

MetLife Reinsurance Company of Hamilton, Ltd.

Financial Statements

As of December 31, 2023 and for the Period from March 29, 2023 (Date of Inception) through December 31, 2023

and Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of MetLife Reinsurance Company of Hamilton, 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 period from March 29, 2023 to December 31, 2023, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the period 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 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.

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 Hamilton, 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 18, 2024

MetLife Reinsurance Company of Hamilton, 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 (amortized cost: \$7,123,688)	\$ 7,451,150
Funds withheld at interest	122,000
Mortgage secured loans (net of allowance for credit loss of \$745)	147,024
Real estate joint ventures	185,550
Total investments	7,905,724
Cash and cash equivalents, principally at estimated fair value	396,547
Accrued investment income	62,553
Premiums, reinsurance and other receivables	144,137
Deferred policy acquisition costs	522,645
Total assets	\$ 9,031,606
Liabilities and Equity	
Liabilities	
Future policy benefits	\$ 125,824
Policyholder account balances	8,198,461
Other policy-related balances	5,144
Current income tax payable	31,084
Deferred income tax liability	11,918
Other liabilities	4,541
Total liabilities	8,376,972
Contingencies, Commitments and Guarantees (Note 12)	
Equity:	
MetLife Reinsurance Company of Hamilton, Ltd.'s equity:	
Common stock, par value \$1.00 per share; 250,000 shares authorized, issued and outstanding	\$ 250
Additional paid-in capital	449,750
Retained earnings (accumulated deficit)	(53,472)
Accumulated other comprehensive income (loss)	258,106
Total equity	654,634
Total liabilities and equity	\$ 9,031,606

See accompanying notes to the financial statements.

MetLife Reinsurance Company of Hamilton, Ltd.

Statement of Operations
For the Period March 29, 2023 (Date of Inception) through December 31, 2023

(In thousands)

	2023
Revenues	
Premiums	\$ 129,158
Universal life and investment-type product policy fees	9,266
Net investment income	134,630
Net investment gains (losses)	(62,544)
Net derivative gains (losses)	(2,708)
Other revenues	1,542
Total revenues	<u>209,344</u>
Expenses	
Policyholder benefits and claims	118,574
Policyholder liability remeasurement (gains) losses	14
Interest credited to policyholder account balances	125,206
Other expenses	33,209
Total expenses	<u>277,003</u>
Income (loss) before provision for income tax	(67,659)
Provision for income tax expense (benefit)	(14,187)
Net income (loss)	<u>\$ (53,472)</u>

See accompanying notes to the financial statements.

MetLife Reinsurance Company of Hamilton, Ltd.

**Statement of Comprehensive Income (Loss)
For the Period March 29, 2023 (Date of Inception) through December 31, 2023**

(In thousands)

	2023
Net income (loss)	\$ (53,472)
Other comprehensive income (loss):	
Unrealized investment gains (losses), net of related offsets	327,546
Policyholder liability remeasurement (gains) losses	(830)
Other comprehensive income (loss), before income tax	326,716
Income tax (expense) benefit related to items of other comprehensive income (loss)	(68,610)
Other comprehensive income (loss), net of income tax	258,106
Comprehensive income (loss)	<u>\$ 204,634</u>

See accompanying notes to the financial statements.

MetLife Reinsurance Company of Hamilton, Ltd.

Statement of Equity

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

(In thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance at March 29, 2023	\$ —	\$ —	\$ —	\$ —	\$ —
Common stock issued	250				250
Capital contributions from MetLife, Inc.		449,750			449,750
Net income (loss)			(53,472)		(53,472)
Other comprehensive income (loss), net of income tax				258,106	258,106
Balance at December 31, 2023	<u>\$ 250</u>	<u>\$ 449,750</u>	<u>\$ (53,472)</u>	<u>\$ 258,106</u>	<u>\$ 654,634</u>

See accompanying notes to the financial statements.

MetLife Reinsurance Company of Hamilton, Ltd.

Statement of Cash Flows

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

(In thousands)

	2023
Cash flows from operating activities	
Net income (loss)	\$ (53,472)
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	(26,718)
(Gains) losses on investments, net	62,544
(Gains) losses on derivatives, net	2,708
Interest credited to policyholder account balances	125,206
Change in accrued investment income	(62,553)
Change in premiums, reinsurance and other receivables	(143,316)
Change in deferred policy acquisition costs	(522,645)
Change in income tax	(25,608)
Change in future policy benefits and policy-related balances	130,138
Change in other liabilities	4,049
Other, net	(196)
Net cash provided by (used in) operating activities	<u>(509,863)</u>
Cash flows from investing activities	
Sales, maturities and repayments of:	
Fixed maturity securities available-for-sale	2,735,764
Mortgage secured loans	103
Short-term investments	49,787
Purchases and originations of:	
Fixed maturity securities available-for-sale	(9,053,018)
Mortgage secured loans	(147,856)
Real estate joint ventures	(185,550)
Short-term investments	(49,187)
Net change in funds withheld at interest	(124,707)
Other, net	(31)
Net cash provided by (used in) investing activities	<u>(6,774,695)</u>
Cash flows from financing activities	
Policyholder account balances - deposits	7,270,320
Policyholder account balances - withdrawals	(39,215)
Capital contributions from MetLife, Inc.	449,750
Common stock issued	250
Net cash provided by (used in) financing activities	<u>7,681,105</u>
Change in cash and cash equivalents	396,547
Cash and cash equivalents, beginning of period	—
Cash and cash equivalents, end of period	<u><u>\$ 396,547</u></u>
Supplemental disclosures of cash flow information	
Net cash paid (received) for:	
Income tax	\$ 11,421
Non-cash transaction:	
Fixed maturity securities available-for-sale received in connection with affiliated reinsurance transactions	\$ 842,346
Increase (decrease) in policyholder account balances in connection with affiliated reinsurance transactions	<u><u>\$ 842,346</u></u>

See accompanying notes to the financial statements.

MetLife Reinsurance Company of Hamilton, Ltd.

Notes to the Financial Statements

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

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

Business

MetLife Reinsurance Company of Hamilton, Ltd. (the “Company”) is a wholly-owned subsidiary of MetLife, Inc. (“MetLife”).

The company was incorporated on February 23, 2023 and licensed as a Class E Insurer on March 29, 2023 under the Bermuda Insurance Act of 1978 (the “Act”). The Company engages in traditional and financial reinsurance of life insurance, group annuity contracts and single premium whole life policies, with affiliates.

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.

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
Deferred Policy Acquisition Costs	4
Reinsurance	5
Investments	6
Derivatives	7
Fair Value	8
Income Tax	11
Contingencies, Commitments and Guarantees	12

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 which are each 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.

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

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

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 inception. 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 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. A cohort level locked-in discount rate was developed that reflected the interest accretion rates that were locked in at the acquisition date for contracts acquired through an assumed in-force reinsurance transaction. 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 corporate single A rate that reflects the duration characteristics of the liability. The upper-medium grade discount rate for the products that are included in the disaggregated rollforwards in Note 2 which are issued in the U.S. is determined by using observable market data, including published single A curves. 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.

For limited-payment long-duration contracts, such as pension risk transfers, 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

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

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

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.

Policyholder Account Balances

Policyholder account balances (“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.

Other Policy-Related Balances

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.

Recognition of Insurance Revenues and Deposits

Premiums related to assumed pension risk transfers 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.

Deposits related to universal life and investment-type products are credited to PABs. 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. Amounts that are charged to earnings include interest credited and benefit claims incurred in excess of related PABs.

Deferred Policy Acquisition Costs

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 deferred policy acquisition costs (“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.

DAC is amortized on a constant-level basis that approximates straight-line amortization on an individual contract basis over expected benefit payments for pension risk transfers, and all other long-duration products are generally amortized in proportion to policy count.

See Note 4 for additional information on DAC amortization. Amortization of DAC is included in other expenses.

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

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

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, 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 is established at the inception of the reinsurance coverage for new reinsurance agreements. 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, 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

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

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

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, prepayment fees and equity method income 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 impairment losses on all other asset classes 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 mortgage secured loans 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 AFS and mortgage secured loans.

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 deferred income taxes. 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 6 “— 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 6 “— Investments — Fixed Maturity Securities AFS — 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

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

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

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.

Mortgage Secured Loans

The Company disaggregates its mortgage secured loan investments into two portfolio segments: commercial and agricultural. Also included in the commercial segment are revolving line of credit loans collateralized by commercial properties. The accounting policies that are applicable to all portfolio segments are presented below and the accounting policies related to each of the portfolio segments are included in Note 6.

The Company recognizes an ACL in earnings within net investment gains (losses) at time of purchase based on expected lifetime credit loss on financing receivables carried at amortized cost, including, but not limited to, mortgage secured loans in an amount that represents the portion of the amortized cost basis of such financing receivables that the Company does not expect to collect, resulting in financing receivables being presented at the net amount expected to be collected.

The Company ceases to accrue interest when the collection of interest is not considered probable, which is based on a current evaluation of the status of the borrower, including the number of days past due. When a loan is placed on non-accrual status, uncollected past due accrued interest income that is considered uncollectible is charged-off against net investment income. Generally, the accrual of interest income resumes after all delinquent amounts are paid and management believes all future principal and interest payments will be collected. The Company records cash receipts on non-accruing loans in accordance with the loan agreement. The Company records charge-offs of mortgage secured loan balances not considered collectible upon the realization of a credit loss, for commercial and agricultural mortgage secured loans typically through foreclosure or after a decision is made to sell a loan. The charge-off is recorded in net investment gains (losses), net of amounts recognized in ACL. Cash recoveries on principal amounts previously charged-off are generally reported in net investment gains (losses).

Mortgage secured loans represent mortgage loan participation interests acquired from an affiliate which are stated at unpaid principal balance, adjusted for any unamortized premium or discount, deferred fees or expenses, and are net of ACL. 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 deferred expenses and accretion of discount and deferred fees.

Real Estate Joint Ventures

The Company uses the equity method of accounting for real estate joint ventures (“investee”) when it has more than a minor ownership interest or more than a minor influence over the investee’s operations but does not hold a controlling financial interest, including when the Company is not deemed the primary beneficiary of variable interest entities (“VIEs”). Under the equity method, the Company recognizes its share of the investee’s earnings within net investment income. Contributions paid by the Company increase carrying value and distributions received by the Company reduce carrying value. The Company generally recognizes its share of the investee’s earnings on a three-month lag in instances where the investee’s financial information is not sufficiently timely or when the investee’s reporting period differs from the Company’s reporting period.

The Company routinely evaluates its equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amount is not recoverable and exceeds its estimated fair value. When it is determined

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

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

an equity method investment has had a loss in value that is other than temporary, an impairment is recognized. Such an impairment is charged to net investment gains (losses).

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 agreement. 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).

Other Revenues

Other revenues consists of interest on funds withheld.

Derivatives

Embedded Derivatives

The Company assumes reinsurance under a modified coinsurance agreement. The Company assesses each embedded derivative to determine whether it is required to be bifurcated. The embedded derivative is bifurcated from the host contract and accounted for as a freestanding derivative if:

- the contract or contract feature does not meet the definition of a market risk benefit;
- the combined instrument is not accounted for in its entirety at fair value with changes in fair value recorded in earnings;
- the terms of the embedded derivative are not clearly and closely related to the economic characteristics of the host contract; and
- a separate instrument with the same terms as the embedded derivative would qualify as a derivative instrument.

Such embedded derivatives are carried on the balance sheet at estimated fair value with the host contract and changes in their estimated fair value are generally reported in net derivative gains (losses). If the Company is unable to properly identify and measure an embedded derivative for separation from its host contract, the entire contract is carried on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income. Additionally, the Company may elect to carry an entire contract on the balance sheet at estimated fair value, with changes in estimated fair value recognized in the current period in net investment gains (losses) or net investment income if that contract contains an embedded derivative that requires bifurcation.

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.

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

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

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

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.

Income Tax

The Company will be a stand-alone filer for next 5 tax years until the return tax year 2029. The Company files income tax returns with the U.S. federal government.

Deferred income tax assets and liabilities resulting from temporary differences between the financial reporting and tax basis of assets and liabilities are measured at the balance sheet date using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse.

The realization of deferred income tax assets depends upon the existence of sufficient taxable income within the carryback or carryforward periods under the tax law in the applicable tax jurisdiction. Valuation allowances are established when management determines, based on available information, that it is more likely than not that deferred income tax assets will not be realized. Significant judgment is required in determining whether valuation allowances should be established, as well as the amount of such allowances. When making such determination, consideration is given to, among other things, the following:

- future taxable income exclusive of reversing temporary differences and carryforwards;
- future reversals of existing taxable temporary differences;
- taxable income in prior carryback years; and
- tax planning strategies.

The Company may be required to change its provision for income taxes in certain circumstances. Examples of such circumstances include when estimates used in determining valuation allowances on deferred tax assets significantly change or when receipt of new information indicates the need for adjustment in valuation allowances. Additionally, future events, such as changes in tax laws, tax regulations, or interpretations of such laws or regulations, could have an impact on the provision for income tax and the effective tax rate. Any such changes could significantly affect the amounts reported in the financial statements in the year these changes occur.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. Unrecognized tax benefits due to tax uncertainties that do not meet the threshold are included within other liabilities and are charged to earnings in the period that such determination is made.

The Company classifies interest recognized as interest expense and penalties recognized as a component of income tax expense.

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

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

Recent Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (“FASB”) in the form of accounting standards updates (“ASUs”) to the FASB Accounting Standards Codification. The Company considers the applicability and impact of all ASUs. The following table provides a description of ASUs recently issued by the FASB and the impact of their adoption on the Company’s financial statements.

Future Adoption of Accounting Pronouncements

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, <i>Income Taxes (Topic 740): Improvements to Income Tax Disclosures</i>	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	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.

2. Future Policy Benefits

The Company establishes liabilities for amounts payable under assumed insurance policies. These liabilities are comprised of limited-payment contracts and associated DPLs.

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

1. Future Policy Benefits (continued)

	<u>December 31, 2023</u>
	<u>(In thousands)</u>
Limited-Payment Contracts:	
Pension risk transfers	\$ 90,166
DPL:	
Pension risk transfers	35,658
Total	<u>\$ 125,824</u>

Rollforward

The following information about the assumed liability for future policy benefits includes a disaggregated rollforward of expected future net premiums and expected future benefits. The adjusted balance in the disaggregated rollforward reflects the remeasurement (gains) losses.

Pension Risk Transfers

The Company's assumed pension risk transfers are mainly a single premium spread-based product. Information regarding this product was as follows:

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

2. Future Policy Benefits - continued

	Period Ended December 31, 2023 (Dollars in thousands)
Present Value of Expected Net Premiums	
Balance at March 29, at current discount rate at balance sheet date	\$ —
Balance at March 29, at original discount rate	\$ —
Effect of changes in cash flow assumptions (1)	—
Effect of actual variances from expected experience (2)	—
Adjusted balance	—
Issuances	91,705
Net premiums collected	(91,705)
Balance at December 31, at original discount rate	—
Balance at December 31, at current discount rate at balance sheet date	\$ —
Present Value of Expected Future Policy Benefits	
Balance at March 29, at current discount rate at balance sheet date	\$ —
Balance at March 29, at original discount rate	\$ —
Effect of changes in cash flow assumptions (1)	(843)
Effect of actual variances from expected experience (2)	1,434
Adjusted balance	591
Issuances	91,705
Interest accrual	2,272
Benefit payments	(5,232)
Balance at December 31, at original discount rate	89,336
Effect of changes in discount rate assumptions	830
Balance at December 31, at current discount rate at balance sheet date	90,166
Net liability for future policy benefits	\$ 90,166
Undiscounted - Expected future benefit payments	\$ 134,762
Discounted - Expected future benefit payments (at current discount rate at balance sheet date)	\$ 90,166
Weighted-average duration of the liability	7 years
Weighted-average interest accretion (original locked-in) rate	5.1 %
Weighted-average current discount rate at balance sheet date	5.0 %
Gross premiums (3)	\$ 129,158
Interest expense (4)	\$ 2,272
DPL - Interest expense (4)	\$ 937

- (1) For the period ended December 31, 2023, the net effect of changes in cash flow assumptions was substantially offset by the corresponding impact in DPL associated with the pension risk transfer products of \$843 thousand.
- (2) For the period ended December 31, 2023, the net effect of actual variances from expected experience was substantially offset by the corresponding impact in DPL associated with the pension risk transfer products of (\$1,419) thousand.
- (3) Gross premiums are related to traditional and limited-payment contracts and are included in premiums.
- (4) Interest expense is included in policyholder benefits and claims.

Significant Methodologies and Assumptions

MetLife Reinsurance Company of Hamilton, Ltd.

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

2. Future Policy Benefits - continued

The principal inputs used in the establishment of the FPB for the annuity product include actual premiums, actual benefits, in-force data, the locked-in interest accretion rate, the current upper-medium grade discount rate at the balance sheet date and best estimate mortality assumptions.

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

	December 31, 2023
	(In thousands)
Fixed Annuities	\$ 4,621,906
Universal Life	3,576,555
Total	<u>\$ 8,198,461</u>

Rollforwards

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

Fixed Annuities

The assumed fixed annuity PABs were as follows:

	Period Ended December 31, 2023
	(Dollars in thousands)
Balance at March 29,	\$ —
Deposits	4,574,468
Policy charges	—
Surrenders and withdrawals	(17,083)
Benefit payments	(3,559)
Interest credited	68,080
Balance at December 31,	<u>\$ 4,621,906</u>
Weighted-average annual crediting rate	<u>3.0 %</u>
At period end:	
Cash surrender value	<u>\$ 4,149,865</u>
Net amount at risk, excluding offsets from reinsurance:	
In the event of death (1)	<u>\$ —</u>

MetLife Reinsurance Company of Hamilton, Ltd.

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

3. Policyholder Account Balances (continued)

- (1) 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.

The fixed annuities account values by range of guaranteed minimum crediting rates (“GMCR”) and the related range of differences between rates being credited to policyholders and the respective guaranteed minimums were as follows at:

Range of GMCR	At GMCR	Greater than 0% but less than 0.50% above GMCR	Equal to or greater than 0.50% but less than 1.50% above GMCR	Equal to or greater than 1.50% above GMCR	Total Account Value
(In thousands)					
December 31, 2023					
Equal to or greater than 0% but less than 2%	\$ —	\$ —	\$ —	\$ 4,621,906	\$ 4,621,906
Equal to or greater than 2% but less than 4%	—	—	—	—	—
Products with either a fixed rate or no GMCR	N/A	N/A	N/A	N/A	—
Total	\$ —	\$ —	\$ —	\$ 4,621,906	\$ 4,621,906

Universal Life

The assumed universal life PABs were as follows:

	Period Ended December 31, 2023 (Dollars in thousands)
Balance at March 29,	\$ —
Deposits	3,546,992
Policy charges	(8,990)
Surrenders and withdrawals	(14,278)
Benefit payments	(4,296)
Interest credited	57,127
Balance at December 31,	<u>\$ 3,576,555</u>
Weighted-average annual crediting rate	<u>3.3 %</u>
At period end:	
Cash surrender value	<u>\$ 3,595,590</u>
Net amount at risk, excluding offsets from reinsurance:	
In the event of death (1)	<u>\$ 7,799,747</u>

- (1) 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.

MetLife Reinsurance Company of Hamilton, Ltd.

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

3. Policyholder Account Balances (continued)

The universal life account values by range of GMCR and the related range of differences between rates being credited to policyholders and the respective guaranteed minimums were as follows at:

Range of GMCR	At GMCR	Greater than 0% but less than 0.50% above GMCR	Equal to or greater than 0.50% but less than 1.50% above GMCR	Equal to or greater than 1.50% above GMCR	Total Account Value
(In thousands)					
December 31, 2023					
Equal to or greater than 0% but less than 2%	\$ —	\$ —	\$ —	\$ 863,825	\$ 863,825
Equal to or greater than 2% but less than 4%	—	—	—	2,712,730	2,712,730
Equal to or greater than 4%	—	—	—	—	—
Products with either a fixed rate or no GMCR	N/A	N/A	N/A	N/A	—
Total	\$ —	\$ —	\$ —	\$ 3,576,555	\$ 3,576,555

4. Deferred Policy Acquisition Costs

Information regarding total DAC was as follows at:

	December 31, 2023
	(In thousands)
DAC (1):	
Balance at March 29,	\$ —
Capitalizations	541,384
Amortization	(18,739)
Balance at December 31,	\$ 522,645

(1) Includes DAC balances primarily related to assumed fixed annuities and universal life products.

Significant Methodologies and Assumptions

The Company amortizes DAC 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.

5. Reinsurance

The Company assumes insurance risk only from 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 6.

MetLife Reinsurance Company of Hamilton, Ltd.

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

5. Reinsurance (continued)

Related Party Reinsurance Transactions

The Company has reinsurance agreements with certain of MetLife Inc. subsidiaries, including MetLife Insurance K.K. (“MLJ”) and Metropolitan Tower Life Insurance Company (“MTL”) which are both related parties.

In June 2023, the Company entered into an agreement to assume certain group annuity contracts issued in connection with a qualifying pension risk transfer on a modified coinsurance basis with MTL. The significant impacts to the Company were primarily increases in funds withheld at interest of \$122 million, premiums, reinsurance and other receivables of \$15 million, future policy benefits of \$126 million and other policy-related balances of \$3 million at December 31, 2023. Also, the Company recorded premiums of \$129 million, policyholder benefits and claims of \$118 million and other expenses of \$13 million for the period ended December 31, 2023.

Effective April 1, 2023, the Company entered into an agreement with MLJ to reinsure certain single premium nursing care whole life policies and single premium whole life policies with coupon. The significant impacts to the Company were primarily increases in deferred policy acquisition costs of \$523 million, premiums, reinsurance and other receivables of \$128 million, policyholder account balance of \$8,198 million, other policy-related balances of \$3 million and other liabilities of \$4 million at December 31, 2023. Also, the company recorded universal life and investment-type product policy fees of \$9 million, interest credited to policyholder account balances of \$125 million and other expenses of \$20 million for the period ended December 31, 2023.

6. Investments

See Note 8 for information about the fair value hierarchy for investments and the related valuation methodologies.

Investment Risks and Uncertainties

Investments are exposed to the following primary sources of risk: credit, interest rate, liquidity, market valuation, currency and real estate 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 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 and collateralized loan obligations (“ABS & CLO”), 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. Residential mortgage-backed securities (“RMBS”) includes agency, prime, prime investor, non-qualified residential mortgage, alternative and reperforming mortgage-backed securities. ABS & CLO includes securities collateralized by corporate loans and consumer loans. Municipals includes taxable

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

6. Investments (continued)

and tax-exempt revenue bonds, and to a much lesser extent, general obligations of states, municipalities and political subdivisions. Commercial mortgage-backed securities (“CMBS”) primarily includes securities collateralized by multiple commercial mortgage loans. RMBS, ABS & CLO and CMBS are, collectively, “Structured Products.”

Sector	December 31, 2023					Estimated Fair Value
	Amortized Cost	ACL	Gross Unrealized			
			Gains	Losses		
(In thousands)						
U.S. government and agency	\$ 2,413,724	\$ —	\$ 139,070	\$ 29,665	\$ 2,523,129	
U.S. corporate	2,267,619	—	121,944	1,035	2,388,528	
RMBS	849,229	—	38,344	838	886,735	
Foreign corporate	504,385	—	26,947	26	531,306	
CMBS	410,158	—	11,123	1,403	419,878	
Municipals	350,462	—	12,290	156	362,596	
Foreign government	174,696	—	9,386	63	184,019	
ABS & CLO	153,415	—	1,602	58	154,959	
Total fixed maturity securities AFS	\$ 7,123,688	\$ —	\$ 360,706	\$ 33,244	\$ 7,451,150	

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.

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	\$ 3,145	\$ 78,054	\$ 1,543,161	\$ 4,086,526	\$ 1,412,802	\$ 7,123,688
Estimated fair value	\$ 3,067	\$ 81,278	\$ 1,603,454	\$ 4,301,779	\$ 1,461,572	\$ 7,451,150

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.

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

6. Investments (continued)

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.

Sector & Credit Quality	December 31, 2023			
	Less than 12 Months		Equal to or Greater than 12 Months	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In thousands, except number of securities)			
U.S. government and agency	1,083,261	29,665		
U.S. corporate	\$ 82,791	\$ 1,035	\$ —	\$ —
RMBS	136,690	838	—	—
Foreign corporate	6,803	26	—	—
CMBS	69,288	1,403		
Municipals	12,133	156	—	—
Foreign government	27,720	63		
ABS & CLO	44,629	58	—	—
Total fixed maturity securities AFS	\$ 1,463,315	\$ 33,244	\$ —	\$ —
Investment grade	\$ 1,458,874	\$ 33,164	\$ —	\$ —
Below investment grade	4,441	80	—	—
Total fixed maturity securities AFS	\$ 1,463,315	\$ 33,244	\$ —	\$ —
Total number of securities in an unrealized loss position	74		—	

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 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.

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

6. Investments (continued)

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.

During the period ended December 31, 2023, there were no provision for credit loss recorded on fixed maturity securities AFS and accordingly, there was no ACL at December 31, 2023.

Evaluation of Fixed Maturity Securities AFS in an Unrealized Loss Position

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.

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

6. Investments (continued)

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.

*Mortgage Secured Loans**Mortgage Secured Loans by Portfolio Segment*

Mortgage secured loans are summarized as follows at:

Portfolio Segment	December 31, 2023	
	Carrying Value	% of Total
	(In thousands)	
Mortgage secured loans:		
Commercial	\$ 147,769	100.5 %
Total amortized cost	147,769	100.5
Allowance for credit loss	(745)	(0.5)
Total mortgage secured loans, net	<u>\$ 147,024</u>	<u>100.0 %</u>

The amount of net (discounts) premiums and deferred (fees) expenses, included within total amortized cost for all mortgage secured loans was (\$919) thousand at December 31, 2023. The accrued interest income excluded from total amortized cost for all mortgage secured loans was \$641 thousand at December 31, 2023.

The Company has a high quality, well performing mortgage secured loan portfolio, with all mortgage secured loans classified as performing at December 31, 2023.

The Company acquires mortgage loans from its affiliated mortgage origination company. The affiliate originates and acquires mortgage loans and the Company simultaneously purchases participation interests under a master participation agreement. The aggregate amount of mortgage secured loan participation interests purchased by the Company from such affiliate for the period ended December 31, 2023 was \$147.9 million. In connection with mortgage secured loan participations, the affiliate collected principal and interest payments on the Company's behalf and the affiliate remitted such payments to the Company in the amount of \$1.8 million for the period ended December 31, 2023.

Rollforward of Allowance for Credit Loss for Mortgage Secured Loans by Portfolio Segment

The rollforward of ACL for mortgage secured loans, by portfolio segment, is as follows:

	December 31, 2023	
	Commercial	Total
	(In thousands)	
Balance at March 29,	\$ —	\$ —
Provision (release)	745	745
Charge-offs, net of recoveries	—	—
Balance at December 31,	<u>\$ 745</u>	<u>\$ 745</u>

6. Investments (continued)

Allowance for Credit Loss Methodology

The Company records an allowance for expected lifetime credit loss in earnings within net investment gains (losses) in an amount that represents the portion of the amortized cost basis of mortgage secured loans that the Company does not expect to collect, resulting in mortgage secured loans being presented at the net amount expected to be collected. In determining the Company's ACL, management applies significant judgment to estimate expected lifetime credit loss, including: (i) pooling mortgage secured loans that share similar risk characteristics, (ii) considering expected lifetime credit loss over the contractual term of its mortgage secured loans adjusted for expected prepayments and any extensions, and (iii) considering past events and current and forecasted economic conditions. The ACL is calculated for commercial mortgage secured loan portfolio segment based on inputs unique to the commercial loan portfolio segment. On a quarterly basis, mortgage secured loans within this portfolio segment that share similar risk characteristics, such as internal risk ratings or consumer credit scores, are pooled for calculation of ACL. On an ongoing basis, mortgage secured loans with dissimilar risk characteristics (i.e., loans with significant declines in credit quality) and collateral dependent mortgage secured loans (i.e., when the borrower is experiencing financial difficulty, including when foreclosure is reasonably possible or probable) are evaluated individually for credit loss. For example, the ACL for a collateral dependent loan is established as the excess of amortized cost over the estimated fair value of the loan's underlying collateral, less selling cost when foreclosure is probable. Accordingly, the change in the estimated fair value of collateral dependent loans, which are evaluated individually for credit loss, is recorded as a change in the ACL which is recorded on a quarterly basis as a charge or credit to earnings in net investment gains (losses).

Commercial Mortgage Secured Loan Portfolio Segments

Commercial mortgage secured loan ACL is calculated by loan portfolio segment, commercial loans are pooled by internal risk rating. Estimated lifetime loss rates, which vary by internal risk rating, are applied to the amortized cost of each loan, excluding accrued investment income, on a quarterly basis to develop the ACL. Internal risk ratings are based on an assessment of the loan's credit quality, which can change over time. The estimated lifetime loss rates are based on several loan portfolio segment-specific factors, including (i) the Company's experience with defaults and loss severity, (ii) expected default and loss severity over the forecast period, (iii) current and forecasted economic conditions including growth, inflation, interest rates and unemployment levels, (iv) loan specific characteristics including loan-to-value ("LTV") ratios, and (v) internal risk ratings. These evaluations are revised as conditions change and new information becomes available. The Company uses its several decades of historical default and loss severity experience which capture multiple economic cycles. The Company uses a forecast of economic assumptions for a two-year period for most of its commercial mortgage secured loans, while a one-year period is used for loans originated in certain markets. After the applicable forecast period, the Company reverts to its historical loss experience using a straight-line basis over two years. For evaluations of commercial mortgage secured loans, in addition to historical experience, management considers factors that include the impact of a rapid change to the economy, which may not be reflected in the loan portfolio, recent loss and recovery trend experience as compared to historical loss and recovery experience, and loan specific characteristics including debt service coverage ratios ("DSCR"). In estimating expected lifetime credit loss over the term of its commercial mortgage secured loans, the Company adjusts for expected prepayment and extension experience during the forecast period using historical prepayment and extension experience considering the expected position in the economic cycle and the loan profile (i.e., floating rate, shorter-term fixed rate and longer-term fixed rate) and after the forecast period using long-term historical prepayment experience.

Commercial mortgage secured loans are reviewed on an ongoing basis, which review includes, but is not limited to, an analysis of the property financial statements and rent roll, lease rollover analysis, property inspections, market analysis, estimated valuations of the underlying collateral, LTV ratios, DSCR and tenant creditworthiness. The monitoring process focuses on higher risk loans, which include those that are classified as restructured, delinquent or in foreclosure, as well as loans with higher LTV ratios and lower DSCR.

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

6. Investments (continued)

For commercial mortgage secured loans, the primary credit quality indicator is the DSCR, which compares a property's net operating income to amounts needed to service the principal and interest due under the loan. Generally, the lower the DSCR, the higher the risk of experiencing a credit loss. The Company also reviews the LTV ratio of its commercial mortgage secured loan portfolio. LTV ratios compare the unpaid principal balance of the loan to the estimated fair value of the underlying collateral. Generally, the higher the LTV ratio, the higher the risk of experiencing a credit loss. The DSCR and the values utilized in calculating the ratio are updated routinely. In addition, the LTV ratio is routinely updated for all but the lowest risk loans as part of the Company's ongoing review of its commercial mortgage secured loan portfolio.

After loans are approved, the Company makes commitments to lend and, typically, borrowers draw down on some or all of the commitments. The timing of mortgage secured loan funding is based on the commitment expiration dates. A liability for credit loss for unfunded commercial mortgage secured loan commitments that are not unconditionally cancellable is recognized in earnings and is reported within net investment gains (losses). The liability is based on estimated lifetime loss rates as described above and the amount of the outstanding commitments, which for lines of credit, considers estimated utilization rates. When the commitment is funded or expires, the liability is adjusted accordingly.

Credit Quality of Mortgage Secured Loans by Portfolio Segment

The amortized cost of commercial mortgage secured loans by credit quality indicator and vintage year was as follows at December 31, 2023:

Credit Quality Indicator	2023	2022	2021	2020	2019	Prior	Total	% of Total
(Dollars in thousands)								
LTV ratios:								
Less than 65%	\$ 141,025	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 141,025	95.4 %
65% to 75%	—	2,834	—	—	—	—	2,834	1.9
76% to 80%	—	—	—	—	—	—	—	—
Greater than 80%	—	—	—	—	—	3,910	3,910	2.7
Total	\$ 141,025	\$ 2,834	\$ —	\$ —	\$ —	\$ 3,910	\$ 147,769	100 %
DSCR:								
> 1.20x	\$ 74,097	\$ 2,834	\$ —	\$ —	\$ —	\$ —	\$ 76,931	52.0 %
1.00x - 1.20x	29,000	—	—	—	—	3,910	32,910	22.3
<1.00x	37,928	—	—	—	—	—	37,928	25.7
Total	\$ 141,025	\$ 2,834	\$ —	\$ —	\$ —	\$ 3,910	\$ 147,769	100 %

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 \$231,488 thousand at December 31, 2023.

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 was as follows:

MetLife Reinsurance Company of Hamilton, Ltd.

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

6. Investments (continued)

	December 31, 2023
	(In thousands)
U.S. and Foreign Corporate	
MARS Inc.	\$ 91,324

Variable Interest Entities

The Company has invested in legal entities that are VIEs. In certain instances, the Company may hold both the power to direct the most significant activities of the entity, as well as an economic interest in the entity and, as such, would be deemed 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:

Asset Type	December 31, 2023	
	Carrying Amount	Maximum Exposure to Loss (1)
	(In thousands)	
Fixed maturity securities AFS (2)	\$ 1,496,391	\$ 1,496,391

- (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	Period Ended December 31, 2023
	(In thousands)
Fixed maturity securities AFS	\$ 121,133
Mortgage secured loans	2,592
Cash and cash equivalents	10,355
Other	1,433
Subtotal	135,513
Less: Investment expenses	883
Net investment income	\$ 134,630

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

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

6. Investments (continued)*Net Investment Gains (Losses) by Asset Type**Components of Net Investment Gains (Losses)*

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

Asset Type	Period Ended December 31, 2023 (In thousands)
Fixed maturity securities AFS	\$ (61,589)
Mortgage secured loans (including change in ACL recorded in earnings)	(930)
Other	(25)
Net investment gains (losses)	\$ (62,544)

Fixed Maturity Securities AFS – Composition of Net Investment Gains (Losses)

The composition of net investment gains (losses) for these securities is as follows. There were no provisions for credit loss or impairments for the period ended December 31, 2023.

Fixed Maturity Securities AFS	Period Ended December 31, 2023 (In thousands)
Proceeds from sales or disposals	\$ 2,719,372
Gross investment gains	\$ 18,875
Gross investment losses	(80,464)
Net investment gains (losses)	\$ (61,589)

Related Party Investment Transactions

The Company transfers invested assets to and from affiliates, primarily fixed maturity securities AFS and real estate joint ventures. Invested assets transferred were as follows:

	Period Ended December 31, 2023 (In thousands)
Estimated fair value of invested assets transferred from affiliates	\$ 1,589,158

The Company receives investment administrative services from an affiliate. The related investment administrative service charges were \$769 thousand for the period ended December 31, 2023.

7. Derivatives*Accounting for Derivatives*

See Note 1 for a description of the Company's accounting policies for derivatives and Note 8 for information about the fair value hierarchy for derivatives.

Notes to the Financial Statements — (continued)

7. Derivatives (continued)

Embedded Derivatives

The Company entered into a reinsurance agreement on a modified coinsurance basis that contains an embedded derivative which is required to be separated from its host contract and accounted for as a freestanding derivative.

The following table presents the estimated fair value and balance sheet location of the Company's embedded derivative that has been separated from its host contract at:

	<u>Balance Sheet Location</u>	<u>December 31, 2023</u>
		(In thousands)
Net embedded derivative within asset host contract:		
Funds withheld at interest	Funds withheld at interest	\$ (2,708)

The following table presents changes in estimated fair value related to the embedded derivative:

	<u>Period Ended</u>
	<u>December 31, 2023</u>
	(In thousands)
Net derivative gains (losses)	\$ (2,708)

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

8. 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.

Recurring Fair Value Measurements

The assets measured at estimated fair value on a recurring basis and their corresponding placement in the fair value hierarchy are presented below at:

	December 31, 2023			
	Fair Value Hierarchy			Total Estimated Fair Value
	Level 1	Level 2	Level 3	
(In thousands)				
Assets				
Fixed maturity securities AFS:				
U.S. government and agency	\$ 1,089,737	\$ 1,433,392	\$ —	\$ 2,523,129
U.S. corporate	—	2,139,533	248,995	2,388,528
RMBS	—	867,097	19,638	886,735
Foreign corporate	—	488,457	42,849	531,306
CMBS	—	419,878	—	419,878
Municipals	—	362,596	—	362,596
Foreign government	—	184,019	—	184,019
ABS & CLO	—	149,961	4,998	154,959
Total fixed maturity securities AFS	<u>1,089,737</u>	<u>6,044,933</u>	<u>316,480</u>	<u>7,451,150</u>
Embedded derivatives within asset host contract (1)	—	—	(2,708)	(2,708)
Total assets	<u>\$ 1,089,737</u>	<u>\$ 6,044,933</u>	<u>\$ 313,772</u>	<u>\$ 7,448,442</u>

8. Fair Value (continued)

- (1) Embedded derivative within asset host contracts are presented within fund withheld at interest on the balance sheet.

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

Investments

Securities

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 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.

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

8. Fair Value (continued)

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Fixed maturity securities AFS		
U.S. corporate and Foreign corporate securities		
	Valuation Approaches: Principally the market and income approaches. Key Inputs: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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 	Valuation Approaches: Principally the market approach. Key Inputs: <ul style="list-style-type: none"> • 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
U.S. government and agency securities, Municipals and Foreign government securities		
	Valuation Approaches: Principally the market approach. Key Inputs: <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • N/A
Structured Products		
	Valuation Approaches: Principally the market and income approaches. Key Inputs: <ul style="list-style-type: none"> • 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; DSCR • credit ratings • issuance-specific information, including, but not limited to: <ul style="list-style-type: none"> • collateral type; structure of the security; vintage of the loans • payment terms of the underlying assets • payment priority within the tranche; deal performance 	Valuation Approaches: Principally the market and income approaches. Key Inputs: <ul style="list-style-type: none"> • 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 • credit ratings

Embedded Derivatives

Embedded derivatives included within funds withheld at interest are related to an assumed reinsurance agreement. Embedded derivatives are recorded at estimated fair value with changes in estimated fair value reported in net income.

The estimated fair value of the embedded derivatives within funds withheld at interest related to the assumed reinsurance is determined based on the change in estimated fair value of the underlying assets held by the ceding company in a reference portfolio backing the funds withheld at interest. The estimated fair value of the underlying assets is determined as described in “—Investments — Securities.” The estimated fair value of these embedded derivatives is included, along with their underlying hosts, in funds withheld at interest in the balance sheet with changes in estimated fair value recorded in net derivative gains (losses). Changes in the credit spreads on the underlying assets, interest rates and market volatility may result in significant fluctuations in the estimated fair value of these embedded derivatives that could materially affect net income.

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

8. Fair Value (continued)

Embedded Derivatives Within Asset Host ContractsLevel 3 Valuation Approaches and Key Inputs:*Embedded derivatives within funds withheld related to certain assumed reinsurance*

These embedded derivatives are principally valued using the income approach. The valuations are based on present value techniques, which utilize significant inputs that may include the swap yield curves and the fair value of assets within the reference portfolio. These embedded derivatives result in Level 3 classification because one or more of the significant inputs are not observable in the market or cannot be derived principally from, or corroborated by, observable market data. Significant unobservable inputs generally include the fair value of certain assets within the reference portfolio which are not observable in the market and cannot be derived principally from, or corroborated by, observable market data.

Transfers between Levels

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

Transfers into or out of Level 3:

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 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 classes measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at:

	Valuation Techniques	Significant Unobservable Inputs	December 31, 2023			Weighted Average (1)	Impact of Increase in Input on Estimated Fair Value (2)
			Range				
Fixed maturity securities AFS (3)							
U.S. corporate and foreign corporate	• Matrix pricing	• Offered quotes (4)	73	-	118	100	Increase
	• Market pricing	• Quoted prices (4)	18	-	18	18	Increase
RMBS	• Market pricing	• Quoted prices (4)	70	-	99	88	Increase (5)
Embedded derivatives within asset host contracts (3)							
U.S. corporate and foreign corporate	• Matrix pricing	• Offered quotes (4)	76	-	100	88	Increase
	• Market pricing	• Quoted prices (4)	76	-	76	76	Increase

- (1) The weighted average for fixed maturity securities AFS is determined based on the estimated fair value of the securities.
- (2) The impact of a decrease in input would have resulted in the opposite impact on estimated fair value.
- (3) Significant increases (decreases) in expected default rates in isolation would have resulted in substantially lower (higher) valuations.

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

8. 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) Changes in the assumptions used for the probability of default would have been accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumptions used for prepayment rates.

Generally, all other classes of assets classified within Level 3 that are not included above use the same valuation techniques and significant unobservable inputs as previously described for Level 3. The sensitivity of the estimated fair value to changes in the significant unobservable inputs for these other assets is similar in nature to that described in the preceding table.

The following table summarizes the change of all assets measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Fixed Maturity Securities AFS		
	Corporate (6)	Structured Products	Embedded Derivatives (7)
	(In thousands)		
Balance, March 29, 2023	\$ —	\$ —	\$ —
Total realized/unrealized gains (losses) included in net income (loss) (1), (2)	1,016	45	(2,708)
Total realized/unrealized gains (losses) included in AOCI	22,741	67	—
Purchases (3)	268,101	25,441	—
Sales (3)	(14)	(917)	—
Transfers into Level 3 (4)	—	—	—
Transfers out of Level 3 (4)	—	—	—
Balance, December 31, 2023	<u>\$ 291,844</u>	<u>\$ 24,636</u>	<u>\$ (2,708)</u>
Changes in unrealized gains (losses) included in net income (loss) for the instruments still held at December 31, 2023 (5)	<u>\$ 1,016</u>	<u>\$ 45</u>	<u>\$ (2,708)</u>
Changes in unrealized gains (losses) included in AOCI for the instruments still held at December 31, 2023 (5)	<u>\$ 22,741</u>	<u>\$ 67</u>	<u>\$ —</u>

- (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). Substantially all realized/unrealized gains (losses) included in net income for embedded derivatives are reported in net derivative 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. Changes in unrealized gains (losses) included in net income (loss) for 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.

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

8. 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 and accrued investment income. 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				
	Carrying Value	Fair Value Hierarchy			Total Estimated Fair Value
		Level 1	Level 2	Level 3	
	(In thousands)				
Assets					
Mortgage secured loans	\$ 147,024	\$ —	\$ —	\$ 153,317	\$ 153,317
Premiums, reinsurance and other receivables	\$ 821	\$ —	\$ 821	\$ —	\$ 821
Liabilities					
Policyholder account balances	\$ 4,621,905	\$ —	\$ —	\$ 4,615,896	\$ 4,615,896
Other liabilities	\$ 307	\$ —	\$ 307	\$ —	\$ 307

9. Equity

Common Stock

On February 27, 2023, the Company issued 250,000 shares of common stock for \$250 thousand to its parent, MetLife.

Additional Paid in Capital

During 2023, the Company received capital contributions totaling \$449,750 thousand in the form of cash from its parent, MetLife.

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.

9. Equity (continued)

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 period ended December 31, 2023, these requirements have been met. The minimum required statutory capital and surplus was \$134 million and actual statutory capital and surplus was \$396 million at December 31, 2023.

No cash dividends were paid during the period 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 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)

MetLife Reinsurance Company of Hamilton, Ltd.

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

9. Equity (continued)

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)	Total
	(In thousands)		
Balance at March 29, 2023	\$ —	\$ —	\$ —
OCI before reclassifications	265,932	(830)	265,102
Deferred income tax benefit (expense)	(55,845)	174	(55,671)
AOCI before reclassifications, net of income tax	210,087	(656)	209,431
Amounts reclassified from AOCI	61,614	—	61,614
Deferred income tax benefit (expense)	(12,939)	—	(12,939)
Amounts reclassified from AOCI, net of income tax	48,675	—	48,675
Balance at December 31, 2023	<u>\$ 258,762</u>	<u>\$ (656)</u>	<u>\$ 258,106</u>

(1) Primarily unrealized gains (losses) on fixed maturity securities.

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

AOCI Components	Period Ended December 31, 2023 Amounts Reclassified from (In thousands)	Statements of Operations Locations
Net unrealized investment gains (losses)	\$ (61,614)	Net investment gains (losses)
Income tax (expense) benefit	12,939	
Total reclassifications, net of income tax	<u>\$ (48,675)</u>	

10. Other Expenses

Information on other expenses was as follows:

	Period Ended December 31, 2023 (In thousands)
General and administrative expenses	\$ 170
Premium taxes, other taxes, and licenses & fees	173
Commissions and other variable expenses	555,511
Capitalization of DAC	(541,384)
Amortization of DAC	18,739
Total other expenses	<u>\$ 33,209</u>

Capitalization and Amortization of DAC

See Note 4 for additional information on DAC including impacts of capitalization and amortization.

Affiliated Expenses

See Notes 5 and 13 for a discussion of affiliated expenses related to reinsurance and service agreement transactions, respectively, included in the table above.

Missouri Reinsurance, Inc.

Notes to the Financial Statements — (continued)

11. Income Tax

The provision for income tax was as follows:

	Period Ended December 31, 2023
	(In thousands)
Current:	
U.S. federal	\$ 42,484
Non-U.S.	21
Subtotal	42,505
Deferred:	
U.S. federal	(56,692)
Provision for income tax expense (benefit)	\$ (14,187)

The reconciliation of the income tax provision at the U.S. statutory rate to the provision for income tax as reported was as follows:

	Period Ended December 31, 2023
	(In thousands)
Tax provision at U.S. statutory rate	\$ (14,208)
Tax effect of:	
Changes in tax law (1)	49,007
Foreign tax credits (1)	(49,007)
Other, net	21
Provision for income tax expense (benefit)	\$ (14,187)

- (1) For the year ended December 31, 2023, changes in tax law include tax charge of \$49 million and a change in deferred foreign tax credit includes a tax benefit of \$49 million related to adjustments of deferred taxes due to the enactment of the Bermuda Corporate Income Tax (“BCIT”).

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

	December 31, 2023
	(In thousands)
Deferred income tax assets:	
Policyholder liabilities and receivables	\$ 124,591
Other	39
Deferred Foreign Tax Credits	49,007
Capital Loss Carryforwards	12,857
Total deferred income tax assets	186,494
Deferred income tax liabilities:	
DAC	77,768
Net unrealized investment gains	117,618
Investments including Derivatives	3,026
Total deferred income tax liabilities	198,412
Net deferred income tax asset (liability)	\$ (11,918)

MetLife Reinsurance Company of Hamilton, Ltd.

Notes to the Financial Statements — (continued)

For the Period March 29, 2023 (Date of Inception) through December 31, 2023

11. Income Tax (continued)

Due to the recent enactment of the BCIT, the Company will be required to pay Bermuda corporate taxes starting in 2025.

The Company does not have unrecognized tax benefits as of or for the period ended December 31, 2023. It is not expected that there will be a material change in the Company's liability for unrecognized tax benefits in the next 12 months.

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

12. Contingencies, Commitments and Guarantees

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

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.

Mortgage Secured Loan Commitments

The Company commits to lend funds under mortgage secured loan commitments. The amounts of these mortgage secured loan commitments were \$38.5 million at December 31, 2023.

13. Other Related Party Transactions

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 6) 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 incurred with affiliates related to these agreements, recorded in other expenses, were \$13 thousand for the period ended December 31, 2023.

The Company had net payables to affiliates, related to the items discussed above, of \$200 thousand at December 31, 2023.

See Note 5 and Note 6 for additional related party transactions.

14. Subsequent Events

The Company has evaluated events subsequent to December 31, 2023, and through April 18, 2024, which is the date these financial statements were available to be issued, and except for the item noted below, has determined there are no material subsequent events requiring adjustment to or disclosure in the financial statements.

On February 29, 2024, and March 28, 2024, the Company received capital contributions of \$50 million and \$60 million, respectively, in the form of cash from its parent, MetLife.