

**Fortitude International Reinsurance Ltd.**  
**Consolidated Financial Statements**  
**As of and for the years ended December 31, 2023 and 2022**

**Fortitude International Reinsurance Ltd.**  
**Consolidated Financial Statements**  
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## **Report of Independent Auditors**

To the Board of Directors of Fortitude International Reinsurance Ltd.

### ***Opinion***

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

In our opinion, the accompanying consolidated 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 audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Emphasis of Matter***

As discussed in Note 11 to the consolidated financial statements, the Company has entered into significant reinsurance transactions with affiliates of T&D Holdings, Inc., a related party. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 the consolidated financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 US 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 consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

*PricewaterhouseCoopers LLP*

Nashville, Tennessee  
April 26, 2024

**Fortitude International Reinsurance Ltd.**  
**Consolidated Balance Sheets**  
(in thousands, except share data)

	December 31,	
	2023	2022
<b>Assets:</b>		
Investments:		
Fixed maturity securities:		
Available for sale, at fair value (amortized cost: \$1,032,872 as of December 31, 2023) (allowance for credit losses of \$608 as of December 31, 2023)	\$ 1,045,329	\$ —
At fair value	2,727,247	422,782
Other invested assets (includes \$13,919 and \$558 of assets measured at fair value as of December 31, 2023 and 2022, respectively)	70,360	558
<b>Total investments</b>	<b>3,842,936</b>	<b>423,340</b>
Cash and cash equivalents	494,814	268,417
Accrued investment income	33,815	5,003
Deferred cost of reinsurance contracts and Deferred acquisition costs	242,071	27,446
Loan receivable from related parties	230,000	—
Reinsurance receivables	27,986	110,131
Other assets	13,297	—
<b>Total assets</b>	<b>\$ 4,884,919</b>	<b>\$ 834,337</b>
<b>Liabilities and Equity</b>		
<b>Liabilities:</b>		
Policyholder contract deposits	\$ 3,008,105	\$ 577,645
Future policy benefits	1,066,884	—
Deferred gain from reinsurance contracts	93,078	—
Reinsurance payable	43,485	—
Derivative liabilities	7,485	—
Payable to related parties	718	1,159
Accrued and other liabilities	7,665	2,835
<b>Total liabilities</b>	<b>4,227,420</b>	<b>581,639</b>
<b>Contingencies and commitments (Note 9)</b>		
<b>Equity:</b>		
Common stock - \$1.00 par value; 1,250,000 units authorized, issued and outstanding as of December 31, 2023 and 2022, respectively	1,250	1,250
Additional paid-in capital	620,750	255,750
Retained earnings (deficit)	22,434	(4,302)
Accumulated other comprehensive income (loss)	13,065	—
<b>Total equity (deficit)</b>	<b>657,499</b>	<b>252,698</b>
<b>Total liabilities and equity</b>	<b>\$ 4,884,919</b>	<b>\$ 834,337</b>

See accompanying Notes to Consolidated Financial Statements.

**Fortitude International Reinsurance Ltd.**  
**Consolidated Statements of Income (Loss)**  
(in thousands)

	Year Ended December 31,	
	2023	2022
<b>Revenues:</b>		
Policy charges and fee income	\$ 14,667	\$ —
Net investment income	162,494	2,711
Investment gains (losses)	23,113	(865)
Foreign exchange gains (losses)	(29,386)	(362)
Total revenues	170,888	1,484
<b>Benefits and expenses:</b>		
Policyholder benefits	47,320	—
Interest credited to policyholder account balances	57,572	2,811
Commission and expense allowance	23,203	1,085
General operating and other expenses	16,057	1,890
Total benefits and expenses	144,152	5,786
<b>Net income (loss)</b>	<b>\$ 26,736</b>	<b>\$ (4,302)</b>

See accompanying Notes to Consolidated Financial Statements.

**Fortitude International Reinsurance Ltd.**  
**Consolidated Statements of Comprehensive Income (Loss)**  
(in thousands)

	Year Ended December 31,	
	2023	2022
<b>Net income (loss)</b>	26,736	(4,302)
<b>Other comprehensive loss:</b>		
Change in unrealized investment gains (losses)	13,065	—
Total other comprehensive income (loss)	13,065	—
<b>Comprehensive income (loss)</b>	<b>\$ 39,801</b>	<b>\$ (4,302)</b>

*See accompanying Notes to Consolidated Financial Statements.*

**Fortitude International Reinsurance Ltd.**  
**Consolidated Statements of Changes in Shareholder's Equity**  
(in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Shareholder's Equity (Deficit)
<b>Balance, December 31, 2021</b>	\$ 1,250	\$ 750	\$ —	\$ —	\$ 2,000
Contributed capital	—	255,000	—	—	255,000
Net income (loss)	—	—	(4,302)	—	(4,302)
<b>Balance, December 31, 2022</b>	1,250	255,750	(4,302)	—	252,698
Contributed capital	—	365,000	—	—	365,000
Net income (loss)	—	—	26,736	—	26,736
Other comprehensive income (loss)	—	—	—	13,065	13,065
<b>Balance, December 31, 2023</b>	<b>\$ 1,250</b>	<b>\$ 620,750</b>	<b>\$ 22,434</b>	<b>\$ 13,065</b>	<b>\$ 657,499</b>

*See accompanying Notes to Consolidated Financial Statements.*



**Fortitude International Reinsurance Ltd.**  
**Consolidated Statements of Cash Flows**  
(in thousands)

	<b>Year Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows provided by (used in) operating activities</b>		
Net income (loss)	\$ 26,736	\$ (4,302)
<b>Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:</b>		
Amortization of deferred gain (cost) from reinsurance contracts	24,625	—
Change in fair value, other invested assets	(380)	—
Investment (gains) losses	(23,113)	865
Net foreign exchange gains (losses)	29,386	362
Other, net	(40,976)	(5,366)
<b>Changes in operating assets and liabilities:</b>		
Future policy benefits	1,129,955	—
Policyholder contract deposits	(955)	—
Derivatives, net	(48,014)	403
Reinsurance receivable and payable, net	52,743	3,855
Deferred cost of reinsurance contracts	(189,754)	—
Deferred gain from reinsurance contracts	97,595	—
Other, net	(9,294)	1,344
<b>Net cash provided by (used in) operating activities</b>	<b>1,048,554</b>	<b>(2,839)</b>
<b>Cash flows provided by (used in) investing activities</b>		
<b>Proceeds from the sale, maturities, and prepayments of:</b>		
Fixed maturity securities, available for sale	288,720	—
Fixed maturity securities, at fair value	879,556	192,056
Other invested assets	125	—
Short term investments	506	—
<b>Purchases of:</b>		
Fixed maturity securities, available for sale	(1,317,954)	—
Fixed maturity securities, at fair value	(3,213,461)	(612,192)
Other invested assets	(45,325)	—
Short term investments	(501)	—
Cash loaned to affiliates, net of repayments	(230,000)	—
<b>Net cash provided by (used in) investing activities</b>	<b>(3,638,334)</b>	<b>(420,136)</b>

**Fortitude International Reinsurance Ltd.**  
**Consolidated Statements of Cash Flows (continued)**  
(in thousands)

	<b>Year Ended December 31,</b>	
<b>Cash flows provided by (used in) financing activities</b>		
Capital contributions	365,000	255,000
Deposits received for investment-type policyholder contract deposits	2,511,808	432,440
Withdrawals from investment-type policyholder contract deposits	(71,742)	(13)
<b>Net cash provided by (used in) financing activities</b>	<b>2,805,066</b>	<b>687,427</b>
Effect of foreign exchange rate changes on cash and cash equivalents	11,111	1,965
Net increase (decrease) in cash and cash equivalents during the period	226,397	266,417
Cash and cash equivalents at the beginning of the period	268,417	2,000
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 494,814</b>	<b>\$ 268,417</b>
<b>Supplemental Disclosures of Cash Flow Information</b>	<b>2023</b>	<b>2022</b>
<b>Cash paid during the period for:</b>		
Interest	\$ 421	\$ —

*See accompanying Notes to Consolidated Financial Statements.*

**Fortitude International Reinsurance Ltd.**  
**Notes to Consolidated Financial Statements**

## **1. Nature of Operations, Basis of Presentation and Summary of Significant Accounting Policies**

Fortitude International Reinsurance Ltd., a Bermuda exempted company, ("FIRL" or the "Company") is primarily a reinsurer of general insurance and life insurance run-off and flow business. On November 13, 2023, Fortitude International Group Holdings ("FIGH" or "Former Parent"), the former parent, transferred ownership of the Company to Fortitude International Limited ("FIL" or the "Parent"). FIRL is a wholly-owned subsidiary of FIL and an indirect wholly-owned subsidiary of FGH Parent, L.P. ("FGP" or the "Ultimate Parent").

As of December 31, 2022, FGP was owned by Carlyle FRL, L.P. ("Carlyle FRL"), an investment fund advised by an affiliate of The Carlyle Group Inc. ("Carlyle"), an SEC-registered global investment firm, T&D United Capital Co., Ltd. ("T&D"), a wholly-owned subsidiary of T&D Holdings, Inc., a listed Japanese insurance group, and Corebridge Financial, Inc. ("Corebridge") following its initial public offering, an SEC-registered company, which owned interests in FGP of 71.28%, 25.93% and 2.79%, respectively. On October 2, 2023, a sovereign wealth fund ("SWF") which previously held an indirect interest in FGP through Carlyle FRL, decided to exercise the option to become a direct owner of FGP. As of December 31, 2023, Carlyle FRL, SWF, T&D and Corebridge owned interests in FGP of 38.53%, 32.64%, 26.37% and 2.46% respectively.

### **Basis of Presentation**

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S.") ("GAAP"). All intercompany transactions have been eliminated. All amounts are presented in U.S. dollars ("USD").

### **Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions when applying accounting policies that often involve a significant degree of judgment. The Company's accounting policies that are most dependent on the application of estimates and assumptions are those related to the determination of:

- Fair value measurements of investments including, derivatives;
- Measurement of allowance for credit losses;
- Valuation of future policy benefits liabilities, including timing and extent of loss recognition;
- Estimates of the remaining life of the underlying contracts, which is used as the basis for amortizing deferred acquisition costs ("DAC") from long duration reinsurance contracts; and
- Liabilities for legal contingencies, if any.

Additional details regarding these and other estimates and assumptions are included within the significant accounting policies and other related disclosures that follow. These accounting estimates require the use of assumptions about matters, some of which are highly uncertain at the time of estimation. To the extent actual experience differs from the assumptions used, the Company's consolidated financial condition, results of operations and cash flows could be materially affected.

### **Business Risks and Uncertainties**

The Company's operations are influenced by many factors, including but not limited to, general economic conditions, regulatory changes, market risks normally associated with investments, the financial condition of the cedants and risks impacting insurance liabilities.

The Company is regulated by the Bermuda Monetary Authority ("BMA"). Future changes in regulatory requirements could have an unanticipated impact on the Company.

Liquidity, interest rate, foreign exchange and credit spread risks are all market risks. Liquidity risk is the risk that the Company's financial condition will be adversely affected by the inability or perceived inability to meet short term cash, collateral or other obligations. Interest rate risk can arise from a mismatch in the interest rate exposure of assets compared to liabilities. Changes in interest rates can affect the valuation of fixed maturity securities, financial liabilities, insurance contracts and derivative contracts. Foreign exchange risk can arise from a mismatch in the

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foreign currency exposure of assets compared to liabilities. Changes in foreign exchange rates can affect the valuation of USD and non-USD denominated assets and liabilities. Credit spreads measure an instrument's risk premium or yield relative to that of a comparable duration, default-free instrument. Changes in credit spreads can affect the valuation of fixed maturity securities, including but not limited to corporate bonds, asset-backed securities, mortgage-backed securities, credit derivatives and derivative credit valuation adjustments.

Market risk is monitored and managed using an asset-liability management framework. For both assets and liabilities, market risk exposures are measured in terms of sensitivities to changes in the relevant risk factors. In addition, the Company performs stress testing on these market risk factors to capture concentration risks to a single market risk factor change as well as simultaneous multiple market risk factor changes, to understand the net impact on exposure from impacts on both assets and liabilities.

The Company's insurance liabilities are exposed to policyholder behavior risk and mortality/longevity risk. Longevity risk is the risk of a change in value of a policy or benefit as a result of actual mortality experience being lower than the expected mortality assumed at the time of underwriting. The Company manages this risk through ongoing monitoring and assessment of such experience relative to underlying assumptions, which include those relative to mortality and morbidity.

### **Reclassifications**

Certain prior period amounts have been reclassified to conform to the current period presentation. The Company consolidated several lines on the consolidated statements of cash flows to conform with the activity during 2023.

### **Summary of Significant Accounting Policies**

The following summarizes the Company's significant accounting policies.

#### **Fair Value Option**

The fair value option ("FVO") provides entities with an option to use fair value as the initial and subsequent accounting measurement for assets and liabilities that meet the definition of a financial asset or liability. The decision to elect the FVO is determined on an instrument-by-instrument basis and is applied to an entire instrument. The decision is irrevocable once elected. The Company has made this election for certain investments associated with specific reinsurance transactions, as it improves operational efficiency and better aligns the recognition and measurement of those investments and insurance liabilities, with the associated reinsurance activity with how the business is managed. Refer to the investments and policyholder contract deposit section below and Notes 3 and 4 for more information on the Company's FVO elections.

#### **Investments**

*Fixed maturity securities available for sale, at fair value:* fixed maturity securities designated as available for sale ("AFS") are carried at fair value.

AFS fixed maturity securities are recorded on a trade-date basis, with any unsettled trades recorded in other assets or other liabilities on the consolidated balance sheets. Interest income, including amortization of premium and accretion of discount, is determined using the effective yield method. Interest income amortization of premium, accretion of discount, and prepayment premiums are reported in net investment income in the consolidated statements of income (loss).

Yields on AFS fixed maturity securities are determined based on the fixed maturity type. Premiums and discounts arising from the purchase of bonds are treated as yield adjustments over their estimated holding periods, until maturity, or call date, if applicable. For investments in certain structured securities, recognized yields are updated based on current information regarding the timing and amount of expected undiscounted future cash flows. For high credit quality structured securities, effective yields are recalculated based on actual payments received and updated prepayment expectations, and the amortized cost is adjusted to the amount that would have existed had the new effective yield been applied since acquisition with a corresponding charge or credit to net investment income. For structured securities that are not of high credit quality, the structured securities yields are based on expected cash flows which take into account both expected credit losses and prepayments.

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*Unrealized gains (losses) and impairment - subsequent to adoption of Financial Instruments - Credit Losses ("CECL") on January 1, 2023:* Unrealized gains and losses from AFS fixed maturity securities are reported as a separate component of accumulated other comprehensive income (loss) ("AOCI"), net of deferred income taxes, with changes in credit losses recognized in investment gains (losses).

On a quarterly basis, the Company reviews its AFS fixed maturity securities portfolio to determine whether a decline in fair value below amortized cost (i.e., impairment) of an AFS debt security is due to credit-related or noncredit-related factors. Any impairment that is not credit-related is recognized in other comprehensive income (loss). Credit related impairment is recognized in earnings through a contra-asset allowance account, unless the Company intends to sell before recovery. If the Company intends to sell the debt security, or it is more likely than not the Company will be required to sell the security before recovery of its amortized cost basis, any allowance for credit losses is written off and the amortized cost basis is written down to the debt security's fair value. Accrued interest is excluded from the measurement of the allowance for credit losses.

When determining whether a credit loss exists, the Company estimates the expected credit losses based on a discounted cash flow method, using effective interest rates to discount the expected cash flows associated with each debt security to determine its fair value, which is then compared with its amortized cost basis to derive the credit loss on the security. The methodology and inputs used to determine the credit loss by security type are as follows:

For corporate, municipal and sovereign fixed maturity securities, the Company considers:

- Expected default rates and the timing of such defaults;
- Loss severity and the timing of any recovery; and
- Scenarios specific to the issuer and the security, which may also include estimates of outcomes of corporate restructurings, political and macroeconomic factors, stability and financial strength of the issuer, the value of any secondary sources of repayment and the disposition of assets.

For structured fixed maturity securities (e.g., commercial mortgage backed securities ("CMBS"), collateralized debt obligations ("CDO") and asset-backed securities ("ABS")), the Company considers the historical performance of underlying assets and available market information as well as bond-specific structural considerations, such as credit enhancement and the priority of payment structure of the security. In addition, the process of estimating future cash flows includes, but is not limited to, the following critical inputs, which vary by asset class:

- Current delinquency rates;
- Expected default rates and the timing of such defaults;
- Loss severity and the timing of any recovery; and
- Expected prepayment speeds.

*Unrealized gains (losses) and impairment - prior to adoption of CECL:* Unrealized gains and losses from AFS fixed maturity securities, were reported as a separate component of AOCI, net of deferred income taxes.

On a quarterly basis, the Company reviewed its AFS portfolio for potential other-than-temporary impairments which would require that affected securities be written down to an adjusted cost basis with the amount of the write-down recorded as part of investment gains (losses) in the consolidated statements of income (loss). The Company reviewed its AFS investment portfolio for market value changes to identify changes caused by issuer credit deterioration, changes in market interest rates and changes in economic conditions. If this review indicated a decline in fair value that was other-than-temporary, the Company's carrying amount in the investment would be reduced to its estimated fair value as an other-than-temporary impairment. In accordance with GAAP guidance the estimated credit versus non-credit components of the other-than-temporary impairment would be bifurcated. The credit component would be recorded in earnings and result in the establishment of a new cost basis for the security. The non-credit component would be reclassified as unrealized loss in other comprehensive income (loss). The Company would not recognize impairment of securities due to changing of interest rates or market dislocations unless the Company had the intent to sell the securities prior to recovery or maturity.

The Company considered a number of factors in determining whether the impairment was other-than-temporary. These may have included, but were not limited to: 1) actions taken by rating agencies; 2) default by the issuer; 3) the significance of the decline in fair value; 4) the intent and ability to hold the investment until recovery; 5) the time period during which the decline had occurred; 6) an economic analysis of the issuer's industry; and 7) the financial

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strength, liquidity, and recoverability of the issuer. Management performed a security-by-security review in evaluating the need for any other-than-temporary impairments. Although no set formula was used in this process, the investment performance, collateral position, and continued viability of the issuer were significant measures considered.

*Fixed maturity securities, at fair value:* The Company's fixed maturity securities for which the FVO has been elected are reported on the consolidated balance sheets as fixed maturity securities at fair value. Realized and unrealized gains and losses on fixed maturity securities, at fair value are reported in investment gains (losses) on the consolidated statements of income (loss).

Fixed maturity securities at fair value are recorded on a trade-date basis, with any unsettled trades recorded in other assets or other liabilities on the consolidated balance sheets. Interest income, including amortization of premium and accretion of discount, is determined using the effective yield method. Interest income amortization of premium, accretion of discount, and prepayment premiums are reported in net investment income in the consolidated statements of income (loss).

*Private equity funds, limited partnerships and limited liability companies ("LPs/LLCs"):* LPs/LLCs interests are accounted for using either the equity method of accounting, or at fair value if the Company elects the FVO. LPs/LLCs are recorded within other invested assets on the consolidated balance sheets. The Company uses the net asset value ("NAV"), a permitted practical expedient, as an estimate of fair value when the fair value is not readily available for the Company's LPs/LLCs. In applying the equity method, the Company uses financial information provided by the investee, generally on a one to three-month lag. Contributions to and distributions from these investments are recorded in the period in which the transaction occurred. Changes in fair value of other invested assets are reported in net investment income.

*Derivative instruments:* Derivatives are financial instruments whose values are derived from interest rates, foreign exchange rates, financial indices, values of securities or commodities, credit spreads, market volatility, expected returns, and liquidity. Values can also be affected by changes in estimates and assumptions, including those related to counterparty behavior and non-performance risk ("NPR") used in valuation models. Derivative financial instruments generally used by the Company include swaps, futures, forwards and options and may be exchange-traded or contracted in the over-the-counter ("OTC") market. Certain of the Company's OTC derivatives are cleared and settled through central clearing counterparties, while others are bilateral contracts between the Company and a counterparty. Derivative positions are carried at fair value, generally by obtaining quoted market prices or a third-party valuation.

The Company uses currency derivatives to reduce exposure to foreign currency associated with assets held or expected to be purchased or sold, and liabilities incurred or expected to be incurred.

The Company's derivatives do not qualify for hedge accounting. Accordingly, all realized and unrealized changes in fair value of derivatives are recorded in investment gains (losses) or foreign exchange gains (losses) on the consolidated statements of income (loss). Cash flows from derivatives are reported in the operating activities section in the consolidated statements of cash flows.

Derivatives are recorded either as assets, within other invested assets, or as liabilities, within derivative liabilities. The Company nets the fair value of all derivative financial instruments on the balance sheet where there is a master netting arrangement that has been executed and if the Company has the right of offset. Cash collateral posted in excess of derivative liabilities and cash collateral received in excess of derivative assets are recorded within other invested assets and accrued and other liabilities, respectively.

*Short term investments:* These investments primarily consist of highly liquid debt instruments with a maturity of twelve months or less and greater than three months when purchased. These investments are generally carried at fair value or amortized cost that approximates fair value and include certain money market investments and funds managed similar to regulated money market funds. The Company did not have any short term investments at December 31, 2023.

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**Notes to Consolidated Financial Statements**

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, amounts due from banks, certain money market investments, funds managed similar to regulated money market funds and other debt instruments with maturities of three months or less when purchased.

**Accrued Investment Income**

Accrued investment income primarily includes accruals of interest and dividend income from investments that have been earned but not yet received.

**Reinsurance**

The Company assumes long duration investment contracts under coinsurance arrangements. The Company follows reinsurance accounting for assumed transactions that provide indemnification against loss or liability relating to insurance risk (risk transfer). To meet risk transfer requirements, a reinsurance agreement must include both insurance risk consisting of both underwriting and timing risks, and a reasonable possibility of a significant loss. The mortality and timing risks related to certain whole life ("WL") blocks of business transferred to the Company are subject to reinsurance accounting. The remaining fixed annuity blocks of life business lack significant mortality risk and therefore do not achieve risk transfer. Accordingly, these reinsured contracts are subject to deposit accounting, rather than reinsurance accounting.

Reinsurance receivable includes contractual balances due from ceding companies. Where a right of offset exists, the reinsurance receivable is reduced by accrued interest on policyholder contract deposits which is accrued outside the account value as it is due to the reinsurer. Reinsurance payables include unpaid claims which are based upon estimates of payments to be made for claims incurred whether reported or unreported and net settlements due to ceding companies.

Accounting for reinsurance requires the use of assumptions, particularly related to the future performance of the underlying business and the potential impact of counterparty risks. The Company attempts to minimize counterparty risk through the structuring of the terms of the reinsurance agreements, including the use of trusts and the monitoring of credit ratings of the counterparties for signs of declining credit quality.

**Deferred Cost of Reinsurance Contracts ("Deferred Costs") and DAC**

For the reinsurance of existing in-force blocks that transfer significant insurance risk, the excess of the liabilities assumed that exceeds the fair value of assets received is recognized as Deferred Costs at the inception of the reinsurance agreement.

The premium charged, or fair value of assets received, to ceding companies may be lower than the estimate of liabilities as these liabilities may not be settled for many years. As premium is received at inception, the Company expects to generate a profit from these reinsurance contracts as the Company may invest the premium for many years, thereby generating investment income.

*Deferred Costs - long duration:* The Deferred Costs are amortized over the lives of the reinsured policies in relation to expected benefit payments or insurance in-force for life and annuity insurance contracts. The amortization is included within policyholder benefits within the consolidated statements of income (loss).

The Deferred Costs are included within the net carrying amount of future policy benefit liabilities subject to loss recognition testing, as described in further detail below.

*DAC:* DAC represents the deferred costs that are directly related to the successful acquisition or renewal of an insurance (or reinsurance) contract. Each cost is analyzed to assess whether it is fully deferrable. If deferrable, these costs have been recorded as an asset.

DAC related to investment contracts with significant revenue streams from sources other than investment of the policyholder funds are amortized over the lives of the policies, based upon the proportion of the present value of

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actual and expected deferred costs to the present value of actual and expected gross profits to be earned over the life of the policies.

The Company performs periodic tests, including at issuance, to determine if the deferred costs are recoverable. If the Company determines that the deferred costs are not recoverable, the Company records a cumulative charge to the current period.

**Loan Receivable from Related Parties**

The loan receivable from related parties are carried at the unpaid principal balances. Interest income is accrued on the principal balance of the loan based on the loan's contractual interest rate and is recorded as earned within interest income on the consolidated statements of income (loss).

**Other Assets**

Other assets primarily consist of other investment-related receivables.

**Future Policy Benefits**

Future policy benefits include retirement products whose payments depend on contract holder's survival such as whole life.

The assumptions used to estimate benefit liabilities are set when a contract is issued and do not change with changes in actual experience unless a loss recognition event occurs. These locked-in assumptions include mortality, morbidity, persistency, maintenance expenses, and investment returns and include margins for adverse deviation to reflect uncertainty given that actual experience might deviate from these assumptions. Periodically, the Company is required to evaluate these locked-in assumptions. A loss recognition event occurs when there is a shortfall between the net carrying amount of future policy benefit liabilities and estimated future policy benefit liabilities determined by applying current best estimate assumptions. The Company includes Deferred Costs and deferred gains in the net carrying amount of future policy benefit liabilities subject to loss recognition testing. If the Company determines a loss recognition event has occurred, the Company would record additional liabilities through policyholder benefits and changes in fair value of insurance liabilities in the consolidated statements of income (loss). To the extent that a loss recognition event is triggered by decreased interest rates stemming from assets designated as available for sale, the increase of additional liability would be recorded as a component of accumulated other comprehensive income (loss). The Company would then replace the old locked-in assumption with the current best estimate. Future reserves would be set by reviewing the updated best estimate assumptions periodically and making further adjustments where necessary. Other adjustments include incurred but not reported claims. Groupings for loss recognition testing are consistent with the Company's manner of acquiring servicing and measuring the profitability of the business and applied by line of business.

**Policyholder Contract Deposits**

The liability for policyholder contract deposits is recorded at accumulated or fund value (deposits received, less withdrawals, surrender charges and fees). Amounts collected on investment-oriented products are not recognized as revenues, because they are recorded directly to policyholder contract deposits upon receipt.

Policyholder contract deposits are comprised of single premium whole life ("SPWL") contracts which are structured akin to a deferred annuity. Interest crediting rates for the Company's policyholder contract deposits range from 0.2% to 5%.

**Deferred Gain from Reinsurance Contracts**

*Deferred gain - long duration:* The difference between the consideration received in excess of the liabilities assumed under the reinsurance contract is recorded as a deferred gain from reinsurance contracts in the consolidated balance sheets. The deferred gain is amortized over the lives of the reinsured policies in relation to expected benefit payments or insurance in-force for life insurance contracts. The amortization is included within policyholder benefits within the consolidated statements of income (loss).



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### **Other Liabilities**

Other liabilities primarily consist of accrued expenses and payables resulting from purchases of securities that had not yet settled at the balance sheet date.

### **Insurance Revenue and Expense Recognition**

For traditional long-duration insurance contracts (including WL contracts), premiums are earned when due. Estimates for premiums due but not yet collected are accrued. For contracts without significant mortality or morbidity risk (investment contracts), premiums received are reported as policyholder contract deposits. Revenues from these contracts are reflected in policy charges and fee income consisting primarily of fees assessed against the policyholders' account balances for policy administration charges and surrender charges. Policy charges are recognized as revenues in the period in which they are assessed against policyholders, unless the charges are designed to compensate the Company for the services to be provided in the future, in which case they are deferred.

### **Foreign Exchange Gains (Losses)**

Financial statement accounts expressed in foreign currencies are translated into USD generally using rates of exchange prevailing at the balance sheet date and the related translation adjustments are recorded as a separate component of other comprehensive income (loss), net of any related taxes. Functional currencies are generally the currencies of the local operating environment. Other foreign currency assets and liabilities that are considered monetary items are translated at exchange rates in effect at the balance sheet date. Foreign currency revenues and expenses are translated either at transaction date exchange rates or using a weighted average exchange rate for the reporting period. These exchange gains and losses are recognized in foreign exchange gains (losses) within the consolidated statements of income (loss).

### **Accounting Standard Updates ("ASUs") Adopted During 2023**

#### *ASU 2020-03 Codification Improvements to Financial Instruments:*

In March 2020, the FASB issued ASU 2020-03 which makes narrow-scope improvements to various topics within the codification relating to financial instruments, inclusive of the new credit losses standard as described below. The amendments related to certain specific issues covered by the ASU were effective immediately upon the issuance of the ASU, and had no impact on the Company's consolidated financial statements and disclosures.

#### *ASUs 2016-13, 2018-19, 2019-04, 2019-05, 2019-10, 2019-11, 2020-02 Financial Instruments - Credit Losses - Measurement of Credit Losses on Financial Instruments:*

In June 2016, the FASB issued an accounting standard that introduced a new credit loss methodology, the Current Expected Credit Losses ("CECL") methodology, which requires earlier recognition of credit losses while also providing additional transparency about credit risk. The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, reinsurance receivables, and other financial assets measured at amortized cost. The allowance for credit losses is adjusted each period for changes in expected lifetime credit losses. The CECL methodology represents a significant change from prior U.S. GAAP and replaced the prior multiple existing impairment methods, which generally required that a loss be incurred before it was recognized. For AFS debt securities, if the fair value is less than cost and the Company intends to hold the security or it is more-likely-than-not that the Company will not be required to sell the security, the Company will record any applicable credit-related impairment through an allowance for credit losses and adjust subsequent periods for changes in credit risk.

On January 1, 2023, the Company adopted the new standard and completed implementation of its updated CECL models, processes and controls related to the identified financial assets that fall within the scope of the new standard. Upon adoption, the Company did not record a cumulative effect adjustment to reduce the opening retained earnings balance as the Company did not have fixed maturity securities, AFS at December 31, 2022. See Note 4 for additional disclosures related to CECL.

### **Future Adoption of Accounting Standard Updates**

*ASU 2018-12 Targeted Improvements to the Accounting for Long-Duration Contracts and ASU 2020-11 Effective Date and Early Application:*

In August 2018, the FASB issued ASU 2018-12, an accounting standard update with the objective of making targeted improvements to the existing recognition, measurement, presentation, and disclosure requirements for long-duration insurance contracts issued by an insurance entity. In November 2019, the FASB issued ASU 2019-09, an amendment to ASU 2018-12 extending the effective date of ASU 2018-12 for all entities, which extends the effective date of ASU 2018-12 to January 1, 2025 for the Company.

The changes to the measurement, recognition, presentation and disclosure as provided by the new accounting standard update are summarized below:

- Requires the review and update of future policy benefit assumptions at least annually for traditional and limited pay long duration contracts, with the recognition and separate presentation of any resulting re-measurement gain or loss (except for discount rate changes as noted below) in the consolidated statements of income (loss);
- Requires the discount rate assumption to be updated at the end of each reporting period using an upper medium grade (low-credit risk) fixed income instrument yield that maximizes the use of observable market inputs and recognizes the impact of changes to discount rates in other comprehensive income (loss);
- Requires the measurement of all market risk benefits associated with deposit (or account balance) contracts at fair value through the income statement with the exception of instrument-specific credit risk changes, which will be recognized in other comprehensive income (loss);
- Requires the amortization of DAC and other DAC-like assets over the expected term of the related contracts on a constant-level basis; and
- Requires significant disclosures, including disclosures of disaggregated roll-forwards of policy benefits, account balances, market risk benefits, separate account liabilities and information about significant inputs, judgments and methods used in measurement and changes thereto and impact of those changes.

ASU 2018-12 permits two adoption methods for the liability for future policy benefits and DAC: (1) a modified retrospective transition method in which the guidance is applied to contracts in force as of the beginning of the earliest period presented on the basis of their existing carrying amounts, adjusted for the removal of any related amounts in AOCI; or, (2) a full retrospective transition method. The Company will adopt ASU 2018-12 effective January 1, 2025 using the modified retrospective transition method where permitted, and apply the guidance as of January 1, 2023 (and record transition adjustments as of January 1, 2023) in the Company's 2025 consolidated financial statements.

The Company has created a governance framework and a plan to support implementation of the updated standard. The Company continues to make progress in its implementation process that includes, but is not limited to, refining significant accounting policy decisions, employing appropriate internal controls, modifying actuarial models and systems, revising reporting processes and developing informative qualitative and quantitative disclosures.

The Company expects that while the adoption of this new accounting guidance will have a significant impact on the Company's consolidated financial statements under U.S. GAAP, it does not expect adoption of the updated standard to impact its overall cash flows, subsidiaries' dividend capacity or their ability to meet applicable regulatory capital standards, nor does the Company anticipate adoption to affect its existing debt covenants or strategies for capital deployment.

*ASU 2023-01, Leases (Topic 842): Common Control Arrangements*

In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842) Common Control Arrangements*. This ASU provides guidance in ASC Topic 842 that leasehold improvements associated with common control leases should be: (i) amortized by the lessee over the useful life of the leasehold improvements to the common control group, regardless of the lease term, as long as the lessee controls the use of the underlying asset through a lease; and (ii) accounted for as a transfer between entities under common control through an adjustment to equity if and when the lessee no longer controls the use of the underlying asset. This ASU also provides a practical expedient for private companies to use written terms and conditions of a common control arrangement to determine if a lease exists and the classification and accounting for that lease. This guidance is effective for fiscal years beginning after December 15, 2023. The Company is evaluating the effect that this guidance will have on the financial statements and related disclosures, and expect the impact to be immaterial.

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## 2. Significant Reinsurance Transactions

The Company acquires blocks of legacy reserves through legal entity acquisitions and reinsurance agreements. The following table summarizes the Company's significant run-off reinsurance transactions completed between January 1, 2022 and December 31, 2023. Values are shown in thousands at the execution date of transaction.

Transaction	Execution Date	Total Liabilities Assumed	Total Assets Transferred	Deferred Gain (Cost)	Primary Nature of Transaction
Reinsurance agreement with an affiliated Japanese life insurance company	March 31, 2023	\$ 1,145,302	\$ 1,242,897	\$ 97,595	Quota share coinsurance on a block of JPY denominated whole life products issued to the Japanese market. Effective date March 31, 2023.
Reinsurance agreement with an affiliated Japanese life insurance company	March 31, 2023	\$ 1,311,929	\$ 1,122,175	\$ (189,754)	Coinsurance on a block of USD denominated single premium whole life products issued to the Japanese market. Effective date March 31, 2023.

Effective October 1, 2022, the Company entered into a flow reinsurance transaction with an affiliated Japanese life insurance company in which the Company reinsures a quota share basis of USD and Australian dollars ("AUD") denominated single premium WL products, structured akin to a deferred annuity block, issued to the Japanese market.

## 3. Fair Value Measurements

### Fair Value Measurements on a Recurring Basis

Fair value is defined as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The degree of judgment used in measuring the fair value of financial instruments generally inversely correlates with the level of observable valuation inputs. The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when determining fair value. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgment is used in measuring fair value. Conversely, financial instruments for which no quoted prices are available have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction, liquidity and general market conditions.

### Fair Value Hierarchy

Assets and liabilities recorded at fair value in the consolidated balance sheets are measured and classified in accordance with a fair value hierarchy consisting of three levels based on the observability of valuation inputs as follows:

- Level 1: Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities.
- Level 2: Fair value is based on significant inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities, and other market observable inputs.
- Level 3: Fair value is based on at least one significant unobservable input for the asset or liability. The assets and liabilities in this category may require significant judgement or estimation in determining fair value.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

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The following is a description of the valuation methodologies used for assets and liabilities carried at fair value. These methodologies are applied to assets and liabilities across the levels discussed above, and it is the observability of the inputs used that determines the appropriate level in the fair value hierarchy for the respective asset or liability.

**Valuation of Financial Instruments Measured at Fair Value**

Fixed maturity securities

Whenever available, the Company obtains quoted prices in active markets for identical assets at the balance sheet date to measure fixed maturity securities at fair value. Market price data is generally obtained from dealer markets. The Company employs multiple independent third-party valuation service providers that gather, analyze, and interpret market information to derive fair value estimates for individual investments, based upon market-accepted methodologies and assumptions. The methodologies used by these independent third-party valuation service providers are reviewed and understood by management, through periodic discussion with and information provided by the independent third-party valuation service providers, and a vendor hierarchy is maintained by asset type based on historical pricing experience and vendor expertise. The Company ultimately uses the price from the pricing service highest in the vendor hierarchy based on the respective asset type. The pricing hierarchy is updated, as needed, for new financial products.

When observable price quotations are not available, indicative broker quotes, asset manager pricing, or third-party valuation specialist pricing is used for valuation. Fair value can be determined based on discounted cash flow models using discount rates based on credit spreads, yields or price levels of comparable securities, adjusted for illiquidity and structure. The significant unobservable inputs used in the fair value measurement of these investments are liquidity discount rates applied to each of the net tangible book value multiples used in the internal valuation models, and discount rates applied to the expected cash flows of the underlying entities in various scenarios. These unobservable inputs in isolation can cause significant increases or decreases in fair value. Generally, an increase in the liquidity discount rate or discount rates would result in a decrease in the fair value of these private investments. Asset manager overrides and indicative broker quotes are generally included in Level 3 in the fair value hierarchy.

Derivative instruments (Other invested assets and derivative liabilities)

The fair values of derivative contracts can be affected by changes in interest rates, foreign exchange rates, credit spreads, market volatility, expected returns, NPR, liquidity and other factors.

The Company's derivative positions are traded in the OTC derivative market and are classified within Level 2 in the fair value hierarchy. OTC derivatives classified within Level 2 are valued using models that utilize actively quoted or observable market input from external market data providers, third-party pricing vendors and/or recent trading activity. The Company's policy is to use mid-market pricing in determining its best estimate of fair value. The fair values of most OTC derivatives, including cross-currency swaps and currency forward contracts are determined using discounted cash flow models.

The Company's cleared interest rate swaps linked to an index are valued using models that utilize actively quoted or observable market inputs, third-party pricing vendors, and/or recent trading activity. These derivatives are classified as Level 2 in the fair value hierarchy.

Other invested assets - LPs/LLCs

Other invested assets include investments in private equity funds, for which the Company utilizes NAV as an estimate of the fair value, which is a permitted practical expedient.

Cash and Cash equivalents

Cash and cash equivalents, including certain money market instruments, are primarily valued using unadjusted quoted prices in active markets that are accessible for identical assets and are primarily classified as Level 1.

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**Assets and Liabilities Measured at Fair Value**

The following table presents information about assets and liabilities measured at fair value on a recurring basis and indicates the level of the fair value measurement based on the observability of the inputs used as of December 31, (in thousands):

	2023					
	Level 1	Level 2	Level 3	Fair Value Based on NAV as Practical Expedient	Netting <sup>(1)</sup>	Total
<b>Assets:</b>						
Fixed maturity securities, AFS:						
U.S. government and government sponsored entities	\$ —	\$ 248,298	\$ —	\$ —	\$ —	\$ 248,298
Obligations of states, municipalities and political subdivisions	—	—	—	—	—	—
Non-U.S. governments	—	—	—	—	—	—
Corporate debt	—	551,689	10,490	—	—	562,179
Residential mortgage backed securities ("RMBS")	—	101,104	—	—	—	101,104
CMBS	—	6,273	—	—	—	6,273
CDO / ABS	—	62,167	65,308	—	—	127,475
<b>Total fixed maturity securities, AFS</b>	<b>—</b>	<b>969,531</b>	<b>75,798</b>	<b>—</b>	<b>—</b>	<b>1,045,329</b>
Fixed maturity securities, at fair value:						
U.S. government and government sponsored entities	\$ —	\$ 37,251	\$ —	\$ —	\$ —	\$ 37,251
Obligations of states, municipalities and political subdivisions	—	—	—	—	—	—
Non-U.S. governments	—	452,716	—	\$ —	\$ —	452,716
Corporate debt	—	1,286,138	389,609	—	—	1,675,747
RMBS	—	44,888	—	—	—	44,888
CMBS	—	27,981	—	—	—	27,981
CDO / ABS	—	303,652	185,012	—	—	488,664
<b>Total fixed maturity securities, at fair value</b>	<b>—</b>	<b>2,152,626</b>	<b>574,621</b>	<b>—</b>	<b>—</b>	<b>2,727,247</b>
Cash and cash equivalents	494,814	—	—	—	—	494,814
Other invested assets	—	21,343	—	45,486	(7,424)	59,405
<b>Total assets</b>	<b>\$ 494,814</b>	<b>\$ 3,143,500</b>	<b>\$ 650,419</b>	<b>\$ 45,486</b>	<b>\$ (7,424)</b>	<b>\$ 4,326,795</b>
<b>Liabilities:</b>						
Derivative liabilities	\$ —	\$ 31,448	\$ —	\$ —	\$ (23,963)	\$ 7,485
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ 31,448</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (23,963)</b>	<b>\$ 7,485</b>

<sup>(1)</sup>"Netting" amounts represent offsetting considerations as disclosed in Note 5.

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**2022**

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Fixed maturity securities, at fair value:				
Non-U.S. governments	—	1,928	—	\$ 1,928
Corporate debt	—	366,106	—	366,106
RMBS	—	260	—	260
CDO / ABS	—	54,488	—	54,488
Total fixed maturity securities, at fair value	—	422,782	—	422,782
Cash and cash equivalents	268,417	—	—	268,417
Other invested assets	—	558	—	558
<b>Total assets</b>	<b>\$ 268,417</b>	<b>\$ 423,340</b>	<b>\$ —</b>	<b>\$ 691,757</b>
<b>Liabilities:</b>				
Derivative liabilities	\$ —	\$ —	\$ —	\$ —
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

**Quantitative Information About Level 3 Fair Value Measurements**

The table below presents information about the significant unobservable inputs used for recurring fair value measurements for certain Level 3 assets and liabilities, which includes only those financial instruments for which information about the inputs is reasonably available to the Company. Table shows values as of December 31, (in thousands):

	2023				
	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)	Impact of Increase in the Input on Fair Value
<b>Assets:</b>					
Fixed maturities:					
Corporate debt	\$ 99,127	Discounted Cash Flow	Market yield	5.25% - 7.94% 6.27%	Decrease
CDO / ABS	\$ 247,321	Discounted Cash Flow	Spread	220 bps - 1040 bps 536 bps	Decrease

Excluded from the above chart are certain level 3 assets that were valued by an external vendor and for which the unobservable inputs were not readily available. As of December 31, 2023, \$303,971 thousand of fixed maturities securities, AFS and fixed maturities securities, at fair value were excluded from assets under this criteria.

The Company had no assets or liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended December 31, 2022.

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**Transfers into or out of Level 3**

The following is a reconciliation for all the Level 3 assets measured at fair value on a recurring basis as of December 31, (in thousands):

	<b>2023</b>		
	<b>Assets</b>		
	<b>Fixed Maturity Securities, AFS</b>	<b>Fixed Maturity Securities, at Fair Value</b>	<b>Total Assets</b>
<b>Beginning balance</b>	\$ —	\$ —	\$ —
Purchases	75,208	521,587	596,795
Sales, maturities, redemptions	(188)	(509)	(697)
Investment gains (losses) included in net income (loss) <sup>(1)</sup>	—	(2,535)	(2,535)
Investment gains (losses) included in other comprehensive income (loss)	778	—	778
Transfers into Level 3	—	56,078	56,078
Transfers out of Level 3	—	—	—
Other	—	—	—
<b>Ending balance</b>	<b>\$ 75,798</b>	<b>\$ 574,621</b>	<b>\$ 650,419</b>

<sup>(1)</sup> Fixed maturity securities, at fair value includes changes in unrealized gains (losses) of \$326 thousand reported in investment gains (losses) on the consolidated statements of income (loss) for instruments still held as of December 31, 2023.

The Company's policy is to recognize transfers into and out of levels within the fair value hierarchy at the beginning of the year in which the actual event or change in circumstances that caused the transfer occur.

**Fair Value Information About Financial Instruments Not Measured at Fair Value**

The following table presents the carrying amounts and estimated fair values of financial instruments not measured at fair value and indicates the level in the fair value hierarchy of the estimated fair value measurement based on the observability of the inputs used as of December 31, (in thousands):

	<b>2023</b>				<b>Carrying Value</b>
	<b>Estimated Fair Value</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	
<b>Assets:</b>					
Other invested assets - other	\$ 10,955	\$ —	\$ —	\$ 10,955	\$ 10,955
Loan receivable from related parties	\$ —	\$ —	\$ 231,175	\$ 231,175	\$ 230,000
<b>Liabilities:</b>					
Policyholder contract deposits associated with investment-type contracts	\$ —	\$ —	\$ 2,816,391	\$ 2,816,391	\$ 3,008,105

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	2022				
	Estimated Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
<b>Assets:</b>					
Other invested assets - other	\$ —	\$ —	\$ —	\$ —	\$ —
Loan receivable from related parties	—	—	—	—	—
<b>Liabilities:</b>					
Policyholder contract deposits associated with investment-type contracts	\$ —	\$ —	\$ 536,592	\$ 536,592	\$ 577,645

Information regarding the estimation of fair value for financial instruments not carried at fair value is discussed below:

Other invested assets - other

Includes cash collateral posted in excess of derivative liabilities. For cash collateral posted in excess of derivative liabilities, due to the short-term nature of these transactions, the carrying value approximates fair value.

Loan receivable from related parties

The fair value of debt is estimated using a discounted cash flow calculation based on projected interest and principal cash flows discounted at a risk adjusted discount rate for the duration of such debt.

Policyholder contract deposits associated with investment-type contracts

Policyholder contract deposits associated with investment-type contracts are estimated using discounted cash flow calculations based on interest rates currently being offered in the industry for similar contracts with maturities consistent with those of the contracts being valued. When no similar contracts are being offered, the discount rate is the U.S. Treasury spot rate or current risk-free interest rate. Other factors considered in the estimation process include current policyholder account values and related surrender charges, expectations about policyholder behavior and risk margin adjustments.



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**4. Investments**

**Fixed Maturity Securities AFS**

The following table presents the amortized cost or cost, gross unrealized gains, gross unrealized losses, allowance for credit losses and fair value of AFS fixed maturity securities as of December 31, (in thousands):

	<b>2023</b>				
	<b>Amortized Cost or Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Allowance for Expected Credit Losses</b>	<b>Fair Value</b>
<b>Fixed maturity securities, AFS:</b>					
U.S. government and government sponsored entities	\$ 249,829	\$ —	\$ (1,531)	\$ —	\$ 248,298
Obligations of states, municipalities and political subdivisions	—	—	—	—	—
Non-U.S. governments	—	—	—	—	—
Corporate debt	551,800	10,538	(159)	—	562,179
Mortgage-backed, asset-backed and collateralized:					
RMBS	99,268	2,612	(776)	(496)	101,104
CMBS	6,178	104	(9)	(1)	6,273
CDO / ABS	125,797	1,809	(131)	(111)	127,475
Total mortgage-backed, asset-backed and collateralized	231,243	4,525	(916)	(608)	234,852
<b>Total fixed maturity securities, AFS</b>	<b>\$ 1,032,872</b>	<b>\$ 15,063</b>	<b>\$ (2,606)</b>	<b>\$ (608)</b>	<b>\$1,045,329</b>

The Company did not have any fixed maturity securities AFS as of December 31, 2022.

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**Fixed Maturity Securities AFS in a Loss Position**

The following table summarizes the fair value and gross unrealized losses on AFS securities without an allowance for credit losses, aggregated by major investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, (in thousands):

	2023					
	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<b>Fixed maturity securities, AFS:</b>						
U.S. government and government sponsored entities	\$ 248,298	\$ (1,531)	\$ —	\$ —	\$ 248,298	\$ (1,531)
Obligations of states and municipalities and other political	—	—	—	—	—	—
Non-U.S. governments	—	—	—	—	—	—
Corporate debt	23,412	(159)	—	—	23,412	(159)
Mortgage-backed, asset-backed and collateralized:						
RMBS	23,838	(776)	—	—	23,838	(776)
CMBS	1,915	(9)	—	—	1,915	(9)
CDO / ABS	13,450	(131)	—	—	13,450	(131)
Total mortgage-backed, asset-backed and collateralized	<b>39,203</b>	<b>(916)</b>	<b>—</b>	<b>—</b>	<b>39,203</b>	<b>(916)</b>
<b>Total fixed maturity securities, AFS</b>	<b>\$ 310,913</b>	<b>\$ (2,606)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 310,913</b>	<b>\$ (2,606)</b>

Of the \$310,913 thousand of securities with an unrealized loss position as of December 31, 2023, 91% had a decline in fair value less than 1% of amortized cost. Additionally, \$1,714 thousand of the unrealized loss relates to investment-grade securities (or highly rated or securities with a Standard and Poor's rating of at least BBB-). Overall, the unrealized losses as of December 31, 2023 are primarily due to interest rate movements since the date of acquisition, and the Company does not intend to sell the securities, nor is it more likely than not that the Company will be required to sell the securities before recovery of the amortized cost basis.

**Contractual Maturities of Fixed Maturity Securities AFS**

The following table presents the amortized cost and fair value of fixed maturity securities AFS by contractual maturity as of December 31, (in thousands):

	2023	
	Total Fixed Maturity Securities, AFS	
	Amortized Cost	Fair Value
Due in one year or less	\$ —	\$ —
Due after one year through five years	383,014	384,023
Due after five years through ten years	417,467	425,289
Due after ten years	1,148	1,166
Mortgage-backed, asset-backed and collateralized	231,243	234,851
<b>Total</b>	<b>\$ 1,032,872</b>	<b>\$ 1,045,329</b>

Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Asset-backed, commercial mortgage-backed, residential mortgage-backed, and collateralized securities are shown separately in the table above, as they do not have a single maturity date.

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**Proceeds and gross gains and losses from sales**

The following table presents the proceeds from sales and the gross gains and losses on those sales of AFS fixed maturity securities for the years ended December 31, (in thousands):

	<u>2023</u>
Proceeds from voluntary sales	\$ 281,771
Gross gains	\$ 121
Gross losses	\$ (6,146)

**Allowance for Credit Losses and Impairments - Fixed Maturity Securities AFS**

The following table presents the rollforward of the allowance for credit losses in fixed maturity securities by type for the year ended December 31,(in thousands) :

	RMBS	CMBS	CDO / ABS	Total
<b>Balance, January 1, 2023<sup>(1)</sup></b>	\$ —	\$ —	\$ —	\$ —
Additions to the allowance for credit losses not previously recorded	496	111	1	608
<b>Balance, December 31, 2023</b>	<b>\$ 496</b>	<b>\$ 111</b>	<b>\$ 1</b>	<b>\$ 608</b>

<sup>(1)</sup> Prior to January 1, 2023, credit losses on AFS securities were not recorded as an allowance but were recorded as a reduction of the book value of the security if the security was other-than-temporarily impaired. The Company did not have an adoption impact due to the transition for AFS securities.

**Other Invested Assets**

The following table presents a breakdown of other invested assets by asset class as of December 31, (in thousands):

	<u>2023</u>	<u>2022</u>
<b>LPs/LLCs:</b>		
Fair Value:		
Private equity	\$ 45,486	\$ —
<b>Total LPs/LLCs<sup>(1)</sup></b>	<b>45,486</b>	<b>—</b>
Derivatives	13,919	558
Other	10,955	—
<b>Total other invested assets</b>	<b>\$ 70,360</b>	<b>\$ 558</b>

<sup>(1)</sup> Includes related party balances of \$45,486 thousand and \$0 thousand as of December 31, 2023 and 2022, respectively.

The private equity funds are subject to restrictions on redemptions and sales that are determined by the governing documents, which limit the ability to liquidate those investments. These restrictions may include lock-ups, redemption gates, restricted share classes or side pockets, restrictions on the frequency of redemption and notice periods.

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**Net Investment Income**

The following table presents the components of net investment income for the years ended December 31, (in thousands):

	<u>2023</u>	<u>2022</u>
Fixed maturity securities	\$ 134,383	\$ 2,272
Other invested assets	380	—
Short term investments and other investments	31,610	—
Cash equivalents	—	439
<b>Gross investment income</b>	<u>166,373</u>	<u>2,711</u>
Investment expenses	(3,879)	—
<b>Net investment income</b>	<u><u>\$ 162,494</u></u>	<u><u>\$ 2,711</u></u>

**Investment Gains (Losses)**

The following table presents the components of investment gains (losses) for the years ended December 31, (in thousands):

	<u>2023</u>	<u>2022</u>
Realized gains (losses) on fixed maturity securities	\$ (7,219)	\$ (1,032)
Unrealized gains (losses) on fixed maturity securities under the FVO	29,504	167
Net gains (losses) on derivative instruments	828	—
<b>Investment gains (losses)</b>	<u><u>\$ 23,113</u></u>	<u><u>\$ (865)</u></u>

The amount of unrealized appreciation (depreciation) of fixed maturity securities, AFS reclassified from accumulated other comprehensive income (loss) to investment gains (losses) upon the sale of securities was \$235 thousand for the year ended December 31, 2023.

**Securities Pledged and Restricted Assets**

The Company pledges as collateral investment securities it owns to unaffiliated parties through certain transactions, including postings of collateral with derivative counterparties.

The Company utilizes asset trust accounts to collateralize business with reinsurance counterparties. As of December 31, 2023 and 2022 the Company held \$3,933,714 thousand and \$431,865 thousand, respectively, of assets in these trusts for the benefit of the counterparties.

**5. Derivatives and Hedging**

**Types of Derivative Instruments and Derivative Strategies**

The Company utilizes various derivative instruments and strategies to manage interest rate, foreign currency exchange rate, equity and credit risk. Commonly used derivative instruments include but are not necessarily limited to:

- Interest rate contracts: futures, swaps, swaptions, forwards, options, caps and floors
- Equity contracts: futures, options and total return swaps

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- Foreign exchange contracts: futures, options, forwards and swaps
- Credit contracts: single and index reference credit default swaps, credit default index swaptions and credit index options

See Note 1 for a detailed discussion of the accounting treatment for derivative instruments. See Note 3 for additional disclosures related to the fair value of derivative instruments.

Interest Rate Contracts

Interest rate swaps are used by the Company to reduce risks from changes in interest rates, and manage interest rate exposures arising from mismatches between assets and liabilities and to hedge against changes in their values it owns or anticipates acquiring or selling.

Interest rate swaps may be attributed to specific assets or liabilities or to a portfolio of assets or liabilities. The Company agrees with counterparties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed upon notional principal amount.

Foreign Exchange Contracts

The Company utilizes currency derivatives, including currency swaps and forwards, to reduce risks from changes in currency exchange rates with respect to investments or reinsurance contracts denominated in foreign currencies that the Company either holds or intends to acquire or sell.

Under currency forwards, the Company agrees with counterparties to deliver a specified amount of an identified currency at a specified future date. Typically, the price is agreed upon at the time of the contract and payment for such a contract is made at the specified future date.

Under currency swaps, the Company agrees with counterparties to exchange, at specified intervals, the difference between one currency and another at an exchange rate and calculated by reference to an agreed principal amount. Generally, the principal amount of each currency is exchanged at the beginning and termination of the currency swap by each party.

Credit Contracts

The Company purchases credit protection using credit derivatives in order to hedge specific credit exposures in the Company's investment portfolio. The Company sells credit protection using credit derivatives in order to generate a credit spread for the benefit of the Company's investment portfolio.

**Primary Risks Managed by Derivatives**

The table below provides a summary of the gross notional amount and fair value of derivative contracts by the primary underlying risks. Many derivative instruments contain multiple underlying risks. The fair value amounts below represent the value of derivative contracts prior to taking into account the netting effects of master netting agreements and cash collateral as of December 31, (in thousands):

Instrument Type	2023			2022		
	Notional	Gross Fair Value		Notional	Gross Fair Value	
		Assets	Liabilities		Assets	Liabilities
Interest rate swaps	\$ 311,215	\$ 4,802	\$ 6,701	\$ —	\$ —	\$ —
Foreign currency forwards	444,894	14,011	855	64,067	596	173
Foreign currency swaps	302,750	2,530	23,892	34,600	154	577
<b>Total Derivatives <sup>(1)</sup></b>	<b>\$ 1,058,859</b>	<b>\$ 21,343</b>	<b>\$ 31,448</b>	<b>\$ 98,667</b>	<b>\$ 750</b>	<b>\$ 750</b>

<sup>(1)</sup> Recorded in other invested assets and derivative liabilities on the consolidated balance sheets.

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**Offsetting Assets and Liabilities**

The following table presents recognized assets and liabilities, that are offset in the consolidated balance sheets, and/or are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in the consolidated balance sheets as of December 31, (in thousands):

	2023						
	Gross Amounts of Recognized Financial Instruments	Gross Amounts Offset in the Consolidated Balance Sheets		Amounts Presented in the Consolidated Balance Sheets	Financial Instruments/ Collateral <sup>(1)</sup>	Net Amount	
		Counterparty Netting					Cash Collateral
		\$	\$				\$
<b>Offsetting of Financial Assets:</b>							
Derivatives	\$ 21,343	\$ (6,864)	\$ (560)	\$ 13,919	\$ —	\$ 13,919	
<b>Offsetting of Financial Liabilities:</b>							
Derivatives	\$ 31,448	\$ (6,864)	\$ (17,099)	\$ 7,485	\$ —	\$ 7,485	

<sup>(1)</sup> Amounts exclude the excess of collateral received/pledged from/to the counterparty.

	2022						
	Gross Amounts of Recognized Financial Instruments	Gross Amounts Offset in the Consolidated Balance Sheets		Amounts Presented in the Consolidated Balance Sheets	Financial Instruments/ Collateral <sup>(1)</sup>	Net Amount	
		Counterparty Netting					Cash Collateral
		\$	\$				\$
<b>Offsetting of Financial Assets:</b>							
Derivatives	\$ 406	\$ 152	\$ —	\$ 558	\$ (558)	\$ —	
<b>Offsetting of Financial Liabilities:</b>							
Derivatives	\$ 406	\$ (406)	\$ —	\$ —	\$ —	\$ —	

<sup>(1)</sup> Amounts exclude the excess of collateral received/pledged from/to the counterparty.

The following table provides the financial statement classification and impact of derivatives for the years ended December 31, (in thousands):

Instrument Type	2023		2022	
	Investment Gains (Losses)	Foreign Exchange Gains (Losses)	Investment Gains (Losses)	Foreign Exchange Gains (Losses)
Interest rate swaps	\$ —	\$ (1,899)	\$ —	\$ —
Foreign currency forwards	—	(5,169)	—	703
Foreign currency swaps	—	(23,780)	—	(885)
Credit default swaps	828	157	—	—
<b>Total Derivatives</b>	<b>\$ 828</b>	<b>\$ (30,691)</b>	<b>\$ —</b>	<b>\$ (182)</b>

**Counterparty Credit Risk**

The Company is exposed to credit-related losses in the event of non-performance by counterparties to financial derivative transactions with a positive fair value. The Company manages credit risk by (i) entering into derivative transactions with highly rated major international financial institutions and other creditworthy counterparties

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governed by master netting agreements, as applicable; (ii) trading through central clearing and OTC parties; and (iii) obtaining collateral, such as cash and securities, when appropriate.

Substantially all of the Company's derivative agreements require daily full collateralization by the party in a liability position.

## 6. Reinsurance

The following table shows the effects of assumed reinsurance on the consolidated statements of income (loss) for the years ended December 31, (in thousands):

	2023 <sup>(1)</sup>	2022 <sup>(1)</sup>
Interest credited to policyholder account balances	\$ 57,572	\$ 2,811
Commission and expense allowance	23,203	1,085
Policy charges and fee income	14,667	—
Policyholder benefits and losses incurred	47,320	—

<sup>(1)</sup> Represent related party balances.

The following table shows the effects of assumed reinsurance on the consolidated balance sheets as of December 31, (in thousands):

	2023 <sup>(1)</sup>	2022 <sup>(1)</sup>
Reinsurance receivable	\$ 27,986	\$ 110,131
Deferred policy acquisition costs	81,459	27,446
Future policy benefits - assumed	1,066,884	—
Policyholder contract deposits	3,008,105	577,645
Reinsurance payable	43,485	—

<sup>(1)</sup> Represent related party balances.

## 7. Insurance Liabilities

### Long Duration Lines of Business

Liabilities for long-duration contracts are classified as future policy benefits or policyholder contract deposits. Future policy benefits include retirement products whose payments depend on contract holder's survival such as WL. Policyholder contract deposits apply to investment contracts such as the fund values of SPWL insurance contracts.

#### Future Policy Benefits

Future policy benefits include liability cash flows that are long-duration and relatively stable. Reserves for WL contracts represent an estimate of the present value of future benefits less the present value of future net premiums.

Life reserves are established using assumptions for investment yields, mortality, morbidity, lapses and expenses, including a provision for adverse deviation where applicable. The Company reviews the adequacy of the life reserves regularly using best estimate assumptions for mortality, morbidity, lapse, expenses and investment yield. If financial performance significantly deteriorates to the point where a premium deficiency exists, then the Company would record additional liabilities.

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The following table presents future policy benefits by product line as of December 31, (in thousands):

	2023	2022
Traditional WL	\$ 1,066,884	\$ —
<b>Total</b>	<b>\$ 1,066,884</b>	<b>\$ —</b>

Policyholder Contract Deposits

Policyholder contract deposits are investment contracts that include SPWL insurance contracts. SPWL products are interest sensitive and provide permanent coverage for life insurance with the potential to accumulate cash value.

The following table presents policyholder contract deposits by product line as of December 31, (in thousands):

	2023	2022
Interest sensitive WL (SPWL)	\$ 3,008,105	\$ 577,645
<b>Total</b>	<b>\$ 3,008,105</b>	<b>\$ 577,645</b>

Interest crediting rates for the Company's policyholder contract deposits range from 0.2% to 5%.

**8. Deferred Gains, Deferred Costs of Reinsurance Contracts and Deferred Acquisition Costs**

**Deferred Gains and Deferred Costs**

Long Duration Business

The table below shows the roll forward of the Deferred Costs and related amortization on long duration reinsurance agreements for the year ended December 31, (in thousands):

	2023	2022
<b>Beginning Carrying Value</b>	<b>\$ —</b>	<b>\$ —</b>
Assumed business	189,754	—
Amortization	(29,142)	—
<b>Ending Carrying Value</b>	<b>\$ 160,612</b>	<b>\$ —</b>



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The table below shows the roll forward of the Deferred Gain and related amortization on the long duration reinsurance agreements for the years ended December 31, (in thousands):

	2023	2022
<b>Beginning Carrying Value</b>	\$ —	\$ —
Assumed business	97,595	—
Amortization of deferred gain	(4,517)	—
<b>Ending Carrying Value</b>	<b>\$ 93,078</b>	<b>\$ —</b>

**Deferred Acquisition Costs**

The table below presents a rollforward of DAC for the years ended December 31, (in thousands):

	2023	2022
<b>Balance, beginning of period</b>	\$ 27,446	\$ —
Deferrals	59,328	27,232
Effect of foreign exchange rates	172	214
Amortization	(5,487)	—
<b>Balance, end of period</b>	<b>\$ 81,459</b>	<b>\$ 27,446</b>

**9. Contingencies and Commitments**

**Litigation and Regulatory Matters**

As of December 31, 2023 and 2022, the Company has no material contingent liabilities arising from litigation, make-whole fee conditions or other matters, other than liabilities arising in the normal course of its business of reinsurance.

**Commitments**

As of December 31, 2023, the Company has commitments to purchase investments owned by affiliates of Carlyle. These commitments include unfunded commitments of \$521,956 thousand. See Note 11 for further information regarding related party investments. As of December 31, 2022, the Company had no outstanding commitments.

**10. Income Taxes**

The Company operates as a Bermuda composite reinsurer and has not made an election under section 953(d) of the U.S. Internal Revenue Code to be treated as a U.S. domestic insurance company for U.S. tax purposes. While the Company constitutes a controlled foreign corporation for U.S. tax purposes through its constructive ownership by FGH, there will be no amount of gross income included as U.S. taxable income in the tax return filing group.

In mid-December 2023, the Bermuda Parliament passed legislation enacting a 15% corporate income tax ("CIT") regime that will become effective for tax years beginning on or after January 1, 2025. This legislation received governor's assent on December 27, 2023. The Bermuda income tax rules are intended to align as closely as possible to the Organization for Economic Cooperation and Development's global anti-base erosion rules. Effective for fiscal years beginning on or after January 1, 2025, certain groups with a limited international footprint are eligible for a five-year deferral, extending the effective date to January 1, 2030. The Company will be eligible for this deferral. In addition, certain elections and economic transition adjustments are available to support a fair and

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equitable transition into the Bermuda CIT regime. Based on the Company's current profile and the likelihood of not being subject to the Bermuda CIT for some time after the deferral period ends, the Company will continue to evaluate the need for and availability of these elections and transition adjustments. There are no material implications with respect to the Bermuda CIT for the year ended December 31, 2023.

### **Accounting for Uncertainty in Income Taxes**

The Company also periodically evaluates uncertain tax positions to determine whether the tax positions are more likely than not to be realized as a tax benefit or expense in the current year. The Company recognizes interest and penalties related to uncertain tax benefits in Bermuda income tax expense. For the years ended December 31, 2023 and 2022, there were no uncertain tax positions and no accrual for interest and penalties. The Company does not anticipate any significant changes within the next twelve months to its total unrecognized tax benefits related to tax years for which the statute of limitations has not expired.

### **11. Related Party Transactions**

The Company has transactions and relationships with affiliates. Although the Company seeks to ensure that these transactions and relationships are fair and reasonable, it is possible that the terms of these transactions are not the same as those that would result from transactions among unrelated parties.

#### Carlyle Affiliated Entities

The Company maintains investment management agreements with Carlyle affiliates (collectively the "Investment Manager"), pursuant to which the Investment Manager provides certain investment management and advisory services with respect to certain asset classes. The Company recorded expenses related to these agreements of \$267 thousand and \$0 for the years ended December 31, 2023 and 2022, respectively, that are included within net investment income within the consolidated statements of income.

The Company invests in limited partnerships where a Carlyle affiliate is the general partner of the funds managed by Carlyle affiliates. The Company's investments in funds and other structured investments managed by Carlyle were valued at \$45,486 thousand and \$0 as of December 31, 2023 and 2022, respectively, and were primarily of private credit fixed income assets and limited partnership interests. The Company recorded net investment income related to these investments of \$1,226 thousand and \$0 for the years ended December 31, 2023 and 2022, respectively.

#### T&D Affiliated Entities

On March 31, 2023, the Company entered into a reinsurance agreement with an affiliate of T&D, whereby the Company assumed a quota share of JPY denominated fully paid up WL products issued to the Japanese market under a coinsurance basis.

On March 31, 2023, the Company entered into a reinsurance agreement with an affiliate of T&D, whereby the Company assumed a quota share of USD denominated SPWL products issued to the Japanese market under a coinsurance basis.

The Company reported assumed policyholder contract deposits and future policyholder benefits of \$ 3,008,105 thousand and \$1,066,884 thousand, respectively, as of December 31, 2023 and \$577,645 thousand and \$0, respectively, as of December 31, 2022 in the consolidated balance sheets in connection with these reinsurance agreements. The Company recorded assumed interest credited to policyholder account balances in the consolidated statements of income (loss) in connection with these reinsurance agreements of \$57,572 thousand and \$2,811 thousand, respectively, for the years ended December 31, 2023 and 2022.

For the year ended December 31, 2023, the Company paid \$7,600 thousand to an affiliate of T&D, for a one-time advisory fee paid for assistance with opportunities in the Japanese insurance sector that are included in general operating and other expenses within the consolidated statements of income (loss).

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On October 1, 2022, the Company entered into a flow reinsurance agreement with an affiliate of T&D, whereby the Company assumed a quota share of USD and AUD denominated SPWL products issued to the Japanese market under a coinsurance basis.

Expense Charges and Allocations

A portion of the Company's expenses are allocations or charges from Fortitude Group Services ("FGS") and Fortitude International Group Services ("FIGS") which are indirect wholly-owned subsidiaries of FGP. These expenses primarily relate to general and administrative expenses which include accounting, actuarial, risk management and data processing services. During the year ended December 31, 2023, the Company was allocated \$1,838 thousand and \$0 of costs for these services from FGS and FIGS, respectively. During the year ended December 31, 2022, the Company was allocated \$1,101 thousand and \$197 thousand of costs for these services from FGS and FIGS, respectively.

As of December 31, 2023, the Company recorded payables of \$718 thousand and \$0 to FGS and FIGS, respectively, for invoices not yet settled within other liabilities on the consolidated balance sheet. As of December 31, 2022, the Company recorded payables of \$962 thousand and \$197 thousand to FGS and FIGS, respectively, for invoices not yet settled within other liabilities on the consolidated balance sheet.

Intercompany Liquidity Agreement

The Company entered into an intercompany liquidity agreement that allows the Company and other affiliates to lend or borrow funds to meet short term liquidity and other capital needs. During the year ended December 31, 2023, the Company borrowed \$64,950 thousand AUD, which was repaid in full during the fourth quarter of 2023. The Company recorded interest expense associated with these loans of \$629 thousand AUD within general operating and other expenses on the consolidated statements of income (loss). The Company did not lend or borrow any funds during the year ended December 31, 2022.

During the year ended December 31, 2023, the Company lent \$225,000 thousand, \$5,000 thousand, and \$5,000 thousand to FGP, FIGS, and FIGH, respectively, of which \$5,000 thousand was repaid by FIGH during the third quarter of 2023. The Company recorded interest revenue associated with these loans of \$2,963 thousand within net investment income on the consolidated statements of income (loss). As of December 31, 2023, the Company recorded a receivable of \$2,526 thousand for the interest revenue on these loans within receivables from related parties on the consolidated balance sheet.

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*Affiliated Asset Transfers*

The Company may participate in asset transfers with affiliates. Book and market value differences for trades with the Company and affiliates are recognized within Investment gains (losses) on the consolidated statement of income (loss). The table below shows affiliated asset trades for the year ended December 31, 2023, (in thousands):

Affiliate	Date	Transaction	Security Type	Fair Value	Book Value	Investment Gains (Losses), net
Fortitude Reinsurance Company Ltd.	May 2023	Purchase	CMBS	\$2,495	\$2,495	\$ —
Fortitude Reinsurance Company Ltd.	May 2023	Purchase	CMBS	\$3,699	\$3,699	\$ —
Fortitude Reinsurance Company Ltd.	May 2023	Purchase	CMBS	\$1,593	\$1,593	\$ —
Fortitude Reinsurance Company Ltd.	May 2023	Purchase	CMBS	\$2,555	\$2,555	\$ —
Fortitude Reinsurance Company Ltd.	May 2023	Purchase	CMBS	\$8,662	\$8,662	\$ —
Fortitude Reinsurance Company Ltd.	May 2023	Purchase	CMBS	\$864	\$864	\$ —
Fortitude Reinsurance Company Ltd.	May 2023	Purchase	CMBS	\$9,421	\$9,421	\$ —
Fortitude Reinsurance Company Ltd.	May 2023	Purchase	CMBS	\$3,920	\$3,920	\$ —

The Company did not participate in asset transfers with affiliates during the year ended December 31, 2022.

**12. Shareholder's Equity**

As of December 31, 2023, the Company has issued 1,250,000 shares, of which, 100% were owned by FIL. As of December 31, 2022, the Company has issued 1,250,000 shares, of which, 100% were owned by FIGH.

The Company received a capital contribution from the Former Parent of \$365,000 thousand on March 28, 2023. The Company received capital contributions from Former Parent of \$21,000 thousand and \$234,000 thousand on September 30, 2022 and December 20, 2022, respectively.

The following table shows the balance and changes in each component of AOCI for the years ended December 31, 2023 (in thousands):

	Unrealized Investment Gains (Losses)	Total Accumulated Other Comprehensive Income (Loss)
<b>Balance, December 31, 2022</b>	—	—
Change in OCI before reclassifications	(13,065)	(13,065)
<b>Balance, December 31, 2023</b>	<b>(13,065)</b>	<b>(13,065)</b>

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**13. Statutory Requirements**

Under the Bermuda Insurance Act, the Company is registered as a Class 4 and Class E composite reinsurance company. The Company is subject to the following statutory reporting requirements.

Statutory financial statements ("SFS"): The SFS framework is consistent with U.S. GAAP reporting requirements adjusted for prudential filters. These adjustments include the elimination of non-admitted assets not considered admissible for solvency purposes, the inclusion of certain assets and liabilities that are generally off-balance sheet under U.S. GAAP and adjustments for directions or permitted practices by the Bermuda Monetary Authority ("BMA"). The Company has obtained permission under Section 6C of the Bermuda Insurance Act to value the fixed maturity securities investment portfolios pertaining to long-term business at amortized cost rather than fair value within the SFS.

The Company is subject to capital requirements calculated using the Bermuda Solvency and Capital Requirement ("BSCR") model, which is a standardized statutory risk-based capital model used to measure the risk associated with the Company's assets, liabilities and premiums as valued under EBS. Required statutory economic capital and surplus under the BSCR model is referred to as the enhanced capital requirement ("ECR"), which is the greater of the BSCR and minimum margin of solvency ("MSM"). The Company is required to calculate and submit a quarterly financial return, inclusive of the ECR, on a quarterly basis and a statutory financial return and capital and solvency return, inclusive of the ECR, on an annual basis. Following receipt of the submission of these returns, the BMA has the authority to impose additional capital requirements if it deems necessary. As of December 31, 2023 and 2022, the Company met the minimum statutory reporting and capital requirements.

While not specifically referred to in the Bermuda Insurance Act, the target capital level ("TCL") is also an important threshold for statutory economic capital and surplus. The TCL is equal to 120% of ECR as calculated pursuant to the BSCR formula. The 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.

The statutory capital and surplus reported in the Company's SFS as of December 31, (in thousands) is detailed below.

	2023	2022
Statutory capital and surplus	\$ 615,371	\$ 252,531

Under the Bermuda Insurance Act, the Company is prohibited from declaring or paying a dividend if it were in breach of their respective minimum solvency margin or liquidity ratio or if the declaration or payment of such dividends would cause the Company to fail to meet such margin or ratio. The Company is prohibited from declaring or paying in any fiscal period, dividends of more than 25% of its total statutory capital and surplus, as set out in its previous year's statutory financial statements, unless the Company files with the BMA a signed affidavit by at least two members of its Board of Directors attesting that a dividend would not cause the Company to fail to meet its relevant requirements. The Bermuda Insurance Act further prohibits the Company from reducing its prior period statutory capital by 15% or more without prior approval of the BMA. As the Company reinsures run-off business, the Company is required to seek BMA approval for any dividends or distributions.

The Company did not declare or pay any dividends to FIGH, nor following FIGH's dissolution (Note 1), to FIL, its immediate parent, during the years ended December 31, 2023 and 2022.

#### **14. Subsequent Events**

The Company has evaluated the impact of subsequent events through April 26, 2024, the date at which the financial statements were available to be issued and determined there are no additional items to disclose, except for the below transaction.

On March 15, 2024, the Company entered into a flow reinsurance transaction with an affiliated Japanese life insurance company in which the Company reinsures a quota share basis of JPY denominated single premium deferred annuities with an effective date of February 1, 2024.