MetLife Reinsurance Company of Bermuda, Ltd.

Financial Statements

As of and for the Year ended December 31, 2023 and Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholder of
MetLife Reinsurance Company of Bermuda, Ltd.

Opinion

We have audited the financial statements of MetLife Reinsurance Company of Bermuda, Ltd. (an indirect wholly-owned subsidiary of MetLife, Inc.) (the "Company"), which comprise the balance sheet as of December 31, 2023, and the related statements of operations, comprehensive income (loss), stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting and presentation related to long-duration insurance contracts and certain related balances effective January 1, 2023, due to the adoption of Accounting Standards Update No. 2018-12, Financial Services— Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts, as amended ("ASU 2018-12"), with a transition date of January 1, 2021.

Additionally, as discussed in Note 1 to the financial statements, since the Company is a member of a controlled group of affiliated companies, its results may not be indicative of those of a stand-alone entity. Our opinion is not modified with respect to this matter.

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about incurred and paid claims development prior to 2023 included in Note 2 to the financial statements be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Restriction on Use

Our report is intended solely for the information and use of the board of directors and the management of MetLife Reinsurance Company of Bermuda, Ltd. and for filing with the Bermuda Monetary Authority to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

April 23, 2024

MetLife Reinsurance Company of Bermuda, Ltd.

Balance Sheet
December 31, 2023

(In thousands, except share and per share data)

	2023
Assets	
Investments:	
Fixed maturity securities available-for-sale, at estimated fair value (net of allowance for credit loss of $11,131; amortized cost: $7,794,666)	$ 6,325,458
Short-term investments, at estimated fair value	200,543
Derivative assets, at estimated fair value	94,874
Funds withheld at interest	3,110,585
Total investments	9,731,460
Cash and cash equivalents, principally at estimated fair value	344,196
Accrued investment income	65,971
Premiums, reinsurance and other receivables	849,001
Deferred policy acquisition costs and value of business acquired	126,747
Market risk benefits, at estimated fair value	115,295
Total assets	$ 11,232,670
Liabilities and Equity	
Liabilities	
Future policy benefits	$ 708,515
Policyholder account balances	8,673,042
Market risk benefits, at estimated fair value	37,213
Other policy-related balances	495,620
Derivative liabilities, at estimated fair value	271,502
Derivative collateral payable for reinsurance transactions	4,330
Other liabilities	566,761
Total liabilities	10,756,983
Contingencies, Commitments and Guarantees (Note 14)	
Equity	
MetLife Reinsurance Company of Bermuda, Ltd.'s stockholders' equity:	
Common stock, par value $250,000 per share; 4,000 shares authorized; 800 shares issued and outstanding	$ 200,000
Additional paid-in capital	138,135
Retained earnings (accumulated deficit)	1,733,820
Accumulated other comprehensive income (loss)	(1,596,268)
Total equity	475,687
Total liabilities and equity	$ 11,232,670

See accompanying notes to the financial statements.

MetLife Reinsurance Company of Bermuda, Ltd.

Statement of Operations
For the Year Ended December 31, 2023

(In thousands)

	2023
Revenues	
Premiums	$ 660,054
Universal life and investment-type product policy fees	19,494
Net investment income	267,258
Net investment gains (losses)	(20,477)
Net derivative gains (losses)	(306,637)
Other revenues	250,931
Total revenues	870,623
Expenses	
Policyholder benefits and claims	802,376
Policyholder liability remeasurement (gains) losses	8,610
Market risk benefits remeasurement (gains) losses	(228,056)
Interest credited to policyholder account balances	241,666
Other expenses	150,888
Total expenses	975,484
Income (loss) before provision for foreign withholding tax	(104,861)
Provision for foreign withholding tax expense (benefit)	638
Net income (loss)	$ (105,499)

See accompanying notes to the financial statements.

MetLife Reinsurance Company of Bermuda, Ltd.

Statement of Comprehensive Income (Loss)
For the Year Ended December 31, 2023

(In thousands)

	2023
Net income (loss)	$ (105,499)
Other comprehensive income (loss):	
Unrealized investment gains (losses), net of related offsets	228,074
Future policy benefits discount rate remeasurement gains (losses)	(1,860)
Market risk benefit instrument-specific credit risk remeasurement gains (losses)	(31,137)
Foreign currency translation adjustments	5,599
Other comprehensive income (loss)	200,676
Comprehensive income (loss)	$ 95,177

See accompanying notes to the financial statements.

MetLife Reinsurance Company of Bermuda, Ltd.

Statement of Equity
For the Year Ended December 31, 2023

(In thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance at January 1, 2023	$ 200,000	$ 288,135	$ 1,690,493	$ (1,886,550)	$ 292,078
Cumulative effects of changes in accounting			148,826	89,606	238,432
Net income (loss)			(105,499)		(105,499)
Other comprehensive income (loss)				200,676	200,676
Return of Capital		(150,000)			(150,000)
Balance at December 31, 2023	$ 200,000	$ 138,135	$ 1,733,820	$ (1,596,268)	$ 475,687

See accompanying notes to the financial statements.

MetLife Reinsurance Company of Bermuda, Ltd.

Statement of Cash Flows
For the Year Ended December 31, 2023

(In thousands)

	2023
Cash flows from operating activities	
Net income (loss)	$ (105,499)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Amortization of premiums and accretion of discounts associated with investments, net	(5,065)
(Gains) losses on investments, net	20,477
(Gains) losses on derivatives, net	341,399
Changes in fair value reported in policyholder benefits and claims	289,601
Change in accrued investment income	(1,203)
Change in premiums, reinsurance and other receivables	48,208
Change in market risk benefits	(130,381)
Change in deferred policy acquisition costs and value of business acquired, net	8,690
Change in future policy benefits and policy-related balances	216,309
Change in other liabilities	51,798
Other, net	1,930
Net cash provided by (used in) operating activities	736,264
Cash flows from investing activities	
Sales, maturities and repayments of:	
Fixed maturity securities available-for-sale	779,089
Short-term investments	44,836
Purchases of:	
Fixed maturity securities available-for-sale	(673,930)
Short-term investments	(226,864)
Cash received in connection with freestanding derivatives	274,679
Cash paid in connection with freestanding derivatives	(378,667)
Net change in funds withheld at interest	(292,430)
Other, net	(3,740)
Net cash provided by (used in) investing activities	(477,027)
Cash flows from financing activities	
Policyholder account balances - deposits	6,704
Policyholder account balances - withdrawals	(458,769)
Net change in derivative collateral payable for reinsurance transactions	(142,853)
Cash received on certain derivative instruments with financing elements	27,324
Cash paid on certain derivative instruments with financing elements	(51,914)
Return of capital	(150,000)
Net cash provided by (used in) financing activities	(769,508)
Effect of change in foreign currency exchange rates on cash and cash equivalents balances	(4,854)
Change in cash and cash equivalents	(515,125)
Cash and cash equivalents, beginning of year	859,321
Cash and cash equivalents, end of year	$ 344,196

Statement of Cash Flows
For the Year Ended December 31, 2023

(In thousands)

	2023
Supplemental disclosures of cash flow information:	
Net cash paid (received) for:	
Foreign withholding tax	$ 638
Non-cash transactions:	
Increase (decrease) in funds withheld at interest in connection with a reinsurance transaction	$ 405,620
Increase (decrease) in policyholder account balances in connection with a reinsurance transaction	$ 405,620

See accompanying notes to the financial statements.

1. Business, Basis of Presentation and Summary of Significant Accounting Policies

Business

MetLife Reinsurance Company of Bermuda, Ltd. (the "Company") is a wholly-owned subsidiary of MetLife Global Holding Company II GmbH ("Swiss II"), which is a Swiss domiciled holding company, located in the Canton of Zug. Swiss II is an indirect, wholly-owned subsidiary of MetLife, Inc. ("MetLife").

The Company is incorporated in Bermuda and is licensed as a Class E Insurer under the Bermuda Insurance Act of 1978 (the "Act"). The Company engages in traditional and financial reinsurance with both affiliated and non-affiliated companies.

Basis of Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the financial statements. In applying these policies and estimates, management makes subjective and complex judgments that frequently require assumptions about matters that are inherently uncertain. Many of these policies, estimates and related judgments are common in the insurance and financial services industries; others are specific to the Company's business and operations. Actual results could differ from estimates.

Since the Company is a member of a controlled group of affiliated companies, its results may not be indicative of those of a stand-alone entity.

Adoption of ASU 2018-12 - Targeted Improvements to the Accounting for Long-Duration Contracts

Effective January 1, 2023, the Company adopted Accounting Standards Update ("ASU") 2018-12, Financial Services —Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts, as amended by ASU 2019-09, Financial Services—Insurance (Topic 944): Effective Date; ASU 2020-11, Financial Services—Insurance (Topic 944): Effective Date and Early Application; and ASU 2022-05, Financial Services—Insurance (Topic 944): Transition for Sold Contracts ("LDTI"), with a transition date of January 1, 2021 (the "Transition Date"). Adoption of LDTI impacted the Company's accounting and presentation related to long-duration insurance contracts and certain related balances. Amounts within these financial statements have been revised to conform with the current year accounting and presentation under LDTI. Disclosures as of the Transition Date are reflected in summary within "— Recent Accounting Pronouncements — Adoption of ASU 2018-12 - Targeted Improvements to the Accounting for Long-Duration Contracts," and in further detail (at the disaggregated level) within Notes 2, 3 and 4.

Summary of Significant Accounting Policies

The following are the Company's significant accounting policies with references to notes providing additional information on such policies and critical accounting estimates relating to such policies.

Accounting Policy	**Note**
Future Policy Benefits	2
Policyholder Account Balances	3
Market Risk Benefits	4
Deferred Policy Acquisition Costs, Value of Business Acquired, and Unearned Revenue	5
Reinsurance	6
Investments	7
Derivatives	8
Fair Value	9
Income Tax	13
Contingencies, Commitments and Guarantees	14

Future Policy Benefits

The Company establishes future policy benefits liabilities ("FPBs") for insurance policies assumed by the Company. Generally, amounts are payable over an extended period of time and related liabilities are calculated as the present value of future expected benefits to be paid reduced by the present value of future expected net premiums.

FPBs are measured as cohorts (e.g., groups of long-duration contracts), with the exception of pension risk transfers and longevity reinsurance solutions contracts, each of which are generally considered their own cohort. Contracts from different subsidiaries or branches, issue years, benefit currencies and product types are not grouped together in the same cohort.

Such liabilities are established based on methods and underlying assumptions in accordance with GAAP and applicable actuarial standards. A net premium ratio ("NPR") approach is utilized, where net premiums (i.e., the portion of gross premiums required to fund expected insurance benefits and claim settlement expenses) under the contract are accrued each period as an FPB. The NPR used to accrue the FPB in each period is determined by using the historical and present value of expected future benefits and claim settlement expenses for the cohort divided by the historical and present value of expected future gross premiums for the cohort.

Cash flow assumptions are incorporated into the calculation of a cohort's NPR and FPB reserve. These assumptions are used to project the amount and timing of expected benefits and claim settlement expenses to be paid and the expected amount of premiums to be collected for a cohort. The principal inputs and assumptions used in the establishment of FPBs are actual premiums, actual benefits, in-force policies, and best estimate cash flow assumptions to project future premium and benefit amounts. The Company's primary best estimate cash flow assumptions include expectations related to mortality, morbidity, termination, claim settlement expense, policy lapse, renewal, retirement, disability incidence, disability terminations, inflation and other contingent events as appropriate to the respective product type and geographical area. Generally, the NPR and FPB reserve are updated retrospectively for actual experience at least once a year for any changes in future cash flow assumptions, except for claim settlement expenses, for which the Company has elected to lock in assumptions at the Transition Date or inception (for contracts sold after the Transition Date), as allowed by LDTI. The resulting remeasurement (gain) loss is recorded through net income and reflects the impact on the change in the NPR based on experience at end of the year applied to the cumulative premiums received from the inception of the cohort (or from the Transition Date for contracts issued prior to the Transition Date) to the beginning of the year. The total contractual profit pattern is recognized over the expected life of the cohort by retrospectively updating the NPR. If net premiums exceed gross premiums (i.e., expected benefits exceed expected gross premiums), the FPB is increased, and a corresponding adjustment is recognized immediately in net income.

The change in FPB reflected in the statement of operations is calculated using a locked-in discount rate. For products issued prior to the Transition Date, a cohort level locked-in discount rate was developed that reflected the interest accretion rates that were locked in at inception of the underlying contracts (unless there was a historical premium deficiency event that resulted in updating the interest accretion rate prior to the Transition Date), or the acquisition date for contracts acquired through an assumed in-force reinsurance transaction or a business combination. For contracts issued subsequent to the Transition Date, the upper-medium grade discount rate used for interest accretion is locked-in for the cohort and represents the original upper-medium grade discount rate at the issue date of the underlying contracts. The FPB for all cohorts is remeasured to a current upper-medium grade discount rate at each reporting date through other comprehensive income (loss) ("OCI").

The Company generally interprets the upper-medium grade discount rate to be a rate comparable to that of a U.S. corporate single A rate that reflects the duration characteristics of the liability. The upper-medium grade discount rate is determined by using observable market data, including published upper-medium grade discount curves. In situations where market data for an upper-medium grade discount curve is not available (e.g., in certain foreign jurisdictions), spreads are applied to adjust the available observable market data to an upper-medium grade discount curve. The last liquid point on the upper-medium grade discount curve for each jurisdiction grades to an ultimate forward rate, which is derived using assumptions of economic growth, inflation, and a long-term upper-medium grade spread.

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

The table below summarizes the market data and spreads applied to determine the upper-medium grade discount rate for products issued in key jurisdictions.

Jurisdiction	Observable base curve	Spread applied to derive upper-medium grade discount rate
United States	Single A curve	No spread applied as there is an observable single A base discount curve.
Japan	Japanese government bond yield	A spread is applied based on local corporate bonds whose credit is deemed to approximate single A bonds. The spread is based on weighted average bond yields up to 10 years and held flat for years 10 to 30. This spread is utilized in the disaggregated rollforward in Note 2.

For limited-payment long-duration contracts, the collection of premiums does not represent the completion of the earnings process, therefore, any gross premiums received in excess of net premiums is deferred and amortized as a deferred profit liability ("DPL"). The DPL is presented within FPBs and is amortized in proportion to either the present value of expected benefit payments or insurance in-force of each cohort to ensure that profits are recognized over the life of the underlying policies in that cohort, regardless of when premiums are received. This amortization of the DPL is recorded through net income within policyholder benefits and claims. Consistent with the Company's measurement of traditional long-duration products, management also recognizes a FPB reserve for limited-payment contracts that is representative of the difference between the present value of expected future benefit payments and the present value of expected future net premiums, subject to retrospective remeasurement through net income and OCI, as described above. The DPL is also subject to retrospective remeasurement through net income, however, it is not remeasured for changes in discount rates.

When a cohort's present value of future net premiums exceeds the present value of future benefits, a "flooring" adjustment is required. The flooring adjustment ensures that the liability for future policy benefits for each cohort is not less than zero, and is reported in net income or OCI, depending on whether the flooring relates to the FPB discounted at the locked-in discount rate versus the current upper-medium grade discount rate, respectively.

Premium Deficiency Reserves

Premium deficiency reserves may be established for short-duration contracts to provide for expected future losses and certain expenses that exceed unearned premiums. These reserves are based on actuarial estimates of the amount of loss inherent in that period, including losses incurred for which claims have not been reported. The provisions for unreported claims are calculated using studies that measure the historical length of time between the incurred date of a claim and its eventual reporting to the Company. For universal life-type contracts, a premium deficiency reserve may be established when existing contract liabilities together with the present value of future fees and/ or premiums are not sufficient to cover the present value of future benefits and settlement costs. Anticipated investment income is also considered in the calculations of premium deficiency reserves for short-duration contracts, as well as universal life-type contracts.

Policyholder Account Balances

Except for Policyholder account balances ("PABs") associated with assumed reinsurance agreements in which the Company has elected the fair value option ("FVO"), PABs represent the amount held by the Company on behalf of the policyholder at each reporting date. This amount includes deposits received from the policyholder, interest credited to the policyholder's account balance, net of charges assessed against the account balance and any policyholder withdrawals.

Market Risk Benefits

As defined by LDTI, market risk benefits ("MRBs") are contracts or contract features that guarantee benefits, such as guaranteed minimum benefits, in addition to an account balance, which expose insurance companies to other than nominal capital market risk (equity price, interest rate, and/or foreign currency exchange risk) and subsequently protect the contractholder from the same risk. These contracts and contract features were generally recorded as embedded derivatives or additional insurance liabilities prior to the Transition Date. Certain contracts may have multiple contract features or guarantees. In these cases, each feature is separately evaluated to determine whether it meets the definition of an MRB at contract inception. If a contract includes multiple benefits that meet the definition of an MRB, those benefits are aggregated and measured as a single compound MRB.

All identified MRBs are required to be measured at estimated fair value, whether the contract or contract feature represents a direct, assumed or ceded capital market risk. All MRBs in an asset position are aggregated and presented as an asset, and all MRBs in a liability position are aggregated and presented as a liability. Changes in the estimated fair value of MRBs are recognized in net income, except for the portion of the fair value change attributable to the change in nonperformance risk of the Company which is recorded as a separate component of OCI.

The Company generally uses an attributed fee approach to value MRBs, where the attributed fee is determined at contract inception by estimating the fair value of expected future benefits and the expected future fees. The attributed fee percentage is the portion of the expected future fees due from contractholders deemed necessary at contract inception to fund all future expected benefits. This typically results in a zero fair value for the MRB at inception. The estimated fair value of the expected future benefits is estimated using a stochastically-generated set of risk-neutral scenarios. Once calculated, the attributed fee percentage is fixed and does not change over the life of the contract. All fees due from contractholders in excess of the attributed fees are reported in universal life and investment-type product policy fees.

Other Policy-Related Balances

Other policy-related balances include those assumed for policy and contract claims, premiums received in advance, unearned revenue ("UREV") liabilities, policyholder dividends due and unpaid, policyholder dividends left on deposit and negative value of business acquired ("VOBA").

The liability for policy and contract claims generally relates to assumed incurred but not reported ("IBNR") death, medical and disability claims. In addition, generally included in other policy-related balances are claims which have been reported but not yet settled. The liability for these claims is based on the Company's estimated ultimate cost of settling all claims. The Company derives estimates for the development of IBNR claims principally from analyses of historical patterns of claims by business line. The methods used to determine these estimates are continually reviewed. Adjustments resulting from this continuous review process and differences between estimates and payments for claims are recognized in policyholder benefits and claims expense in the period in which the estimates are changed or payments are made.

The Company accounts for the prepayment of premiums on its individual life, group life and health contracts as premiums received in advance. These amounts are then recognized in premiums when due.

The UREV liability relates to universal life and investment-type products and represents policy charges for services to be provided in future periods. The charges are deferred as unearned revenue and amortized on a basis consistent with the methodologies and assumptions used for amortizing deferred policy acquisition costs ("DAC") for the related contracts. Changes in the UREV liability for each period (representing deferrals less amortization) are reported in universal life and investment-type product policy fees.

Recognition of Insurance Revenues and Deposits

Premiums related to assumed long-duration accident & health policies are recognized as revenues when due from policyholders. Policyholder benefits and expenses are provided to recognize profits over the estimated lives of the insurance policies. When premiums are due over a significantly shorter period than the period over which benefits are provided, any excess profit is deferred as a DPL and recognized into earnings in a constant relationship to insurance in-force or, for annuities, the present value of expected future policy benefit payments.

Premiums related to assumed short-duration disability, group life, group accident & health, and certain other insurance contracts are recognized on a pro rata basis over the applicable contract term. Unearned premiums, representing the portion of premium written related to the unexpired coverage, are reflected as liabilities until earned.

Deposits related to universal life and investment-type products are credited to PABs, except for assumed reinsurance agreements in which the Company has elected the FVO,:

- Revenues from such contracts consist of fees for mortality, policy administration and surrender charges and are recorded in universal life and investment-type product policy fees in the period in which services are provided.
- All fees due from contractholders in excess of the attributed fees on contracts with MRBs are reported in universal life and investment-type product policy fees.
- Amounts that are charged to earnings include interest credited and benefit claims incurred in excess of related PABs.

For assumed reinsurance agreements in which the Company has elected the FVO to account for its PABs at fair value, the entire change in fair value (inclusive of foreign currency remeasurement gains and losses for non-US denominated balances) except for the portion of the fair value change attributable to the change in nonperformance risk of the Company, which is recorded as a separate component of OCI, is reported in policyholder benefits and claims (See Notes 7 and 9).

Deferred Policy Acquisition Costs, Value of Business Acquired and Other Intangibles

The Company reimburses the direct writer of the reinsured business for significant costs in connection with acquiring new and renewal reinsurance business. Costs that are related directly to the successful acquisition or renewal of reinsurance agreements are capitalized as DAC. Such costs include:

- incremental direct costs of contract acquisition, such as commissions; and
- other essential direct costs that would not have been incurred had a policy not been acquired or renewed.

All other acquisition-related costs are expensed as incurred.

VOBA is an intangible asset resulting from a business combination that represents the excess of book value over the estimated fair value of acquired insurance, annuity, and investment-type contracts in-force at the acquisition date. The estimated fair value of the acquired liabilities is based on projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, operating expenses, investment returns, nonperformance risk adjustment and other factors. Actual experience with the purchased business may vary from these projections. VOBA is subject to periodic recoverability testing for traditional life and limited-payment contracts, as well as universal life type contracts.

DAC and VOBA for most long-duration products are amortized on a constant-level basis that approximates straight-line amortization on an individual contract basis. The DAC and VOBA are generally amortized in proportion to policy count. For short-duration products, DAC and VOBA are amortized in proportion to actual and expected future earned premiums.

DAC and VOBA are aggregated on the financial statements for reporting purposes. See Note 5 for additional information on DAC and VOBA amortization. Amortization of DAC and VOBA is included in other expenses.

Reinsurance

For each of its reinsurance agreements, the Company determines whether the agreement provides indemnification against loss or liability relating to insurance risk in accordance with applicable accounting standards. Cessions under reinsurance agreements do not discharge the Company's obligations as the primary insurer. The Company reviews all contractual features, including those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims.

Other than certain agreements elected to be accounted for on a fair value basis under the FVO, for reinsurance of existing in-force blocks of long-duration contracts that transfer significant insurance risk, the difference, if any, between the amounts paid (received), and the liabilities ceded (assumed) related to the underlying reinsured contracts is considered the net cost of reinsurance at the inception of the reinsurance agreement. The net cost of reinsurance is amortized on a basis consistent with the methodologies and assumptions used for amortizing DAC related to the underlying reinsured contracts. Subsequent accounting for in-force blocks and new business assumed is the same as if the business was directly sold by the Company.

For prospective reinsurance of short-duration contracts that meet the criteria for reinsurance accounting, amounts paid (received) are recorded as ceded (assumed) premiums and ceded (assumed) unearned premiums. Ceded (assumed) unearned premiums are reflected as a component of premiums, reinsurance and other receivables (future policy benefits). Such amounts are amortized through earned premiums over the remaining contract period in proportion to the amount of insurance protection provided. For retroactive reinsurance of short-duration contracts that meet the criteria for reinsurance accounting, amounts paid (received) in excess of the related insurance liabilities ceded (assumed) are recognized immediately as a loss and are reported in the appropriate line item within the statement of operations. Any gain on such retroactive agreement is deferred and is amortized as part of DAC, primarily using the recovery method.

The reinsurance recoverable for traditional non-participating and limited-payment contracts is generally measured using a net premium methodology to accrue the projected net gain or loss on reinsurance in proportion to the gross premiums of the underlying reinsured cohorts; and is updated retrospectively on a quarterly basis for actual experience and at least once a year for any changes in cash flow assumptions. The locked-in discount rate used to measure changes in the reinsurance recoverable recorded in net income was established at the Transition Date, or at the inception of the reinsurance coverage for new reinsurance agreements entered into subsequent to the Transition Date. The reinsurance recoverable is remeasured to an upper-medium grade discount rate through OCI at each reporting date, similar to the underlying reinsured contracts. The reinsurance recoverable for other long-duration contracts and associated contract features is measured using assumptions and methods generally consistent with the underlying direct policies.

Amounts currently recoverable under reinsurance agreements are included in premiums, reinsurance and other receivables and amounts currently payable are included in other liabilities. Assets and liabilities relating to reinsurance agreements with the same reinsurer may be recorded net on the balance sheet, if a right of offset exists within the reinsurance agreement. In the event that reinsurers do not meet their obligations to the Company under the terms of the reinsurance agreements, or when events or changes in circumstances indicate that its carrying amount may not be recoverable, reinsurance recoverable balances could become uncollectible. In such instances, reinsurance recoverable balances are stated net of allowances for uncollectible reinsurance, consistent with credit loss guidance which requires recording an allowance for credit loss (“ACL”).

Premiums, fees, policyholder liability remeasurement (gains) losses, and policyholder benefits and claims include amounts assumed under reinsurance agreements and are net of reinsurance ceded. Amounts received from reinsurers for policy administration are reported in other expenses.

If the Company determines that a reinsurance agreement does not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk, the Company records the agreement using the deposit method of accounting. Deposits received are included in other liabilities and deposits made are included within premiums, reinsurance and other receivables. As amounts are paid or received, consistent with the underlying contracts, the deposit assets or liabilities are adjusted. Interest on such deposits is recorded as other revenues or other expenses, as appropriate. Periodically, the Company evaluates the adequacy of the expected payments or recoveries and adjusts the deposit asset or liability through other revenues or other expenses, as appropriate.

Investments

Net Investment Income

Net investment income includes primarily interest income, including amortization of premium and accretion of discount, and prepayment fees and is net of related investment expenses.

Net Investment Gains (Losses)

Net investment gains (losses) include primarily (i) realized gains (losses) from sales and disposals of investments, which are determined by specific identification, (ii) intent-to-sell impairment losses on fixed maturity securities available-for-sale (“AFS”) and to a lesser extent, (iii) recognized gains (losses). Recognized gains (losses) are primarily comprised of the change in the ACL which includes both (i) provisions for credit loss on fixed maturity securities AFS and (ii) subsequent changes in the ACL.

Accrued Investment Income

Accrued investment income is presented separately on the balance sheet and excluded from the carrying value of the related investments, primarily fixed maturity securities.

Fixed Maturity Securities

The Company’s fixed maturity securities are classified as AFS and are reported at their estimated fair value. Changes in the estimated fair value of these securities not recognized in earnings representing unrecognized unrealized investment gains (losses) are recorded as a separate component of OCI, net of policy-related amounts. All security transactions are recorded on a trade date basis. Sales of securities are determined on a specific identification basis.

Interest income and prepayment fees are recognized when earned. Interest income is recognized using an effective yield method giving effect to amortization of premium and accretion of discount, and is based on the estimated economic life of the securities, which for mortgage-backed and asset-backed securities considers the estimated timing and amount of prepayments of the underlying loans. See Note 7 “— Investments — Fixed Maturity Securities AFS — Methodology for Amortization of Premium and Accretion of Discount on Structured Products.” The amortization of premium and accretion of discount also take into consideration call and maturity dates. Generally, the accrual of income is ceased and accrued investment income that is considered uncollectible is recognized as a charge within net investment gains (losses) when securities are impaired.

The Company periodically evaluates these securities for impairment. The assessment of whether impairments have occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in estimated fair value as described in Note 7 "— Investments — Evaluation of Fixed Maturity Securities AFS for Credit Loss."

For securities in an unrealized loss position, a credit loss is recognized in earnings within net investment gains (losses) when it is anticipated that the amortized cost, excluding accrued investment income, will not be recovered. When either: (i) the Company has the intent to sell the security; or (ii) it is more likely than not that the Company will be required to sell the security before recovery, the reduction of amortized cost and the loss recognized in earnings is the entire difference between the security's amortized cost and estimated fair value. If neither of these conditions exists, the difference between the amortized cost of the security and the present value of projected future cash flows expected to be collected is recognized in earnings as a credit loss by establishing an ACL with a corresponding charge recorded in net investment gains (losses). However, the ACL is limited by the amount that the fair value is less than the amortized cost. This limitation is known as the "fair value floor." If the estimated fair value is less than the present value of projected future cash flows expected to be collected, this portion of the decline in value related to other-than-credit factors ("noncredit loss") is recorded in OCI as an unrecognized loss.

For purchased credit deteriorated fixed maturity securities AFS, an ACL is established at acquisition, which is added to the purchase price to establish the initial amortized cost of the investment and is not recognized in earnings.

Short-term Investments

Short-term investments include highly liquid securities and other investments with remaining maturities of one year or less, but greater than three months, at the time of purchase. Securities included within short-term investments are stated at estimated fair value, while other investments included within short-term investments are stated at amortized cost less ACL, which approximates estimated fair value.

Derivative Assets

Derivative assets consist of freestanding derivatives with positive estimated fair values and are described in "Derivatives" below.

Funds Withheld at Interest

Funds withheld at interest represent a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements. The Company records a funds withheld at interest asset rather than the underlying investments and records income and valuation changes in accordance with the reinsurance agreements. The Company recognizes interest income earned, which is reported within other revenues, and recognizes the change in estimated fair value of funds withheld at interest, which is reported within net derivative gains (losses).

Derivatives

Freestanding Derivatives

Freestanding derivatives are carried in the Company's balance sheet either as assets within derivative assets or as liabilities within derivative liabilities at estimated fair value. The Company does not offset the estimated fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement.

Accruals on derivatives are generally recorded in accrued investment income or within other liabilities. However, accruals that are not scheduled to settle within one year are included with the derivative's carrying value in derivative assets or derivative liabilities.

The Company's derivatives are not designated as qualifying for hedge accounting. Changes in the estimated fair value of derivatives are generally reported in net derivative gains (losses) and the fluctuations in estimated fair value of derivatives can result in significant volatility in net income.

Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In most cases, the exit price and the transaction (or entry) price will be the same at initial recognition.

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

Subsequent to initial recognition, fair values are based on unadjusted quoted prices for identical assets or liabilities in active markets that are readily and regularly obtainable. When such unadjusted quoted prices are not available, estimated fair values are based on quoted prices in markets that are not active, quoted prices for similar but not identical assets or liabilities, or other observable inputs. If these inputs are not available, or observable inputs are not determinable, unobservable inputs and/or adjustments to observable inputs requiring significant management judgment are used to determine the estimated fair value of assets and liabilities. These unobservable inputs can be based on management's judgment, assumptions or estimation and may not be observable in market activity. Unobservable inputs are based on management's assumptions about the inputs market participants would use in pricing the assets.

Other Accounting Policies

Cash and Cash Equivalents

The Company considers highly liquid securities and other investments purchased with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents. Securities included within cash equivalents are stated at estimated fair value, while other investments included within cash equivalents are stated at amortized cost, which approximates estimated fair value.

Other Revenues

Other revenues consist primarily of interest on funds withheld.

Foreign Currency

Assets and liabilities accounts that are settled in foreign currencies are translated from the functional currency to U.S. dollars at the exchange rates in effect at each year-end and revenue and expense accounts are translated at the average exchange rates during the year. The resulting translation adjustments are charged or credited directly to OCI. Gains and losses from foreign currency transactions including the effect of re-measurement of monetary assets and liabilities to the appropriate functional currency, are reported as part of net investment gains (losses) in the period in which they occur.

Recent Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of ASUs to the FASB Accounting Standards Codification. The Company considers the applicability and impact of all ASUs. The following tables provide a description of ASUs recently issued by the FASB and the impact of their adoption on the Company's financial statements.

Adoption of ASU 2018-12 - Targeted Improvements to the Accounting for Long-Duration Contracts

The Company adopted LDTI effective January 1, 2023 with a Transition Date of January 1, 2021. The standard required a full retrospective transition approach for MRBs, and allowed for a transition method election for FPBs and DAC, as well as other balances that have historically been amortized in a manner consistent with DAC. The Company has elected the modified retrospective transition approach for all FPBs, DAC, and related balances on all long-duration contracts, subject to the transition provisions. Additionally, an amendment in LDTI allowed entities to make an accounting policy election to exclude certain sold or disposed contracts or legal entities from application of the transition guidance. The Company did not make such an election.

Under the modified retrospective approach, the Company was required to establish LDTI-compliant FPBs, DAC and related balances for the Company's Transition Date opening balance sheet by utilizing the Company's December 31, 2020 balances with certain adjustments as described below.

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

The following table presents a summary of the transition impacts associated with the implementation of LDTI to the balance sheet as of January 1, 2023:

Description of LDTI adjustments (in thousands):	Premiums, Reinsurance and Other Receivables	Deferred Policy Acquisition Costs and Value of Business Acquired	Market Risk Benefit Assets	Future Policy Benefits	Policyholder Account Balances	Other Policy-related Balances	Market Risk Benefit Liabilities	Other Liabilities	Retained Earnings	Accumulated Other Comprehensive Income (Loss)
Balances as reported, December 31, 2022	$ 891,839	$ 137,325	$ —	$ 746,262	$ 8,916,811	$ 632,794	$ —	$ 521,087	$ 1,690,493	$ (1,886,550)
Reclassification of carrying amount of contracts and contract features that are market risk benefits	—	—	—	(172,621)	(231,872)	—	404,493	—	—	—
Adjustments for the difference between previous carrying amount and fair value measurement for market risk benefits	—	—	—	—	—	—	112,209	—	(157,232)	45,023
Adjustment of future policy benefits to remeasure cohorts where net premiums exceed gross premiums under the modified retrospective approach	—	—	—	—	—	—	—	—	—	—
Effect of remeasurement of future policy benefits to an upper-medium grade discount rate	—	—	—	(21,358)	—	—	—	—	—	21,358
Foreign currency translation	—	—	—	—	—	—	—	—	2,289	(2,289)
Subtotal - Transition Date impacts	—	—	—	(193,979)	(231,872)	—	516,702	—	(154,943)	64,092
Changes in balances resulting from LDTI requirements and other activities between the Transition Date and December 31, 2022	8,745	4,815	135,959	(20,124)	331,768	(145,192)	(340,210)	(6,004)	303,769	25,514
Post-adoption balance, January 1, 2023	$ 900,584	$ 142,140	$ 135,959	$ 532,159	$ 9,016,707	$ 487,602	$ 176,492	$ 515,083	$ 1,839,319	$ (1,796,944)

Market Risk Benefits (See Note 4)

The full retrospective transition approach for MRBs required assessing products to determine whether contract or contract features expose the Company to other than nominal capital market risk. The population of MRBs identified was then reviewed to determine the historical measurement model prior to adoption of LDTI. If the MRB was a bifurcated embedded derivative prior to the adoption of LDTI, the existing measurement approach was retained, except that the fair value of the MRB at inception was recalculated to isolate the contract issue date nonperformance risk of the Company.

If, prior to the adoption of LDTI, the MRB was partially a bifurcated embedded derivative (e.g., a contract with multiple features where one was a bifurcated embedded derivative and one was an additional insurance liability), or was accounted for under a different model, the at-inception attributed fee ratio was calculated for every identified MRB, and using the at inception attributed fee ratio, the fair value of the MRB at the contract issue date was calculated to isolate the contract issue date nonperformance risk of the Company.

At the Transition Date, the impacts to the financial statements of the full retrospective approach for MRBs include the following:

- The amounts previously recorded for these contracts within additional insurance liabilities, embedded derivatives, and other insurance liabilities were reclassified to MRB liabilities;
- The difference between the fair value of the MRBs and the previously recorded carrying value at the Transition Date, excluding the cumulative effect of changes in nonperformance risk of the Company, was recorded as an adjustment to the opening balance of retained earnings;
- The cumulative effect of changes in nonperformance risk between the contract issue date and the Transition Date was recorded as an adjustment to opening accumulated OCI ("AOCI") as of the Transition Date; and
- Corresponding reinsured MRB balances were established at the Transition Date, with changes in counterparty credit risk recorded in opening retained earnings as of the Transition Date and are classified within premiums, reinsurance and other receivables.

Future Policy Benefits (See Note 2)

Traditional Non-participating Long-duration products

- Loss recognition balances related to unrealized investment gains associated with certain long-duration products previously recorded in AOCI were removed;
- Contracts in-force as of the Transition Date were grouped into cohorts; a revised NPR was calculated for each cohort using the existing Transition Date balance, best estimate cash flow assumptions without a provision for adverse deviation, and the historical discount rates used for the contracts within the cohort prior to the adoption of LDTI (the "locked-in" discount rate). For any cohorts where the net premiums exceeded gross premiums (NPR exceeded 100%), the FPB was increased for the excess of net premiums over gross premiums, with a corresponding adjustment recorded to opening retained earnings as of the Transition Date;
- The difference between the FPB balance calculated at the current upper-medium grade discount rate and the FPB balance calculated at the locked-in discount rate was recorded as an adjustment to opening AOCI as of the Transition Date.

Limited-payment Long-duration products

Limited-payment long-duration products transition to LDTI follows a similar approach to traditional non-participating products, except that these product cohorts may have a DPL which is adjusted at the Transition Date. If an increase to FPB depleted the DPL, the remaining adjustment was recorded to opening retained earnings as of the Transition Date.

Additional insurance liabilities

The contracts and contract features that met the definition of a MRB were reclassified.

DAC and other balances to be amortized in a manner consistent with DAC (VOBA and UREV) (See Note 5 for information on DAC, VOBA and UREV)

The opening balances of these accounts were adjusted for removal of the related amounts in AOCI, as these balances are no longer amortized using expected future gross premiums, margins, profits or earned premiums.

<u>*Other balance sheet reclassifications and adjustments at LDTI adoption*</u>

Other minor reclassifications and adjustments were made to conform to LDTI presentation requirements.

Other Adopted Accounting Pronouncements

The table below describes the impacts of the other ASUs adopted by the Company.

Standard	Description	Effective Date and Method of Adoption	Impact on Financial Statements
ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*; as clarified and amended by ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*; as amended by ASU 2022-06, *Reference Rate Reform (Topic 848)—Deferral of the Sunset Date of Topic 848*	The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, with certain exceptions. ASU 2021-01 amends the scope of the recent reference rate reform guidance. New optional expedients allow derivative instruments impacted by changes in the interest rate used for margining, discounting, or contract price alignment to qualify for certain optional relief. The amendments in ASU 2022-06 extend the sunset date of the reference rate reform optional expedients and exceptions to December 31, 2024.	Effective for contract modifications made between March 12, 2020 and December 31, 2024.	The guidance has reduced the operational and financial impacts of contract modifications that replace a reference rate, such as London Interbank Offered Rate, affected by reference rate reform. Contract modifications to replace reference rates affected by the reform occurred during 2021, 2022 and 2023. The adoption of the guidance did not have a material impact on the Company's financial statements.

<u>Future Adoption of Accounting Pronouncements</u>

ASUs not listed below were assessed and either determined to be not applicable or are not expected to have a material impact on the Company's financial statements or disclosures. ASUs issued but not yet adopted as of December 31, 2023 that are currently being assessed and may or may not have a material impact on the Company's financial statements or disclosures are summarized in the table below.

Standard	Description	Effective Date and Method of Adoption	Impact on Financial Statements
ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*	Among other things, the amendments in this update require that public business entities, on an annual basis: (i) disclose specific categories in the rate reconciliation and (ii) provide additional information for reconciling items that meet a quantitative threshold. In addition, the amendments in this update require that all entities disclose on an annual basis the following information about income taxes paid: (i) the amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes and (ii) the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received).	Effective for annual periods beginning January 1, 2025, to be applied prospectively with an option for retrospective application (with early adoption permitted).	The Company is evaluating the impact of the guidance on its financial statements.

Note 2 - Future Policy Benefits

The Company establishes liabilities for amounts payable under assumed insurance policies. These liabilities are comprised of traditional and limited-payments contracts and associated DPLs, and short-duration contracts.

The LDTI transition impacts related to traditional and limited-payment contracts, and DPLs, as described in Note 1, were as follows at January 1, 2023:

	Accident & Health	Other Long-Duration	Short-Duration and Other	Total
	(In thousands)			
Pre-adoption balance, future policy benefits, at December 31, 2022	$ 494,592	$ 140,124	$ 111,546	$ 746,262
Reclassification of carrying amounts of contracts and contract features that are market risk benefits	—	(172,621)	—	(172,621)
Effect of remeasurement of future policy benefits to an upper-medium grade discount rate	(21,358)	—	—	(21,358)
Removal of remeasured deferred profit liabilities for separate presentation	(78,209)	—	—	(78,209)
Subtotal - Transition Date impacts to traditional and limited payment contracts	(99,567)	(172,621)	—	(272,188)
Changes in balances resulting from LDTI requirements for activities between the Transition Date and December 31, 2022	(50,857)	32,497	—	(18,360)
Post-adoption balance, traditional and limited payment contracts, at January 1, 2023	$ 344,168	$ —	$ 111,546	$ 455,714
Deferred profit liabilities at Transition Date	$ 78,209	$ —	$ —	$ 78,209
Changes in balances resulting from LDTI requirements for activities between Transition Date and December 31, 2022	(1,764)	—	—	(1,764)
Post-adoption balance, deferred profit liabilities, at January 1, 2023	$ 76,445	$ —	$ —	$ 76,445
Total future policy benefits, at December 31, 2022, adjusted for Transition Date impacts	$ 473,234	$ (32,497)	$ 111,546	$ 552,283
Changes in balances resulting from LDTI requirements for activities between Transition Date and December 31, 2022	(52,621)	32,497	—	(20,124)
Post-adoption balance, total future policy benefits, at January 1, 2023	$ 420,613	$ —	$ 111,546	$ 532,159

2. Future Policy Benefits (continued)

The Company's assumed future policy benefits on the balance sheet was as follows at:

	December 31, 2023
	(In thousands)
Traditional and Limited-Payment Contracts:	
Accident & health	$ 511,021
DPL:	
Accident & health	77,648
Short-duration and other	119,846
Total	$ 708,515

Rollforward

The following information about the assumed liability for future policy benefits includes disaggregated rollforward of expected future net premiums and expected future benefits. The products grouped within this rollforward were selected based upon common characteristics and valuations using similar inputs, judgments, assumptions and methodologies. The adjusted balance in the disaggregated rollforward reflects the remeasurement (gains) losses.

2. Future Policy Benefits (continued)

Accident & Health

The Company's accident & health products assumed from an affiliate offer various hospitalization, cancer, critical illness, disability, income protection and personal accident coverage. Information regarding these products was as follows:

	Year Ended December 31, 2023
	(In thousands)
Present Value of Expected Net Premiums	
Balance at January 1, at current discount rate at balance sheet date	$ 2,491,573
Balance at January 1, at original discount rate	$ 2,490,025
Effect of changes in cash flow assumptions	185,210
Effect of actual variances from expected experience	689,802
Adjusted balance	3,365,037
Interest accrual	12,862
Net premiums collected	(262,286)
Effect of foreign currency translation	(201,175)
Balance at December 31, at original discount rate	2,914,438
Effect of changes in discount rate assumptions	(49,328)
Effect of foreign currency translation on the effect of changes in discount rate assumptions	613
Balance at December 31, at current discount rate at balance sheet date	$ 2,865,723
Present Value of Expected Future Policy Benefits	
Balance at January 1, at current discount rate at balance sheet date	$ 2,834,913
Balance at January 1, at original discount rate	$ 2,876,753
Effect of changes in cash flow assumptions	194,083
Effect of actual variances from expected experience	708,469
Adjusted balance	3,779,305
Interest accrual	19,025
Benefit payments	(104,241)
Effect of foreign currency translation	(230,033)
Balance at December 31, at original discount rate	3,464,056
Effect of changes in discount rate assumptions	(86,890)
Effect of foreign currency translation on the effect of changes in discount rate assumptions	(3,773)
Balance at December 31, at current discount rate at balance sheet date	3,373,393
Cumulative impact of flooring the future policy benefits reserve	3,351
Net liability for future policy benefits	$ 511,021
Undiscounted:	
Expected future gross premiums	$ 5,216,705
Expected future benefit payments	$ 5,296,677
Discounted (at current discount rate at balance sheet date):	
Expected future gross premiums	$ 4,344,874
Expected future benefit payments	$ 3,373,393
Weighted-average duration of the liability	62 years
Weighted-average interest accretion (original locked-in) rate	1.3 %
Weighted-average current discount rate at balance sheet date	2.4 %
Gross premiums (1)	$ 393,229
Interest expense (2)	$ 6,162
DPL - Interest expense (2)	$ 1,121

(1) Gross premiums are related to traditional and limited-payment contracts and are included in premiums.

(2) Interest expense is included in policyholder benefits and claims.

2. Future Policy Benefits (continued)

Significant Methodologies and Assumptions

The principal inputs used in the establishment of the FPB for the accident & health products include actual premiums, actual benefits, in-force data, locked-in claim-related expense, the locked-in interest accretion rate, current upper-medium grade discount rate at the balance sheet date and best estimate assumptions. The best estimate assumptions include mortality, lapse, and morbidity.

Liabilities for Unpaid Claims and Claim Expenses

The following is information about incurred and paid claims development at December 31, 2023. Such amounts are presented net of reinsurance, and are not discounted. The tables present claims development and cumulative claim payments by incurral year. The development tables are only presented for significant short-duration product liabilities. In order to eliminate potential fluctuations related to foreign exchange rates, liabilities and payments denominated in a foreign currency have been translated using the 2023 year end spot rates for all periods presented. The information about incurred and paid claims development prior to 2023 is presented as supplementary information.

Affiliated

Group Life and Group Disability

	Incurred Claims and Allocated Claim Adjustment Expense, Net of Reinsurance							At December 31, 2023	
	Years Ended December 31,								
	(Unaudited)								
Incurral Year	2017	2018	2019	2020	2021	2022	2023	Total IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	(Dollars in thousands)								
2017	$ 21,208	$ 10,615	$ 11,363	$ 17,672	$ 16,288	$ 19,318	$ 17,671	$ 290	213
2018		40,850	26,452	35,426	36,576	37,419	34,138	3,900	507
2019			74,590	56,370	56,847	59,695	60,470	12,696	773
2020				65,568	59,936	56,369	54,163	21,277	605
2021					37,779	33,744	31,066	10,404	652
2022						36,443	33,014	23,326	460
2023							19,547	18,808	100
Total							250,069		
Cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance							(159,368)		
Total unpaid claims and claim adjustment expenses, net of reinsurance							$ 90,701		

	Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance						
	Years Ended December 31,						
	(Unaudited)						
Incurral Year	2017	2018	2019	2020	2021	2022	2023
	(In thousands)						
2017	$ 1,656	$ 1,805	$ 7,331	$ 15,243	$ 13,966	$ 16,069	$ 17,381
2018		924	6,151	15,870	22,229	26,939	30,238
2019			2,345	13,046	28,767	41,165	47,775
2020				2,341	12,739	26,896	32,886
2021					1,382	11,265	20,661
2022						886	9,689
2023							738
Total cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance							$ 159,368

2. Future Policy Benefits (continued)

Average Annual Percentage Payout

The following is supplementary information about average historical claims duration at December 31, 2023:

	Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance						
Years	1	2	3	4	5	6	7
Group Life and Group Disability	4.5%	18.6%	28.4%	23.7%	5.8%	10.8%	7.4%

Significant Methodologies and Assumptions

For Group Life, the IBNR liability is determined by using the Bornhuetter-Ferguson Method, with factors derived by examining the experience of historical claims. A pending liability is also calculated for claims that have been reported but have not been paid. A claim eligibility ratio based on past experience is applied to the face amount of individual claims.

For Group Disability, the IBNR liability is calculated by applying a percentage to premiums in-force based on the expected delay as evidenced by the experience in the portfolio. The calculated IBNR liability is then allocated back into different incurral years based on historical run-off patterns. As the benefit for this class of business is a regular series of payments, an additional reserve is required for the liability for ongoing benefit payments – claims in course of payment ("CICP"). The assumptions employed in the calculation of the CICP, are adjusted for the Company's own experience.

An expense liability is held for future expenses associated with the payment of incurred but not yet paid claims. This is expressed as a percentage of the underlying claims liability and is based on past experience and the future expense structure.

The assumptions used in calculating the unpaid claims and claim adjustment expenses for Group Life and Group Disability are updated annually to reflect emerging trends in claim experience.

No additional premiums or return premiums have been accrued as a result of the prior year development.

Liabilities for Group Life and Group Disability unpaid claims and claim adjustment expenses were $87.7 million at December 31, 2023. Using interest rates ranging from 1% to 5%, based on the incurral year, the total discount applied to these liabilities was $3.0 million at December 31, 2023. The amount of interest accretion recognized was $2.5 million for the year ended December 31, 2023. These amounts were reflected in policyholder benefits and claims.

For Group Life and Group Disability, claims frequency is tracked by the number of reported claims as identified by a unique claim number assigned to individual claimants. Claim counts include claims that do not ultimately result in a liability. A liability is established for only those claims that are expected to result in a liability, based on historical factors.

2. Future Policy Benefits (continued)

Non-Affiliated

Disability

Incurral Year	Incurred Claims and Allocated Claim Adjustment Expense, Net of Reinsurance — Years Ended December 31, (Unaudited) 2018	2019	2020	2021	2022	2023	At December 31, 2023 — Total IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	(Dollars in thousands)							
2014	$ 5,186	$ 5,588	$ 6,926	$ 7,784	$ 6,714	$ 7,100	$ —	125
2015	9,055	9,854	10,951	11,278	10,040	10,327	—	171
2016	10,346	11,209	13,876	15,547	14,300	14,484	—	292
2017	22,269	20,534	20,763	18,377	16,585	16,046	—	335
2018	33,362	22,630	26,315	24,873	23,050	23,044	—	695
2019		43,045	34,054	34,941	29,684	32,642	—	1,193
2020			46,438	33,441	22,917	25,143	—	1,194
2021				52,352	26,917	25,080	—	921
2022					48,509	37,400	5,314	632
2023						34,937	16,813	625
Total						226,203		
Cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance						(84,746)		
All outstanding liabilities before 2014, net of reinsurance						8,629		
Total unpaid claims and claim adjustment expenses, net of reinsurance						$ 150,086		

Incurral Year	Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance — Years Ended December 31, (Unaudited) 2020	2021	2022	2023
	(In thousands)			
2014	$ 1,329	$ 3,209	$ 4,212	$ 4,939
2015	1,284	4,356	5,779	6,617
2016	2,036	6,391	7,117	8,741
2017	1,131	7,145	8,847	10,826
2018	—	8,630	11,315	14,077
2019	—	5,391	8,205	13,006
2020	—	—	4,284	11,087
2021		—	—	1,149
2022			—	14,304
2023				—
Total cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance				$ 84,746

Average Annual Percentage Payout

The following is supplementary information about average historical claims duration at December 31, 2023:

	Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance					
Years	1	2	3	4	5	6
Disability	—%	7.6%	11.6%	22.6%	13.1%	11.1%

2. Future Policy Benefits (continued)

Life

Incurral Year	Incurred Claims and Allocated Claim Adjustment Expense, Net of Reinsurance — Years Ended December 31, (Unaudited) 2018	2019	2020	2021	2022	2023	At December 31, 2023 — Total IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	(Dollars in thousands)							
2014	$ 381	$ 328	$ 612	$ 590	$ 581	$ 550	$ —	39
2015	315	732	1,212	1,313	1,216	1,276	—	64
2016	5,263	5,326	5,829	5,638	5,663	5,682	—	237
2017	21,712	22,085	24,023	23,358	23,330	23,265	—	974
2018	32,029	31,760	31,479	36,259	36,491	36,338	—	1,949
2019		40,569	30,211	43,791	45,025	44,477	—	4,310
2020			52,633	47,258	49,900	49,948	—	7,030
2021				54,288	56,995	56,635	—	6,892
2022					51,757	56,924	—	8,246
2023						58,010	23,087	7,896
Total						333,105		
Cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance						(236,606)		
All outstanding liabilities before 2014, net of reinsurance						2,252		
Total unpaid claims and claim adjustment expenses, net of reinsurance						$ 98,751		

Incurral Year	Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance — Years Ended December 31, (Unaudited) 2020	2021	2022	2023
	(In thousands)			
2014	$ 39	$ 363	$ 458	$ 438
2015	280	702	720	855
2016	5,398	5,940	5,946	6,009
2017	16,062	24,670	25,198	24,933
2018	—	35,007	33,513	36,497
2019	—	31,852	29,853	39,543
2020	—	—	40,764	46,888
2021		—	—	40,563
2022			—	40,880
2023				—
Total cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance				$ 236,606

Average Annual Percentage Payout

The following is supplementary information about average historical claims duration at December 31, 2023:

	Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance					
Years	1	2	3	4	5	6
Life	—%	14.4%	64.0%	23.9%	10.5%	4.9%

2. Future Policy Benefits (continued)

Medical

Incurral Year	Incurred Claims and Allocated Claim Adjustment Expense, Net of Reinsurance — Years Ended December 31, (Unaudited) 2018	2019	2020	2021	2022	2023	At December 31, 2023 — Total IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
	(Dollars in thousands)							
2014	$ 87	$ 87	$ 88	$ 105	$ 108	$ 109	$ —	723
2015	889	922	903	976	1,006	1,017	—	3,409
2016	13,486	13,506	13,584	13,809	13,825	13,830	—	117,342
2017	69,185	69,786	69,255	69,992	70,097	70,150	—	729,747
2018	72,647	72,833	68,605	74,526	74,651	74,691	—	733,178
2019		90,232	62,329	85,506	85,821	85,921	—	696,967
2020			145,733	88,944	89,781	90,107	—	1,160,263
2021				128,566	129,473	130,189	—	1,530,060
2022					62,346	66,609	—	1,054,180
2023						95,271	7,520	931,082
Total						627,894		
Cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance						(505,247)		
All outstanding liabilities before 2014, net of reinsurance						20		
Total unpaid claims and claim adjustment expenses, net of reinsurance						$ 122,667		

Incurral Year	Cumulative Paid Claims and Paid Allocated Claim Adjustment Expenses, Net of Reinsurance — Years Ended December 31, (Unaudited) 2020	2021	2022	2023
	(In thousands)			
2014	$ 65	$ 94	$ 95	$ 110
2015	479	25	3	84
2016	13,538	12,760	12,846	12,915
2017	65,543	78,183	77,552	78,083
2018	—	80,925	75,635	79,841
2019	—	82,144	62,282	81,964
2020	—	—	109,285	106,418
2021		—	—	92,745
2022			—	53,087
2023				—
Total cumulative paid claims and paid allocated claim adjustment expenses, net of reinsurance				$ 505,247

Average Annual Percentage Payout

The following is supplementary information about average historical claims duration at December 31, 2023:

Years	Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance 1	2	3	4	5	6
Medical	—%	15.9%	84.5%	10.5%	9.6%	3.1%

Significant Methodologies and Assumptions

IBNR liabilities are developed using a combination of loss ratio and development methods. The loss ratio method is used in the period in which the claims are neither sufficient nor credible. For periods where sufficient and credible claim data exists, the development method is used based on the claim triangles which categorize claims according to both the period in which they were incurred and the period in which they were reported. The end result is a triangle of known data that is used to develop known completion ratios and factors.

2. Future Policy Benefits (continued)

Open claims reserves for Disability are based on the present value of future disability payments, applying termination rate tables and discount rates that, depending on market practice, either vary by claim incurral year or for all as of the valuation date. Termination rate tables may be based on internal experience or applying those required by regulations. Calculations may also include provision for transition from short-term to long-term disability, as well as additional benefits such as waiver of premium.

Pending claim reserves are based on claims notified but not yet paid because of lack of information.

First year incurred claims increased in 2023 compared to the 2022 incurral year as actual 2022 claims were higher than projected. The actual 2022 claims were multiplied by an estimated claims growth rate to get the 2023 claims projection.

The assumptions used in calculating the unpaid claims are updated annually to reflect emerging trends in claim experience.

No additional premiums or return premiums have been accrued as a result of the prior year development.

Liabilities for Life and Medical unpaid claims are not discounted.

The liabilities for Disability unpaid claims were $141.0 million at December 31, 2023. This amount was discounted using interest rates ranging from 0% to 7%, based on the incurral year.

Claim frequency was determined by the number of reported claims as identified by a unique claim number assigned to individual claimants. Claim counts initially include claims that do not ultimately result in a liability. These claims are omitted from the claim counts once it is determined that there is no liability.

2. Future Policy Benefits (continued)

Reconciliation of the Disclosure of Incurred and Paid Claims Development to the Liability for Unpaid Claims and Claim Adjustment Expenses

The reconciliation of the net incurred and paid claims development tables to the liability for unpaid claims and claims adjustment expenses on the balance sheet was as follows at:

	December 31, 2023
	(In thousands)
Short-Duration:	
Unpaid claims and allocated claims adjustment expenses, net of reinsurance:	
Affiliated:	
Group Life and Group Disability	$ 90,701
Non-Affiliated:	
Disability	150,086
Life	98,751
Medical	122,667
Other insurance lines	23,145
Total unpaid claims and allocated claims adjustment expenses, net of reinsurance	485,350
Reinsurance recoverables on unpaid claims:	
Affiliated:	
Group Life and Group Disability	—
Non-Affiliated:	
Disability	—
Life	—
Medical	—
Other insurance lines	3,485
Total reinsurance recoverable on unpaid claims	3,485
Liability for unpaid claims and claim adjustment liabilities - short-duration	488,835
Unallocated claims adjustment expenses	—
Discounting	(3,036)
Liability for unpaid claims and claim adjustment liabilities - short-duration	485,799
Liability for unpaid claims and claim adjustment liabilities - all long-duration lines	65,222
Total liability for unpaid claims and claim adjustment expense (included in future policy benefits and other policy-related balances)	$ 551,021

2. Future Policy Benefits (continued)

Rollforward of Claims and Claim Adjustment Expenses

Information regarding the liabilities for unpaid claims and claim adjustment expenses was as follows:

	Year Ended December 31, 2023
	(In thousands)
Balance at January 1,	$ 678,127
Less: Reinsurance recoverables	3,298
Net balance at January 1,	674,829
Incurred related to:	
Current year	440,569
Prior years (1)	80,191
Total incurred	520,760
Paid related to:	
Current year	(241,526)
Prior years	(406,527)
Total paid	(648,053)
Net balance at December 31,	547,536
Add: Reinsurance recoverables	3,485
Balance at December 31,	$ 551,021

(1) For the year ended December 31, 2023, incurred claims and claim adjustment expenses associated with prior years increased due to events incurred in prior years but reported in the current year.

3. Policyholder Account Balances

The Company establishes liabilities for assumed PABs, which are generally equal to the account value, and which includes accrued interest credited, but excludes the impact of any applicable charge that may be incurred upon surrender.

The LDTI transition impacts related to PABs, as described in Note 1, were as follows at January 1, 2023:

	Universal Life	Variable Annuities	Other	Total
	(In thousands)			
Pre-adoption balance at December 31, 2022	$ 5,903,814	$ 2,756,894	$ 256,103	$ 8,916,811
Reclassification of carrying amounts of contracts and contract features that are market risk benefits	—	48,454	(280,326)	(231,872)
Changes in balances resulting from LDTI requirements and other activities between Transition Date and December 31, 2022	—	(3,708)	335,476	331,768
Post-adoption balance at January 1, 2023	$ 5,903,814	$ 2,801,640	$ 311,253	$ 9,016,707

The Company's PABs on the balance sheet were as follows at:

	December 31, 2023
	(In thousands)
Universal Life	$ 5,791,989
Variable Annuities	2,719,897
Other	161,156
Total	$ 8,673,042

Universal Life

The Company elected the FVO to measure universal life PABs. See Note 9 — "Fair Value - Assets and Liabilities Measured at Fair Value Using Significant Unobservable Inputs (Level 3)" for year-to-date disaggregated rollforward of these balances. Universal life PABs assumed from an affiliate primarily include interest sensitive whole life products. These PABs had cash surrender value of $5.5 billion and net amount at risk of $6.3 billion at December 31, 2023. For benefits that are

3. Policyholder Account Balances (continued)

payable in the event of death, the net amount at risk is generally defined as the current death benefit in excess of the current account balance at the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts at the balance sheet date.

Rollforward

The following information about the assumed liability for variable annuity PABs includes a year-to-date disaggregated rollforward. The products grouped within the rollforward was selected based upon common characteristics and valuations using similar inputs, judgments, assumptions and methodologies. Policy charges presented in the disaggregated rollforward reflect a premium and/or assessment based on the account balance.

Variable Annuities

Information regarding the variable annuity assumed from affiliate was as follows:

	Year Ended December 31, 2023
	(Dollars in thousands)
Balance at January 1,	$ 2,801,640
Deposits	4,178
Policy charges	(62,653)
Surrenders and withdrawals	(285,470)
Benefit payments	(124,927)
Interest credited (1)	227,901
Effect of foreign currency translation and other, net	159,228
Balance at December 31,	$ 2,719,897
Weighted-average annual crediting rate	8.6 %
At period end:	
Cash surrender value	$ 2,719,897
Net amount at risk, excluding offsets from reinsurance:	
In the event of death (2)	$ 456,044
At annuitization or exercise of other living benefits (3)	$ 584,670

(1) Interest credited on variable annuity products represents gains or losses which are passed through to the policyholder based on the underlying unit-linked investment fund returns, which may be positive or negative depending on market conditions. There are no GMCR on these products.

(2) For benefits that are payable in the event of death, the net amount at risk is generally defined as the current death benefit in excess of the current account balance at the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts at the balance sheet date.

(3) For benefits that are payable in the event of annuitization or exercise of other living benefits, the net amount at risk is generally defined as the amount (if any) that would be required to be added to the total account value to purchase a lifetime income stream, based on current annuity rates or to provide other living benefits. This amount represents the Company's potential economic exposure in the event all contractholders were to annuitize or to exercise other living benefits at the balance sheet date.

4. Market Risk Benefits

The Company establishes liabilities for assumed variable annuity contract features which include a minimum benefit guarantee that provides to the contractholder a minimum return based on their initial deposit less withdrawals. In some cases, the benefit base may be increased by additional deposits, bonus amounts, accruals or optional market value resets.

4. Market Risk Benefits (continued)

The LDTI transition impacts related to assumed market risk benefits, as described in Note 1, were as follows at January 1, 2023:

	Variable Annuities	Other	Total
		(In thousands)	
Pre-adoption balances,MRBs, at December 31, 2022	$ —	$ —	$ —
Reclassification of carrying amounts of contracts and contract features that are market risk benefits	(11,461)	415,954	404,493
Adjustments for the cumulative effect of the changes in nonperformance risk between contract issue date and Transition Date	—	(45,023)	(45,023)
Adjustments for the difference between the fair value of the MRB balance, excluding the cumulative effect of changes in nonperformance risk, and the historical carrying value	120,770	36,462	157,232
Subtotal - Transition Date impacts	109,309	407,393	516,702
Changes in balances resulting from LDTI requirements for activities between Transition Date and December 31, 2022 (MRB liabilities, less MRB assets)	$ (225,198)	$ (250,972)	(476,170)
Post adoption balances, MRBs (MRB liabilities, less MRB assets), at January 1, 2023	$ (115,889)	$ 156,421	$ 40,532

The Company's MRB assets and MRB liabilities on the balance sheet were as follows at:

	December 31, 2023		
	Asset	Liability	Net
		(In thousands)	
Variable Annuities	$ 114,936	$ 14,624	$ (100,312)
Other	359	22,589	22,230
Total	$ 115,295	$ 37,213	$ (78,082)

Rollforwards

The following information about the assumed liability for MRBs includes a disaggregated rollforward. The products grouped within this rollforward were selected based upon common characteristics and valuations using similar inputs, judgments, assumptions and methodologies.

4. Market Risk Benefits (continued)

Variable Annuities

The Company assumes from an affiliate variable annuity products with features where the contractholder is guaranteed a minimum benefit, which includes guaranteed minimum death benefits ("GMDBs") and living benefit guarantees. The GMDB contract features include return of premium, which provides a return of the purchase payment upon death, annual step-up and roll-up and step-up combinations. The living benefit guarantees contract features primarily include guaranteed minimum withdrawal benefits ("GMWBs"), which provide a series of withdrawals, provided that withdrawals in a contract year do not exceed a contractual limit. Information regarding the Company's assumed MRB liability for variable annuities was as follows:

	Year Ended December 31, 2023
	(In thousands)
Balance at January 1,	$ (115,889)
Balance, beginning of period, before effect of cumulative changes in the instrument-specific credit risk	$ (115,889)
Attributed fees collected	14,882
Benefit payments	(26,173)
Effect of changes in interest rates	6,347
Effect of changes in capital markets	(9,469)
Effect of changes in equity index volatility	(3,972)
Actual policyholder behavior different from expected behavior	14,885
Effect of changes in future expected policyholder behavior and other assumptions	(171)
Effect of foreign currency translation and other, net	19,841
Effect of changes in risk margin	(593)
Balance at December 31,	$ (100,312)
At period end:	
Net amount at risk, excluding offsets from hedging:	
In the event of death (1)	$ 483,065
At annuitization or exercise of other living benefits (2)	$ 619,312
Weighted-average attained age of contractholders:	
In the event of death (1)	69 years
At annuitization or exercise of other living benefits (2)	69 years

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(1) For those guarantees of benefits that are payable in the event of death, the net amount at risk is generally defined as the current guaranteed minimum death benefit in excess of the current account balance at the balance sheet date. It represents the amount of the claim that the Company would incur if death claims were filed on all contracts at the balance sheet date.

(2) For benefits that are payable in the event of annuitization or exercise of other living benefits, the net amount at risk is generally defined as the amount (if any) that would be required to be added to the total account value to purchase a lifetime income stream, based on current annuity rates or to provide other living benefits. This amount represents the Company's potential economic exposure in the event all contractholders were to annuitize or to exercise other living benefits at the balance sheet date.

Significant Methodologies and Assumptions

The Company assumes GMDBs, GMWBs, and guaranteed minimum accumulation benefits ("GMABs") that typically meet the definition of MRBs, which are measured, in aggregate, as one compound MRB, at estimated fair value separately from the variable annuity contract, with changes in estimated fair value reported in net income, except for changes in nonperformance risk of the Company which are recorded in OCI.

The Company calculates the fair value of these MRBs, which is estimated as the present value of projected future benefits minus the present value of projected attributed fees, using actuarial and capital market assumptions including expectations concerning policyholder behavior. The calculation is based on in-force business, projecting future cash flows from the MRB over multiple risk neutral stochastic scenarios using observable risk-free rates.

4. Market Risk Benefits (continued)

Capital market assumptions, such as risk-free rates and implied volatilities, are based on market prices for publicly traded instruments to the extent that prices for such instruments are observable. Implied volatilities beyond the observable period are extrapolated based on observable implied volatilities and historical volatilities. Actuarial assumptions, including mortality, lapse, withdrawal and utilization, are unobservable and are reviewed at least annually based on actuarial studies of historical experience.

The valuation of these MRBs includes a nonperformance risk adjustment and adjustments for a risk margin related to non-capital market inputs. The nonperformance adjustment is determined by taking into consideration publicly available information relating to spreads in the secondary market for MetLife's debt, including related credit default swaps. These observable spreads are then adjusted, as necessary, to reflect the priority of these liabilities and the claims paying ability of the issuing insurance subsidiaries as compared to MetLife.

Risk margins are established to capture the non-capital market risks of the instrument which represent the additional compensation a market participant would require to assume the risks related to the uncertainties of such actuarial assumptions at annuitization, premium persistency, partial withdrawal and surrenders. The establishment of risk margins requires the use of significant management judgment, including assumptions of the amount and cost of capital needed to cover the guarantees.

These guarantees may be more costly than expected in volatile or declining equity markets. Market conditions including, changes in interest rates, equity indices, market volatility and foreign currency exchange rates; and variations in actuarial assumptions regarding policyholder behavior, mortality and risk margins related to non-capital market inputs, impact the estimated fair value of the guarantees and affect net income, and changes in nonperformance risk of the Company affect OCI.

Other

The Company assumes the guaranteed minimum benefit features for variable annuity contracts primarily from a third party. These MRBs are measured at estimated fair value with changes in estimated fair value reported in net income, except for changes in nonperformance risk of the Company which are recorded in OCI. See Note 9 for additional information on significant unobservable inputs used in the fair value measurement of MRBs. Information regarding these assumed MRBs was as follows:

	Year Ended December 31, 2023
	(In thousands)
Balance at January 1,	$ 156,421
Balance, beginning of period, before effect of cumulative changes in the instrument-specific credit risk	$ 198,429
Attributed fees collected	62,749
Benefit payments	(804)
Effect of changes in interest rates	(4,266)
Effect of changes in capital markets	(166,298)
Effect of changes in equity index volatility	(14,960)
Actual policyholder behavior different from expected behavior	28,672
Effect of changes in future expected policyholder behavior and other assumptions	368
Effect of foreign currency translation and other, net	(68,800)
Effect of changes in risk margin	(1,990)
Balance, end of period, before the cumulative effect of changes in the instrument-specific credit risk	33,100
Cumulative effect of changes in the instrument-specific credit risk	(15,194)
Effect of foreign currency translation on the cumulative instrument-specific credit risk	4,324
Balance at December 31,	$ 22,230

5. Deferred Policy Acquisition Costs, Value of Business Acquired and Unearned Revenue

DAC and VOBA

Information regarding total DAC and VOBA was as follows at:

	December 31, 2023
	(In thousands)
DAC (1):	
Balance at January 1,	$ 33,650
Amortization	(3,015)
Effect of foreign currency translation	198
Balance at December 31,	30,833
VOBA (1):	
Balance at January 1,	108,490
Amortization	(5,666)
Effect of foreign currency translation	(6,910)
Balance at December 31,	95,914
Total DAC and VOBA:	
Balance at December 31,	$ 126,747

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(1) Includes DAC and VOBA balances primarily related to assumed variable annuities and accident & health products from affiliates.

Significant Methodologies and Assumptions

The Company amortizes DAC and VOBA related to long-duration contracts over the estimated lives of the contracts in proportion to benefits in-force for annuities and policy count for all other products. The amortization amount is calculated using the same cohorts as the corresponding liabilities on a quarterly basis, using an amortization rate that includes current period reporting experience and end of period persistency and longevity assumptions that are consistent with those used to measure the corresponding liabilities.

The Company amortizes DAC for short-duration contracts, which is primarily comprised of commissions and certain underwriting expenses, in proportion to actual and future earned premium over the applicable contract term.

The estimated future amortization expense to be reported in other expenses for the next five years is as follows:

	VOBA
	(In thousands)
2024	$ 5,241
2025	$ 5,034
2026	$ 4,831
2027	$ 4,632
2028	$ 4,438

5. Deferred Policy Acquisition Costs, Value of Business Acquired and Unearned Revenue (continued)

Unearned Revenue

The Company's UREV are primarily comprised of assumed variable annuities. Information regarding the Company's UREV included in other policy-related balances was as follows at:

	December 31, 2023
	(In thousands)
Balance at January 1,	$ 12,578
Amortization	(1,521)
Effect of foreign currency translation	712
Balance at December 31,	$ 11,769

Significant Methodologies and Assumptions

UREV is amortized similarly to DAC and VOBA, see "— DAC and VOBA."

6. Reinsurance

The Company assumes insurance risk from affiliated and non-affiliated insurance companies.

Accounting for reinsurance requires extensive use of assumptions and estimates, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks. The Company periodically reviews actual and anticipated experience compared to the aforementioned assumptions used to establish assets and liabilities relating to ceded and assumed reinsurance and evaluates the financial strength of counterparties to its reinsurance agreements using criteria similar to that evaluated in the security impairment process discussed in "— Fixed Maturity Securities AFS — Evaluation of Fixed Maturity Securities AFS for Credit Loss" in Note 7.

Related Party Reinsurance Transactions

The Company has reinsurance agreements with certain of MetLife subsidiaries, MetLife Europe d.a.c. ("MEL"), MetLife Insurance K.K. ("MLJ"), MetLife Insurance Ltd., Metropolitan Life Insurance Company and American Life Insurance Company, which are all related parties.

6. Reinsurance (continued)

Information regarding the significant effects of affiliated reinsurance included on the statement of operations was as follows:

	Year Ended December 31, 2023	
	(In thousands)	
Premiums		
Reinsurance assumed	$	431,553
Universal life and investment-type product policy fees		
Reinsurance assumed	$	18,553
Other revenues		
Reinsurance assumed	$	248,714
Policyholder benefits and claims		
Reinsurance assumed	$	629,605
Policyholder liability remeasurement (gains) losses		
Reinsurance assumed	$	8,610
Market risk benefits remeasurement (gains) losses		
Reinsurance assumed	$	(15,052)
Interest credited to policyholder account balances		
Reinsurance assumed	$	241,666
Other expenses		
Reinsurance assumed	$	103,559

Information regarding the significant effects of assumed affiliated reinsurance included on the balance sheet was as follows at:

	December 31, 2023	
Assets	(In thousands)	
Funds withheld at interest	$	2,882,816
Premiums, reinsurance and other receivables		443,022
Deferred policy acquisition costs and value of business acquired		126,747
Market risk benefits, at estimated fair value		114,936
Total assets	$	3,567,521
Liabilities		
Market risk benefits, at estimated fair value	$	14,624
Future policy benefits		596,940
Policyholder account balances		8,673,042
Other policy-related balances		170,485
Other liabilities		497,233
Total liabilities	$	9,952,324

7. Investments

See Note 9 for information about the fair value hierarchy for investments and the related valuation methodologies.

7. Investments (continued)

Investment Risks and Uncertainties

Investments are exposed to the following primary sources of risk: credit, interest rate, liquidity, market valuation and currency risk. The financial statement risks, stemming from such investment risks, are those associated with the determination of estimated fair values, the diminished ability to sell certain investments in times of strained market conditions, the recognition of ACL and impairments, the recognition of income on certain investments and the potential consolidation of variable interest entities (“VIEs”). The use of different methodologies, assumptions and inputs relating to these financial statement risks may have a material effect on the amounts presented within the financial statements.

The determination of ACL and impairments is highly subjective and is based upon quarterly evaluations and assessments of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available.

The recognition of income on certain investments (e.g. structured securities, including mortgage-backed securities, asset-backed securities (“ABS”) and certain structured investment transactions) is dependent upon certain factors such as prepayments and defaults, and changes in such factors could result in changes in amounts to be earned.

Fixed Maturity Securities AFS

Fixed Maturity Securities AFS by Sector

The following table presents fixed maturity securities AFS by sector. U.S. corporate and foreign corporate sectors include redeemable preferred stock. Municipals includes taxable revenue bonds, and to a much lesser extent, general obligations of states, municipalities and political subdivisions. Residential mortgage-backed securities (“RMBS”) includes agency, prime, prime investor, non-qualified residential mortgage, alternative, reperforming and sub-prime mortgage-backed securities. Commercial mortgage-backed securities (“CMBS”) primarily includes securities collateralized by multiple commercial mortgage loans. ABS includes securities collateralized by corporate loans and consumer loans. RMBS, CMBS, and ABS are collectively, “Structured Products”.

	December 31, 2023				
			Gross Unrealized		
Sector	Amortized Cost	ACL	Gains	Losses	Estimated Fair Value
			(In thousands)		
U.S. corporate	$ 2,860,186	$ (1,528)	$ 1,237	$ 457,387	$ 2,402,508
U.S. government and agency	1,687,909	—	6,114	429,611	1,264,412
Foreign corporate	763,466	—	118	101,778	661,806
Municipals	820,218	—	—	161,958	658,260
Foreign government	746,232	(9,603)	2,253	184,835	554,047
RMBS	590,628	—	2,465	59,260	533,833
CMBS	269,763	—	—	66,056	203,707
ABS	56,264	—	—	9,379	46,885
Total fixed maturity securities AFS	$ 7,794,666	$ (11,131)	$ 12,187	$ 1,470,264	$ 6,325,458

Methodology for Amortization of Premium and Accretion of Discount on Structured Products

Amortization of premium and accretion of discount on Structured Products considers the estimated timing and amount of prepayments of the underlying loans. Actual prepayment experience is periodically reviewed and effective yields are recalculated when differences arise between the originally anticipated and the actual prepayments received and currently anticipated. Prepayment assumptions for Structured Products are estimated using inputs obtained from third-party specialists and based on management’s knowledge of the current market. For credit-sensitive and certain prepayment-sensitive Structured Products, the effective yield is recalculated on a prospective basis. For all other Structured Products, the effective yield is recalculated on a retrospective basis.

7. Investments (continued)

Maturities of Fixed Maturity Securities AFS

The amortized cost, net of ACL and estimated fair value of fixed maturity securities AFS, by contractual maturity date, were as follows at December 31, 2023:

	Due in One Year or Less	Due After One Year Through Five Years	Due After Five Years Through Ten Years	Due After Ten Years	Structured Products	Total Fixed Maturity Securities AFS
	(In thousands)					
Amortized cost, net of ACL	$ 259,756	$ 979,447	$ 839,395	$ 4,788,282	$ 916,655	$7,783,535
Estimated fair value	$ 256,929	$ 943,941	$ 736,679	$ 3,603,484	$ 784,425	$6,325,458

Actual maturities may differ from contractual maturities due to the exercise of call or prepayment options. Fixed maturity securities AFS not due at a single maturity date have been presented in the year of final contractual maturity. Structured Products are shown separately, as they are not due at a single maturity.

Continuous Gross Unrealized Losses for Fixed Maturity Securities AFS by Sector

The following table presents the estimated fair value and gross unrealized losses of fixed maturity securities AFS in an unrealized loss position without an ACL by sector and aggregated by length of time that the securities have been in a continuous unrealized loss position.

	December 31, 2023			
	Less than 12 Months		Equal to or Greater than 12 Months	
Sector & Credit Quality	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In thousands, except number of securities)			
U.S. corporate	$ 9,305	$ 430	$ 2,361,993	$ 451,685
U.S. government and agency	111,547	364	978,916	429,247
Foreign corporate	15,132	1,368	633,003	100,410
Municipals	2,394	20	655,866	161,938
Foreign government	139,826	5,938	378,912	178,842
RMBS	72,047	79	358,185	59,181
CMBS	—	—	203,707	66,056
ABS	—	—	46,885	9,379
Total fixed maturity securities AFS	$ 350,251	$ 8,199	$ 5,617,467	$ 1,456,738
Investment grade	$ 350,251	$ 8,199	$ 5,468,797	$ 1,430,641
Below investment grade	—	—	148,670	26,097
Total fixed maturity securities AFS	$ 350,251	$ 8,199	$ 5,617,467	$ 1,456,738
Total number of securities in an unrealized loss position	31		873	

Evaluation of Fixed Maturity Securities AFS for Credit Loss

Evaluation and Measurement Methodologies

Management considers a wide range of factors about the security issuer and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Considerations used in the credit loss evaluation process include, but are not limited to: (i) the extent to which the estimated fair value has been below amortized cost, (ii) adverse conditions specifically related to

7. Investments (continued)

a security, an industry sector or sub-sector, or an economically depressed geographic area, adverse change in the financial condition of the issuer of the security, changes in technology, discontinuance of a segment of the business that may affect future earnings, and changes in the quality of credit enhancement, (iii) payment structure of the security and likelihood of the issuer being able to make payments, (iv) failure of the issuer to make scheduled interest and principal payments, (v) whether the issuer, or series of issuers or an industry has suffered a catastrophic loss or has exhausted natural resources, (vi) whether the Company has the intent to sell or will more likely than not be required to sell a particular security before the decline in estimated fair value below amortized cost recovers, (vii) with respect to Structured Products, changes in forecasted cash flows after considering the changes in the financial condition of the underlying loan obligors and quality of underlying collateral, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying assets backing a particular security, and the payment priority within the tranche structure of the security, (viii) changes in the rating of the security by a rating agency, and (ix) other subjective factors, including concentrations and information obtained from regulators.

The methodology and significant inputs used to determine the amount of credit loss are as follows:

- The Company calculates the recovery value by performing a discounted cash flow analysis based on the present value of future cash flows. The discount rate is generally the effective interest rate of the security at the time of purchase for fixed-rate securities and the spot rate at the date of evaluation of credit loss for floating-rate securities.
- When determining collectability and the period over which value is expected to recover, the Company applies considerations utilized in its overall credit loss evaluation process which incorporates information regarding the specific security, fundamentals of the industry and geographic area in which the security issuer operates, and overall macroeconomic conditions. Projected future cash flows are estimated using assumptions derived from management’s single best estimate, the most likely outcome in a range of possible outcomes, after giving consideration to a variety of variables that include, but are not limited to: payment terms of the security; the likelihood that the issuer can service the interest and principal payments; the quality and amount of any credit enhancements; the security’s position within the capital structure of the issuer; possible corporate restructurings or asset sales by the issuer; any private and public sector programs to restructure foreign government securities and municipals; and changes to the rating of the security or the issuer by rating agencies.
- Additional considerations are made when assessing the unique features that apply to certain Structured Products including, but not limited to: the quality of underlying collateral, historical performance of the underlying loan obligors, historical rent and vacancy levels, changes in the financial condition of the underlying loan obligors, expected prepayment speeds, current and forecasted loss severity, consideration of the payment terms of the underlying loans or assets backing a particular security, changes in the quality of credit enhancement and the payment priority within the tranche structure of the security.

With respect to securities that have attributes of debt and equity (“perpetual hybrid securities”), consideration is given in the credit loss analysis as to whether there has been any deterioration in the credit of the issuer and the likelihood of recovery in value of the securities that are in a severe unrealized loss position. Consideration is also given as to whether any perpetual hybrid securities with an unrealized loss, regardless of credit rating, have deferred any dividend payments.

In periods subsequent to the recognition of an initial ACL on a security, the Company reassesses credit loss quarterly. Subsequent increases or decreases in the expected cash flow from the security result in corresponding decreases or increases in the ACL which are recognized in earnings and reported within net investment gains (losses); however, the previously recorded ACL is not reduced to an amount below zero. Full or partial write-offs are deducted from the ACL in the period the security, or a portion thereof, is considered uncollectible. Recoveries of amounts previously written off are recorded to the ACL in the period received. When the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost, any ACL is written off and the amortized cost is written down to estimated fair value through a charge within net investment gains (losses), which becomes the new amortized cost of the security.

7. Investments (continued)

Current Period Evaluation of Fixed Maturity Securities AFS in an Unrealized Loss Position

Gross unrealized losses on securities without an ACL decreased $222.9 million for the year ended December 31, 2023 to $1.5 billion primarily due to interest rate volatility, narrowing credit spreads and, to a lesser extent, the strengthening of foreign currencies on certain non-functional currency denominated fixed maturity securities.

As of December 31, 2023, $26.1 million of gross unrealized losses on securities without an ACL that have been in a continuous gross unrealized loss position for 12 months or greater on below investment grade securities were concentrated in the communications, consumer and technology sectors within corporate securities and in foreign government securities. These unrealized losses are the result of significantly wider credit spreads resulting from higher risk premiums since purchase, largely due to economic and market uncertainty and, with respect to fixed-rate securities, rising interest rates since purchase.

At December 31, 2023, the Company did not intend to sell its securities in an unrealized loss position without an ACL, and it was not more likely than not that the Company would be required to sell these securities before the anticipated recovery of the remaining amortized cost. Therefore, the Company concluded that these securities had not incurred a credit loss and should not have an ACL at December 31, 2023.

Future provisions for credit loss will depend primarily on economic fundamentals, issuer performance (including changes in the present value of future cash flows expected to be collected), changes in credit ratings and collateral valuation.

Rollforward of Allowance for Credit Loss for Fixed Maturity Securities AFS By Sector

The rollforward of ACL for fixed maturity securities AFS by sector is as follows:

	U.S. Corporate	Foreign Government	Total
Year Ended December 31, 2023		(In thousands)	
Balance at January 1,	$ —	$ 9,157	$ 9,157
ACL not previously recorded	1,536	—	1,536
Changes for securities with previously recorded ACL	—	446	446
Securities sold or exchanged	(8)	—	(8)
Effect of foreign currency translation	—	—	—
Write-offs	—	—	—
Balance at December 31,	$ 1,528	$ 9,603	$ 11,131

Cash Equivalents

Cash equivalents, which includes securities and other investments with an original or remaining maturity of three months or less at the time of purchase, was $34.8 million, principally at estimated fair value, at December 31, 2023.

7. Investments (continued)

Concentrations of Credit Risk

Investments in any counterparty that were greater than 10% of the Company's equity, other than the U.S. government and its agencies, at estimated fair value, were in fixed income securities of the following: 1) foreign governments and their agencies and 2) corporate and municipals issuers:

	December 31, 2023	
Government	**(In thousands)**	
Japan	$	174,762
United Kingdom of Great Britain and Northern Ireland		160,208
Corporate & Municipals		
BASF SE	$	72,522
Electric Transmission Texas LLC		62,280
CH Robinson Worldwide Inc		51,439
International Business Machines Corp		49,606
Lottery Corporation LTD		49,192
McCain Foods Group Inc		49,119

Invested Assets Held in Trust and Pledged as Collateral

Invested assets held in trust and pledged as collateral are presented below at estimated fair value at:

	December 31, 2023	
	(In thousands)	
Invested assets held in trust (1)	$	141,275
Invested assets pledged as collateral (2)		219,670
Total invested assets held in trust and pledged as collateral	$	360,945

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(1) The Company holds assets in trust in connection with certain reinsurance transactions.

(2) The Company has pledged invested assets in connection with derivative transactions (see Note 8).

Variable Interest Entities

The Company has invested in legal entities that are VIEs. In certain instances, the Company holds both the power to direct the most significant activities of the entity, as well as an economic interest in the entity and, as such, it is deemed to be the primary beneficiary or consolidator of the entity. The determination of the VIE's primary beneficiary requires an evaluation of the contractual and implied rights and obligations associated with each party's relationship with or involvement in the entity. There were no VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated at December 31, 2023.

Unconsolidated VIEs

The carrying amount and maximum exposure to loss relating to VIEs in which the Company holds a significant variable interest but is not the primary beneficiary and which have not been consolidated were as follows at:

7. Investments (continued)

Asset Type	December 31, 2023 Carrying Amount	December 31, 2023 Maximum Exposure to Loss (1)
	(In thousands)	
Fixed maturity securities AFS (2)	$ 827,170	$ 827,170

(1) The maximum exposure to loss relating to fixed maturity securities AFS is equal to their carrying amounts or the carrying amounts of retained interests. Such a maximum loss would be expected to occur only upon bankruptcy of the issuer or investee.

(2) For variable interests in Structured Products included within fixed maturity securities AFS, the Company's involvement is limited to that of a passive investor in mortgage-backed or ABS issued by trusts that do not have substantial equity.

Net Investment Income

The composition of net investment income by asset type was as follows:

Asset Type	Year Ended December 31, 2023
	(In thousands)
Fixed maturity securities AFS	$ 242,203
Cash, cash equivalents and short-term investments	27,808
Other	1,618
Subtotal investment income	271,629
Less: Investment expenses	4,371
Net investment income	$ 267,258

See "— Related Party Investment Transactions" for discussion of affiliated investment expenses.

Net Investment Gains (Losses)

The composition of net investment gains (losses) by asset type was as follows:

Asset Type	Year Ended December 31, 2023
	(In thousands)
Fixed maturity securities AFS	$ (39,876)
Foreign currency transaction gains (losses)	19,397
Other	2
Total net investment gains (losses)	$ (20,477)

Sales or Disposals and Impairments of Fixed Maturity Securities AFS

Sales of securities are determined on a specific identification basis. Proceeds from sales or disposals and the components of net investment gains (losses) were as shown in the table below.

	Year Ended December 31, 2023
	(In thousands)
Proceeds	$ 417,693
Gross investment gains	$ 56
Gross investment losses	(37,958)
Net credit loss (provision) release and impairment (loss)	(1,974)
Net investment gains (losses)	$ (39,876)

7. Investments (continued)

Related Party Investment Transactions

The Company receives investment administrative services from affiliates. The related investment administrative service charges were $4 million for the year ended December 31, 2023.

8. Derivatives

Accounting for Derivatives

See Note 1 for a description of the Company's accounting policies for derivatives and Note 9 for information about the fair value hierarchy for derivatives.

Derivative Strategies

The Company is exposed to various risks relating to its ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. The Company uses a variety of strategies to manage these risks, including the use of derivatives.

Derivatives are financial instruments with values derived from interest rates, foreign currency exchange rates, credit spreads and/or other financial indices. Derivatives may be exchange-traded or contracted in the over-the-counter ("OTC") market. Certain of the Company's OTC derivatives are cleared and settled through central clearing counterparties ("OTC-cleared"), while others are bilateral contracts between two counterparties ("OTC-bilateral"). The types of derivatives the Company uses include swaps, forwards, futures and option contracts.

The Company uses a wide range of derivative contracts to mitigate the risk associated with variable annuity living guarantee benefits. These derivatives include equity and interest rate futures, interest rate swaps, foreign currency forwards, currency options, equity index options, interest rate options and equity variance swaps. The Company also engages in certain reinsurance agreements that have embedded derivatives.

The Company utilizes all derivatives in non-qualifying hedging relationships.

Interest Rate Derivatives

The Company uses a variety of interest rate derivatives to reduce its exposure to changes in interest rates, including interest rate swaps, futures, forwards and swaptions.

Interest rate swaps are used by the Company to hedge interest rate risk associated with minimum guarantees embedded in certain variable annuity products assumed by the Company and to alter interest rate exposure arising from mismatches between assets and liabilities (duration mismatches). In an interest rate swap, the Company agrees with another party to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts as calculated by reference to an agreed gross notional amount.

In exchange-traded interest rate (Treasury and swap) futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of interest rate securities, to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts and to pledge initial margin based on futures exchange requirements. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded interest rate (Treasury and swap) futures are used primarily to hedge minimum guarantees embedded in certain variable annuity products assumed by the Company.

The Company enters into interest rate forwards to buy and sell securities. The price is agreed upon at the time of the contract and payment for such a contract is made at a specified future date.

Swaptions are used by the Company to hedge interest rate risk associated with minimum guarantees embedded in certain variable annuity products assumed by the Company. A swaption is an option to enter into a swap with a forward starting effective date. In certain instances, the Company locks in the economic impact of existing purchased swaptions by entering into offsetting written swaptions. The Company pays a premium for purchased swaptions and receives a premium for written swaptions. Swaptions are included in interest rate options.

8. Derivatives (continued)

Foreign Currency Exchange Rate Derivatives

The Company uses foreign currency forwards to hedge against the foreign currency exposure inherent in certain variable annuity products assumed by the Company. In a foreign currency forward transaction, the Company agrees with another party to deliver a specified amount of an identified currency at a specified future date. The price is agreed upon at the time of the contract and payment for such a contract is made at the specified future date.

The Company enters into currency options that give it the right, but not the obligation, to sell the foreign currency amount in exchange for a functional currency amount within a limited time at a contracted price. The contracts may also be net settled in cash, based on differentials in the foreign currency exchange rate and the strike price. The Company uses currency options to hedge against the foreign currency exposure inherent in certain of its variable annuity products.

Equity Derivatives

The Company uses a variety of equity derivatives to reduce its exposure to equity market risk, including equity index options, equity variance swaps and exchange-traded equity futures.

Equity index options are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products assumed by the Company. To hedge against adverse changes in equity indices, the Company enters into contracts to sell the underlying equity index within a limited time at a contracted price. The contracts will be net settled in cash based on differentials in the indices at the time of exercise and the strike price. In certain instances, the Company may enter into a combination of transactions to hedge adverse changes in equity indices within a pre-determined range through the purchase and sale of options.

Equity variance swaps are used by the Company primarily to hedge minimum guarantees embedded in certain variable annuity products assumed by the Company. In an equity variance swap, the Company agrees with another party to exchange amounts in the future, based on changes in equity volatility over a defined period.

In exchange-traded equity futures transactions, the Company agrees to purchase or sell a specified number of contracts, the value of which is determined by the different classes of equity securities, to post variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts and to pledge initial margin based on futures exchange requirements. The Company enters into exchange-traded futures with regulated futures commission merchants that are members of the exchange. Exchange-traded equity futures are used primarily to hedge minimum guarantees embedded in certain variable annuity products assumed by the Company.

8. Derivatives (continued)

Primary Risks Managed by Derivatives

The following table presents the primary underlying risk exposure, gross notional amount and estimated fair value of the Company's derivatives, excluding embedded derivatives, held at:

		December 31, 2023		
			Estimated Fair Value	
	Primary Underlying Risk Exposure	Gross Notional Amount	Assets	Liabilities
		(In thousands)		
Derivatives Not Designated or Not Qualifying as Hedging Instruments:				
Interest rate swaps	Interest rate	$ 6,422,485	$ 5,538	$ 165,900
Interest rate futures	Interest rate	693,425	1,035	1,229
Interest rate options	Interest rate	141,953	1,781	307
Interest rate forwards	Interest rate	551,639	—	35,257
Foreign currency forwards	Foreign currency exchange rate	666,443	20,799	1,975
Currency options	Foreign currency exchange rate	50,000	687	—
Equity futures	Equity market	819,986	4,485	2,681
Equity index options	Equity market	1,069,342	60,549	62,508
Equity variance swaps	Equity market	98,615	—	1,645
Total		$ 10,513,888	$ 94,874	$ 271,502

The Company's derivatives were not designated or did not qualify as part of a hedging relationship at December 31, 2023.

The Effects of Derivatives on the Statements of Operations and Comprehensive Income (Loss)

The following table presents the financial statement location and amount of gain (loss) recognized on nonqualifying hedging relationships and embedded derivatives:

	Year Ended December 31, 2023
	Net Derivative Gains (Losses)
	(In thousands)
Gain (Loss) on Derivatives Not Designated or Not Qualifying as Hedging Instruments:	
Interest rate derivatives (1)	$ (79,552)
Foreign currency exchange rate derivatives (1)	(88,218)
Equity derivatives (1)	(143,012)
Subtotal	(310,782)
Earned income on derivatives	35,730
Embedded derivatives	(31,585)
Total	$ (306,637)

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(1) Excludes earned income on derivatives.

8. Derivatives (continued)

Credit Risk on Freestanding Derivatives

The Company may be exposed to credit-related losses in the event of nonperformance by its counterparties to derivatives. Generally, the current credit exposure of the Company's derivatives is limited to the net positive estimated fair value of derivatives at the reporting date after taking into consideration the existence of master netting or similar agreements and any collateral received pursuant to such agreements.

The Company manages its credit risk related to derivatives by entering into transactions with creditworthy counterparties in jurisdictions in which it understands that close-out netting should be enforceable and establishing and monitoring exposure limits. The Company's OTC-bilateral derivative transactions are governed by International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreements which provide for legally enforceable set-off and close-out netting of exposures to specific counterparties in the event of early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, close-out netting permits the Company (subject to financial regulations such as the Orderly Liquidation Authority under Title II of Dodd-Frank) to set off receivables from the counterparty against payables to the same counterparty arising out of all included transactions and to apply collateral to the obligations without application of the automatic stay, upon the counterparty's bankruptcy. All of the Company's ISDA Master Agreements also include Credit Support Annex provisions which require both the pledging and accepting of collateral in connection with its OTC-bilateral derivatives as required by applicable law. Additionally, the Company is required to pledge initial margin for certain new OTC-bilateral derivative transactions to third party custodians.

The Company's OTC-cleared derivatives are effected through central clearing counterparties and its exchange-traded derivatives are effected through regulated exchanges. Such positions are marked to market and margined on a daily basis (both initial margin and variation margin), and the Company has minimal exposure to credit-related losses in the event of nonperformance by brokers and central clearinghouses to such derivatives.

See Note 9 for a description of the impact of credit risk on the valuation of derivatives.

The estimated fair values of the Company's net derivative assets and net derivative liabilities after the application of master netting agreements and collateral were as follows at:

Derivatives Subject to a Master Netting Arrangement or a Similar Arrangement	December 31, 2023	
	Assets	Liabilities
	(In thousands)	
Gross estimated fair value of derivatives:		
OTC-bilateral (1)	$ 86,350	$ 250,769
OTC-cleared (1)	1,178	4,894
Exchange-related	5,520	3,910
Total estimated fair value of derivatives presented on the balance sheets (1)	93,048	259,573
Gross amounts not offset on the balance sheet:		
Gross estimated fair value of derivatives: (2)		
OTC-bilateral	(59,344)	(59,344)
OTC-cleared	(1,178)	(1,178)
Exchange-traded	(332)	(332)
Cash collateral: (3), (4)		
OTC-bilateral	(3,852)	—
OTC-cleared	—	(3,716)
Exchange-traded	—	(3,578)
Securities collateral: (5)		
OTC-bilateral	(21,740)	(183,695)
Net amount after application of master netting agreements and collateral	$ 6,602	$ 7,730

8. Derivatives (continued)

(1) At December 31, 2023, derivative assets included income (expense) accruals reported in accrued investment income or in other liabilities of ($1.8) million, and derivative liabilities included (income) expense accruals reported in accrued investment income or in other liabilities of ($11.9) million.

(2) Estimated fair value of derivatives is limited to the amount that is subject to set-off and includes income or expense accruals.

(3) Cash collateral received by the Company for OTC-bilateral and OTC-cleared derivatives, where the central clearinghouse treats variation margin as collateral, is included in cash and cash equivalents, short-term investments or in fixed maturity securities AFS, and the obligation to return it is included in derivative collateral payable for reinsurance transactions on the balance sheet.

(4) The receivable for the return of cash collateral provided by the Company is inclusive of initial margin on exchange-traded and OTC-cleared derivatives and is included in premiums, reinsurance and other receivables on the balance sheet. The amount of cash collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements. At December 31, 2023, the Company received excess cash collateral of $478 thousand, and provided excess cash collateral of $93.3 million, which is not included in the table above due to the foregoing limitation.

(5) Securities collateral received by the Company is held in separate custodial accounts and is not recorded on the balance sheet. Subject to certain constraints, the Company is permitted by contract to sell or re-pledge this collateral, but at December 31, 2023, none of the collateral had been sold or re-pledged. Securities collateral pledged by the Company is reported in fixed maturity securities AFS on the balance sheet. Subject to certain constraints, the counterparties are permitted by contract to sell or re-pledge this collateral. The amount of securities collateral offset in the table above is limited to the net estimated fair value of derivatives after application of netting agreements and cash collateral. At December 31, 2023, the Company received excess securities collateral with an estimated fair value of $1.5 million, for its OTC-bilateral derivatives, and provided excess securities collateral with an estimated fair value of $36.0 million, which are not included in the table above due to foregoing limitations.

The Company's collateral arrangements for its OTC-bilateral derivatives generally require the counterparty in a net liability position, after considering the effect of netting agreements, to pledge collateral when the collateral amount owed by that counterparty reaches a minimum transfer amount. All of the Company's netting agreements for derivatives contain provisions that require both the Company and the counterparty to maintain a specific investment grade financial strength or credit rating from each of Moody's and S&P. If a party's financial strength rating or credit rating were to fall below that specific investment grade financial strength or credit rating, that party would be in violation of these provisions, and the other party to the derivatives could terminate the transactions and demand immediate settlement and payment based on such party's reasonable valuation of the derivatives.

The following table presents the estimated fair value of the Company's OTC-bilateral derivatives that were in a net liability position after considering the effect of netting agreements, together with the estimated fair value and balance sheet location of the collateral pledged.

		Estimated Fair Value of Collateral Provided
	Estimated Fair Value of Derivatives in Net Liability	Fixed Maturity Securities AFS
	(In thousands)	
December 31, 2023		
Derivatives subject to credit-contingent provisions (1)	$ 191,425	$ 215,558

(1) After taking into consideration the existence of netting agreements.

8. Derivatives (continued)

The Company's obligations arising from OTC derivatives are guaranteed by MetLife. The Company's derivatives are subject to industry standard netting agreements and collateral agreements that limit the unsecured portion of any open derivative position. On a net counterparty basis at December 31, 2023, derivative transactions with positive mark-to-market values (in-the-money) were $27.0 million, and derivative transactions with negative mark-to-market values (out-of-the-money) were $191.4 million. To secure the obligations represented by the out-of-the-money transactions, the Company had provided collateral to its counterparties with an estimated fair value of $183.7 million at December 31, 2023. Accordingly, unsecured derivative liabilities of the Company guaranteed by MetLife were $7.7 million at December 31, 2023.

9. Fair Value

When developing estimated fair values, the Company considers three broad valuation approaches: (i) the market approach, (ii) the income approach, and (iii) the cost approach. The Company determines the most appropriate valuation approach to use, given what is being measured and the availability of sufficient inputs, giving priority to observable inputs. The Company categorizes its assets and liabilities measured at estimated fair value into a three-level hierarchy, based on the significant input with the lowest level in its valuation. The input levels are as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities. The size of the bid/ask spread is used as an indicator of market activity for fixed maturity securities AFS.

Level 2 Quoted prices in markets that are not active or inputs that are observable either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities other than quoted prices in Level 1, quoted prices in markets that are not active, or other significant inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and are significant to the determination of estimated fair value of the assets or liabilities. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. The Company's ability to sell securities, as well as the price ultimately realized for these securities, depends upon the demand and liquidity in the market and increases the use of judgment in determining the estimated fair value of certain securities.

Considerable judgment is often required in interpreting the market data used to develop estimates of fair value, and the use of different assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

9. Fair Value (continued)

Recurring Fair Value Measurements

The assets and liabilities measured at estimated fair value on a recurring basis and their corresponding placement in the fair value hierarchy, including liabilities for which the Company has elected the FVO, are presented below at:

	December 31, 2023			
	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total Estimated Fair Value
	(In thousands)			
Assets				
Fixed maturity securities AFS:				
U.S. corporate	$ —	$ 2,288,486	$ 114,022	$ 2,402,508
U.S. government and agency	476,114	788,298	—	1,264,412
Foreign corporate	—	656,573	5,233	661,806
Municipals	—	658,260	—	658,260
Foreign government	—	554,047	—	554,047
RMBS	—	533,833	—	533,833
CMBS	—	203,707	—	203,707
ABS	—	46,885	—	46,885
Total fixed maturity securities AFS	476,114	5,730,089	119,255	6,325,458
Short-term investments	184,566	15,977	—	200,543
Derivative assets: (1)				
Interest rate	1,035	7,319	—	8,354
Foreign currency exchange rate	—	21,486	—	21,486
Equity market	4,485	60,549	—	65,034
Total derivative assets	5,520	89,354	—	94,874
Market risk benefits	—	—	115,295	115,295
Total assets	$ 666,200	$ 5,835,420	$ 234,550	$ 6,736,170
Liabilities				
Fair value option liabilities (2)	$ —	$ —	$ 5,791,989	$ 5,791,989
Derivative liabilities: (1)				
Interest rate	1,229	201,464	—	202,693
Foreign currency exchange rate	—	1,975	—	1,975
Equity market	2,681	64,153	—	66,834
Total derivative liabilities	3,910	267,592	—	271,502
Market risk benefits	—	—	37,213	37,213
Total liabilities	$ 3,910	$ 267,592	$ 5,829,202	$ 6,100,704

(1) The amounts are presented gross in the tables above to reflect the presentation on the balance sheet.

(2) FVO liabilities are presented within policyholder account balances at estimated fair value on the balance sheet.

9. Fair Value (continued)

The following describes the valuation methodologies used to measure assets and liabilities at fair value.

Investments

Securities and Short-term Investments

When available, the estimated fair value of these financial instruments is based on quoted prices in active markets that are readily and regularly obtainable. Generally, these are the most liquid of the Company's securities holdings and valuation of these securities does not involve management's judgment.

When quoted prices in active markets are not available, the determination of estimated fair value of securities is based on market standard valuation methodologies, giving priority to observable inputs. The significant inputs to the market standard valuation methodologies for certain types of securities with reasonable levels of price transparency are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. When observable inputs are not available, the market standard valuation methodologies rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. These unobservable inputs can be based in large part on management's judgment or estimation and cannot be supported by reference to market activity. Unobservable inputs are based on management's assumptions about the inputs market participants would use in pricing such investments.

The estimated fair value of short-term investments is determined on a basis consistent with the methodologies described herein.

The valuation approaches and key inputs for each category of assets or liabilities that are classified within Level 2 and Level 3 of the fair value hierarchy are presented below. The primary valuation approaches are the market approach, which considers recent prices from market transactions involving identical or similar assets or liabilities, and the income approach, which converts expected future amounts (e.g. cash flows) to a single current, discounted amount. The valuation of most instruments listed below is determined using independent pricing sources, matrix pricing, discounted cash flow methodologies or other similar techniques that use either observable market inputs or unobservable inputs.

9. Fair Value (continued)

<table>
<tr><th>Instrument</th><th>Level 2
Observable Inputs</th><th>Level 3
Unobservable Inputs</th></tr>
<tr><td colspan="3">Fixed maturity securities AFS</td></tr>
<tr><td colspan="3">U.S. corporate and Foreign corporate securities</td></tr>
<tr><td></td><td>Valuation Approaches: Principally the market and income approaches.
Key Inputs:
• quoted prices in markets that are not active
• benchmark yields; spreads off benchmark yields; new issuances; issuer ratings
• trades of identical or comparable securities; duration
• privately-placed securities are valued using the additional key inputs:
  • market yield curve; call provisions
  • observable prices and spreads for similar public or private securities that incorporate the credit quality and industry sector of the issuer
  • delta spread adjustments to reflect specific credit-related issues</td><td>Valuation Approaches: Principally the market approach.
Key Inputs:
• illiquidity premium
• delta spread adjustments to reflect specific credit-related issues
• credit spreads
• quoted prices in markets that are not active for identical or similar securities that are less liquid and based on lower levels of trading activity than securities classified in Level 2
• independent non-binding broker quotations</td></tr>
<tr><td colspan="3">U.S. government and agency securities, Municipals and Foreign government securities</td></tr>
<tr><td></td><td>Valuation Approaches: Principally the market approach.
Key Inputs:
• quoted prices in markets that are not active
• benchmark U.S. Treasury yield or other yields
• the spread off the U.S. Treasury yield curve for the identical security
• issuer ratings and issuer spreads; broker-dealer quotations
• comparable securities that are actively traded</td><td>• N/A</td></tr>
<tr><td colspan="3">Structured Products</td></tr>
<tr><td></td><td>Valuation Approaches: Principally the market and income approaches.
Key Inputs:
• quoted prices in markets that are not active
• spreads for actively traded securities; spreads off benchmark yields
• expected prepayment speeds and volumes
• current and forecasted loss severity; ratings; geographic region
• weighted average coupon and weighted average maturity
• average delinquency rates; debt-service coverage ratios
• credit ratings
• issuance-specific information, including, but not limited to:
  • collateral type; structure of the security; vintage of the loans
  • payment terms of the underlying assets
  • payment priority within the tranche; deal performance</td><td>• N/A</td></tr>
</table>

Derivatives

The estimated fair value of derivatives is determined through the use of quoted market prices for exchange-traded derivatives, or through the use of pricing models for OTC-bilateral and OTC-cleared derivatives. The determination of estimated fair value, when quoted market values are not available, is based on market standard valuation methodologies and inputs that management believes are consistent with what other market participants would use when pricing such instruments. Derivative valuations can be affected by changes in interest rates, foreign currency exchange rates, financial indices, credit spreads, default risk, nonperformance risk, volatility, liquidity and changes in estimates and assumptions used in the pricing models.

The significant inputs to the pricing models for most OTC-bilateral and OTC-cleared derivatives are inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data. With respect to certain OTC-bilateral and OTC-cleared derivatives, management may rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. These unobservable inputs may involve significant management judgment or estimation. Unobservable inputs are based on management's assumptions about the inputs market participants would use in pricing such derivatives.

Most inputs for OTC-bilateral and OTC-cleared derivatives are mid-market inputs but, in certain cases, liquidity adjustments are made when they are deemed more representative of exit value. Market liquidity, as well as the use of different methodologies, assumptions and inputs, may have a material effect on the estimated fair values of the Company's derivatives and could materially affect net income.

The credit risk of both the counterparty and the Company is considered in determining the estimated fair value for all OTC-bilateral and OTC-cleared derivatives, and any potential credit adjustment is based on the net exposure by counterparty after taking into account the effects of netting agreements and collateral arrangements. The Company values its OTC-bilateral and OTC-cleared derivatives using standard swap curves which may include a spread to the risk-free rate, depending upon specific collateral arrangements. This credit spread is appropriate for those parties that execute trades at pricing levels consistent with similar collateral arrangements. As the Company and its significant derivative counterparties generally execute trades at such pricing levels and hold sufficient collateral, additional credit risk adjustments are not currently required in the valuation process. The Company's ability to consistently execute at such pricing levels is in part due to the netting agreements and collateral arrangements that are in place with all of its significant derivative counterparties. An evaluation of the requirement to make additional credit risk adjustments is performed by the Company each reporting period.

Freestanding Derivatives

Level 2 Valuation Approaches and Key Inputs

This level includes all types of derivatives utilized by the Company with the exception of exchange-traded derivatives included within Level 1.

Freestanding derivatives are principally valued using the income approach. Valuations of non-option-based derivatives utilize present value techniques, whereas valuations of option-based derivatives utilize option pricing models. Key inputs are as follows:

Instrument	Interest Rate	Foreign Currency Exchange Rate	Equity Market
Inputs common to Level 2 by instrument type	• swap yield curves • basis curves • interest rate volatility (1)	• swap yield curves • basis curves • currency spot rates • cross currency basis curves	• swap yield curves • spot equity index levels • dividend yield curves • equity volatility (1)

(1) Option-based only.

Reinsurance

FVO Liabilities

The Company has elected to account for certain assumed reinsurance liabilities at fair value. As a result, certain reinsurance liabilities are measured at fair value at each financial reporting date, with changes in fair value reported in policyholder benefits and claims except for the portion of the fair value change attributable to the change in nonperformance risk of the Company, which is recorded as a separate component of OCI. A risk neutral valuation approach adjusted for the nonperformance risk of the Company and a risk margin were used in the fair value determination for the reinsurance liabilities. By electing to account for this reinsurance agreement at fair value, the Company reduces the impact of interest rate movements on total equity.

Market Risk Benefits

See Note 4 for information on the Company's valuation approaches and key inputs for MRBs.

Transfers between Levels

Overall, transfers between levels occur when there are changes in the observability of inputs and market activity.

9. Fair Value (continued)

<u>*Transfers into or out of Level 3:*</u>

Assets and liabilities are transferred into Level 3 when a significant input cannot be corroborated with market observable data. This occurs when market activity decreases significantly and underlying inputs cannot be observed, current prices are not available, and/or when there are significant variances in quoted prices, thereby affecting transparency. Assets and liabilities are transferred out of Level 3 when circumstances change such that a significant input can be corroborated with market observable data. This may be due to a significant increase in market activity, a specific event, or one or more significant input(s) becoming observable.

Assets and Liabilities Measured at Fair Value Using Significant Unobservable Inputs (Level 3)

The following table presents certain quantitative information about the significant unobservable inputs used in the fair value measurement, and the sensitivity of the estimated fair value to changes in those inputs, for the more significant asset and liability classes measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at:

			December 31, 2023				
	Valuation Techniques	Significant Unobservable Inputs	Range			Weighted Average (1)	Impact of Increase in Input on Estimated Fair Value (2)
Fixed maturity securities AFS (3)							
U.S. corporate and foreign corporate	• Matrix pricing	• Offered quotes (4)	84	-	101	92	Increase
	• Market pricing	• Quoted prices (4)	44	-	44	44	Increase
Market Risk Benefits							
Assumed guaranteed minimum benefits	• Option pricing techniques	• Mortality rates					
		Ages 0 - 40	0%	-	0.15%	0.04%	(5)
		Ages 41 - 60	0.04%	-	0.75%	0.25%	(5)
		Ages 61 - 115	0.16%	-	100%	2.66%	(5)
		• Lapse rates					
		Durations 1 - 10	0.40%	-	15%	0%	Decrease (6)
		Durations 11 - 20	2%	-	15%	4.16%	Decrease (6)
		Durations 21 - 116	1%	-	15%	4.16%	Decrease (6)
		• Withdrawal rates	0%	-	20%	4.17%	(7)
		• Long-term equity volatilities	16.34%	-	18.85%	16.84%	Increase (8)
		• Nonperformance risk spread	0.39%	-	1.59%	1.36%	Decrease (9)
Interest Sensitive Whole Life							
	• Fair value pricing	• Mortality rates					
		Ages 0 - 40	0%	-	0.24%	0.04%	Increase (10)
		Ages 41 - 60	0.01%	-	1.17%	0.16%	Increase (10)
		Ages 61 - 115	0.03%	-	100%	1.37%	Increase (10)
		• Lapse rates					
		Durations 1	—%	-	—%	—%	Increase (11)
		Durations 2 - 116	1.70%	-	15.30%	2.65%	Increase (11)
		• Nonperformance risk spread	0.35%	-	1.53%	1.43%	Decrease (12)

(1) The weighted average for fixed maturity securities AFS is determined based on the estimated fair value of the securities. The weighted average for MRBs and interest sensitive whole life is determined based on a combination of account values and experience data.

(2) The impact of a decrease in input would have resulted in the opposite impact on estimated fair value. For MRBs, changes to assumed guaranteed minimum benefits are based on liability positions.

(3) Significant increases (decreases) in expected default rates in isolation would have resulted in substantially lower (higher) valuations.

9. Fair Value (continued)

(4) Range and weighted average are presented in accordance with the market convention for fixed maturity securities AFS of dollars per hundred dollars of par.

(5) Mortality rates vary by age and by demographic characteristics such as gender. Mortality rate assumptions are based on company experience. A mortality improvement assumption is also applied. For any given contract, mortality rates vary throughout the period over which cash flows are projected for purposes of valuing the MRBs. For contracts that contain only a GMDB, any increase (decrease) in mortality rates result in an increase (decrease) in the estimated fair value of MRBs. Generally, for contracts that contain both a GMDB and a living benefit (e.g., GMWB, GMAB), any increase (decrease) in mortality rates result in a decrease (increase) in the estimated fair value of MRBs.

(6) Base lapse rates are adjusted at the contract level based on a comparison of the actuarially calculated guaranteed values and the current policyholder account value, as well as other factors, such as the applicability of any surrender charges. A dynamic lapse function reduces the base lapse rate when the guaranteed amount is greater than the account value as in the money contracts are less likely to lapse. Lapse rates are also generally assumed to be lower in periods when a surrender charge applies. For any given contract, lapse rates vary throughout the period over which cash flows are projected for purposes of valuing the MRBs.

(7) The withdrawal rate represents the percentage of account balance that any given policyholder will elect to withdraw from the contract each year. The withdrawal rate assumption varies by age and duration of the contract, and also by other factors such as benefit type. For any given contract, withdrawal rates vary throughout the period over which cash flows are projected for purposes of valuing the MRB. For GMWBs, any increase (decrease) in withdrawal rates results in an increase (decrease) in the estimated fair value of the guarantees. For GMABs, any increase (decrease) in withdrawal rates results in a decrease (increase) in the estimated fair value.

(8) Long-term equity volatilities represent equity volatility beyond the period for which observable equity volatilities are available. For any given contract, long-term equity volatility rates vary throughout the period over which cash flows are projected for purposes of valuing the MRBs.

(9) Nonperformance risk spread varies by duration and by currency. For any given contract, multiple nonperformance risk spreads will apply, depending on the duration of the cash flow being discounted for purposes of valuing the MRBs.

(10) Mortality rates vary by age and by demographic characteristics such as gender. Mortality rate assumptions are based on company experience. A mortality improvement assumption is also applied. For any given contract, mortality rates vary throughout the period over which cash flows are projected for purposes of valuing certain assumed reinsurance liabilities.

(11) For interest sensitive whole life dynamic lapse increased lapsation occurs when the U.S. dollar cash surrender value converted to Japanese yen (“JPY”) at the spot rate exceeds the premium paid at issue expressed in JPY at issue. This allows the policyholder to lock in their gain in JPY.

(12) Nonperformance risk spread is calculated by using 100% of the MetLife cash default swap spreads and varies by duration. For any given contract, multiple nonperformance risk spreads will apply, depending on the duration of the cash flow being discounted for purposes of valuing certain assumed reinsurance liabilities.

9. Fair Value (continued)

The following table summarizes the change in assets (liabilities) measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3), except for MRB assets and liabilities (see Note 4):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Fixed Maturity Securities AFS		
	Corporate (6)	Net Embedded Derivatives (7)	Fair Value Option Liabilities
		(In thousands)	
Balance, December 31, 2022	$ 144,610	$ (69,192)	$ 5,903,814
Total realized/unrealized gains (losses) included in net income (loss) (1), (2)	(2,383)	(31,585)	275,913
Total realized/unrealized gains (losses) included in AOCI	8,132	—	58,149
Purchases (3)	—	—	—
Sales (3)	(31,104)	—	—
Issuances (3)	—	—	—
Settlements (3)	—	100,777	(445,887)
Transfers into Level 3 (4)	—	—	—
Transfers out of Level 3 (4)	—	—	—
Balance, December 31, 2023	$ 119,255	$ —	$ 5,791,989
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at December 31, 2023: (5)	$ (2,218)	$ —	$ 275.913
Changes in unrealized gains (losses) included in AOCI for the instruments still held at December 31, 2023: (5)	$ 7,744	$ —	$ 58.149

(1) Amortization of premium/accretion of discount is included within net investment income. Impairments charged to net income (loss) on securities are included in net investment gains (losses).

(2) Interest and dividend accruals, as well as cash interest coupons and dividends received, are excluded from the rollforward.

(3) Items purchased/issued and then sold/settled in the same period are excluded from the rollforward.

(4) Items transferred into and then out of Level 3 in the same period are excluded from the rollforward.

(5) Changes in unrealized gains (losses) included in net income (loss) and included in AOCI relate to assets and liabilities still held at the end of the respective periods. Substantially all changes in unrealized gains (losses) included in net income (loss) for net derivatives and net embedded derivatives are reported in net derivative gains (losses).

(6) Comprised of U.S. and foreign corporate securities.

(7) Embedded derivative assets and liabilities are presented net for purposes of the rollforward.

9. Fair Value (continued)

Fair Value of Financial Instruments Carried at Other Than Fair Value

The following tables provide fair value information for financial instruments that are carried on the balance sheet at amounts other than fair value. These tables exclude the following financial instruments: cash and cash equivalents, accrued investment income and derivative collateral payable for reinsurance transactions. The Company believes that due to the short-term nature of these excluded assets, which are primarily classified in Level 2, the estimated fair value approximates carrying value. All remaining balance sheet amounts excluded from the tables below are not considered financial instruments subject to this disclosure.

The carrying values and estimated fair values for such financial instruments, and their corresponding placement in the fair value hierarchy, are summarized as follows at:

	December 31, 2023				
		Fair Value Hierarchy			
	Carrying Value	Level 1	Level 2	Level 3	Total Estimated Fair Value
			(In thousands)		
Assets					
Premiums, reinsurance and other receivables	$ 101,653	$ —	$ 101,653	$ —	$ 101,653
Liabilities					
Other liabilities	$ 3,445	$ —	$ 3,445	$ —	$ 3,445

10. Letters of Credit

At December 31, 2023, the Company had access to certain letter of credit agreements totaling $3.0 billion in letter of credit capacity from various banks indirectly through letters of credit available to MetLife for the benefit of the Company and certain other affiliates of MetLife. At December 31, 2023, the Company had $15 million in outstanding letters of credit.

Letters of credit outstanding and available to MetLife and its affiliates at December 31, 2023, were as follows:

Borrower(s)	Expiration	Maximum Capacity	Used by the Company	Used by Affiliates	Unused Commitments
			(In thousands)		
MetLife and MetLife Funding, Inc.	May 2028 (1)	$ 3,000,000 (1)	$ 15,274	$ 282,216	$ 2,702,510

(1) In May 2023, this unsecured revolving credit facility was amended and restated to, among other things, extend the maturity date. All borrowings under the facility must be repaid by May 8, 2028, except that letters of credit outstanding on that date may remain outstanding until no later than May 8, 2029.

11. Equity

Additional Paid in Capital

During 2023, the Company had a return of capital of $150 million in the form of cash to its parent, Swiss II.

Capital and Solvency Return

The capital and solvency return is an annual return relating to an insurer's risk management practices and to the information used by an insurer to calculate its enhanced capital requirement ("ECR") and target capital level ("TCL") as may be prescribed by or under Rules made under section 6A of the Act. Every Class E insurer shall submit to the Bermuda Monetary Authority ("the BMA") a completed capital and solvency return on or before its filing date.

The capital and solvency return is used to calculate an insurer's ECR, an additional capital and surplus requirement imposed by or under Rules made under section 6A of the Act. The ECR of an insurer at the end of its relevant year is the higher of the Bermuda Solvency Capital Requirement ("the BSCR") model and an approved internal capital model, provided that the ECR amount is equal to or exceeds the Minimum Margin of Solvency. The TCL, a target level of capital and surplus, of an insurer is calculated as 120% of the ECR.

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 is 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 each 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.

Relevant capital and solvency regulations are used to measure and report the Company's financial strength. These measures are based on the BMA's regulatory requirements. The regulatory capital tests verify that the Company retains an excess of solvency capital above the required minimum level calculated using a series of prudent assumptions about the type of business that is underwritten. The Company fully complied with these regulatory requirements during the year.

Since the Company is registered under the Act, amendments thereto and related regulations, the Company is required to maintain minimum levels of solvency. For the year ended December 31, 2023, these requirements have also been met. The minimum required statutory capital and surplus was $164 million and actual statutory capital and surplus was $304 million at December 31, 2023.

No cash dividends were paid during the year ended December 31, 2023.

Dividend Restrictions

The Company may not pay dividends during any financial year 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 pay a dividend unless the value of the Company's long-term business fund (as certified by the Company's Appointed Actuary) exceeds its insurance and other liabilities.

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

Any dividend or distribution from the Company's retained earnings (accumulated deficit) that otherwise meets the foregoing conditions may generally be paid without regulatory approval. Any return of contributed capital that would reduce

11. Equity (continued)

the Company's total statutory capital (share capital and contributed surplus), as reported in the Company's previous year's financial statements, by 15% or more must be approved by the BMA.

Moreover, dividends up to 25% of total statutory Capital and Surplus require entity Board approval and the Company will provide courtesy notice to the BMA. Dividends above 25% of statutory Capital and Surplus require entity Board approval and an affidavit with BMA approval at least 7 days before payment, signed by 2 Directors and the Principal Representative.

Accumulated Other Comprehensive Income (Loss)

Information regarding changes in the balances of each component of AOCI was as follows:

	Unrealized Investment Gains (Losses), Net of Related Offsets (1)	Future Policy Benefits Discount Rate Remeasurement Gains (Losses)	Market Risk Benefits Instrument-Specific Credit Risk Remeasurement Gains(Losses)	Foreign Currency Translation Adjustments	Total
			(In thousands)		
Balance at January 1, 2023	$ (1,924,222)	$ —	$ —	$ 37,672	$ (1,886,550)
Cumulative effects of changes in accounting principles	—	43,387	42,007	4,212	89,606
OCI before reclassifications	188,840	(1,860)	(31,137)	5,599	161,442
AOCI before reclassifications	(1,735,382)	41,527	10,870	47,483	(1,635,502)
Amounts reclassified from AOCI	39,234	—	—	—	39,234
Balance at December 31, 2023	$ (1,696,148)	$ 41,527	$ 10,870	$ 47,483	$ (1,596,268)

(1) Primarily unrealized gains (losses) on fixed maturity securities. Includes Instrument specific credit risk measurement gains (losses) on FVO liabilities of $238 million at December 31, 2023.

Information regarding amounts reclassified out of each component of AOCI was as follows:

AOCI Components	Year Ended December 31, 2023 — Amounts Reclassified from AOCI	Statements of Operations Locations
	(In thousands)	
Net unrealized investment gains (losses):		
Net unrealized investment gains (losses)	$ (39,428)	Net investment gains (losses)
Net unrealized investment gains (losses)	194	Net investment income
Total reclassifications	$ (39,234)	

12. Other Expenses

Information on other expenses was as follows:

		December 31, 2023
		(In thousands)
General and administrative expenses	$	1,326
Premium taxes, other taxes, and licenses & fees		260
Commissions and other variable expenses		140,621
Amortization of DAC and VOBA		8,681
Total other expenses	$	150,888

Capitalization of DAC and Amortization of DAC and VOBA

See Note 5 for additional information on DAC and VOBA including impacts of capitalization and amortization.

Affiliated Expenses

See Notes 6 and 15 for a discussion of affiliated expenses related to reinsurance and service agreement transactions, respectively, included in the table above.

13. Income Tax

Deferred income tax represents the tax effect of the differences between the book and tax bases of assets and liabilities. Net deferred income tax assets and liabilities consisted of the following at:

		December 31, 2023
		(In thousands)
Net unrealized investment losses	$	246,545
Less: Valuation allowance		(246,545)
Net deferred income tax asset (liability)	$	—

In 2023, Bermuda enacted the Bermuda Corporate Income Tax. As a result of the change in tax law, a deferred tax asset with an offsetting valuation allowance were recorded for the year ended December 31, 2023 as management believes it is more likely than not that the deferred tax asset will not be realized.

The Company operates in jurisdictions outside of Bermuda for which foreign withholding is recorded as required by the jurisdiction

There are no uncertain tax positions that would require recognition in the financial statements. If the Company were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. No interest expense or penalties have been recognized for the year ended December 31, 2023. The Company does not expect that its assessment regarding unrecognized tax positions will materially change over the next 12 months. However, the Company's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors including but not limited to, questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions, compliance with U.S., State and Foreign income tax laws, and changes in administrative practices and precedents of the relevant taxing authorities. Generally, the Company is subject to income tax examinations for all tax years since its inception.

14. Contingencies, Commitments and Guarantees

There is no pending or threatened litigation, claim or assessment against the Company that would constitute a material loss contingency.

14. Contingencies, Commitments and Guarantees (continued)

Various litigation, claims or assessments against the Company may arise in the ordinary course of the Company's business. Liabilities for litigations, claims or assessments are established when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company regularly reviews relevant information with respect to liabilities for litigation, regulatory investigations and litigation-related contingencies to be reflected in the Company's financial statements. Based on information currently known by the Company's management, in its opinion, there are no current legal proceedings, likely to have such an effect. However, it is possible that an adverse outcome in a litigation matter, should such a litigation matter arise in the future, could have a material effect on the Company's net income or cash flows.

15. Other Related Party Transactions

Service Agreements

The Company has entered into various agreements with affiliates for a range of administrative and other services necessary to conduct its activities. The bases for such charges (excluding the related investment service charges referenced in Note 7) are modified and adjusted by management when necessary or appropriate to reflect fairly and equitably the actual cost incurred by the Company and/or affiliate. Expenses and fees incurred with affiliates related to these agreements, recorded in other expenses, were $0.4 million for the year ended December 31, 2023.

The Company had net receivables (payables) to affiliates, related to the items discussed above, of $0.3 million at December 31, 2023.

See Note 6 and Note 7 for additional related party transactions.

16. Subsequent Event

The Company has evaluated events subsequent to December 31, 2023, and through April 23, 2024, which is the date these financial statements were available to be issued, has determined there are no material subsequent events requiring adjustment to or disclosure in the financial statements.

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