total Liabilities and Shareholder's Equity	**4,760,391**	**9,621,971**

See accompanying notes.

F&G Life Re Ltd

Statements of Income (Loss)

(Expressed in USD Thousands)

	December 31, 2023	December 31, 2022
REVENUE		
Premiums	(1,818,577)	1,891,716
Insurance, Investment Product Fees, and Other	(24,165)	(2,281)
Net Investment Income (Loss)	232,057	145,587
Net Investment Gain (Loss)	(29,082)	(684,253)
Total Revenue	(1,639,767)	1,350,769
EXPENSES		
Operating Expenses	(18,596)	(10,490)
Benefits and Other Changes in Policy Reserves	1,848,944	(1,768,904)
Total Benefits and Expenses	1,830,348	(1,779,394)
Net Income (Loss) before Income Taxes	190,581	(428,625)
Income Tax Benefit (Expense)	(40,022)	90,011
Net Income (Loss)	150,559	(338,614)

See accompanying notes.

F&G Life Re Ltd
Statements of Comprehensive Income (Loss)
(Expressed in USD Thousands)

	December 31, 2023	December 31, 2022
Net Income (Loss)	150,559	(338,614)
Other Comprehensive Income:		
Net Unrealized Gains (Losses) on Available for Sale Securities - Net of Tax	(1,081)	(6,060)
Total Comprehensive Income (Loss)	149,478	(344,674)

See accompanying notes.

F&G Life Re Ltd

Statements of Changes in Shareholder’s Equity (Deficit)

(Expressed in USD Thousands)

	Common Stock	Additional Paid-in-Capital (APIC)	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (AOCI)	Total Shareholder's Equity (Deficit)
Balance, December 31, 2021	250	112,682	93,772	(330)	206,374
Unrealized Gains (Losses) on Available for Sale Securities - Net of Tax	—	—	—	(5,973)	(5,973)
Tax on Unrealized Gains (Losses) on Available for Sale Securities	—	—	—	1,255	1,255
Valuation Allowance for Deferred Tax Assets	—		—	(1,342)	(1,342)
Net Income (Loss)	—	—	(338,614)	—	(338,614)
Balance, December 31, 2022	250	112,682	(244,842)	(6,390)	(138,300)
Unrealized Gains (Losses) on Available for Sale Securities	—	—	—	(1,081)	(1,081)
Tax on Unrealized Gains (Losses) on Available for Sale Securities	—	—	—	227	227
Valuation Allowance for Deferred Tax Assets	—	—	—	(227)	(227)
Net Income (Loss)	—	—	150,559	—	150,559
Balance, December 31, 2023	250	112,682	(94,283)	(7,471)	11,178

See accompanying notes.

F&G Life Re Ltd

Statements of Cash Flows

(Expressed in USD Thousands)

	December 31, 2023	December 31, 2022
Cash Flows from Operating Activities		
Net Income (Loss)	150,559	(338,614)
Adjustments to Reconcile Net Income (Loss) to Net Cash (Used) Provided in Operating Activities:		
Change in Value of Investments	(14,630)	(2,634)
Changes in Operating Assets and Liabilities:		
Funds Withheld Assets for Reinsurance Assumed	2,352,685	(1,326,649)
Deferred Cost of Reinsurance	9,501	(30,915)
Reinsurance Recoverable	2,063,598	308,593
Deferred Tax Assets	25,110	(77,814)
Deferred Tax Liabilities	—	(13,115)
Embedded Derivative Receivable from Affiliate	423,370	(367,457)
Funds Withheld from Reinsurers	(2,189,321)	(273,352)
Contractholder Funds	(466,023)	(683,410)
Future Policy Benefits	(1,891,716)	1,891,716
Deferred Reinsurance Revenue	(88,445)	15,339
Accrued Investment Income	23	(35)
Embedded Derivative Payable to Affiliate	(393,399)	892,884
Other Liabilities	10,821	1,396
Income Taxes Payable	7,025	(1,340)
Accounts Receivable from Affiliated Companies	(832)	(70)
Cash Flows Used in Operating Activities	(1,674)	(5,477)
Cash Flows from Investing Activities		
Sales of Available for Sale Securities	—	384
Additions to property and equipment	—	(10)
Return of Capital from Investments in Limited Partnerships	702	—
Additional Investments and Contributions in Limited Partnerships	(29)	—
Cash Flows Provided in Investing Activities	673	374
Net Decrease in Cash and Cash Equivalents	(1,001)	(5,103)
Cash and Cash Equivalents at Beginning of Year	23,083	28,186
Cash and Cash Equivalents at End of Year	22,082	23,083

See accompanying notes.

1. General

F&G Life Re Ltd (the "Company" or "F&G Life Re"), a Bermuda exempted company, is a wholly owned subsidiary of Fidelity & Guaranty Life Insurance Company ("FGLIC"), which is ultimately owned by F&G Annuities & Life, Inc. ("FGAL"). FGAL is a subsidiary of Fidelity National Financial, Inc. ("FNF") a Delaware corporation listed on the NYSE. FGLIC became the direct parent of the Company on December 17, 2020 (prior to this date, the Company's direct parent was CF Bermuda Holdings Limited). FNF became the ultimate parent of the Company on June 1, 2020. F&G Life Re provides reinsurance solutions covering fixed indexed annuities ("FIA") issued in the United States. On December 1, 2022, FNF distributed, on a pro rata basis, approximately 15% of the common stock of FGAL to FNF shareholders and FGAL commenced trading on the New York Stock Exchange under symbol FG. FNF retained control of FGAL through ownership of approximately 85% of FGAL's common stock.

F&G Life Re is registered as a Class E (re)insurer (prior to May 2021, the Company was Class C) under the Insurance Act 1978 of Bermuda and was incorporated on August 24, 2017.

As of December 31, 2023, a financial strength rating of "A-"(Strong), was issued to the Company by Standards & Poor (S&P) (2022: A-). Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. Financial strength ratings represent the opinions of rating agencies regarding the financial ability of an insurer or reinsurer to meet its obligations under an insurance policy or reinsurance arrangement and generally involve quantitative and qualitative evaluations by ratings agencies of a company's financial condition and performance.

2. Significant Accounting Policies

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The areas within the Company's financial statements that involve a significant amount of estimation and judgment include the following:

- Funds withheld for reinsurance assumed
- Contractholder Funds
- Allowance for current expected credit loss

The following are the significant accounting policies and practices adopted by the Company:

Investments

In the normal course of business, the Company enters into transactions involving various types of investments. Investments consist of fixed maturity securities, as well as equity investments in limited partnerships. Investments are recorded on a trade-date basis.

2. Significant Accounting Policies (continued)

Investments (continued)

Available-for-Sale Securities at Fair Value

The Company primarily accounts for its fixed maturity securities, as available-for-sale (AFS). AFS fixed maturity securities are carried at fair value, net of allowance for expected credit losses, with unrealized gains and losses, net of tax, reported in accumulated other comprehensive income (loss) in the balance sheet. Realized investment gains and losses are recognized on a first-in first-out basis and are reported in net investment gains (losses) in the statements of income (loss). The amortized cost of fixed maturity securities is adjusted for allowances for credit loss, amortization of premiums and accretion of discounts. AFS fixed maturity securities are subject to an allowance for credit loss and changes in the allowance are reported in net investment gain (loss) in the statement of income (loss). Amortization and accretion is calculated using the effective yield method and included in net investment income (loss) in the statement of income (loss).

Investments in Limited Partnerships

Investments in limited partnerships in the balance sheet include the Company's investments in limited partnerships, for which the Company does not have voting control or power to direct activities. Fair values for limited partnerships are based on their respective net asset values or equivalent ("NAV"). NAV for limited partnerships is based upon the Company's percentage ownership of the net assets of each limited partnership. In some cases, the Company has both debt and equity investments in a limited company or limited partnership. Accordingly, the fair value of equity investments in limited partnerships is equal to the outstanding principal amount issued to the Company and the Company's equity ownership percentage of the net assets of the limited partnership.

Investment funds for which the Company has used NAV as a practical expedient to measure fair value are not classified within the fair value hierarchy table below. At December 31, 2023, investments in limited partnerships had a carrying value of $66,323. At December 31, 2022, investments in limited partnerships had a carrying value of $52,056.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents in the balance sheet include cash and short-term highly liquid investments with a maturity of less than 90 days from the date of acquisition. Amounts included are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Restricted cash is recognized in other assets and includes cash and cash equivalents that are legally or contractually restricted with respect to withdrawal or use. As of December 31, 2023 and 2022, there were no restrictions on cash.

Derivative Instruments

Derivatives are instruments that derive their values from underlying asset prices, indices, foreign exchange rates, reference rates and other inputs or a combination of these factors. Derivatives may be privately negotiated contracts, which are usually referred to as over-the-counter, or "OTC," derivatives, or they may be listed and traded on an exchange, or "exchange-traded." The Company's derivative instruments are primarily used to hedge certain risks, including interest rate risk and equity market risk, and to a lesser extent foreign exchange and inflation risks. Where certain criteria are met, some of these hedging arrangements may achieve hedge accounting.

2. Significant Accounting Policies (continued)

Derivative Instruments (continued)

Derivative instruments are recognized at estimated fair value in funds withheld for reinsurance assumed and funds withheld from reinsurers in the balance sheet, with changes in fair value recorded in Net Investment Gain (Loss) on the Statements of Income (Loss).

Allowance for Current Expected Credit Loss

AFS securities are regularly reviewed for declines in fair value that are determined to be credit related. Fixed maturity securities are generally considered for the following in determining whether the unrealized losses are credit related, and if so, the magnitude of the loss:

- The extent to which the fair value is less than the amortized cost basis;
- The reasons for the decline in value (credit event, currency or interest-rate related, including general credit spread widening);
- The financial condition of and near-term prospects of the issuer (including issuer's current credit rating and the probability of full recovery of principal based upon the issuer's financial strength);
- Current delinquencies and nonperforming assets of underlying collateral;
- Expected future default rates;
- Collateral value by vintage, geographic region, industry concentration or property type;
- Subordination levels or other credit enhancements as of the balance sheet date as compared to origination; and
- Contractual and regulatory cash obligations and the issuer's plans to meet such obligations.

An allowance is recognized for current expected credit losses on fixed maturity securities in an unrealized loss position when it is determined, using the factors discussed above, a component of the unrealized loss is related to credit. The credit loss is measured using a discounted cash flow model that utilizes the single best estimate cash flow and the recognized credit loss is limited to the total unrealized loss on the security. Cash flows are discounted using the implicit yield of bonds at their time of purchase and the current book yield for asset and mortgage backed securities as well as variable rate securities.

The recognized allowance for current expected credit losses did not have a material impact to the financial statements for 2023 or 2022.

Revenue Recognition

Premiums

Premiums include premiums earned from reinsurance agreements.

Insurance, Investment Product Fees, and Other

Insurance, investment product fees, and other includes cost of reinsurance, product charges, fees and adjustments.

2. Significant Accounting Policies (continued)

Revenue Recognition (continued)

Net Investment Income (Loss)

Net investment income (loss) includes funds withheld investment income and income related to limited partnerships. Net investment income (loss) is presented net of investment management fees and allowances for credit losses.

Net Investment Gains (Losses)

Net investment gains (losses) include realized losses and gains from the sale of investments, changes in the fair value of the Company's funds withheld receivables, as well as realized and unrealized gains and losses on equity options.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax laws or rates is recognized in the income in the period that includes the enactment date. The Company has the ability and intent to recover in a tax-free manner assets (or liabilities) with book/tax basis differences for which no deferred taxes have been provided, in accordance with ASC Topic 740, Income Taxes.

The Company recognizes the effect of income tax positions only if those positions are more-likely-than-not to be sustained. Recognized income tax positions are measured at the largest amount that has a greater than 50% likelihood of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Accrued interest expense and penalties related to uncertain tax positions would be recorded in Income Tax Benefit (Expense) in the accompanying Statements of Income (Loss).

Legal Matters and Contingencies

The Company records legal fees and accruals in accordance with ASC Topic 450, “Contingencies”. Contingencies arising from regulatory judgments, claims, assessments, guarantees, litigation, recourse reserves, fines, penalties and other sources are recorded when deemed probable and reasonably estimable.

Comprehensive Income (Loss)

The Statement of Comprehensive Income (Loss) includes unrealized gains (losses) on investment securities classified as AFS. The change in fair value of available for sale investments for the years ended December 31, 2023 and 2022 was $(1,081) and $(6,060), respectively.

2. Significant Accounting Policies (continued)

Fair Value Measurements

The Company's measurement of fair value is based on assumptions used by market participants in pricing the asset or liability, which may include inherent risk, restrictions on the sale or use of an asset or non-performance risk, which may include the Company's own credit risk. The Company's estimate of an exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability ("exit price") in the principal market, or the most advantageous market in the absence of a principal market, for that asset or liability, as opposed to the price that would be paid to acquire the asset or receive a liability ("entry price"). The Company categorizes financial instruments carried at fair value into a three-level fair value hierarchy, based on the priority of inputs to the respective valuation technique.

The three-level hierarchy for fair value measurement is defined as follows:

- Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lower level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

When a determination is made to classify an asset or liability within Level 3 of the fair value hierarchy, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement. Because certain securities trade in less liquid or illiquid markets with limited or no pricing information, the determination of fair value for these securities is inherently more difficult. However, Level 3 fair value investments may include, in addition to the unobservable or Level 3 inputs, observable components, which are components that are actively quoted or can be validated to market-based sources.

2. Significant Accounting Policies (continued)

Reinsurance

Reinsurance accounting is applied for ceded transactions when risk transfer provisions have been met. To meet risk transfer requirements, a long-duration reinsurance contract must transfer insurance risk and subject the reinsurer to a reasonable possibility of a significant loss. Long-duration contracts that do not subject the insurer to mortality or morbidity risks are investment contracts. Accordingly, reinsurance of long-duration contracts does not indemnify the ceding entity against insurance risk and therefore the reinsurance agreement cannot be characterized as reinsurance. Instead, these types of agreements are accounted for as separate investment contracts. For assumed transactions entered into, the Company accounts for the assumed contracts in the same manner as if they directly wrote the business.

Effective December 31, 2020, the Company entered into a reinsurance agreement with FGLIC, a related party, to assume FIA policies on a coinsurance funds withheld basis. Concurrently, the Company entered into a reinsurance agreement ("Retrocession Agreement") to retrocede 45% of the assumed policies to F&G Cayman Re Ltd. ("F&G Cayman Re"), a related party. As these FIA policies do not contain insurance risk, both of these agreements are accounted for as separate investment contracts.

With respect to the agreement entered into with FGLIC, the Company applies the accounting for the assumed contracts in the same manner as investment contracts sold directly to individuals or non-insurance entities by a direct insurer. Accordingly, the assumption of the reinsured policies results in the establishment of Contractholder Funds on the Balance Sheets, for the amount of the policyholders' account value and embedded derivative value. Premiums received from and benefit reimbursements paid to FGLIC, to the extent the reimbursement represents a return of the contractholder balance, will drive the Contractholder Funds liability up or down, respectively, with changes flowing through in the Statements of Income (Loss).

With respect to the agreement entered into with F&G Cayman Re, the Company established a reinsurance recoverable that represents the amount of funds the Company expects to receive over the life of the reinsured policies by F&G Cayman Re. Premiums paid to and benefit reimbursements received from F&G Cayman Re, to the extent the reimbursement represents a return of the reinsured contractholder balance, will drive the Reinsurance recoverable asset up and down, respectively, with changes flowing through in the Statements of Income (Loss).

Additionally, as the agreements with FGLIC and F&G Cayman Re are on a coinsurance funds withheld basis, a Funds withheld for reinsurance assumed (asset) and Funds withheld from reinsurers (liability), respectively, have been established that represents the asset or liability supporting the funds withheld assets and reinsured contracts. Each period, the funds withheld asset and liability change based upon the earned investment income and realized gains/(losses) on the underlying assets in the segregated portfolios and flow through Net Investment Income (Loss) and Net Investment Gain (Loss), respectively, on the Statements of Income (Loss).

At inception of both agreements, differences between the funds withheld for the reinsured contracts and the amount of the contractholder fund liability relating to the underlying reinsured contracts was deferred and is subsequently amortized over the lives of the policies in relation to the expected emergence of estimated gross profits ("EGPs") on those reinsured policies. For the agreements with FGLIC and F&G Cayman Re, these differences are presented as a Deferred cost of reinsurance (asset) and Deferred reinsurance revenue (liability), respectively, on the Balance Sheets.

2. Significant Accounting Policies (continued)

Reinsurance (continued)

The Retrocession Agreement was recaptured effective October 1, 2023. The effects of this recapture are included in the financial statements presented. The impacts of this recapture to the statements of income (loss) were; ($423,725) included in net investment gain (loss), $188,221 included in benefits and other changes in policy reserves and ($815) included in income tax benefit (expense).

Effective December 31, 2022, the Company entered into a Coinsurance Agreement with FGLIC, a related party, to assume a quota share of pension risk transfer ("PRT") group annuity contracts. Some of the contracts reinsured are held by FGLIC's general account and others are held by a FGLIC separate account (which does not meet the GAAP definition of a separate account). The cession from FGLIC to the Company is on an 80% quota share basis. Reinsurance of the separate account contracts is maintained on a modified coinsurance basis ("modco") and reinsurance of the general account contracts is maintained on a funds withheld basis. With respect to the agreement, the underlying group annuity contracts are considered limited payment insurance contracts and the reserves established for the assumed contracts are reported as Future Policy Benefits (liability) on the Balance Sheets.

A funds withheld reinsurance assumed (asset) has been established that represents the funds withheld and modco assets segregated by FGLIC to support the reinsured contracts. Each period, the funds withheld asset changes based upon the earned investment income and realized gains (losses) on the underlying assets in the segregated portfolios and flows through Net Investment Income (Loss) and Net Investment Gain (Loss), respectively, on the Statements of Income (Loss).

At inception of the agreement, the difference between the receivables established representing the assets segregated for the reinsured contracts and the amount of the future policy benefits liability assumed was deferred as a deferred profit liability. The deferred profit liability is subsequently amortized into income in a constant relationship with the amount of expected future benefit payments. This difference is presented within Future Policy Benefits on the Balance Sheets.

This agreement was recaptured effective October 1, 2023. The impacts of this recapture to the statements of income (loss) were; ($1,814,951) included in premiums, $75,432 included in net investment gain (loss) and $1,816,053 included in benefits and other changes in policy reserves.

Contractholder Funds

Contractholder funds include FIA annuities. The liabilities for contractholder funds consist of contract account balances that accrue to the benefit of the contractholders. The liabilities also include the value of the host contract plus the fair value of the indexed crediting feature of the policy, which is accounted for as an embedded derivative. The embedded derivative liability is carried at fair value in contractholder funds in the accompanying balance sheets. Changes in contractholder funds are reported in benefits and other changes in policy reserves on the statements of income (loss). For more information see Note 6 – Contractholder Funds.

New Accounting Pronouncements

New Credit Loss Standard

In June 2016, the FASB issued new guidance (ASU 2016-13), Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments), effective for the Company for fiscal year beginning after December 15, 2022. Notable amendments in this update will change the accounting for impairment of most financial assets and certain other instruments in the following ways:

- Financial assets (or a group of financial assets) measured at amortized cost will be required to be presented at the net amount expected to be collected, with an allowance for credit losses deducted from the amortized cost basis, resulting in a net carrying value that reflects the amount the entity expects to collect on the financial asset at purchase.
- Credit losses relating to AFS fixed maturity securities will be recorded through an allowance for credit losses, rather than reductions in the amortized cost of the securities. The allowance methodology recognizes that value may be realized either through collection of contractual cash flows or through the sale of the security. Therefore, the amount of the allowance for credit losses will be limited to the amount by which fair value is below amortized cost because the classification as available for sale is premised on an investment strategy that recognizes that the investment could be sold at fair value, if cash collection would result in the realization of an amount less than fair value.
- The income statement will reflect the measurement of expected credit losses for newly recognized financial assets as well as the expected increases or decreases (including the reversal of previously recognized losses) of expected credit losses that have taken place during the period. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount.
- Disclosures will be required to include information around how the credit loss allowance was developed, further details on information currently disclosed about credit quality of financing receivables and net investments in leases, and a roll forward of the allowance for credit losses for AFS fixed maturity securities as well as an aging analysis for securities that are past due.
- The Company has evaluated the impact of this ASU and it did not have a material impact on the Company's financial statements.

Long-Duration Contracts

In August 2018, the FASB issued new guidance (ASU 2018-12, Financial Services-Insurance (Topic 944), Targeted Improvements to the Accounting for Long-Duration Contracts), effective for the Company for the fiscal year beginning after December 15, 2024. Under this update:

- Assumptions used to measure cash flows for traditional and limited-payment contracts must be reviewed at least annually with the effect of changes in those assumptions being recognized in the statement of operations.
- The discount rate applied to measure the liability for future policy benefits and limited-payment contracts must be updated at each reporting date with the effect of changes in the rate being recognized in other comprehensive income.
- Market risk benefits associated with deposit contracts must be measured at fair value, with the effect of the change in the fair value attributable to a change in the instrument-specific credit risk being recognized in other comprehensive income.

(Expressed in USD Thousands)

2. Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

Long-Duration Contracts (continued)

- Deferred acquisition costs are required to be amortized in proportion to premiums, gross profits, or gross margins and those balances must be amortized on a constant level basis over the expected term of the related contracts.
- Deferred acquisition costs must be written off for unexpected contract terminations.
- Disaggregated roll-forwards of beginning to ending balances of the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities and deferred acquisition costs, as well as information about significant inputs, judgments, assumptions, and methods used in measurement are required to be disclosed.

The amendments in this ASU may be early adopted as of the beginning of an annual reporting period for which financial statements have not yet been issued, including interim financial statements. The Company has elected to early adopt this standard effective January 1, 2023. At the transition date, the Company retrospectively applied the targeted improvements as if it had always been applied. The effects of this update to opening retained earnings was $0. For more information, refer to Note 6 - Contractholder Funds and Note 7 - Future Policy Benefits.

3. Investments

The following table summarizes the Company's available-for-sale investments by asset type.

	December 31, 2023			
Asset Type	**Amortized Cost**	**Unrealized (Loss)**	**Unrealized Gain**	**Aggregate Fair Value**
Fixed Maturity Securities:				
Collateralized Mortgage Securities	28,419	(7,471)	—	20,948
Investments, Available for Sale	28,419	(7,471)	—	20,948

	December 31, 2022			
Asset Type	**Amortized Cost**	**Unrealized (Loss)**	**Unrealized Gain**	**Aggregate Fair Value**
Fixed Maturity Securities:				
Collateralized Mortgage Securities	28,723	(6,390)	—	22,333
Investments, Available for Sale	28,723	(6,390)	—	22,333

(Expressed in USD Thousands)

3. Investments (continued)

The amortized cost and fair value of fixed maturity securities are shown by contractual maturity below.

Maturity Period	December 31, 2023	
	Amortized Cost	Fair Value
Due After 1 through 5 Years	—	—
Due After 5 through 10 Years	—	—
Due After 10 Years	28,419	20,948
Total Available for Sale Securities	28,419	20,948

Maturity Period	December 31, 2022	
	Amortized Cost	Fair Value
Due After 1 through 5 Years	—	—
Due After 5 through 10 Years	—	—
Due After 10 Years	28,723	22,333
Total Available for Sale Securities	28,723	22,333

The fair value and gross unrealized losses of AFS securities aggregated by investment category and duration of fair value below amortized cost are shown below.

Asset Type	December 31, 2023					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed Maturity Securities						
Collateralized Mortgage Securities	—	—	20,948	(7,471)	20,948	(7,471)
Investments, Available for Sale	—	—	20,948	(7,471)	20,948	(7,471)

Asset Type	December 31, 2022					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed Maturity Securities						
Collateralized Mortgage Securities	6,402	(1,646)	15,931	(4,744)	22,333	(6,390)
Investments, Available for Sale	6,402	(1,646)	15,931	(4,744)	22,333	(6,390)

(Expressed in USD Thousands)

3. Investments (continued)

The following table presents the components of net investment income (loss).

	December 31, 2023	December 31, 2022
Funds Withheld Investment Income	247,570	149,326
Available for Sale Investments	1,583	1,463
Amortization of Premiums	(304)	(305)
Limited Partnership Income	412	5,204
Gross Investment Income (Loss)	249,261	155,688
Investment Expenses	(17,204)	(10,101)
Net Investment Income (Loss)	232,057	145,587

The following table presents the components of net investment gain (loss).

	December 31, 2023	December 31, 2022
Realized Loss on Investments	(16,713)	(51,599)
Unrealized Loss on Funds Withheld	(29,991)	(525,323)
Realized Gain (Loss) on Equity Options	(20,892)	(24,059)
Unrealized Gain (Loss) on Equity Options	37,943	(82,353)
Change in allowance for expected credit losses	571	(919)
Net Investment Gain (Loss)	(29,082)	(684,253)

4. Fair Value of Financial Instruments

The Company measures the fair value of its securities based on assumptions used by market participants in pricing the security. The most appropriate valuation methodology is selected based on the specific characteristics of the fixed maturity security and the Company will then consistently apply the valuation methodology to measure the security’s fair value. The Company's fair value measurement is based on a market approach, which utilizes prices and other relevant information generated by market transactions involving identical or comparable securities. Sources of inputs to the market approach include third-party pricing services, independent broker quotations, or pricing matrices. The Company uses observable and unobservable inputs in its valuation methodologies. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data. In addition, market indicators and industry and economic events are monitored, and further market data will be acquired when certain thresholds are met.

For certain security types, additional inputs may be used, or some of the inputs described above may not be applicable. For broker-quoted only securities, quotes from market makers or broker-dealers are obtained from sources recognized to be market participants. Management believes the broker quotes are prices at which trades could be executed based on historical trades executed at broker-quoted or slightly higher prices.

(Expressed in USD Thousands)

4. Fair Value of Financial Instruments (continued)

The Company’s assets and liabilities measured at fair value are summarized according to the hierarchy previously described as follows:

Financial Assets	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Funds Withheld for Reinsurance Assumed				
Asset Backed Securities	—	1,331,981	179,485	1,511,466
Collateralized Mortgage Backed Securities	—	228,152	6,716	234,868
Corporate Bonds	—	1,311,356	308,267	1,619,623
Equity Securities	26,088	—	—	26,088
Foreign Government Bonds	—	19,162	—	19,162
Hybrid Bonds	10,510	61,780	—	72,290
Municipal Bonds	—	74,192	9,109	83,301
Residential Mortgage Backed Securities	—	52,330	—	52,330
U.S. Government Bonds	1,509	—	—	1,509
Derivatives	—	73,388	—	73,388
Total Funds Withheld	38,107	3,152,341	503,577	3,694,025
Fixed Maturities, Available for Sale	—	20,948	—	20,948
Total Assets Measured at Fair Value	38,107	3,173,289	503,577	3,714,973
Financial Liabilities				
FIA Embedded Derivatives, Included in Contractholder Funds	—	—	557,231	557,231
Total Liabilities Measured at Fair Value	—	—	557,231	557,231

Funds withheld for reinsurance assumed also includes assets which have not been fair valued, such as cash, limited partnerships, prepaid expenses and other assets and liabilities. As such these amounts have been excluded from the above leveling table.

(Expressed in USD Thousands)

4. Fair Value of Financial Instruments (continued)

Financial Assets	December 31, 2022				
	Level 1	Level 2	Level 3	NAV	Total
Funds Withheld for Reinsurance Assumed					
Asset Backed Securities	—	1,222,035	422,037	—	1,644,072
Collateralized Mortgage Backed Securities	—	341,717	6,213	—	347,930
Corporate Bonds	—	2,584,013	301,812	—	2,885,825
Equity Securities	69,965	76,339	—	2,894	149,198
Foreign Government Bonds	—	46,312	—	—	46,312
Hybrid Bonds	21,233	156,883	—	—	178,116
Municipal Bonds	—	127,424	8,303	—	135,727
Residential Mortgage Backed Securities	—	51,354	—	—	51,354
U.S. Government Bonds	1,529	—	—	—	1,529
Derivatives	—	36,900	—	—	36,900
Total Funds Withheld	92,727	4,642,977	738,365	2,894	5,476,963
Fixed Maturities, Available for Sale	—	22,333	—	—	22,333
Total Assets Measured at Fair Value	92,727	4,665,310	738,365	2,894	5,499,296
Financial Liabilities					
Funds Withheld from Reinsurers					
Asset Backed Securities	—	493,423	48,177	—	541,600
Collateralized Mortgage Backed Securities	—	132,571	—	—	132,571
Corporate Bonds	—	733,172	—	—	733,172
Equity Securities	17,225	—	—	2,894	20,119
Foreign Government Bonds	—	5,452	—	—	5,452
Hybrid Bonds	2,775	65,012	—	—	67,787
Municipal Bonds	—	29,652	—	—	29,652
Residential Mortgage Backed Securities	—	9,771	—	—	9,771
U.S. Government Bonds	1,529	—	—	—	1,529
FIA Embedded Derivatives, Included in Contractholder Funds	—	—	581,981	—	581,981
Total Liabilities Measured at Fair Value	21,529	1,469,053	630,158	2,894	2,123,634

Funds withheld for reinsurance assumed also includes assets and liabilities which have not been fair valued, such as cash, limited partnerships, prepaid expenses and other assets and liabilities. As such these amounts have been excluded from the above leveling table.

(Expressed in USD Thousands)

4. Fair Value of Financial Instruments (continued)

Quantitative information regarding significant unobservable inputs used for recurring Level 3 fair value measurements of financial instruments carried at fair value December 31, 2023:

	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Financial Assets (a)					
Asset Backed Securities	179,485	Third-Party Valuation	Discount Rate	5.09% - 6.95%	6.00%
Corporate Bonds	308,267	Third-Party Valuation	Discount Rate	0.00% - 12.87%	6.91%
Municipal Bonds	9,109	Third-Party Valuation	Discount Rate	6.25% - 6.25%	6.25%
Financial Liabilities					
FIA Embedded Derivatives, Included in Contractholder Funds	557,231	Discounted Cash Flow	Market Value of Option	0.00% - 24.88%	1.93%
			Treasury Rates	3.84% - 5.26%	4.55%
			Mortality Multiplier	100.00% - 100.00%	100.00%
			Surrender Rates	0.25% - 70.00%	6.83%
			Partial Withdrawals	2.00% - 23.26%	2.92%
			Non-Performance Spread	0.38% - 1.10%	0.96%
			Option Budget (Table)	0.07% - 5.48%	1.85%

(a) Excludes $6,716 of assets for which significant quantitative unobservable inputs are not developed internally and not readily available to the Company (primarily those valued using broker quotes).

(Expressed in USD Thousands)

4. Fair Value of Financial Instruments (continued)

Quantitative information regarding significant unobservable inputs used for recurring Level 3 fair value measurements of financial instruments carried at fair value December 31, 2022:

	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Financial Assets					
Asset Backed Securities	422,037	Broker-quoted	Offered quotes	117.17% - 52.85%	94.18%
		Third-Party Valuation	Offered quotes	210.50% - 41.43%	67.99%
Collateralized Mortgage Backed Securities	6,213	Broker-quoted	Offered quotes	109.02% - 109.02%	109.02%
		Third-Party Valuation	Offered quotes	88.48% - 74.66%	82.74%
Corporate Bonds	301,812	Broker-quoted	Offered quotes	102.53% - 79.16%	94.16%
		Third-Party Valuation	Offered quotes	104.96% - 0.00%	89.69%
Municipal Bonds	8,303	Third-Party Valuation	Offered quotes	93.95% - 93.95%	93.95%
Financial Liabilities					
Asset Backed Securities	48,177	Broker-quoted	Offered quotes	117.17% - 52.85%	94.18%
		Third-Party Valuation	Offered quotes	210.50% - 41.43%	67.99%
FIA Embedded Derivatives, Included in Contractholder Funds	581,981	Discounted Cash Flow	Market Value of Option	0.00% - 23.40%	0.65%
			Treasury Rates	3.88% - 4.73%	4.31%
			Mortality Multiplier	100.00% - 100.00%	100.00%
			Surrender Rates	0.25% - 70.00%	6.87%
			Partial Withdrawals	2.00% - 21.74%	2.76%
			Non-Performance Spread	0.48% - 1.44%	1.30%
			Option Budget (Table)	0.07% - 4.97%	1.84%

The following table includes assets and liabilities that have not been classified in the fair value hierarchy as the value of these investments are measured using the net asset value ("NAV") per share practical expedient.

	December 31, 2023	December 31, 2022
Investments in Limited Partnerships - Surplus Funds	66,323	52,056
Investments in Limited Partnerships - Funds Withheld Assets	172,337	348,870

(Expressed in USD Thousands)

5. Funds Withheld for Reinsurance Assumed

Funds withheld receivables represents the receivable for assets supporting funds withheld and modco coinsurance contracts. These assets are held in trusts or custodial accounts that are legally separated from the Company's general accounts and are managed by Blackstone Asset Management. In the event of the ceding company's insolvency, the Company would need to assert a claim on the assets supporting the Company's reserve liabilities. However, the Company has the ability to offset amounts owing to the ceding company, which reduces the Company's risk of loss. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The Company is subject to the investment performance and has all economic rights and obligations on the funds withheld assets in a fashion similar to invested assets held directly by the Company. Information on the underlying assets within funds withheld is presented below.

As the credit-risk exposure to F&G Life Re is unrelated to the creditworthiness of FGLIC nor the underlying PRT or FIA products ceded under the reinsurance contract, there is an embedded derivative receivable from FGLIC on the Funds withheld receivable balance. In accordance with ASC 815-10-15 the embedded derivative was initially valued at $0 and subsequently valued at fair value in accordance with ASC 815-10-35-1.

	December 31, 2023	**December 31, 2022**
	Carried at Fair Value	Carried at Fair Value
Funds Withheld Receivables		
Fixed Maturities	3,594,549	5,290,866
Preferred Stock	—	129,080
Equity Securities	26,088	20,117
Investments in Limited Partnerships	172,337	348,870
Cash & Cash Equivalents	65,904	44,075
Other Assets	44,958	87,221
Derivatives	73,388	36,900
Embedded Derivative	603,652	997,051
Other Payables	(146,539)	(165,537)
Synthetic Derivative Receivable (Payable)	(5,731)	(7,352)
Total Funds Withheld Receivables	4,428,606	6,781,291

(Expressed in USD Thousands)

5. Funds Withheld for Reinsurance Assumed (continued)

The activity in the allowance for expected credit losses of AFS securities included in the funds withheld receivable aggregated by investment category is shown below.

	December 31, 2023				
		Additions		Reductions	
	Balance at Beginning of Period	For credit losses on securities for which losses were not previously recorded	(Additions) reductions in allowance recorded on previously impaired securities	For securities sold during the period	Balance at End of Period
Available for Sale Securities					
Asset Backed Securities	(461)	(1,938)	2,399	—	—
Collateralized Mortgage Securities	—	(4,485)	4,260	—	(225)
Residential Mortgage Securities	(554)	(425)	602	—	(377)
Total Available for Sale Securities	(1,015)	(6,848)	7,261	—	(602)

	December 31, 2022				
		Additions		Reductions	
	Balance at Beginning of Period	For credit losses on securities for which losses were not previously recorded	(Additions) reductions in allowance recorded on previously impaired securities	For securities sold during the period	Balance at End of Period
Available for Sale Securities					
Asset Backed Securities	—	(477)	8	8	(461)
Residential Mortgage Securities	(379)	(7)	(208)	40	(554)
Total Available for Sale Securities	(379)	(484)	(200)	48	(1,015)

(Expressed in USD Thousands)

5. Funds Withheld for Reinsurance Assumed (continued)

The following tables summarizes the credit quality for funds withheld assets at December 31, 2023:

S&P Rating	Fair Value	Moody's Rating	Fair Value	Fitch Rating	Fair Value	Total
AAA	121,743	Aaa	104,659	AAA	7,664	
AA+	38,019	Aa1	15,600	AA	9,479	
AA	98,297	Aa2	25,384	AA+	1,455	
AA-	86,403	A1	86,541	AA-	950	
A+	89,502	A2	89,060	A	27,355	
A	485,550	A3	6,291	A+	7,650	
A-	244,479	Baa2	22,978	A-	23,149	
BBB+	216,555	Baa3	238,774	BBB+	501	
BBB	353,938			BBB	20,544	
BBB-	371,935			BBB-	20,151	
Total Investment Grade	2,106,421		589,287		118,898	2,814,606
BB+	23,646	Ba1	91,501	BB	4,298	
BB	34,162	Ba3	27,996	C	1,282	
BB-	45,682	B2	820			
B+	21,598	B3	1,420			
B	15,581	Caa3	2,057			
B-	2,251	Ca	1,134			
CCC	2,990					
CCC+	5,476					
CC	1,121					
D	718					
Total Non Investment Grade	153,225		124,928		5,580	283,733
Total Non Rated Investments						833,927

(Expressed in USD Thousands)

5. Funds Withheld for Reinsurance Assumed (continued)

The following tables summarizes the credit quality for funds withheld assets at December 31, 2022:

S&P Rating	Fair Value	Moody's Rating	Fair Value	Fitch Rating	Fair Value	Total
AAA	72,405	Aaa	95,231	AAA	7,027	
AA+	60,600	Aa1	1,914	AA	5,616	
AA	139,529	Aa2	36,013	A	27,103	
AA-	178,258	Aa3	3,792	A-	23,846	
A+	190,405	A1	48,298	BBB+	4,254	
A	647,006	A2	161,331	BBB	17,485	
A-	530,937	A3	23,772	BBB-	69,652	
BBB+	422,818	Baa1	31,062			
BBB	601,333	Baa2	35,438			
BBB-	523,629	Baa3	200,443			
Total Investment Grade	3,366,920		637,294		154,983	4,159,197
BB+	44,701	Ba1	129,244	BB	15,566	
BB	34,179	Ba3	25,445	BB-	1,972	
BB-	41,493	B3	16,282	C	1,411	
B+	8,934	Caa3	450	CCC	4,463	
B	1,231					
B-	603					
CCC	2,596					
CC	1,884					
D	1,092					
Total Non Investment Grade	136,713		171,421		23,412	331,546
Total Non Rated Investments						1,379,165

Concentrations of Financial and Capital Markets Risk

The Company is exposed to financial and capital markets risk, including changes in interest rates and credit spreads which can have an adverse effect on the Company's results of operations, financial condition and liquidity.

5. Funds Withheld for Reinsurance Assumed (continued)

The Company's exposure to such financial and capital markets risk relates primarily to the market price and cash flow variability associated with changes in interest rates. A rise in interest rates, in the absence of other countervailing changes, will have an adverse impact on the recorded fair value of the Company's fund withheld for reinsurance assumed and funds withheld from reinsurers. If long-term interest rates rise dramatically within a short period of time, certain of the Company's reinsured products may be exposed to disintermediation risk. Disintermediation risk refers to the risk that policyholders may surrender their contracts in a rising interest rate environment, requiring the Company to liquidate assets earlier than expected. This risk is mitigated to some extent by surrender charge protection provided by the products reinsured by the Company.

6. Contractholder Funds

The contractholder funds balance represents the liability assumed under the Reinsurance agreement with FGLIC. The policies assumed under this contract are FIA contracts that allow the policyholder to elect a fixed interest rate return or a market indexed strategy where interest credited is based on the performance of an index, such as S&P 500 or other indices.

The equity market strategy is an embedded derivative, similar to a call option. The fair value of the embedded derivative is $557,231 as at December 31, 2023 ($581,981 as at December 31, 2022) and is computed as the present value of benefits attributable to the excess of the projected policy contract values over the projected minimum guaranteed contract values. The projections of policy contract values are based on assumptions for future policy growth, which include assumptions for expected index credits, future equity option costs, volatility, interest rates and policyholder behavior. The projections of minimum guaranteed contract values include the same assumptions for policyholder behavior as are used to project policy contract values. The accounting standards for fair value measurement require the discount rates used in the calculation of the embedded derivative liability to be based on risk-free interest rates adjusted for our non-performance as of the reporting date.

(Expressed in USD Thousands)

6. Contractholder Funds (continued)

The following tables summarize balances of and changes in contractholder funds' account balances.

	December 31, 2023	December 31, 2022
	FIA	
Balance, beginning of year	4,665,940	5,113,780
Issuances	—	—
Premiums received	18,251	24,483
Policy charges	(35,846)	(38,889)
Surrenders and withdrawals	(455,063)	(374,961)
Benefit payments	(111,757)	(101,741)
Interest credited	37,699	54,470
Other	10,372	(11,202)
Balance, end of year	4,129,596	4,665,940
Embedded derivative adjustment	(7,493)	(80,165)
Gross Liability, end of period	4,122,103	4,585,774
Less: Reinsurance recoverable	—	2,063,598
Net Liability, after Reinsurance recoverable	4,122,103	2,522,176
Weighted-average crediting rate	0.86 %	1.11 %

The following table reconciles contractholder funds' account balances to the contractholder funds liability in the Balance Sheet.

	December 31, 2023	December 31, 2022
FIA	4,122,103	4,585,774
PRT	—	2,352
Total	4,122,103	4,588,126

(Expressed in USD Thousands)

6. Contractholder Funds (continued)

The following tables present the account values by range of guaranteed minimum crediting rates and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums.

	December 31, 2023				
Range of Guaranteed Minimum Crediting Rate	**At Guaranteed Minimum**	**1 Basis Point-50 Basis Points Above**	**51 Basis Points-150 Basis Points Above**	**Greater Than 150 Basis Points Above**	**Total**
FIA					
0.00%-1.50%	3,851,232	266,763	7,565	—	4,125,560
1.51%-2.50%	672	—	—	—	672
Greater than 2.50%	3,364	—	—	—	3,364
Total	3,855,268	266,763	7,565	—	4,129,596

	December 31, 2022				
Range of Guaranteed Minimum Crediting Rate	**At Guaranteed Minimum**	**1 Basis Point-50 Basis Points Above**	**51 Basis Points-150 Basis Points Above**	**Greater Than 150 Basis Points Above**	**Total**
FIA					
0.00%-1.50%	4,355,049	297,126	9,195	—	4,661,370
1.51%-2.50%	1,077	—	—	—	1,077
Greater than 2.50%	3,493	—	—	—	3,493
Total	4,359,619	297,126	9,195	—	4,665,940

7. Future Policy Benefits

The future policy benefits (“FPB”) balance represents the liability assumed under the Reinsurance agreement with FGLIC. The policies assumed under this contract are limited payment group annuity contracts that provide a steady stream of benefit payments to the certificate holders within each group annuity contract. The balance is computed using assumptions for investment yields, mortality and withdrawals, with a provision for adverse deviation, based on generally accepted actuarial methods and assumptions at the time of contract issue. The balance for FPB was recaptured effective October 1, 2023.

(Expressed in USD Thousands)

7. Future Policy Benefits (continued)

The following table summarizes balances and changes in the present value of the expected FPB for limited-payment contracts.

	December 31, 2023	December 31, 2022
	PRT	
Balance, beginning of year	1,689,872	—
Beginning balance of original discount rate	1,689,872	—
Effect of changes in cash flow assumptions	(3,478)	—
Effect of actual variances from expected experience	2,894	—
Balance adjusted for variances from expectation	1,689,288	—
Issuances	—	1,689,872
Interest accrual	58,740	—
Benefits payments	(127,088)	—
Recapture	(1,620,940)	
Ending Balance at original discount rate	—	1,689,872
Effect of changes in discount rate assumptions	—	—
Balance, end of year	—	1,689,872
Weighted-average duration of liability for FPB (years)	—	8.12

The following table summarizes balances and changes in the liability for DPL for limited-payment contracts.

	December 31, 2023	December 31, 2022
	PRT	
Balance, beginning of year	201,844	—
Effect of changes in cash flow assumptions	(418)	—
Effect of actual variances from expected experience	352	—
Balance adjusted for variances from expectation	201,778	—
Issuances	—	201,844
Interest accrual	7,058	—
Amortization	(13,722)	—
Recapture	(195,114)	—
Balance, end of year	—	201,844

(Expressed in USD Thousands)

7. Future Policy Benefits (continued)

The following table reconciles the net FPB to the FPB on the Balance Sheets.

	December 31, 2023	December 31, 2022
PRT	—	1,689,872
PRT DPL	—	201,844
Total	—	1,891,716

8. Reinsurance Recoverable

This balance represents the amount the Company expects to recover from F&G Cayman Re for the FIA policies ceded. This balance is adjusted for impairment for credit loss on the counterparty, although there was none for the period ended December 31, 2023 and 2022. Reinsurance recoverable had a carrying value of $0 as at December 31, 2023 and $2,063,598 as at December 31, 2022. The $0 balance at December 31, 2023 was driven by the recapture noted in the Reinsurance section of Note 2.

9. Funds Withheld from Reinsurers

Funds withheld from reinsurers represents the payable of assets supporting funds withheld reinsurance. These assets are held in trusts or custodial accounts that are legally separated from the Company's general accounts and are managed by Blackstone Asset Management. Funds withheld from reinsurers had a fair value of $0 at December 31, 2023 and $2,189,321 as at December 31, 2022. The $0 balance at December 31, 2023 was driven by the recapture noted in the Reinsurance section of Note 2.

As the credit-risk exposure to F&G Cayman Re is unrelated to the creditworthiness of F&G Life Re nor the underlying FIA products ceded under the reinsurance contract, there is an embedded derivative payable to F&G Cayman Re on the Funds withheld payable balance. In accordance with ASC 815-10-15 the embedded derivative was initially valued at $0 and subsequently valued at fair value in accordance with ASC 815-10-35-1.

10. Other Operating Expenses

Other operating expenses for December 31, 2023 and 2022, encompassed the below:

	December 31, 2023	December 31, 2022
Employee Related Costs	819	1,006
Professional Fees	362	253
Net Commission Allowance and Policy Fees	17,020	8,848
Depreciation and Amortization	6	8
Other General and Administrative Fees	389	375
Total Operating Expenses	18,596	10,490

(Expressed in USD Thousands)

11. Taxes

The income tax provision is calculated under the asset and liability method. The Company recognizes deferred income tax assets and liabilities for the expected future tax effects attributable to temporary differences between the financial statement and tax return basis of assets and liabilities based on enacted tax rates and other provisions of the tax law.

The Company has elected to be treated as a U.S. domestic insurance company for U.S. tax purposes under section 953(d) of the U.S. Internal Revenue Code and is, therefore, subject to income taxation in the U.S for the 2020 tax year onwards. FGLIC files a consolidated federal income tax return with certain subsidiaries, including F&G Life Re. At December 31, 2022, the Company had an income tax payable balance of $883 due to FGLIC. Quarterly payments totaling $7,887 were paid to FGLIC in 2023.

Effective Tax Rate

The following table presents the income tax expense (benefit) for the period ended December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
Current Income Tax Expense (Benefit)		
Federal	14,912	1,005
State/Local	—	—
Total Current Tax Expense (Benefit)	14,912	1,005
Deferred Tax Expense (Benefit)		
Federal	25,110	(91,016)
State/Local	—	—
Total Deferred Tax Expense (Benefit)	25,110	(91,016)
Total Income Tax Expense (Benefit)	40,022	(90,011)

The actual income tax expense (benefit) differs from the statutory U.S. federal amount computed by applying the U.S. federal income tax rate of 21% to income (loss) before tax due to the following, as shown in the following reconciliation for the period ended December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
Expected Income Tax Expense (Benefit) at Statutory Rate	40,022	(90,011)
Additions (Reductions) in Income Taxes Resulting from:		
Other	—	—
Total Income Tax Expense (Benefit)	40,022	(90,011)

(Expressed in USD Thousands)

11. Taxes (continued)

Deferred Taxes

Deferred tax assets and liabilities are recognized for the timing differences between the financial statement carrying amounts of existing assets and liabilities and the respective tax basis at the balance sheet date. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to an amount that in management's opinion, is more likely than not to be realized.

As of December 31, 2023 there was a valuation allowance of $25,646 (2022: $1,342 valuation allowance).

The following table presents the components of the net deferred tax assets (liabilities) as of December 31, 2023 and December 31, 2022:

	December 31, 2023	December 31, 2022
Deferred Tax Assets		
Insurance Reserves	48,871	342,225
Investments	1,223	936
Deferred Acquisition Costs	21	23
Bermuda CIT NOL Carryforward	24,077	—
Reinsurance Recoverables	6,525	—
Other	—	1,252
Total Deferred Tax Assets	80,717	344,436
Less: Valuation Allowance	(25,646)	(1,342)
Deferred Tax Assets, Net of Valuation Allowance	55,071	343,094
Deferred Tax Liabilities		
Reinsurance Recoverables	—	263,071
Limited Partnerships	2,290	2,204
Other	73	—
Depreciation	4	5
Total Deferred Tax Liabilities	2,367	265,280
Total Deferred Tax Assets, Net	52,704	77,814

The Corporate Income Tax Act 2023 (the "Act") was passed in Bermuda on December 27, 2023. The Act implements a Corporate Income Tax ("CIT") commencing on January 1, 2025 and will apply a statutory rate of 15% to the taxable income or loss on Bermuda tax resident entities and permanent establishments. The Company, a 953(d) company with no or minimal US permanent tax differences, is not expected to owe any Bermuda CIT due to the foreign tax credit. The deferred tax asset recorded for the year ended December 31, 2023 of $24,077 has a full valuation allowance.

12. Common Shares

The Company has one class of common stock, which represents 100% of the Company's total voting shares. All issued shares are beneficially owned by FGLIC and were transferred during 2020 from CF Bermuda Holdings Limited. FGLIC, wholly owned subsidiary of Fidelity & Guaranty Life Holdings, Inc., a Delaware corporation ("F&G Life Holdings"), which is, in turn, a direct, wholly owned subsidiary of FGL US Holdings Inc., a Delaware corporation ("FGL US Holdings"), which is, in turn, a direct, wholly owned subsidiary of CF Bermuda Holdings Limited, a Bermuda exempted company ("CF Bermuda"), which is, in turn, a direct, wholly owned subsidiary of FGAL, a Delaware corporation publicly traded on the NYSE (NYSE: FG). FGAL is wholly owned by Fidelity National Financial, Inc., a Delaware corporation publicly traded on the NYSE (NYSE: FNF). The Company is authorized to and has issued 250,000 shares at a par value of $1.00 (One dollar) each to FGLIC.

13. Accumulated Other Comprehensive Income

The Statement of Comprehensive Income for the year ended December 31, 2023, includes $(1,081) of unrealized losses on available for sale securities (2022: $(6,060) of unrealized losses).

14. Statutory Requirements

The Company is licensed by the Bermuda Monetary Authority (BMA) as a Class E long term insurer and is subject to the Insurance Act 1978, as amended (Bermuda Insurance Act) and regulations promulgated thereunder. Effective January 1, 2016, the BMA implemented the Economic Balance Sheet (EBS) framework into the Bermuda Solvency and Capital Requirement (BSCR) for commercial insurers which was granted equivalency to the European Union's Directive (2009/138/EC) ("Solvency II") in March 2016. Under this framework a Class E insurer must produce three sets of financial statements:

1. GAAP Financial Statements – Financial statements prepared in accordance with an internationally recognized comprehensive base of accounting, and for which the Company has elected to prepare US GAAP financial statements. These financial statements form the basis for the preparation of both the Statutory Financial Statements and the Economic Balance Sheet.

2. Statutory Financial Statements (SFS) – Equal to the GAAP financial statements adjusted for:

    a. Prudential filters that include adjustments to eliminate non-admitted assets including goodwill and other similar intangible assets not considered admissible for solvency purposes, and include certain assets and liabilities that are generally off-balance sheet under general purpose reporting. These include items such as guarantees and other instruments that do not relate to the insurer's own insurance contracts.

    b. Directions or permitted practices issued by the BMA.

(Expressed in USD Thousands)

14. Statutory Requirements (continued)

3. Economic Balance Sheet (EBS) – A balance sheet where assets are recorded based on GAAP fair values and 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-based approach. Under the standard approach the discount rate for insurance reserves is a rate prescribed by the BMA. Under the scenario-based approach the discount rate for insurance reserves is based on the yield on eligible assets owned by the insurer as determined under the worst result of nine prescribed stressed conditions.

Under the Bermuda Insurance Act, the Company is required to maintain SFS capital and surplus to meet the Minimum Margin of Solvency (MMS) which is equal to the greater of $500 or 1.5% of SFS assets. The MMS is subject to a floor of 25% of the Enhanced Capital Ratio (ECR). The Company met the minimum requirements.

Under the Bermuda Insurance Act, the Company is also required to maintain minimum EBS capital and surplus to meet the ECR which is equal to a risk based capital model where risk factor charges are applied to the EBS balance sheet in order to determine the ECR. The Company met the minimum requirements.

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. As of December 31, 2023, all of the Company's eligible capital used to meet the MSM and ECR was Tier 1 Capital.

Under the Bermuda Insurance Act, the Company is prohibited from paying a dividend in an amount exceeding 25% of the prior year's statutory capital and surplus, unless at least two members of the Company's board of directors and its principal representative in Bermuda sign and submit to the BMA an affidavit attesting that a dividend in excess of this amount would not cause the Company to fail to meet its relevant margins.

For the years ended December 31, 2023 and 2022, the BMA approved a permitted practice for the Company to use accounting practices different from those prescribed by the BMA. As a result, the Company has elected to remove the effect of the Financial Accounting Standard 133 DIG Issued B36 ("DIG B36"). This permits the Company to not measure the embedded derivative included within its funds withheld coinsurance agreements at fair value. The following table summarizes the impact of this permitted practice.

	December 31, 2023	**December 31, 2022**
Total GAAP Shareholder's Equity (Deficit)	11,178	(138,300)
Permitted Practice - Removal of DIG B36 Embedded Derivative	464,805	441,128
Non-Admitted Assets (1)	—	—
Statutory Capital and Surplus	475,983	302,828

(1) Non-admitted assets arose which are not admissible for the statutory capital and surplus.

15. Litigation, Claims and Assessments

As at December 31, 2023 and 2022, there were no matters arising outside the normal course of business.

16. Related-Party Transactions

On December 22, 2020, F&G Life Re entered into a coinsurance agreement with Fidelity & Guaranty Life Insurance Company ("FGLIC" or "Ceding Company"), an affiliate reinsurer, to reinsure a quota share of FIA policies. Concurrently with the entry into this Coinsurance Agreement, F&G Life Re and F&G Cayman Re, an affiliated reinsurer of both FGLIC and F&G Life Re, entered into the Retrocession Agreement. Both of these treaties are on a coinsurance funds withheld basis. The cession from FGLIC to F&G Life Re is on a 100% quota share basis and the retrocession to F&G Cayman Re from the Reinsurer is on a 45% quota share basis. Both contracts have an effective date of December 31, 2020, ("Effective Date"). The Retrocession Agreement was recaptured effective October 1, 2023. The effects of this recapture are included in the financial statements presented.

On December 31, 2022, the Company entered into a coinsurance agreement with FGLIC, an affiliate reinsurer, to reinsure a quota share of pension risk transfer ("PRT") business. The treaty is on a coinsurance funds withheld and modco basis. The cession from FGLIC to F&G Life Re is on a 80% quota share basis. The contract has an effective date of December 31, 2022. This agreement was recaptured effective October 1, 2023. The effects of this recapture are included in the financial statements presented.

As of December 31, 2023, the Company had not entered into any other contracts.

As of December 31, 2023, the Company had a liability amount of $7 (2022: $0) payable to F&G Cayman Re and a receivable amount of $839 (2022: $0) due from FGLIC.

17. Subsequent Events

ASC Topic 855, "Subsequent Events" ("ASC 855"), establishes general standards of accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 requires the Company to evaluate events that occur after the balance sheet date through the date the Company's financial statements are issued and to determine whether adjustments to or additional disclosures in the financial statements are necessary.

As at April 25, 2024 the signing date of these financial statements there has been no subsequent events that would have a material impact on these financial statements.