Ivy Peak Co-Invest Re Limited

Financial statements

As of December 31, 2023

INDEX TO FINANCIAL STATEMENTS

Report of independent auditors

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ivy Peak Co-Invest Re Limited

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Ivy Peak Co-Invest Re Limited (the "Company"), which comprise the balance sheet as of December 31, 2023, and the related statement of income, comprehensive income, shareholder's equity, and cash flows for the year ended December 31, 2023, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

April 18, 2024

IVY PEAK CO-INVEST RE LIMITED

BALANCE SHEET

		December 31, 2023
($ in thousands)		
Assets		
Investments:		
Funds withheld receivable at interest (portion at fair value: $167,319.)	$	3,900,963
Total investments	**$**	**3,900,963**
Cash and cash equivalents		90,893
Reinsurance receivable		5,040
Cost of reinsurance assets		426,650
Total assets	**$**	**4,423,546**
Liabilities		
Policy liabilities	$	3,898,809
Other liabilities		1,455
Reinsurance liabilities		17,300
Total liabilities	**$**	**3,917,564**
Commitment and contingencies (Note 12)		
Shareholder’s equity		
Additional paid-in capital	$	375,309
Retained earnings		168,339
Accumulated other comprehensive loss		(37,666)
Total shareholder’s equity		**505,982**
Total liabilities and shareholder’s equity	**$**	**4,423,546**

See accompanying notes to financial statements.

IVY PEAK CO-INVEST RE LIMITED

STATEMENT OF INCOME

	Year ended December 31,
($ in thousands)	2023
Revenues	
Premiums	$ 414,232
Policy fees	7,254
Net investment income	34,702
Net investment-related gains	167,319
Total revenues	**623,507**
Benefits and expenses	
Policy benefits and claims	445,581
Amortization of cost of reinsurance assets	5,301
Insurance expenses	1,477
Service fees, net of Sponsor refunds	349
General and administrative expenses	2,460
Total benefits and expenses	**455,168**
Net income	**$ 168,339**

See accompanying notes to financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31, 2023
($ in thousands)	
Net income	**$ 168,339**
Other comprehensive loss:	
Effect of changes in the discount rates used to measure limited-payment long duration insurance contracts	(37,666)
Other comprehensive loss	**(37,666)**
Comprehensive income	**$ 130,673**

See accompanying notes to financial statements.

IVY PEAK CO-INVEST RE LIMITED

STATEMENT OF SHAREHOLDER'S EQUITY

		Additional paid-in capital		Retained earnings		Accumulated other comprehensive loss		Total shareholder's equity
($ in thousands)								
Balance as of inception	**$**	**—**	**$**	**—**	**$**	**—**	**$**	**—**
Net income		—		168,339		—		168,339
Other comprehensive loss		—		—		(37,666)		(37,666)
Capital contributions		375,309		—		—		375,309
Balance as of December 31, 2023	**$**	**375,309**	**$**	**168,339**	**$**	**(37,666)**	**$**	**505,982**

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

		Year ended December 31, 2023
($ in thousands)		
Cash flows from operating activities		
Net income	$	168,339
Adjustments to reconcile net income to net cash used in operating activities:		
Change in fair value of derivatives and other derivative-related activity		(167,319)
Net accretion and amortization		3,063
Interest credited to policy account balances less policy fees		10,263
Changes in operating assets and liabilities:		
Reinsurance transactions and acquisitions, net of cash used		(21,821)
Change in premiums, notes receivable, and reinsurance receivable, net of reinsurance premiums payable		(103,051)
Change in policy liabilities and accruals, net		(11,259)
Other operating activities, net		1,455
Net cash used in operating activities	**$**	**(120,330)**
Cash flows from financing activities		
Reinsurance transactions, net of cash provided	$	(148,423)
Additions to contractholder deposit funds		13,065
Withdrawals from contractholder deposit funds		(28,728)
Capital contributions from members		375,309
Net cash provided by financing activities	**$**	**211,223**
Net change in cash, cash equivalents and restricted cash	**$**	**90,893**
Cash, cash equivalents and restricted cash, beginning of period	$	—
Cash, cash equivalents and restricted cash, end of period	**$**	**90,893**
Non-cash transactions		
Contractholder deposit funds acquired through reinsurance agreements	$	2,636,601

See accompanying notes to financial statements.

(1) Nature of business and basis of presentation

Ivy Peak Co-Invest Re Limited ("Peak Re," the "Company," we, our, or us) was incorporated on October 29, 2021, and is a Bermuda exempted limited liability company registered under the Insurance Act 1978 as a Class E insurer. The Company is a co-investment vehicle that has been established to participate in an overflow of quota share block reinsurance transaction with Ivy Re II Limited (sourced, negotiated and underwritten by subsidiaries of Global Atlantic Limited (Delaware) (f/k/a Global Financial Limited) ("the Sponsor" or "Global Atlantic")). The block reinsurance transaction primarily includes reinsurance of life and retirement blocks. The Company operates independently, leveraging Global Atlantic's proven reinsurance expertise. Through the co-investment framework, the Company accesses an attractive opportunity to deploy investor capital while assisting life and annuity companies in addressing capital, risk management and strategic objectives.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which differ in certain respects to those followed in reports to the Bermuda Monetary Authority ("BMA").

The financial statements reflect the reinsurance transaction entered into between the Company and certain of the Sponsor Insurance Subsidiaries. The reinsurance transaction comprises of block reinsurance, as described in Note 10 — "Reinsurance."

The preparation of financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities as of the date of the financial statements, and the amounts of revenues and expenses recognized during the reporting period. Amounts based on such estimates involve numerous assumptions subject to varying and potentially significant degrees of judgment and uncertainty, particularly related to the future performance of the underlying business. Actual experience could materially differ from these estimates and assumptions. The most significant estimates are those used in determining valuation of investments, funds withheld receivable at interest, policy liabilities, and embedded derivatives in policy liabilities.

(2) Significant accounting policies and practice

The following are the Company's significant accounting policies with references to notes providing additional information on such policies:

Accounting policy	Note
Investments	3, 4 and 5
Funds withheld receivable at interest (host contract and embedded derivative)	3, 4 and 5
Policy liabilities	7
Reinsurance	10

Investments

In the normal course of business, the Company enters into reinsurance transactions with Sponsor Insurance Subsidiaries and invests surplus assets in various types of investments.

Investments include funds withheld receivable at interest ceded by Sponsor Insurance Subsidiaries.

Funds withheld receivable at interest

Funds withheld receivable at interest represent receivables for amounts contractually withheld by the ceding company (i.e., a Sponsor Insurance Subsidiary), in accordance with reinsurance agreements in which the Company acts as the reinsurer. While the assets in funds withheld and modified coinsurance are legally owned by the ceding company, the assets are separately identified and held in a trust for the benefit of the Company. All economic rights and obligations on the assets accrue to the Company. The assets in the funds withheld segregated accounts are typically managed by an investment manager, who periodically settles the total return from those assets.

The reinsurer has an indirect exposure to the credit risk of the underlying assets of the funds withheld or modified coinsurance account. As a result, funds withheld coinsurance and modified coinsurance agreements contain embedded derivatives, which are required to be separated from their host contracts and measured at fair value. The host contract relates to the reinsurance receivable from ceding Sponsor Insurance Subsidiaries under the funds withheld arrangement underlying the reinsurance transactions. The host contract at inception of the reinsurance arrangement represented the fair value of the non-cash consideration. The embedded derivative represents the difference between the fair value of the underlying assets and the carrying value of the host contract at the balance sheet date. The fair value of the embedded derivative is included in the funds withheld receivable at interest on the balance sheet, with changes in fair value recorded in net investment-related gains in the statement of income.

Funds withheld receivable at interest include the following: fixed maturity securities, mortgage and other loan receivables, policy loans, and derivative instruments.

Derivative instruments held within the funds withheld at interest are primarily used to hedge certain risks, including interest rate risk and equity market risk, and to a lesser extent foreign exchange risks. Derivative instruments are generally recognized at estimated fair value in funds withheld receivable at interest on the balance sheet.

Investment credit losses and impairment

Funds withheld receivable at interest

The Company reviews its funds withheld receivable at interest for expected credit losses considering, among other things, relevant credit enhancements and collateral provisions in the reinsurance arrangements.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet generally include short-term highly liquid investments with a maturity of three months or less from the date of acquisition. Amounts included are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

Policy liabilities

Policy liabilities (or collectively, “reserves”) are the portion of past premiums or assessments received that are set aside to meet future policy and contract obligations as they become due. Interest accrues on these reserves and on future premiums, which may also be available to pay for future obligations. The Company establishes reserves to pay future policy benefits, claims, and certain expenses for its reinsured life policies and annuity contracts.

Reserves are estimates based on models that include many actuarial assumptions and projections. These assumptions and projections, which are inherently uncertain, involve significant judgment, including assumptions as to the levels and/or timing of premiums, benefits, claims, expenses, interest credits, investment results (including equity market returns), mortality, longevity, and persistency.

The assumptions on which reserves are based are intended to represent an estimation of experience for the period that policy benefits are payable. The adequacy of these reserves and the assumptions underlying those reserves are reviewed at least annually. The Company cannot, however, determine with precision the amount or the timing of actual policy benefit payments. If actual experience is better than or equal to the assumptions, then reserves would be adequate to provide for future policy benefits and expenses. If experience is worse than the assumptions, additional reserves may be required to meet future policy and contract obligations. This would result in a charge to the Company's net income during the period in which excess policy benefits are paid or an increase in reserves occurs.

For a majority of the Company's in-force policies, including its universal life policies and most annuity contracts, the base policy reserve is equal to the account value. For these products, the account value represents the Company's obligation to repay to the policyholder the amounts held on deposit. However, there are several significant blocks of business where additional policyholder reserves are explicitly calculated, including fixed-rate annuities and universal life policy guarantees.

Fixed-rate annuities

Policy liabilities for fixed-rate annuity products are computed under a retrospective deposit method and represent policyholder account balances before applicable surrender charges.

Interest-sensitive life products

For universal life policies, the base policy reserve is the policyholder account value.

Policy liabilities for indexed universal life with returns linked to the performance of a specified market index are equal to the sum of two components: (1) the fair value of the embedded derivative; and (2) the host (or guaranteed) component. The fair value of the embedded derivative component is based on the fair value of the policyholders' expected participation in future increases in the relevant index over the life of the contract. The fair value of this embedded derivative component includes assumptions, including those about future interest rates and investment yields, future costs for options used to hedge the contract obligations, projected benefits, benefit utilization and the level and limits on contract participation in any future increases in the respective index option.

The initial host balance is established at the time of premium payment and is equal to the total account value less the embedded derivative component. Thereafter, the balance of the host component is determined in a manner consistent with the accounting for a deposit liability under the "effective yield method." All future host balances are determined as: (1) the initial host balance; (2) plus interest; (3) less applicable policyholder benefits. The interest rate used in the prior roll forward is re-determined on each valuation date, per the effective yield method.

Limited-payment contracts

Liability for future policy benefits

The Company reinsures limited-payment contracts, for which the Company records a liability for future policy benefits. A liability for future policy benefits, which is the present value of estimated future policy benefits to be paid to or on behalf of policyholders and certain related expenses less the present value of estimated future net premiums to be collected from policyholders, is accrued as premium revenue is recognized. The liability is estimated using current assumptions that include mortality, lapses, and expenses. These current assumptions are based on judgments that consider the Company's historical experience, industry data, and other factors.

For assumed reinsurance of nonparticipating limited-payment contracts, contracts are grouped into cohorts by the underlying reinsured contract type and issue year. The liability is adjusted for differences between actual and expected experience. With the exception of the expense assumption, the Company reviews its historical and future cash flow assumptions quarterly and updates the net premium ratio used to calculate the liability each time the assumptions are changed. The Company has elected to use expense assumptions that are locked in at contract inception and are not subsequently reviewed or updated.

Each quarter, the Company updates its estimate of cash flows expected over the entire life of a group of contracts using actual historical experience and current future cash flow assumptions. These updated cash flows are discounted using the discount rate or curve on the original reinsurance contract issue date to calculate the revised net premiums and net premium ratio, which are used to derive an updated liability for future policy benefits. This amount is then compared to the carrying amount of the liability before the updating of cash flow assumptions to determine the current period change in liability estimate. This current period change in the liability is the liability remeasurement gain or loss and is presented parenthetically as a separate component of benefit expense in the statement of income.

For nonparticipating limited-payment contracts, the discount rate assumption is a spot rate yield curve that is derived based on upper medium grade (low credit risk) fixed-income instruments with similar duration to the liability. The Company uses one or more external indices of corporate credit issues as its proxy for these instruments. The discount rate assumption is updated quarterly and used to remeasure the liability at the reporting date, with the resulting change in the discount rate reflected in other comprehensive income. For liability cash flows between two market observable points on the yield curve, the Company interpolates the effective yield by holding the marginal rates constant. For liability cash flows that are projected beyond the last market-observable point on the yield curve, the Company uses the last market-observable yield level.

Limited-payment contracts

The Company reinsures limited-payment contracts, or payout annuities, which include annuitizations of deferred annuities. These contracts subject the insurer to risks over a period that extends beyond the period or periods in which premiums are collected. These contracts may be either non-life contingent or life contingent. Non-life contingent annuities are accounted for as investment contracts. For life contingent annuities, the Company records a liability at the present value of future annuity payments and estimated future expenses calculated using expected mortality and costs, and expense assumptions. Any gross premiums received in excess of the net premium is part of the cost of reinsurance and is recognized separately in income over the term of the reinsured policies on a basis consistent with the reporting of those policies for long-duration contract. Cost of reinsurance assets and liabilities are reported in cost of reinsurance assets and policy liabilities in the balance sheet, respectively.

Reinsurance

The Company co-invests in life and retirement block, pension risk transfer, and flow reinsurance transactions with its Sponsor's Insurance Subsidiaries. In particular, consistent with the overall business strategy, the Company assumes certain policy risks written by other insurance companies on a coinsurance, modified coinsurance or funds withheld coinsurance basis. Reinsurance accounting is applied for these assumed transactions when risk transfer provisions have been met. To meet risk transfer requirements, a long-duration reinsurance contract must transfer mortality or morbidity risks and subject the reinsurer to a reasonable possibility of a significant loss. Those contracts that do not meet risk transfer requirements are accounted for using deposit accounting.

With respect to ceded reinsurance, the Company values reinsurance recoverables on reported claims at the time the underlying claim is recognized in accordance with contract terms. For future policyholder benefits, the Company estimates the amount of reinsurance recoverables based on the terms of the reinsurance contracts and historical reinsurance recovery information. The reinsurance recoverables are based on what the Company believes are reasonable estimates and the balance is reported as an asset in the balance sheet. However, the ultimate amount of the reinsurance recoverable is not known until all claims are settled.

The cost of reinsurance, which is the difference between the amount paid for a reinsurance contract and the amount of the liabilities for policy benefits relating to the underlying reinsured contracts, is deferred and amortized over the reinsurance contract period for short-duration contracts, or over the terms of the reinsured policies on a basis consistent with the reporting of those policies for long-duration contracts. Generally, the Company amortizes cost of reinsurance based on policy count or effective yield method, retrospectively calculated based on actual and projected future cash flows. Cost of reinsurance assets and liabilities are reported in cost of reinsurance assets and policy liabilities in the balance sheet, respectively. Reinsurance contracts do not relieve the Company from its obligations to policyholders, and failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for expected credit losses, via a charge to policy benefits and claims in the statement of income. The Company's funds withheld receivable at interest and reinsurance recoverable assets are reviewed for expected credit losses by considering credit ratings for each reinsurer, historical insurance industry specific default rate factors, rights of offset, expected recovery rates upon default and the impact of other terms specific to the reinsurance arrangement.

For funds withheld and modified coinsurance agreements, the Company has the right to receive or obligation to pay the total return on assets supporting the funds withheld receivable at interest or funds withheld payable at interest. This indirectly exposes the Company to the credit risk of the underlying assets. As a result, funds withheld coinsurance and modified coinsurance agreements are viewed as total return swaps and accounted for as embedded derivatives. Embedded derivatives are required to be separated from the host contracts and measured at fair value with changes in fair value recognized in net income. Generally, the embedded derivative is measured as the difference between the fair value of the underlying assets and the carrying value of the host contract at the balance sheet date. The fair value of the embedded derivative is included in the funds withheld receivable at interest or the funds withheld payable at interest on the balance sheet. Changes in the fair value of the embedded derivative are reported in operating activities on the statement of cash flows.

Organizational expenses

Organization expenses are for startup costs required to launch the Company. These costs are expensed as incurred. Organization expenses are reported as an operating activity in the statement of cash flows.

Service fees

Service fees represent fees paid quarterly by the Company to the Sponsor for services provided to the Company. Service fees are measured and paid quarterly to the Sponsor at 10 basis points, or such other amount agreed to by the Sponsor and the applicable investor, on U.S. statutory book value of assets, with no service fees charged for investors. No service fees are charged on the excess of the statutory book value of assets over 20 times the shareholder's equity amount. The shareholder's equity amount is based on capital contributions made, adjusted for distributions and certain earnings and expenses. The fees of $349 thousand for the year ended December 31, 2023 are reported in service fees, net of Sponsor refunds in the statement of income and as an operating activity in the statement of cash flows.

Incentive fees

Incentive fees are fees to be paid to the Sponsor after a preferred return is provided to investors. Preferred return is based on the amount that would be required to be distributed to the investors on such date so that in general a 10% per annum internal rate of return, or such other per annum internal rate of return agreed to by the Sponsor and the applicable investor, on their capital contributions and all prior distributions, if any. The Company will estimate and record incentive fee expense when the amount is probable and estimable. No incentive fees have been recognized or paid as of December 31, 2023.

Recognition of insurance revenue and related benefits

Premiums related to payout contracts with life contingencies are recognized in premiums in the statement of income when due from the contractholders.

Adoption of new accounting pronouncements

Financial instruments

In June 2016, the Financial Accounting Standards Board ("FASB") issued new guidance on the measurement of credit losses on financial instruments, including reinsurance receivables and funds withheld receivable at interest. This guidance replaces the incurred loss impairment methodology with one that reflects expected credit losses. The measurement of expected credit losses is required to be based on historical loss information, current conditions, and reasonable and supportable forecasts. The new guidance also requires that a credit impairment on a debt security be recognized as an allowance, such that improvements in expected future cash flows after an impairment are no longer reflected as a prospective yield adjustment through net investment income, but as a reversal of the previous impairment that is recognized immediately. In addition, the guidance requires enhanced disclosures.

The Company adopted this accounting standard on January 1, 2023. The adoption did not have an effect on its financial statements.

Targeted improvements to the accounting for long-duration insurance contracts

The Company adopted new accounting guidance for insurance and reinsurance companies that issue long-duration insurance contracts ("LDTI") as of January 1, 2023. As it did not have any in-force business as of January 1, 2023, the Company did not have any transition changes.

Future application of accounting standards

Improvements to income tax disclosures

In December 2023, the FASB issued new guidance to expand the disclosure requirements for income taxes. This guidance requires more specific annual disclosures for the rate reconciliation, income taxes paid and other items. For the rate reconciliation, more specific categories have been added to the disclosure and entities are required to provide additional information for reconciling items, subject to specific quantitative thresholds. Income taxes paid are required to be disclosed on a disaggregated basis by federal, state, and foreign taxes. The guidance is effective for annual periods beginning after December 15, 2025, with early adoption permitted. The Company is currently evaluating the impact of this guidance on its financial statements.

(3) Investments

Funds withheld receivable at interest

As a reinsurance business, the Company is subject to the investment performance of the assets in the funds withheld receivable at interest. In the event of a ceding company's insolvency, the Company would need to assert a claim on the assets supporting its reserve liabilities. However, the risk of loss to the Company is mitigated by its ability to offset amounts it owes the ceding company for claims or allowances against amounts owed to it from the ceding company. As of December 31, 2023, there was one Sponsor Insurance Subsidiary ceding company holding assets under reinsurance agreements. The cedant, Global Atlantic Re Limited ("GA Re"), has a financial strength rating of "A-" from S&P.

The reinsurer has an indirect exposure to the credit risk of the underlying assets of the funds withheld or modified coinsurance account. As a result, funds withheld coinsurance and modified coinsurance agreements contain embedded derivatives, which are required to be separated from their host contracts and measured at fair value. The host contract relates to the reinsurance receivable from ceding Sponsor Insurance Subsidiaries under the funds withheld arrangement underlying the reinsurance transactions. The host contract at inception of the reinsurance arrangement represented the fair value of the non-cash consideration. The embedded derivative represents the difference between the fair value of the underlying assets and the carrying value of the host contract at the balance sheet date. The fair value of the embedded derivative is included in the funds withheld receivable at interest on the balance sheet.

The following summarizes the underlying investment composition of the funds withheld receivable at interest as of the dates indicated:

	December 31, 2023	
	Carrying value[(2)]	Percentage of total
($ in thousands, except percentages)		
Fixed maturity security portfolio by type:		
U.S. government and agencies	$ 897,527	23.0 %
U.S. state, municipal and political subdivisions	321,962	8.3 %
Corporate	1,174,353	30.1 %
Commercial mortgage-backed securities	76,290	2.0 %
Residential mortgage-backed securities	48,628	1.2 %
Collateralized loan obligations	3,038	0.1 %
Total fixed-maturity security portfolio	**2,521,798**	**64.7 %**
Mortgages and other loans	221,118	5.7 %
Cash and cash equivalents	805,243	20.6 %
Embedded derivative[(1)]	167,319	4.3 %
Other assets and liabilities	185,485	4.7 %
Total funds withheld receivable at interest	**$ 3,900,963**	**100.0 %**

(1) See Note 2—"Significant accounting policies and practice" for more information on the Company's funds withheld and modified coinsurance accounting policy.

(2) Includes the value at which a security is carried at, either at book value or fair value, depending on the type of security and the National Association of Insurance Commissioners ("NAIC") rating.

Within the funds withheld receivable at interest, 100% of the fixed maturity security portfolio was classified as investment grade by NAIC designation as of December 31, 2023.

Net investment income

Net investment income is comprised primarily of interest income, including amortization of premiums and accretion of discounts, based on yields which change due to expectations in projected cash flows, dividend income from common and preferred stock, and income on funds withheld receivable at interest.

The components of net investment income were as follows:

		Year ended December 31,
		2023
($ in thousands)		
Income assumed from funds withheld receivable at interest	$	35,174
Short-term and other investment income		492
Gross investment income		**35,666**
Less investment expenses:		
Investment management fees[1]		964
Net investment income	**$**	**34,702**

(1) Investment management fees include the 20 basis points per annum fee, or such other fee agreed to by the Sponsor and the applicable investor, charged by the Sponsor for the portfolio assets its investment manager manages under the terms of the operative limited liability company agreement and respective reinsurance agreements.

Net investment-related gains

Net investment-related gains were as follows:

		Year ended December 31,
		2023
($ in thousands)		
Unrealized gains on embedded derivative included in funds withheld receivable at interest[1]	$	167,319
Net investment-related gains	**$**	**167,319**

(1) See Note 2—“Significant accounting policies and practice“ for more information on the Company’s funds withheld and modified coinsurance accounting policy.

(4) Derivatives

The Company has an embedded derivative related to reinsurance contracts that is accounted for on a modified coinsurance and funds withheld basis. An embedded derivative exists because the arrangement exposes the reinsurer to third-party credit risk. This embedded derivative is included in funds withheld receivable at interest in the balance sheet.

The fair value of the derivative was as follows:

	December 31, 2023
($ in thousands)	
Embedded derivative – funds withheld receivable at interest[(1)]	$ 167,319

(1) See Note 2—“Significant accounting policies and practice“ and Note 3—“Investments” for more information on the Company’s funds withheld and modified coinsurance accounting policy.

(5) Fair value disclosure of financial instruments

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). The best evidence of fair value is a quoted price in an active market. If listed prices or quotations are not available, fair value is determined by reference to prices of similar instruments and quoted prices or recent prices in less active markets.

U.S. GAAP establishes a three-level valuation hierarchy based upon observable and non-observable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. The fair value hierarchy prioritizes inputs to the valuation techniques used to measure fair value, giving the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. A financial instrument’s level in the fair value hierarchy is based on the lowest level of any input that is significant to fair value measurement of the financial instrument. The three levels of the fair value hierarchy are described below:

Basis of fair value measurement

Level 1: Unadjusted quoted prices in active markets to which the Company had access at the measurement date for identical, unrestricted assets and liabilities.

Level 2: Inputs to valuation techniques are observable either directly or indirectly through quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable; and

Level 3: Model-derived where one or more inputs to the valuation techniques are significant and unobservable.

The measurement of Level 3 financial instrument fair values uses unobservable inputs that are based on management judgment and the internal determination of assumptions that market participants would use in valuing them. Valuation subjectivity increases when markets are less liquid due to the lack of more transparent market-based inputs, which may increase the potential that estimated fair values are not reflective of the price at which an actual transaction would occur.

The following table represents the Company's hierarchy for its assets measured at fair value on a recurring basis:

As of December 31, 2023	Level 1	Level 2	Level 3	Total
($ in thousands)				
Assets:				
Funds withheld receivable at interest	$ —	$ —	$ 167,319	$ 167,319
Total assets at fair value	**$ —**	**$ —**	**$ 167,319**	**$ 167,319**

Fair value techniques and inputs

The following is a description of the valuation techniques and inputs used for instruments carried at fair value. The observability of the inputs used in the valuation determines the appropriate level in the fair value hierarchy for the respective asset or liability.

Funds withheld receivable at interest

A portion of the funds withheld receivable at interest carried at fair value represents embedded derivatives and is valued based on the fair value of the underlying investments, which includes significant unobservable inputs.

Fair value of assets

Significant unobservable inputs

The significant unobservable inputs for funds withheld receivable at interest have been excluded. As discussed in Note 10 - Reinsurance, the funds withheld receivable at interest is created through funds withheld contracts. The assets supporting these receivables were held in trusts and are part of the respective counterparty's balance sheet. Accordingly, the unobservable inputs utilized in the valuation of the embedded derivative are a component of the invested assets supporting the reinsurance agreements on the Company's balance sheet.

The table below sets forth a summary of changes in the fair value of the Company's Level 3 assets for the year ended December 31, 2023. The table reflects gains and losses for all assets categorized as Level 3 for the year ended December 31, 2023:

		Net realized and unrealized gains / losses included in						Total realized and unrealized gains / losses included in	
Year ended December 31, 2023	Beginning balance	Income	OCI	Net settlements / purchases	Transfers into Level 3	Transfers out of Level 3	Balance, at end of period	Income(1)	OCI(1)
($ in thousands)									
Assets:									
Funds withheld receivable at interest	$ —	$ 167,319	$ —	$ —	$ —	$ —	$ 167,319	$ 167,319	$ —
Total assets	**$ —**	**$ 167,319**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 167,319**	**$ 167,319**	**$ —**

(1) As related to financial instruments still held as of the end of the period.

(6) Composition of other assets, liabilities, insurance expenses, and general and administrative expenses

Other liabilities consist of the following:

	As of December 31, 2023
($ in thousands)	
Accrued expenses and other payables	1,455
Total other liabilities	**$ 1,455**

Insurance expenses consist of the following:

	Year ended December 31, 2023
($ in thousands)	
Commission expense	$ 227
Reinsurance expense allowance	979
Premium taxes	269
Other insurance expenses	2
Total insurance expenses	**$ 1,477**

General and administrative expenses consist of the following:

		Year ended December 31,
		2023
($ in thousands)		
Professional services	$	2,307
Other miscellaneous general and administrative expenses		153
Total general and administrative expenses	**$**	**2,460**

(7) Policy liabilities

The following reflects the reconciliation of the components of policy liabilities to the total balance reported in the balance sheet as of December 31, 2023:

		As of December 31,
		2023
($ in thousands)		
Policyholders' account balances	$	2,617,101
Liability for future policy benefits		451,937
Additional liability for annuitization, death, or other insurance benefits		611,885
Cost of reinsurance liabilities		217,886
Total policy liabilities	**$**	**3,898,809**

Policyholders’ account balances

The following reflects the policyholders’ account balances roll-forward for the year ended December 31, 2023 and the policyholders’ account balances average interest rates, net amount at risk, and cash surrender value as of December 31, 2023:

	Inception to December 31, 2023			
	Fixed rate annuities	Payout annuities[5]	Interest sensitive life	Total
($ in thousands, except percentages)				
Balance as of the beginning of the period	$ —	$ —	$ —	$ —
Issuances and premiums received	941,069	90,326	1,618,270	2,649,665
Benefit payments, surrenders, and withdrawals	(17,341)	(1,989)	(9,398)	(28,728)
Interest[1]	4,221	426	5,617	10,264
Other activity[2]	(118)	(16)	(13,966)	(14,100)
Balance as of the end of the period	**$ 927,831**	**$ 88,747**	**$ 1,600,523**	**$ 2,617,101**
Average interest rate	5.46 %	5.76 %	4.29 %	4.56 %
Net amount at risk[3]	$ —	$ —	$17,652,663	$17,652,663
Cash surrender value[4]	1,029,419	—	1,579,671	2,609,090

(1) Interest includes interest credited to policyholders’ account values, and interest accreted in other components of the policyholder account balance, including investment-type contract values, host amounts for contractholder deposits with embedded derivatives, and other associated reserves.

(2) Other activity includes policy charges, fees and commissions, transfers, and assumption change.

(3) Net amount at risk represents the difference between the face value of the life insurance policy and the reserve accumulated under that same policy.

(4) Cash surrender values are reported net of any applicable surrender charges.

(5) Payout annuities consist of activity related to payout annuities (without life contingencies).

The following table presents the account values by range of guaranteed minimum crediting rates and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums. Account value, as disclosed below, differs from policyholder account balance as it excludes balances associated with index credits, and other associated reserves. In addition, the policyholder account balance includes discounts and premiums on assumed business which are not reflected in the account value.

	As of December 31, 2023					
	Account values with adjustable crediting rates subject to guaranteed minimums:					
Range of guaranteed minimum crediting rates	At guaranteed minimum	1 - 49 bps above guaranteed minimum	50 - 99 bps above guaranteed minimum	100 - 150 bps above guaranteed minimum	Greater than 150 bps above guaranteed minimum	Total
($ in thousands, except percentages)						
Less than 1.00%	$ —	$ —	$ —	$ —	$ —	$ —
1.00% - 1.99%	2,088	13,849	8,233	548	4,919	29,637
2.00% - 2.99%	3,530	12	1,252	5,228	17,715	27,737
3.00% - 4.00%	457,180	262,581	69,708	140,999	113,647	1,044,115
Greater than 4.00%	1,233,668	144,013	24,293	35,784	95,518	1,533,276
Total	**$ 1,696,466**	**$ 420,455**	**$ 103,486**	**$ 182,559**	**$ 231,799**	**$ 2,634,765**
Percentage of total	64 %	16 %	4 %	7 %	9 %	100 %

Liability for future policy benefits

The following table summarizes the balances of, and changes in, the liability for future policy benefits for limited-payment contracts for the year ended December 31, 2023:

	Payout annuities[(1)]
	Inception to December 31,
	2023
($ in thousands)	
Present value of expected future policy benefits	
Balance as of the beginning of the period	$ —
Balance at original discount rate	—
Issuances	414,232
Interest	2,081
Benefit payments	(5,267)
De-recognition (lapses and withdrawals)	3,225
Ending balance at original discount rate	**414,271**
Effect of changes in discount rate assumptions	37,666
Balance as of the end of the period	**451,937**
Net liability for future policy benefits	**$ 451,937**

(1) Payout annuities generally only have a single premium received at contract inception; As a result, the liability for future policy benefits generally would not reflect a present value for future premiums for payout annuities.

The following table summarizes the amount of gross premiums and assessments related to limited-payment contracts recognized in the statement of income for the year ended December 31, 2023:

	Gross premiums and assessments	
	Inception to December 31,	
	2023	
($ in thousands)		
Payout annuities	$	414,232
Total products	**$**	**414,232**

The following table reflects the weighted-average duration and weighted-average interest rates of the future policy benefit liability as of December 31, 2023:

	Payout annuities
	As of December 31,
	2023
Weighted-average interest rates, original discount rate	6.24 %
Weighted-average interest rates, current discount rate	4.93 %
Weighted-average liability duration (years)	9.81

The following reflects the undiscounted ending balance of expected future gross premiums and expected future benefits and payments for limited-payment contracts as of December 31, 2023:

	Payout annuities	
	As of December 31,	
	2023	
($ in thousands)		
Expected future benefit payments, undiscounted	$	697,392
Expected future benefit payments, discounted (original discount rate)		414,271
Expected future benefit payments, discounted (current discount rate)		451,937

Significant inputs, judgments, and assumptions used in measuring future policy benefits

Significant inputs in determining the measurement of liabilities of future policy benefits include mortality and discount rates. The Company reviews all assumptions at least annually, and more frequently if necessary. Accordingly, as part of the annual assumption review conducted during the period from inception to December 31, 2023, the Company concluded that no changes in assumptions were needed.

For the year ended December 31, 2023, the Company recognized $(37.7) million in other comprehensive income due to changes in the future policy benefits estimate from updating discount rates. During the period from inception to December 31, 2023, there were no changes to the methods used to determine the discount rates.

Additional liability for annuitization, death, or other insurance benefits

The following tables reflect the additional liability for annuitization, death, or other insurance benefits roll-forward for the period from inception to December 31, 2023:

		Inception to December 31, 2023
($ in thousands)		
Balance as of the beginning of period	$	—
Effect of actual variances from expected experience		(923)
Adjusted beginning of the period balance		**(923)**
Issuances		609,083
Assessments		3,445
Benefits paid		(1,719)
Interest		1,999
Balance as of the end of period	**$**	**611,885**

The additional liability for annuitization, death, or other insurance benefits relates primarily to secondary guarantees on certain interest-sensitive life products.

The following reflects the amount of gross assessments recognized for the additional liability for annuitization, death, or other insurance benefits in the statement of income for the period from inception to December 31, 2023:

		Gross assessments
		Inception to December 31, 2023
($ in thousands)		
Total amount recognized within revenue in the statement of income	$	3,626

The following reflects the weighted average duration and weighted average interest rate for the additional liability for annuitization, death, or other insurance benefits as of December 31, 2023:

	Inception to December 31, 2023
Weighted-average interest, current discount rate	4.00 %
Weighted-average liability duration (years)	29.61

Significant inputs, judgments and assumptions used in measuring the additional liabilities for annuitization, death, or other insurance benefits

Significant policyholder behavior assumption inputs to the calculation of the additional liability for annuitization, death, or other insurance benefits include mortality and lapse rates. The Company reviews all assumptions at least annually, and more frequently if necessary. Accordingly, as part of the annual assumption review conducted during the period from inception to December 31, 2023, the Company concluded that no changes in assumptions were needed.

(8) Shareholder's equity

For the period from inception to December 31, 2023, the Company has received $375.3 million in capital contributions from its parent.

(9) Income taxes

Ivy Peak Co-Invest Re Limited is based in Bermuda. The Company is not subject to Bermuda income or capital gains tax under current Bermuda law. However, Bermuda enacted the Corporate Income Tax Act 2023 on December 27, 2023. Since Ivy Peak Co-Invest Re Limited is not part of a multinational enterprise group, it is not expected to be in scope for the corporate income tax, and it is expected that it would remain exempt from such Bermudan taxes until March 2035 pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966. The Company may be subject to a variety of transfer pricing or permanent establishment challenges by taxing authorities in various jurisdictions. The completion of tax examinations may result in changes to the amounts recognized in the Company's financial statements.

(10) Reinsurance

The Company has entered into a reinsurance treaty with the Sponsor Insurance Subsidiary whereby it assumes payout group, fixed, and variable annuity policies on a coinsurance and funds withheld basis.

Effective November 1, 2023, the Company entered into a modified coinsurance agreement with the Sponsor Insurance Subsidiary for universal life and annuity business, whereby it assumed approximately $3.9 billion of policy reserves.

The effects of all reinsurance agreements on the balance sheet were as follows:

	As of December 31, 2023	
($ in thousands)		
Policy liabilities:		
Assumed	$	3,898,809
Total policy liabilities	**$**	**3,898,809**

The Company determines the appropriate amount of reinsurance based on evaluation of the risks accepted and on market conditions (including the availability and pricing of reinsurance). The Company evaluates the financial condition and monitors concentrations of credit risk with its Sponsor Insurance Subsidiaries. Based on its review of the Sponsor Insurance Subsidiaries' consolidated financial statements and reputations in the reinsurance marketplace, the Company held no allowance for bad debts as of December 31, 2023.

As of December 31, 2023, the Company had $3.9 billion of funds withheld receivable at interest related to a modified coinsurance agreement. The assets supporting these receivables were held in trusts by the Sponsor Insurance company.

The effects of reinsurance on the statement of income were as follows:

	Year ended December 31,
	2023
($ in thousands)	
Assumed:	
Premiums	$ 414,232
Policy fees	7,254
Policy benefits and claims	445,581

(11) Dividend restrictions and statutory information

The Company is subject to the Bermuda Insurance Act 1978, as amended, and related regulations (the “Bermuda Insurance Act”).

The Bermuda Insurance Act limits the ability of the Company to pay dividends or make capital distributions by stipulating certain margin and solvency requirements and by requiring approval from the BMA prior to a distribution of 15% or more of an insurer’s total statutory capital as reported on its prior year statutory balance sheet. Moreover, an insurer must submit an affidavit to the BMA, sworn by at least two directors and the principal representative in Bermuda of the Bermuda insurer, at least seven days prior to payment of any dividend which would exceed 25% of an insurer’s total statutory capital and surplus as reported on its prior year statutory balance sheet. The affidavit must state that, in the opinion of those swearing, the declaration of such dividend has not caused the insurer to fail to meet its relevant margins (“Bermuda Dividend Affidavit”). Accordingly, the Company may distribute up to: (1) 100% of statutory surplus; plus (2) an amount less than 15% of statutory capital, upon providing the BMA with a Bermuda Dividend Affidavit and meeting applicable solvency requirements, without BMA approval. The Company did not declare or pay any dividends or capital distributions in the year ended December 31, 2023.

With respect to margin and solvency requirements, the Bermuda Insurance Act prohibits the Company from declaring or paying any dividends during any financial year if it is in breach of its solvency margin or if the declaration or payment of such dividends would cause such a breach. If the insurer has failed to meet its minimum solvency margin on the last day of any financial year, such an insurer will also be prohibited, without the approval of the BMA, from declaring or paying any dividends during the next financial year. The Company is also prohibited from declaring or paying a dividend when it has failed to comply with its enhanced capital requirement, until such noncompliance is rectified. The enhanced capital requirements are applicable to the Company upon the earlier of the Company writing business and six months from registration. As of December 31, 2023, the Company exceeded all relevant capital requirements. The aggregate amount of dividends and capital distributions permitted to be made from the Company without a required approval from or a submission of an affidavit to the BMA during the year ended December 31, 2024 is $140.0 million.

Statutory financial information

The Bermuda Insurance Act requires the Company to prepare and file statutory financial statements with the BMA in accordance with BMA prescribed or permitted practices that may differ from U.S. GAAP. For example, Bermuda statutory surplus differs from U.S. GAAP primarily due to a modification that permits the Company not to measure the embedded derivative included within certain funds withheld coinsurance agreements at fair value.

The Bermuda Insurance Act also requires the Company to maintain certain measures of solvency and liquidity. The Bermuda statutory financial statements form the basis for assessing the Company's liquidity, minimum solvency margin and class of registration. These financial statements in turn form the basis for the preparation of the insurer's economic balance sheet. The economic balance sheet approach is a principles-based valuation approach to determine an insurer's capital adequacy and is used as the basis for determination of the Company's enhanced capital requirement.

(12) Commitment and contingencies

Contingencies

Legal matters

As of the date of these financial statements the Company is not involved in judicial, regulatory or arbitration matters. The Company expects that it may from time to time be involved in judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its business. The Company will at such time assess the reasonable probability that a loss may be incurred and reflect any such reasonably probable loss on its financial statements.

(13) Subsequent events

The Company evaluated all events and transactions through April 18, 2024, the date the accompanying financial statements were available to be issued that would merit recognition or disclosures in the financial statements, and determined that nothing arose that merits recognition or disclosure.