LOTUS REINSURANCE COMPANY LTD.

Financial Statements and
Report of Independent Auditors

As of and for the years ended December 31, 2023 and 2022

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Report of Independent Auditors

To Members of the Finance and Audit Committee of Lotus Reinsurance Company Ltd.

Opinion

We have audited the accompanying financial statements of Lotus Reinsurance Company Ltd. (the "Company"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of operations and comprehensive income, of equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company 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 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 the financial statements are available to be issued.

Auditors' 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 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 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 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.

PricewaterhouseCoopers LLP

New York, New York
April 30, 2024

LOTUS REINSURANCE COMPANY LTD.

Statements of Financial Position
As of December 31, 2023 and 2022 (in thousands, except share amounts)

	2023	2022
ASSETS		
Fixed maturities, available-for-sale, at fair value (allowance for credit losses: 2023 - $0; 2022 - $0) (amortized cost: 2023 - $133,830; 2022 - $83,763)	$ 137,068	$ 84,224
Equity securities, at fair value (cost: 2023 - $4,923; 2022 - $4,923)	4,939	4,909
Commercial mortgage and agricultural property loans, at fair value(1)	30,817	0
Total investments	172,824	89,133
Cash and cash equivalents	289,704	301,079
Accrued investment income	2,465	1,443
Reinsurance recoverables, at fair value(1)	781,401	725,484
Reinsurance receivables	58,713	19,669
Income taxes receivable	0	50,078
Other assets	16	0
TOTAL ASSETS	$ 1,305,123	$ 1,186,886
LIABILITIES AND EQUITY		
LIABILITIES		
Future policy benefits, at fair value(1)	$ 9,907	$ 37,912
Income taxes payable	1,124	0
Reinsurance payables	0	53,519
Other liabilities	12,634	2,178
Total liabilities	23,665	93,609
EQUITY		
Common stock ($1 par value; 250,000 shares authorized, issued and outstanding)	250	250
Additional paid-in capital	934,668	937,989
Accumulated other comprehensive income (loss)	2,558	364
Retained earnings	343,982	154,674
Total equity	1,281,458	1,093,277
TOTAL LIABILITIES AND EQUITY	$ 1,305,123	$ 1,186,886

(1) See Note 4 for additional information.

See Notes to Financial Statements

LOTUS REINSURANCE COMPANY LTD.

Statements of Operations and Comprehensive Income
Years Ended December 31, 2023 and 2022 (in thousands)

	2023	2022
REVENUES		
Net investment income	$ 20,255	$ 8,131
Realized investment gains (losses), net	455	0
Other income (loss)	5,442	17,062
Total revenues	26,152	25,193
BENEFITS AND EXPENSES		
Changes in fair value of reinsurance balances	(225,248)	(172,798)
General, administrative and other expenses	11,908	3,034
Total benefits and expenses	(213,340)	(169,764)
INCOME (LOSS) FROM OPERATIONS BEFORE INCOME TAXES	239,492	194,957
Income tax expense (benefit)	50,184	40,860
NET INCOME (LOSS)	$ 189,308	$ 154,097
Other comprehensive income (loss):		
Net unrealized investment gains (losses)	2,777	(14,632)
Non-performance risk reserve	0	(128)
Less: Income tax expense (benefit) related to other comprehensive income (loss)	583	(3,099)
COMPREHENSIVE INCOME (LOSS)	$ 191,502	$ 142,436

See Notes to Financial Statements

LOTUS REINSURANCE COMPANY LTD.

Statements of Equity
Years Ended December 31, 2023 and 2022 (in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
BALANCE, DECEMBER 31, 2021	$ 250	$ 111,117	$ 577	$ 12,025	$ 123,969
Capital contributions from parent		826,872			826,872
Comprehensive income:					
Net income (loss)			154,097		154,097
Other comprehensive income (loss)				(11,661)	(11,661)
Total comprehensive income (loss)					142,436
BALANCE, DECEMBER 31, 2022	250	937,989	154,674	364	1,093,277
Contributed (distributed) capital - parent/ child asset transfers		(3,321)			(3,321)
Comprehensive income:					
Net income (loss)			189,308		189,308
Other comprehensive income (loss)				2,194	2,194
Total comprehensive income (loss)					191,502
BALANCE, DECEMBER 31, 2023	$ 250	$ 934,668	$ 343,982	$ 2,558	$ 1,281,458

See Notes to Financial Statements

LOTUS REINSURANCE COMPANY LTD.

Statements of Cash Flows
Years Ended December 31, 2023 and 2022 (in thousands)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 189,308	$ 154,097
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Realized investment (gains) losses, net	(455)	0
Amortization	(151)	(18)
Change in:		
Future policy benefits, at fair value	(28,005)	13,689
Reinsurance recoverables, at fair value	(55,917)	(725,484)
Income taxes	25,171	(135)
Other, net	(61,050)	35,728
Cash flows from (used in) operating activities	68,901	(522,123)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale/maturity/prepayment of:		
Fixed maturities, available-for-sale	9,245	14,549
Short-term investments	0	149,956
Payments for the purchase/origination of:		
Fixed maturities, available-for-sale	(59,521)	0
Equity securities	0	(4,923)
Short-term investments	0	(149,956)
Commercial mortgage and agricultural property loans	(30,000)	0
Cash flows from (used in) investing activities	(80,276)	9,626
CASH FLOWS FROM FINANCING ACTIVITIES:		
Common stock issued	0	0
Capital contributions from parent	0	780,000
Cash flows from (used in) financing activities	0	780,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,375)	267,503
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	301,079	33,576
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 289,704	$ 301,079
SUPPLEMENTAL CASH FLOW INFORMATION		
Income taxes paid (refund)	$ 2,887	$ 40,995

Significant Non-Cash Transactions

The Company received assets in-kind of $47 million related to tax settlements from Prudential International Insurance Holdings, Ltd. in March 2022. See Note 8 for additional information.

See Notes to Financial Statements

1. BUSINESS AND BASIS OF PRESENTATION

Effective February 1, 2022, Lotus Reinsurance Company Ltd., ("Lotus Re" or the "Company") became a wholly-owned subsidiary of Prudential International Insurance Holdings, Ltd. ("PIIH"), which in turn is a direct wholly-owned subsidiary of Prudential Financial, Inc. ("PFI"), a United States of America ("U.S.") Corporation. Prior to February 1, 2022, Lotus Re was wholly-owned by The Prudential Insurance Company of America ("Prudential Insurance"), a direct wholly-owned subsidiary of PFI.

The Company was incorporated as a Bermuda exempted company on August 5, 2021 and licensed as a Class E insurer by the Bermuda Monetary Authority ("BMA"), under the Bermuda Insurance Act of 1978 (the "Act"), on September 29, 2021.

Effective October 1, 2021, the Company entered into a reinsurance agreement with Pruco Life Insurance Company ("Pruco Life"), a wholly-owned subsidiary of Prudential Insurance domiciled in the U.S., to reinsure, on a coinsurance basis, a closed block of variable life policies in the extended term status.

Effective January 1, 2022, Pruco Life recaptured the risks related to a closed block of variable life policies in the extended term status reinsured from October 1, 2021 to December 31, 2021. The Company then entered into reinsurance agreements with Prudential Insurance and Pruco Life to assume a closed block of their variable life business under a coinsurance and modified coinsurance basis including policies in the extended term policy status.

See Note 5 for additional information regarding the Company’s reinsurance agreements.

Basis of Presentation

The Company’s financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates include those used in determining the estimated fair value of reinsurance recoverables, future policy benefits and valuation of investments.

2. SIGNIFICANT ACCOUNTING POLICIES AND PRONOUNCEMENTS

ASSETS

Fixed maturities, available-for-sale, at fair value ("AFS debt securities") are comprised of bonds and redeemable preferred stock that are carried at fair value. See Note 4 for additional information regarding the determination of fair value. The purchased cost of fixed maturities is adjusted for amortization of premiums and accretion of discounts to maturity or, if applicable, call date.

AFS debt securities, where fair value is below amortized cost, are reviewed quarterly to determine whether the amortized cost basis of the security is recoverable. For AFS debt securities, qualitative factors are first considered including, but not limited to, the extent of the decline and the reasons for the decline in value (e.g., credit events, currency or interest-rate related, including general credit spread widening), and the financial condition of the issuer. If analysis of these qualitative factors results in the security needing to be impaired, a credit impairment will be recognized in earnings as an allowance for credit losses and reported in "Realized investment gains (losses), net," to the extent the amortized cost exceeds the net present value of projected future cash flows (the "net present value") for the security.

A credit impairment recorded cannot exceed the difference between the amortized cost and fair value of the respective security. The net present value used to measure a credit impairment is calculated by discounting the Company’s best estimate of projected future cash flows at the effective interest rate implicit in the AFS debt security at the date of acquisition. Once the

Company has deemed all or a portion of the amortized cost uncollectible, the allowance is removed from the balance sheet by writing down the amortized cost basis of the AFS debt security. Any amount of an AFS debt security's change in fair value not recorded as an allowance for credit losses will be recorded in Other Comprehensive Income (loss) ("OCI").

When an AFS debt security's fair value is below amortized cost and the Company has the intent to sell the AFS debt security, or it is more likely than not the Company will be required to sell the AFS debt security before its anticipated recovery, the amortized cost basis of the AFS debt security is written down to fair value and any previously recognized allowance is reversed. The write-down is reported in "Realized investment gains (losses), net."

Interest income, including amortization of premium and accretion of discount, are included in "Net investment income" under the effective yield method. Prepayment premiums are also included in "Net investment income."

For high credit quality mortgage-backed AFS debt securities (those rated AA or above), the amortized cost and effective yield of the securities are adjusted as necessary to reflect historical prepayment experience and changes in estimated future prepayments. The adjustments to amortized cost are recorded as a charge or credit to "Net investment income" in accordance with the retrospective method.

For mortgage-backed AFS debt securities rated below AA, the effective yield is adjusted prospectively for any changes in the estimated timing and amount of cash flows unless the investment is purchased with credit deterioration or an allowance is currently recorded for the respective security. If an investment is impaired, any changes in the estimated timing and amount of cash flows will be recorded as the credit impairment, as opposed to a yield adjustment. If the asset is purchased with credit deterioration (or previously impaired), the effective yield will be adjusted if there are favorable changes in cash flows subsequent to the allowance being reduced to zero.

For mortgage-backed AFS debt securities, cash flow estimates consider the payment terms of the underlying assets backing a particular security, including interest rate and prepayment assumptions based on data from widely accepted third-party data sources or internal estimates. In addition to interest rate and prepayment assumptions, cash flow estimates also include other assumptions regarding the underlying collateral including default rates and recoveries, which vary based on the asset type and geographic location, as well as the vintage year of the security. These assumptions can significantly impact income recognition, unrealized gains and losses recorded in OCI, and the amount of impairment recognized in earnings. The payment priority of the respective security is also considered. For all other AFS debt securities, cash flow estimates are driven by assumptions regarding probability of default and estimates regarding timing and amount of recoveries associated with a default. The Company has developed these estimates using information based on its historical experience as well as using market observable data, such as industry analyst reports and forecasts, sector credit ratings and other data relevant to the collectability of a security, such as the general payment terms of the security and the security's position within the capital structure of the issuer.

The associated unrealized gains and losses are included in "Accumulated other comprehensive income (loss)" ("AOCI").

Equity securities, at fair value consist of mutual fund shares carried at fair value. Realized and unrealized gains and losses on these investments are reported in "Other income (loss)," and dividend income is reported in "Net investment income" on the ex-dividend date.

Commercial mortgage and agricultural property loans, at fair value consist of commercial mortgage loans and agricultural property loans carried at fair value where the fair value option has been elected. Realized and unrealized gains and losses for these investments are recorded in "Realized investment gains (losses), net." Interest income, and the amortization of premiums and accretion of discounts, are included in "Net investment income" under the effective yield method. Prepayment fees are also included in "Net investment income."

Key factors in determining the internal credit ratings for commercial mortgage loans include loan-to-value and debt-service coverage ratios. Other factors include amortization, loan term, and estimated market value growth rate and volatility for the property type and region. The loan to-value ratio compares the carrying amount of the loan to the fair value of the underlying property or properties collateralizing the loan, and is commonly expressed as a percentage. Loan-to-value ratios greater than 100% indicate that the carrying amount of the loan exceeds the collateral value. A loan-to-value ratio less than 100% indicates an excess of collateral value over the carrying amount of the loan. The debt service coverage ratio is a property's net operating income as a percentage of its debt service payments. Debt service coverage ratios less than 1.0 indicates that property operations do not generate enough income to cover the loan's current debt payments. A debt service coverage ratio greater than 1.0 indicates an excess of net operating income over the debt service payments. The values utilized in calculating these ratios are developed as part of the Company's periodic review of the commercial mortgage loan portfolios, which includes an internal appraisal of the underlying collateral value. The Company's periodic review also includes a quality re-rating process, whereby the internal quality rating originally assigned at underwriting is updated based on current loan, property and market information using a proprietary quality rating system.

Cash and cash equivalents include cash on hand, amounts due from banks, certain money market investments and funds managed similar to regulated money market funds. These assets are generally carried at fair value or amortized cost which approximates fair value.

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

Reinsurance receivables consist of receivables associated with reinsurance arrangements. For additional information about these arrangements, see Note 5.

Reinsurance recoverables, at fair value consist of receivables, carried at fair value, associated with the reinsurance of the Company's variable life contracts. The contracts are recorded in "Reinsurance Recoverables" or "Future Policy Benefits" when fair value is in an asset or liability position, respectively. The methods and assumptions used to estimate the fair value are consistent with those described below in "Future Policy Benefits." For additional information about these arrangements, see Note 5.

LIABILITIES

Future policy benefits, at fair value are primarily comprised of the present value of estimated future payments to or on behalf of policyholders, where the timing and amount of payment depends on policyholder mortality, less the present value of future net premiums. This liability includes reserves related to life policies. The Company has elected to use the Fair Value Option ("FVO") to measure these liabilities. For additional information see Note 4.

The impacts to the liability driven by changes in the Company's non-performance risk ("NPR") spread are included in AOCI.

The Company's liability for future policy benefits also includes a liability for unpaid claims and claim adjustment expenses. The Company does not establish claim liabilities until a loss has been incurred. However, unpaid claims and claim adjustment expenses include estimates of claims that the Company believes have been incurred but have not yet been reported as of the balance sheet date.

Reinsurance payables consist of payables associated with reinsurance arrangements. For additional information about these arrangements, see Note 5.

Other liabilities consist primarily of accrued expenses.

REVENUES, BENEFITS AND EXPENSES

Other income (loss) consists primarily of reinsured revenue sharing of fee income derived from asset managers and distributors, the recognition of gains or losses upon execution or recapture of reinsurance treaties and reinsured gains or losses on separate account trading activity.

Changes in fair value of reinsurance balances consists of (1) Premiums from reinsurance agreements and allowance for commissions and expenses recognized when due; and (2) Policyholders' benefits recognized when incurred. Changes in future policy benefits are recorded when premiums are recognized using a fair value methodology.

OTHER ACCOUNTING POLICIES

Income taxes receivable (payable) primarily represents the net deferred tax asset or liability and the Company's estimated taxes receivable or payable for the current year and open audit years.

The Company has filed an election to be treated as a US taxpayer for federal income tax purposes in accordance with IRC Section 953(d) and is a member of the federal income tax return of PFI. Pursuant to the tax allocation arrangement with PFI, total federal income tax expense is determined on a separate company basis. Members record tax benefits to the extent tax losses or tax credits are recognized in the consolidated federal tax provision.

Items required by tax regulations to be included in the tax return may differ from the items reflected in the financial statements. As a result, the effective tax rate reflected in the financial statements may be different than the actual rate applied on the tax return. Some of these differences are permanent such as expenses that are not deductible in the Company's tax return, and some differences are temporary, reversing over time, such as valuation of insurance reserves. Temporary differences create deferred tax assets and liabilities. Deferred tax assets generally represent items that can be used as a tax deduction or credit in future years for which the Company has already recorded the tax benefit in the Company's Statements of Operations. Deferred tax liabilities generally represent tax expense recognized in the Company's financial statements for which payment has been deferred, or expenditures for which the Company has already taken a deduction in the Company's tax return but have not yet been recognized in the Company's financial statements.

Deferred income taxes are recognized, based on enacted rates, when assets and liabilities have different values for financial statement and tax reporting purposes. The application of U.S. GAAP requires the Company to evaluate the recoverability of the Company's deferred tax assets and establish a valuation allowance if necessary to reduce the Company's deferred tax assets to an amount that is more likely than not expected to be realized. Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. See Note 6 for a discussion of factors considered when evaluating the need for a valuation allowance.

U.S. GAAP prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that a company has taken or expects to take on tax returns. The application of this guidance is a two-step process. First, the Company determines whether it is more likely than not, based on the technical merits, that the tax position will be sustained upon examination. If a tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The second step is measurement. The Company measures the tax position as the largest amount of benefit that is greater than 50% likely to be realized upon ultimate resolution with a taxing authority that has full knowledge of all relevant information. This measurement considers the amounts and probabilities of the outcomes that could be realized upon ultimate settlement using the facts, circumstances, and information available at the reporting date.

The Company accrues a liability for unrecognized tax benefits, interest and penalties which relate to tax years still subject to review by the Internal Revenue Service ("IRS") or other taxing jurisdictions. Audit periods remain open for review until the statute of limitations has passed. Generally, for tax years which produce net operating losses, capital losses or tax credit carryforwards ("tax attributes"), the statute of limitations does not close, to the extent of these tax attributes, until the expiration of the statute of limitations for the tax year in which they are fully utilized. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to the liability for income taxes. The Company classifies all interest and penalties related to tax uncertainties as income tax expense. See Note 6 for additional information regarding income taxes.

Reinsurance

For each of its reinsurance contracts, the Company determines if the contract provides indemnification against loss or liability relating to insurance risk in accordance with applicable accounting standards. The Company reviews all contractual features, particularly those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims.

The Company has elected to use the FVO to value the insurance assets and liabilities under reinsurance transactions. The fair value is reported in "Reinsurance recoverables, at fair value" or "Future policy benefits, at fair value." See Note 4 for additional information.

Reinsurance receivables or payables relating to reinsurance agreements with the same counterparty are included in "Reinsurance receivables" or "Reinsurance payables," respectively, on a net basis on the balance sheet as a right of offset exists within the reinsurance agreements. Reinsurance receivables are reported net of the current expected credit loss ("CECL") allowance. The CECL allowance considers the credit quality of the reinsurance counterparty and is generally determined based on the probability of default and loss given default assumptions, after considering any applicable collateral arrangements. The CECL allowance does not apply to reinsurance receivables with affiliated counterparties under common control.

See Note 5 for additional information about the Company's reinsurance agreements.

RECENT ACCOUNTING PRONOUNCEMENTS

Changes to U.S. GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of Accounting Standards Updates ("ASUs") to the FASB Accounting Standards Codification. The Company considers the applicability and impact of all ASUs. There were no ASUs adopted during the current fiscal year. ASUs issued but not adopted as of December 31, 2023, and as of the date that these financial statements were available to be issued were assessed and determined to be either not applicable or not material.

3. INVESTMENTS

Fixed Maturity Securities

The following tables set forth the composition of fixed maturity securities, as of the dates indicated:

	December 31, 2023				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
			(in thousands)		
Fixed maturities, available-for-sale:					
Obligations of U.S. states and their political subdivisions	$ 36,119	$ 1,038	$ 447	$ 0	$ 36,710
U.S. public corporate securities	42,484	1,865	409	0	43,940
U.S. private corporate securities	15,000	534	0	0	15,534
Foreign public corporate securities	11,062	267	82	0	11,247
Asset-backed securities	5,150	24	0	0	5,174
Commercial mortgage-backed securities	19,464	415	0	0	19,879
Residential mortgage-backed securities	4,551	33	0	0	4,584
Total fixed maturities, available-for-sale	$ 133,830	$ 4,176	$ 938	$ 0	$ 137,068

	December 31, 2022				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
			(in thousands)		
Fixed maturities, available-for-sale:					
Obligations of U.S. states and their political subdivisions	$ 38,195	$ 803	$ 919	$ 0	$ 38,079
U.S. public corporate securities	32,365	1,516	493	0	33,388
Foreign public corporate securities	13,203	158	604	0	12,757
Total fixed maturities, available-for-sale	$ 83,763	$ 2,477	$ 2,016	$ 0	$ 84,224

The following tables set forth the fair value and gross unrealized losses on fixed maturity available-for-sale securities without an allowance for credit losses aggregated by investment category and length of time that individual fixed maturity securities had been in a continuous unrealized loss position as of the dates indicated:

	December 31, 2023					
	Less Than Twelve Months		Twelve Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(in thousands)					
Fixed maturities, available-for-sale:						
Obligations of U.S. states and their political subdivisions	$ 0	$ 0	$ 14,761	$ 447	$ 14,761	$ 447
U.S. public corporate securities	2,632	5	13,972	404	16,604	409
Foreign public corporate securities	0	0	4,910	82	4,910	82
Total	$ 2,632	$ 5	$ 33,643	$ 933	$ 36,275	$ 938

	December 31, 2022					
	Less Than Twelve Months		Twelve Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(in thousands)					
Fixed maturities, available-for-sale:						
Obligations of U.S. states and their political subdivisions	$ 19,147	$ 919	$ 0	$ 0	$ 19,147	$ 919
U.S. public corporate securities	13,904	493	0	0	13,904	493
Foreign public corporate securities	11,457	604	0	0	11,457	604
Total	$ 44,508	$ 2,016	$ 0	$ 0	$ 44,508	$ 2,016

As of December 31, 2023 and 2022, the gross unrealized losses on fixed maturity available-for-sale securities without an allowance were composed of $1 million and $2 million, respectively, related to "1" highest quality or "2" high quality securities based on the National Association of Insurance Commissioners ("NAIC") or equivalent rating and none related to other than high or highest quality securities based on NAIC or equivalent rating. As of December 31, 2023, the $1 million of gross unrealized losses of twelve months or more were concentrated in Obligations of U.S. states and their political subdivisions and the Company’s corporate securities within the finance sector.

The following table sets forth the amortized cost and fair value of fixed maturities by contractual maturities as of the date indicated:

	December 31, 2023	
	Amortized Cost	Fair Value
	(in thousands)	
Fixed maturities, available-for-sale:		
Due in one year or less	$ 6,631	$ 6,564
Due after one year through five years	36,152	36,158
Due after five years through ten years	29,453	31,676
Due after ten years	32,429	33,033
Asset-backed securities	5,150	5,174
Commercial mortgage-backed securities	19,464	19,879
Residential mortgage-backed securities	4,551	4,584
Total	$ 133,830	$ 137,068

Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations. Asset-backed, commercial mortgage-backed and residential mortgage-backed securities are shown separately in the table above as they do not have a single maturity date.

The following table sets forth the sources of fixed maturity proceeds and related investment losses as of the dates indicated:

	December 31, 2023	December 31, 2022
	(in thousands)	
Fixed maturities, available-for-sale:		
Proceeds from sales	$ 3,880	$ 0
Proceeds from maturities/prepayments	$ 5,365	$ 14,549
Gross investment losses from sales and maturities	$ (361)	$ 0

For both the years ended December 31, 2023 and 2022, there was no activity in the allowance for credit losses for fixed maturity securities.

See Note 2 for additional information about the Company's methodology for developing our allowance and expected losses.

The Company did not have any fixed maturity securities purchased with credit deterioration as of both December 31, 2023 and 2022.

Equity Securities

The net unrealized gains (losses) from equity securities still held at period end, recorded within "Other income (loss)", was $30 thousand and $(14) thousand during the years ended December 31, 2023 and 2022, respectively.

Commercial Mortgage and Agricultural Property Loans

The following table sets forth the composition of "Commercial mortgage and agricultural property loans, at fair value" as of the dates indicated:

	December 31, 2023	
	Amount (in thousands)	% of Total
Commercial mortgage and agricultural property loans by property type:		
Apartments/Multi-Family	$ 10,294	33.4 %
Other	5,100	16.5
Total commercial mortgage loans	15,394	49.9
Agricultural property loans	15,423	50.1
Total commercial mortgage and agricultural property loans	$ 30,817	100.0 %

As of December 31, 2023, the commercial mortgage and agricultural property loans were secured by properties geographically dispersed throughout the United States with the largest concentrations in Texas (33%), Arkansas (17%) and California (17%).

The following table sets forth key credit quality indicators based upon the recorded investment as of the date indicated:

	December 31, 2023						
	Fair Value by Origination Year						
	2023	2022	2021	2020	2019	Prior	Total
	(in thousands)						
Commercial mortgage loans							
Loan-to-Value Ratio:							
0%-59.99%	$ 5,207	$ 0	$ 0	$ 0	$ 0	$ 0	$ 5,207
60%-69.99%	10,187	0	0	0	0	0	10,187
70%-79.99%	0	0	0	0	0	0	0
80% or greater	0	0	0	0	0	0	0
Total	$ 15,394	$ 0	$ 0	$ 0	$ 0	$ 0	$ 15,394
Debt Service Coverage Ratio:							
Greater or Equal to 1.2x	$ 15,394	$ 0	$ 0	$ 0	$ 0	$ 0	$ 15,394
1.0 - 1.2x	0	0	0	0	0	0	0
Less than 1.0x	0	0	0	0	0	0	0
Total	$ 15,394	$ 0	$ 0	$ 0	$ 0	$ 0	$ 15,394
Agricultural property loans							
Loan-to-Value Ratio:							
0%-59.99%	$ 10,264	$ 0	$ 0	$ 0	$ 0	$ 0	$ 10,264
60%-69.99%	5,159	0	0	0	0	0	5,159
70%-79.99%	0	0	0	0	0	0	0
80% or greater	0	0	0	0	0	0	0
Total	$ 15,423	$ 0	$ 0	$ 0	$ 0	$ 0	$ 15,423
Debt Service Coverage Ratio:							
Greater or Equal to 1.2x	$ 15,423	$ 0	$ 0	$ 0	$ 0	$ 0	$ 15,423
1.0 - 1.2x	0	0	0	0	0	0	0
Less than 1.0x	0	0	0	0	0	0	0
Total	$ 15,423	$ 0	$ 0	$ 0	$ 0	$ 0	$ 15,423

See Note 2 for additional information about the Company's commercial mortgage and agricultural property loans credit quality monitoring process.

As of December 31, 2023, there were no commercial mortgage and agricultural property loans past due or on non-accrual status.

Accrued Investment Income

The following table sets forth the composition of "Accrued investment income" as of the dates indicated:

	December 31, 2023	December 31, 2022
	(in thousands)	
Fixed maturities	$ 1,906	$ 1,428
Equity securities	26	14
Commercial mortgage and agricultural property loans	112	0
Cash and cash equivalents	421	1
Total accrued investment income	$ 2,465	$ 1,443

There were no write-downs on accrued investment income for both the years ended December 31, 2023 and 2022.

Net Investment Income

The following table sets forth "Net investment income" by investment type for the years indicated:

	Year Ended December 31,	
	2023	2022
	(in thousands)	
Fixed maturities, available-for-sale	$ 5,362	$ 4,462
Equity securities	271	101
Commercial mortgage and agricultural property loans	205	0
Cash and cash equivalents	14,614	3,723
Gross investment income	20,452	8,286
Less: investment expenses	(197)	(155)
Net investment income	$ 20,255	$ 8,131

Realized Investment Gains (Losses), Net

The following table sets forth "Realized investment gains (losses), net" by investment type for the periods indicated:

	Year Ended December 31,	
	2023	2022
	(in thousands)	
Fixed maturities, available-for-sale	$ (361)	$ 0
Commercial mortgage and agricultural property loans	816	0
Realized investment gains (losses), net	$ 455	$ 0

Net Unrealized Gains (Losses) on Investments within AOCI

The following table sets forth net unrealized gains (losses) on investments as of the dates indicated:

	December 31, 2023	December 31, 2022
	(in thousands)	
Fixed maturity securities, available-for-sale	$ 3,238	$ 461
Net unrealized gains (losses) on investments	$ 3,238	$ 461

4. FAIR VALUE OF ASSETS AND LIABILITIES

Fair Value Measurement – Fair value represents the price 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 authoritative fair value guidance establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in measuring fair value. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are 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. The Company's Level 1 assets and liabilities primarily include equity securities.

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 prices in active markets for similar assets and liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, and other market observable inputs. The Company’s Level 2 assets and liabilities include: fixed maturities (corporate public and private bonds, most government securities, certain asset-backed securities, etc.) and certain cash equivalents.

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 judgment or estimation in determining the fair value. The Company’s Level 3 assets and liabilities primarily include commercial mortgage and agricultural property loans, reinsurance recoverables, and future policy benefits.

Assets and Liabilities by Hierarchy Level – The tables below present the balances of assets and liabilities reported at fair value on a recurring basis, as of the dates indicated.

	December 31, 2023				
	Level 1	Level 2	Level 3	Netting(1)	Total
	(in thousands)				
Fixed maturities, available-for-sale:					
Obligations of U.S. states and their political subdivisions	$ 0	$ 36,710	$ 0	$ 0	$ 36,710
U.S. corporate public securities	0	43,940	0	0	43,940
U.S. corporate private securities	0	15,534	0	0	15,534
Foreign corporate public securities	0	11,247	0	0	11,247
Asset-backed securities	0	5,174	0	0	5,174
Commercial mortgage-backed securities	0	19,879	0	0	19,879
Residential mortgage-backed securities	0	4,584	0	0	4,584
Subtotal	0	137,068	0	0	137,068
Equity securities	4,939	0	0	0	4,939
Cash equivalents	0	83,049	0	0	83,049
Commercial mortgage and agricultural property loans	0	0	30,817	0	30,817
Reinsurance recoverables	0	0	781,401	0	781,401
Total assets	$ 4,939	$ 220,117	$ 812,218	$ 0	$ 1,037,274
Future policy benefits	$ 0	$ 0	$ 9,907	$ 0	$ 9,907
Total liabilities	$ 0	$ 0	$ 9,907	$ 0	$ 9,907

	December 31, 2022				
	Level 1	Level 2	Level 3	Netting(1)	Total
	(in thousands)				
Fixed maturities, available-for-sale:					
Obligations of U.S. states and their political subdivisions	$ 0	$ 38,079	$ 0	$ 0	$ 38,079
Foreign government bonds	0	0	0	0	0
U.S. corporate public securities	0	33,388	0	0	33,388
Foreign corporate public securities	0	12,757	0	0	12,757
Subtotal	0	84,224	0	0	84,224
Equity securities	4,909	0	0	0	4,909
Cash equivalents	0	205,473	0	0	205,473
Reinsurance recoverables	0	0	725,484	0	725,484
Total assets	$ 4,909	$ 289,697	$ 725,484	$ 0	$ 1,020,090
Future policy benefits	$ 0	$ 0	$ 37,912	$ 0	$ 37,912
Total liabilities	$ 0	$ 0	$ 37,912	$ 0	$ 37,912

(1) "Netting" amounts represent cash collateral of $0 million as of both December 31, 2023 and 2022.

The methods and assumptions the Company uses to estimate the fair value of assets and liabilities measured at fair value on a recurring basis are summarized below.

Fixed Maturity Securities – The fair values of the Company's public fixed maturity securities are generally based on prices obtained from independent pricing services. Prices for each security are generally sourced from multiple pricing vendors, 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 for new financial products and recent pricing experience with various vendors. Consistent with the fair value hierarchy described above, securities with validated quotes from pricing services are generally reflected within Level 2, as they are primarily based on observable pricing for similar assets and/or other market observable inputs. Typical inputs used by these pricing services include but are not limited to, reported trades, benchmark yields, issuer spreads, bids, offers, and/or estimated cash flow, prepayment speeds, and default rates.

Internally-developed valuations or indicative broker quotes are also used to determine fair value in circumstances where vendor pricing is not available, or where the Company ultimately concludes that pricing information received from the independent pricing services is not reflective of market value. If the Company concludes the values from both pricing services and brokers are not reflective of market value, it may override the information with an internally-developed valuation. As of December 31, 2023 and 2022, overrides on a net basis were not material. Pricing service overrides, internally-developed valuations and indicative single broker quotes are generally included in Level 3 in the fair value hierarchy.

The Company conducts several specific price monitoring activities. Daily analysis identifies price changes over predetermined thresholds defined at the financial instrument level. Various pricing integrity reports are reviewed on a daily and monthly basis to determine if pricing is reflective of market activity or if it would warrant any adjustments. Other procedures performed include, but are not limited to, reviews of third-party pricing services methodologies, reviews of pricing trends and back testing.

The fair values of private fixed maturities, which are originated by internal private asset managers, are primarily determined using discounted cash flow models. These models primarily use observable inputs that include Treasury or similar base rates plus estimated credit spreads to value each security. The credit spreads are obtained through a survey of private market intermediaries who are active in both primary and secondary transactions, and consider, among other factors, the credit quality and the reduced liquidity associated with private placements. Internal adjustments are made to reflect variation in observed sector spreads. Since most private placements are valued using standard market observable inputs and inputs derived from, or corroborated by, market observable data including, but not limited to observed prices and spreads for similar publicly traded issues, they have been reflected within Level 2.

Equity Securities – Equity securities consist solely of mutual fund shares. The fair values of mutual fund shares that are publicly traded are based on quoted market prices in active markets for identical assets and are classified within Level 1 in the fair value hierarchy.

Cash Equivalents – Cash equivalents include money market instruments and other highly liquid debt instruments. The Company believes that due to the short-term nature of these instruments, the carrying value approximates fair value.

Commercial Mortgage and Agricultural Property Loans – The fair value of loans held and accounted for using the FVO is determined utilizing pricing indicators from the whole loan market, where investors are committed to purchase these loans at a predetermined price, which is considered the principal exit market for these loans. The Company evaluates the valuation inputs used for these assets, including the existence of predetermined exit prices, the terms of the loans, prevailing interest rates and credit risk, and deems the primary pricing inputs are Level 3 inputs in the fair value hierarchy.

Reinsurance Recoverables – Reinsurance recoverables carried at fair value include the reinsurance of the Company's variable life contracts. The contracts are recorded in "Reinsurance recoverables, at fair value" or "Future policy benefits, at fair value" when fair value is in an asset or liability position, respectively. The methods and assumptions used to estimate the fair value are consistent with those described below in future policy benefits.

Future Policy Benefits – The FVO is elected by the Company for future policy benefits. As a result, the liabilities are measured at fair value at each financial reporting date reported in "Future policy benefits, at fair value."

The liability for future policy benefits is related primarily to benefits on the Company's variable life contracts. The Company calculates the fair value of future policy benefits using discounted cash flow models. The fair values of these liabilities are calculated as the present value of future expected benefit payments to customers and the future expected expense allowances, minus the present value of projected future premiums and expected fees attributable to the contracts' benefits and maintenance. The fair value is based on the in force business and calculated using actuarial and capital market assumptions. This methodology could result in either a liability or asset balance given changes in those assumptions. The models are based on a real world valuation framework, reflecting discounting at the weighted average cost of capital.

Actuarial assumptions, including contractholder behavior and mortality, are reviewed at least annually, and updated based upon emerging experience, future expectations and other data, including any observable market data. These assumptions are generally updated annually unless a material change that the Company feels is indicative of a long-term trend is observed in an interim period. As these significant inputs are not observable, the valuation is accordingly considered as Level 3 in the fair value hierarchy.

Capital market inputs and actual policyholders' account values are updated each quarter based on capital market conditions as of the end of the quarter, including interest rates and equity markets. In the real world valuation, the policyholder's account value growth is modelled using a combination of observable market data and long term capital market assumptions. The weighted average cost of capital used for discounting is based on the cost of debt and cost of equity. The cost of debt is constructed using observable capital market inputs risk-free rates and also includes an adjustment for NPR. The NPR adjustment is calculated using publicly available information related to credit spreads on corporate bonds. The cost of equity is derived based on an internal assumption process that leverages capital asset pricing model theory.

The valuation of the liabilities also includes risk margins that are established to represent the additional compensation a market participant would require to assume the liabilities. The risk margins are calculated using a discounted cost of capital approach. The establishment of the risk margins requires the use of management judgement, including assumptions of the target capital ratios and cost of capital for a market participant.

Quantitative Information Regarding Internally-Priced Level 3 Assets and Liabilities – The tables below present quantitative information on significant internally-priced Level 3 assets and liabilities.

	December 31, 2023						
	Fair Value	**Valuation Techniques**	**Unobservable Inputs**	**Minimum**	**Maximum**	**Weighted Average**	**Impact of Increase in Input on Fair Value(1)**
	(in thousands)						
Assets:							
Commercial mortgage and agricultural property loans	$ 30,817	Discounted cash flow	Credit spread(2)	1.38 %	1.90 %	1.54 %	Decrease
Reinsurance recoverables	$ 781,401	Discounted cash flow	Lapse rate(4)	0 %	100 %		Decrease
			Morbidity (disability) rate(5)	0 %	1 %		Decrease
			Mortality rate(6)	0 %	100 %		Decrease
			Partial withdrawal(7)	0 %	1 %		Decrease
			Premium persistency(8)	0 %	100 %		Increase
			Target capital level	200 %	200 %		Decrease
			Cost of capital	6.5 %	6.5 %		Decrease
Liabilities:							
Future policy benefits(3)	$ 9,907	Discounted cash flow	Lapse rate(4)	0 %	100 %		Increase
			Morbidity (disability) rate(5)	0 %	1 %		Increase
			Mortality rate(6)	0 %	100 %		Increase
			Partial withdrawal(7)	0 %	1 %		Increase
			Premium persistency(8)	0 %	100 %		Decrease
			Target capital level	200 %	200 %		Increase
			Cost of capital	6.5 %	6.5 %		Increase
			Spread over sovereign bond yield(9)	4.5 %	5.6 %		Decrease

	December 31, 2022					
	Fair Value	Valuation Techniques	Unobservable Inputs	Minimum	Maximum	Impact of Increase in Input on Fair Value(1)
			(in thousands)			
Assets:						
Reinsurance recoverables	$ 725,484	Discounted cash flow	Lapse rate(4)	0 %	100 %	Decrease
			Morbidity (disability) rate(5)	0 %	1 %	Decrease
			Mortality rate(6)	0 %	100 %	Decrease
			Partial withdrawal(7)	0 %	1 %	Decrease
			Premium persistency(8)	0 %	100 %	Increase
			Target capital level	200 %	200 %	Decrease
			Cost of capital	6.5 %	6.5 %	Decrease
Liabilities:						
Future policy benefits(3)	$ 37,912	Discounted cash flow	Lapse rate(4)	0 %	100 %	Increase
			Morbidity (disability) rate(5)	0 %	1 %	Increase
			Mortality rate(6)	0 %	100 %	Increase
			Partial withdrawal(7)	0 %	1 %	Increase
			Premium persistency(8)	0 %	100 %	Decrease
			Target capital level	200 %	200 %	Increase
			Cost of capital	6.5 %	6.5 %	Increase

(1) Conversely, the impact of a decrease in input would have the opposite impact on fair value as that presented in the table.
(2) Credit spread represents the current premium above the risk-free interest rate for fixed income investments of similar risk profile and maturity.
(3) Since the valuation methodology for the future policy benefits uses a range of inputs that vary at the product level over the cash flow projection period, presenting a range, rather than weighted average, is a more meaningful representation of the unobservable inputs used in the valuation.
(4) For any given contract, lapse rates vary throughout the period over which cash flows are projected for the purposes of valuing the liability. Lapse rates are also generally assumed to be lower for the period where surrender charges apply.
(5) Morbidity rates vary by product, age and duration.
(6) Mortality rates may vary by product, age and duration. A mortality improvement assumption is also incorporated into the overall mortality table.
(7) The partial withdrawal rate assumption estimate the magnitude of total account value policyholder will withdraw, where contractually allowed under the contract. Partial Withdrawal assumption varies by product, age and duration.
(8) Premium persistency varies by product, age, duration and contract funding status.
(9) The spread over the sovereign bond yield curve represents the premium added to the proxy for the risk-free rate to reflect the Company's estimates of rates that a market participant would use to value the reinsurance reserve as of December 31, 2023 and 2022, respectively. This spread includes an estimate of NPR, which is the risk that the obligation will not be fulfilled by the Company and the levered Cost of Equity. NPR is primarily estimated by utilizing the credit spreads associated with issuing funding agreements, adjusted for any illiquidity risk premium. In order to reflect the financial strength ratings of the Company, credit spreads associated with funding agreements, as opposed to credit spread associated with debt, are utilized in developing this estimate because funding agreements and reinsurance reserve are insurance liabilities and are therefore senior to debt. Cost of Equity is based on an annual internal corporate assumption process that leverages the capital asset pricing model theory and considers historical averages for the risk-free rate, Beta, and Market Risk premium.

Interrelationships Between Unobservable Inputs – In addition to the sensitivities of fair value measurements to changes in each unobservable input in isolation, as reflected in the table above, interrelationships between these inputs may also exist, such that a change in one unobservable input may give rise to a change in another or multiple inputs. An example of such interrelationships for significant internally-priced Level 3 liabilities is as follows:

Future Policy Benefits - The spread over sovereign bond yields includes the Company's credit risk. The Company expects the risk that the obligation will not be fulfilled to be correlated with lapse rates.

Changes in Level 3 Assets and Liabilities – The change in fair value of Level 3 assets and liabilities relating to purchases of commercial mortgage and agricultural property loans were $30 million and $0 million for the years ended December 31, 2023 and 2022, respectively. Issuances of reinsurance recoverables were $0 million and $878 million for the years ended December 31, 2023 and 2022, respectively. Issuances of future policy benefits were $0 million and $245 million for the years ended December 31, 2023 and 2022, respectively.

Transfers – All transfers are based on changes in the observability of the valuation inputs, including the availability of pricing service information that the Company can validate. Transfers into Level 3 are generally the result of unobservable inputs utilized within valuation methodologies and the use of indicative broker quotes for assets that were previously valued using observable inputs. Transfers out of Level 3 are generally due to the use of observable inputs in valuation methodologies as well as the availability of pricing service information for certain assets that the Company can validate.

There have been no transfers into or out of Level 3 for the years ended December 31, 2023 and 2022.

Fair Value of Financial Instruments

The table below presents the carrying amount and fair value by fair value hierarchy level of certain financial instruments that are not reported at fair value. The financial instruments presented below are reported at carrying value on the Company's Statements of Financial Position. In some cases, as described below, the carrying amount equals or approximates fair value.

	December 31, 2023				
	Fair Value				Carrying Amount
	Level 1	Level 2	Level 3	Total	Total
			(in thousands)		
Assets:					
Cash and cash equivalents	$ 206,655	$ 0	$ 0	$ 206,655	$ 206,655
Accrued investment income	0	2,465	0	2,465	2,465
Other assets	0	16	0	16	16
Total assets	$ 206,655	$ 2,481	$ 0	$ 209,136	$ 209,136
Liabilities:					
Other liabilities	$ 0	$ 12,634	$ 0	$ 12,634	$ 12,634
Total liabilities	$ 0	$ 12,634	$ 0	$ 12,634	$ 12,634

	December 31, 2022				
	Fair Value				Carrying Amount
	Level 1	Level 2	Level 3	Total	Total
			(in thousands)		
Assets:					
Cash and cash equivalents	$ 95,606	$ 0	$ 0	$ 95,606	$ 95,606
Accrued investment income	0	1,443	0	1,443	1,443
Total assets	$ 95,606	$ 1,443	$ 0	$ 97,049	$ 97,049
Liabilities:					
Other liabilities	$ 0	$ 2,178	$ 0	$ 2,178	$ 2,178
Total liabilities	$ 0	$ 2,178	$ 0	$ 2,178	$ 2,178

The fair values presented above have been determined by using available market information and by applying market valuation methodologies, as described in more detail below.

Cash and Cash Equivalents and Accrued Investment Income

The Company believes that due to the short-term nature of certain assets, the carrying value approximates fair value. These assets include cash and cash equivalent instruments and accrued investment income that meet the definition of financial instruments.

Other Liabilities

Other liabilities are primarily payables, such as accrued expense payables. Due to the short-term until settlement of most of these liabilities, the Company believes that carrying value approximates fair value.

5. REINSURANCE

The Company participates in reinsurance with its affiliates Prudential Insurance and Pruco Life.

Significant reinsurance amounts included in the Company's Statements of Financial Position as of December 31, were as follows:

	2023	2022
	(in thousands)	
Reinsurance recoverables, at fair value	$ 781,401	$ 725,484
Reinsurance receivables	$ 58,713	$ 19,669
Future policy benefits, at fair value	$ 9,907	$ 37,912
Reinsurance payables	$ 0	$ 53,519

Significant effects of reinsurance amounts included in the Company's Statements of Operations and Comprehensive Income were as follows:

	Year Ended December 31,	
	2023	2022
	(in thousands)	
Changes in fair value of reinsurance balances:		
Reinsurance assumed(1)	$ (234,697)	$ (142,299)
Reinsurance ceded	9,449	(30,499)
Net changes in fair value of reinsurance balances	$ (225,248)	$ (172,798)

(1) Includes gains (losses) the Company recognized as a result of reinsurance agreements entered into during the years ended December 31, 2023 and 2022.

The gross amounts of life insurance face amount in force as of December 31, were as follows:

	2023	2022
	(in thousands)	
Assumed gross life insurance face amount in force	$ 86,017,797	$ 85,386,304
Reinsurance ceded	(13,805,371)	(14,291,911)
Net life insurance face amount in force	$ 72,212,426	$ 71,094,393

Information regarding significant reinsurance agreements is described below.

Pruco Life

From October 1, 2021 to December 31, 2021, the Company entered into an automatic coinsurance agreement with Pruco Life to reinsure a closed block of variable life policies in the extended term policy status.

Effective January 1, 2022, Pruco Life recaptured the risks related to a closed block of variable life policies in the extended term status, which had previously been reinsured to the Company on a coinsurance basis, from October 1, 2021 to December 31, 2021. The Company held a Future policy benefits liability, at fair value of $24 million at December 31, 2021 for the block. Immediately thereafter, effective January 1, 2022, the Company entered into a reinsurance agreement with Pruco Life to assume 100% of the risks associated with a closed block of variable life business under a coinsurance and modified coinsurance basis including policies in the extended term policy status. In order to satisfy collateral support obligations stated in the reinsurance agreement, as of December 31, 2023 the Company obtained a $1.0 billion letter of credit from an external counterparty for the benefit of Pruco Life.

Effective January 1, 2022, Pruco Life entered into an automatic Yearly Renewable Term ("YRT") agreement with the Company to cede back a portion of the mortality risk associated with the reinsured policies for the purposes of Pruco Life maintaining YRT reinsurance with external counterparties.

Prudential Insurance

Effective January 1, 2022, the Company entered into a reinsurance agreement with Prudential Insurance to assume 90% of the risks associated with a closed block of variable life business under a coinsurance and modified coinsurance basis including policies in the extended term policy status. In order to satisfy collateral support obligations stated in the reinsurance agreement, as of December 31, 2023 the Company obtained a $1.3 billion letter of credit from an external counterparty for the benefit of Prudential Insurance.

Effective January 1, 2022, Prudential Insurance entered into an automatic YRT agreement with the Company to cede back a portion of the mortality risk associated with the reinsured policies for the purposes of Prudential Insurance maintaining YRT reinsurance with external counterparties.

6. INCOME TAXES

Changes in Tax Law

In December 2023, the Government of Bermuda enacted a corporate income tax. The Bermuda corporate income tax imposes a 15% income tax, less applicable foreign tax credits, on companies that are organized or operate within Bermuda that are within the scope of the Organization for Economic Co-operation and Development ("OECD") Pillar Two rules. The Bermuda corporate income tax will be effective for tax years beginning on January 1, 2025.

Lotus Re made an election upon formation to be treated as a US taxpayer under US Internal Revenue Code Section 953(d) and is therefore subject to US tax at 21% on its earnings. These taxes will be creditable in Bermuda and are expected to fully offset any potential tax liability under the Bermuda minimum tax. Accordingly, Lotus Re’s estimated net local Bermuda DTL of $20 million is expected to be offset by foreign tax credits and the Bermuda tax liability will remain at $0.

Inflation Reduction Act - The Inflation Reduction Act of 2022 (the "Inflation Reduction Act"), among other provisions, imposes a 15% alternative minimum tax on corporations ("CAMT") with average applicable financial statement income over $1 billion for any 3-year period ending with 2022 or later. This provision is effective in taxable years beginning after December 31, 2022. The impact of the alternative minimum tax, if any, will vary from year to year based on the relationship of our GAAP income to our taxable income. PFI and the controlled group of corporations of which the Company is a member has determined that it is an "applicable corporation" to determine if CAMT exceeds the regular federal income tax payable. PFI has amended its Tax Allocation Agreement, which covers all insurance companies within the US consolidated tax group, to allocate all impacts of the CAMT solely to PFI. Accordingly, none of the insurance companies in the Prudential Group including Lotus Re will be subject to any CAMT impact for reporting purposes.

Income Tax Components

The following schedule discloses significant components of income tax expense (benefit) for the periods presented:

	Year Ended December 31, 2023	2022
	(in thousands)	
Current tax expense (benefit):		
U.S. federal	$ (474)	$ 65,226
Total current tax expense (benefit)	(474)	65,226
Deferred tax expense (benefit):		
U.S. federal	50,658	(24,367)
Total deferred tax expense (benefit)	50,658	(24,367)
Total income tax expense (benefit)	$ 50,184	$ 40,860

Reconciliation of Expected Tax at Statutory Rates to Reported Income Tax Expense (Benefit)

The differences between income taxes expected at the U.S. federal statutory income tax rate of 21% applicable for the years ended December 31, 2023 and 2022, the reported income tax expense (benefit) are summarized as follows:

	Year Ended December 31, 2023	2022
	(in thousands)	
Reported income tax expense (benefit)		
Expected federal income tax expense (benefit)	$ 50,293	$ 40,941
Non-taxable investment income	(85)	(86)
Changes in tax law	20,433	0
Foreign tax credits	(20,433)	0
State taxes	0	5
Provision to return	(24)	0
Reported income tax expense (benefit)	$ 50,184	$ 40,860
Effective Tax Rate	20.95 %	20.96 %

Schedule of Deferred Tax Assets and Deferred Tax Liabilities

	Year Ended December 31, 2023	Year Ended December 31, 2022
	(in thousands)	
Deferred tax assets:		
Policyholder Dividend	$ 298	$ 302
Deferred policy acquisition costs	38,091	23,943
Investments	0	3,881
NOL carryover	225,884	0
Deferred tax assets before FTC	264,273	28,126
Foreign tax credits	$ 20,433	0
Deferred tax assets after FTC	284,706	28,126
Deferred tax liabilities:		
Investments	129	0
Net unrealized gain on securities	1,166	97
Reserves	309,889	0
Other	133	78
Deferred tax liabilities	311,317	175
Net deferred tax asset/(liability)	$ (26,611)	$ 27,951

The application of U.S. GAAP requires the Company to evaluate the recoverability of deferred tax assets and establish a valuation allowance if necessary to reduce the deferred tax asset to an amount that is more likely than not expected to be realized. Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. In evaluating the need for a valuation allowance, the Company considers many factors, including: (1) the nature of the deferred tax assets and liabilities; (2) whether they are ordinary or capital; (3) in which tax jurisdictions they were generated and the timing of their reversal; (4) taxable income in prior carryback years as well as projected taxable earnings exclusive of reversing temporary differences and carryforwards; (5) the length of time that carryovers can be utilized in the various taxing jurisdictions; (6) any unique tax rules that would impact the utilization of the deferred tax assets; and (7) any tax planning strategies that the Company would employ to avoid a tax benefit from expiring unused. Although realization is not assured, management believes it is more likely than not that the deferred tax assets, net of valuation allowances, will be realized.

The Company had no valuation allowance as of December 31, 2023 and 2022. Adjustments to the valuation allowance will be made if there is a change in management's assessment of the amount of deferred tax asset that is realizable.

Tax Audit and Unrecognized Tax Benefits

The Company's liability for income taxes includes the liability for unrecognized tax benefits and interest that relate to tax years still subject to review by the IRS or other taxing authorities. The completion of review or the expiration of the Federal statute of limitations for a given audit period could result in an adjustment to the liability for income taxes.

The Company had no unrecognized tax benefits as of December 31, 2023 and 2022. 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.

The Company classifies all interest and penalties related to tax uncertainties as income tax expense (benefit). In 2023 and 2022, the Company recognized $0 for tax related interest and penalties.

The tax years that remain subject to examination by the U.S. tax authorities at December 31, 2023 are 2021 through 2023.

The Company participates in the IRS's Compliance Assurance Program. Under this program, the IRS assigns an examination team to review completed transactions as they occur in order to reach agreement with the Company on how they should be reported in the relevant tax returns. If disagreements arise, accelerated resolutions programs are available to resolve the disagreements in a timely manner.

7. EQUITY

The Bermuda capital and solvency return is an annual return relating to an insurer’s risk management practices and information used by an insurer to calculate its Enhanced Capital Requirement ("ECR") and Target Capital Level ("TCL") as prescribed by Prudential Standard Rules made under section 6A of the Act. Every Class E insurer shall submit to the BMA a completed capital and solvency return on or before its filing date.

The capital and solvency model is used to calculate an insurer’s ECR, a capital and surplus requirement imposed by Rules made under section 6A of the Act. The ECR of an insurer shall be calculated at the end of its relevant year by the higher of the Bermuda Solvency Capital Requirement ("BSCR") model or an approved internal model, if applicable, provided that the ECR amount is equal to or exceeds the Minimum Margin of Solvency. The TCL of an insurer is calculated as 120% of the ECR and although not a capital requirement per se, insurers are expected to hold eligible capital resources to cover it; failure to do so will result in additional reporting requirements and enhanced monitoring, and in the submission of a remediation plan to restore capital above the TCL.

The BSCR model calculates a risk-based capital measure by applying capital factors to capital and solvency return elements, including investments and other assets, operational risk, and long-term insurance risks, in order to establish an overall measure of capital and surplus for statutory solvency purposes. The capital factor established for each risk element, when applied to that element, produces a required capital and surplus amount. The individual capital amounts generated for each risk element (excluding operational risk) are then summed. Covariance adjustments are made to arrive at the BSCR (after covariance adjustment), which may be further adjusted to include insurer-specific operational risk and capital add-ons, as assessed by the BMA, to finally produce the BSCR of an insurer.

An insurer’s available statutory capital and surplus divided by the BSCR gives the BSCR ratio. An insurer’s available statutory capital and surplus divided by the ECR gives the ECR ratio. The BSCR and ECR ratios will assist the BMA to evaluate the financial strength of an insurer.

The BSCR, ECR and TCL establish solvency capital levels that are used by the BMA to monitor the capital adequacy of the Company as a Class E insurer.

Return of Capital

Through December 31, 2023 and 2022, the Company had no returns of capital.

Return of Capital Restrictions

Any return of contributed capital that would reduce the Company’s total statutory capital (share capital and contributed surplus) by 15% or more must be approved by the BMA.

Dividends

Through December 31, 2023 and 2022, the Company did not pay any dividends.

Dividend Restrictions

The Company may not pay dividends during any financial period if such payment would cause the Company to fail to meet its minimum solvency margin as defined in the Act. Further, the Company may not distribute a dividend to any person other than a policyholder unless the value of the assets of its long-term business fund, as certified by the Company’s approved actuary, exceeds its insurance and other liabilities.

The Company may not pay a dividend or a distribution out of contributed surplus unless there are reasonable grounds for believing the Company will be remain able, after the payment of the dividend or distribution, to meet its liabilities when they become due and that the realizable value of the Company’s assets will, after the payment of the dividend or distribution, be greater than value of its liabilities.

Furthermore, dividends up to 25% of total statutory capital and surplus require Board approval. Dividends above 25% of total statutory capital and surplus require Board approval and an affidavit, signed by at least two Directors and the Company’s Principal Representative, filed with the BMA at least seven days prior to payment of the dividend.

Common Stock

As of December 31, 2023 and 2022, Lotus Re had 250,000 shares of common stock authorized, issued and outstanding. The total shares of common stock outstanding initially were 100% owned by Prudential Insurance. Effective February 1, 2022, Prudential Insurance transferred 100% of its ownership to PIIH.

Accumulated Other Comprehensive Income (Loss)

AOCI represents the cumulative OCI items that are reported separate from net income and detailed on the Statements of Operations and Comprehensive Income. The balance of and changes in each component of AOCI as of and for the years ended December 31, 2023 and 2022 are as follows:

	Accumulated Other Comprehensive Income (Loss)		
	NPR Adjustment to Future Policy Benefits	Net Unrealized Investment Gains (Losses)	Total Accumulated Other Comprehensive Income (Loss)
		(in thousands)	
Balance, December 31, 2021	$ 101	$ 11,924	$ 12,025
Change in OCI before reclassifications	(128)	(14,632)	(14,760)
Income tax benefit (expense)	27	3,072	3,099
Balance, December 31, 2022	$ 0	$ 364	$ 364
Change in OCI before reclassifications	0	2,416	2,416
Amounts reclassified from AOCI	0	361	361
Income tax benefit (expense)	0	(583)	(583)
Balance, December 31, 2023	$ 0	$ 2,558	$ 2,558

Reclassification out of Accumulated Other Comprehensive Income (Loss)

	Year Ended December 31,	
	2023	2022
	(in thousands)	
Amounts reclassified from AOCI(1):		
Net unrealized investment gains (losses):		
Net unrealized investment gains (losses) on available-for-sale securities	$ (361)	$ 0
Total net unrealized investment gains (losses)(2)	(361)	0
Total reclassification for the period	$ (361)	$ 0

(1) Positive amounts indicate gains/benefits reclassified out of AOCI. Negative amounts indicate losses/costs reclassified out of AOCI.
(2) See table below for additional information on unrealized investment gains (losses).

Net Unrealized Investment Gains (Losses)

Net unrealized investment gains (losses) on available-for-sale fixed maturity securities are included in the Company's Statements of Financial Position as a component of AOCI. Changes in these amounts include reclassification adjustments to exclude from OCI those items that are included as part of "Net income (loss)" for a period that had been part of OCI in earlier periods. There are no amounts related to available-for-sale fixed maturity securities on which an allowance for credit losses has been recognized as of December 31, 2023. The amounts for the periods indicated below, are as follows:

	Net Unrealized Investment Gains (Losses)	Income Tax Benefit (Expense)	Accumulated Other Comprehensive Income (Loss) Related to Net Unrealized Investment Gains (Losses)
		(in thousands)	
Balance, December 31, 2021	$ 15,093	$ (3,169)	$ 11,924
Net unrealized investment gains (losses) on investments arising during the period	(14,632)	3,072	(11,560)
Balance, December 31, 2022	$ 461	$ (97)	$ 364
Net unrealized investment gains (losses) on investments arising during the period	2,416	(583)	1,833
Reclassification adjustment for (gains) losses included in net income	361	0	361
Balance, December 31, 2023	$ 3,238	$ (680)	$ 2,558

8. RELATED PARTY TRANSACTIONS

The Company has extensive transactions and relationships with Prudential Insurance, Prudential International Insurance Service Company, LLC ("PIISC") and other affiliates.

Expense Charges and Allocations

The Company's expenses include allocations and charges from Prudential Insurance and PIISC. These affiliates and the Company operate under service agreements whereby certain general and administrative support services are provided to the Company by Prudential Insurance and PIISC. The Company periodically reviews its methods for determining the level of administrative expenses charged to the Company. These agreements obligate the Company to compensate Prudential Insurance and PIISC for the appropriate cost of providing such services. General and administrative support expenses related to these agreements were $1 million for both the years ended December 31, 2023 and 2022. These expenses are recorded as "General, administrative and other expenses" in the Statements of Operations and Comprehensive Income.

Affiliated Investment Management Expenses

The Company entered into an investment advisory agreement with PGIM, Inc. ("PGIM"), a PFI affiliated company, whereby PGIM provides discretionary investment advisory services to the Company, as directed by the Company’s Investment Committee. Investment expenses paid to PGIM related to this agreement were $197 thousand and $155 thousand for the years ended December 31, 2023 and 2022, respectively. These expenses are recorded as "Net investment income" in the Statements of Operations and Comprehensive Income.

Affiliated Asset Transfers

There were no affiliated asset trades for the years ended December 31, 2023 and 2022.

Capital Contributions from Parent and Dividends

The Company did not receive any capital contributions for the year ended December 31, 2023. The Company received capital contributions of $827 million from PIIH during the year ended December 31, 2022. The capital contributions included $47 million of non-cash contributions in 2022.

Through December 31, 2023 and 2022, the Company did not pay any dividends.

Reinsurance with Affiliates

As discussed in Note 5, the Company participates in reinsurance transactions with Pruco Life and Prudential Insurance.

9. LITIGATION

The Company is subject to legal and regulatory actions in the ordinary course of its business. The Company may also be subject to litigation that could arise out of its general business activities, such as its investments and third party contracts. Should such litigation arise, the plaintiffs may seek large and/or indeterminate amounts, including punitive or exemplary damages. The outcome of litigation or a regulatory matter, and the amount or range of potential loss at any particular time, is often inherently uncertain. It is possible that the results of operations or the cash flow of the Company in a particular annual period could be materially affected by any ultimate unfavorable resolution of litigation and regulatory matters depending, in part, upon the results of operations or cash flow for such period.

There are no pending legal or regulatory actions that are specific to the Company.

10. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 30, 2024, the date these audited financial statements were issued. No subsequent events were identified requiring recognition or disclosure in the financial statements.