Ivy Re II Limited

Consolidated financial statements

As of December 31, 2023 and 2022

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of independent auditors

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ivy Re II Limited

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the consolidated financial statements of Ivy Re II Limited and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income (loss), comprehensive income (loss), shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated 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 2022, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 2 to the financial statements, effective January 1, 2023, the Company adopted Accounting Standards Update No. 2018-12, "*Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts, as amended*", on a full retrospective basis. 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.

Deloitte & Touche LLP

April 18, 2024

IVY RE II LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31,			
	2023		2022	
($ in thousands)				
Assets				
Investments:				
Funds withheld receivable at interest (portion at fair value: $193,640 and $(100,032), respectively.)	$	14,014,096	$	4,655,901
Other investments at fair value		3,446		—
Total investments	**$**	**14,017,542**	**$**	**4,655,901**
Cash and cash equivalents		411,191		108,726
Accrued investment income		718		116
Reinsurance receivable		165,875		90,709
Cost of reinsurance assets		609,811		38,783
Other assets		27,092		34,942
Total assets	**$**	**15,232,229**	**$**	**4,929,177**
Liabilities				
Policy liabilities (portion at fair value: $152,508 and $20,481, respectively; market risk benefit liabilities: $14,214 and $23,113, respectively.)	$	13,352,357	$	4,567,552
Other liabilities		75,020		46,835
Reinsurance liabilities		395,949		40,344
Total liabilities	**$**	**13,823,326**	**$**	**4,654,731**
Commitment and contingencies (Note 13)				
Shareholder's equity				
Common stock, $1 par value, 250,000 shares authorized, issued and outstanding	$	250	$	250
Additional paid-in capital		1,235,255		366,915
Retained earnings (deficit)		212,167		(154,094)
Accumulated other comprehensive (loss) income		(38,769)		61,375
Total shareholder's equity		**1,408,903**		**274,446**
Total liabilities and shareholder's equity	**$**	**15,232,229**	**$**	**4,929,177**

See accompanying notes to consolidated financial statements.

IVY RE II LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	Years ended December 31,	
	2023	2022
($ in thousands)		
Revenues		
Premiums	$ 1,658,081	$ 1,104,766
Policy fees	85,853	16,201
Net investment income	407,755	94,572
Net investment-related gains (losses)	250,148	(157,653)
Total revenues	**2,401,837**	**1,057,886**
Benefits and expenses		
Policy benefits and claims (market risk benefit gain: $10,371 and $4,492, respectively.)	1,887,471	1,202,091
Amortization of cost of reinsurance assets	9,570	(11,595)
Insurance expenses	128,256	9,643
Service fees, net of Sponsor refunds	4,173	1,446
General and administrative expenses	5,666	6,629
Total benefits and expenses	**2,035,136**	**1,208,214**
Income (loss) before income taxes	366,701	(150,328)
Income tax expense	440	—
Net income (loss)	**$ 366,261**	**$ (150,328)**

See accompanying notes to consolidated financial statements.

IVY RE II LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years ended December 31,	
	2023	2022
($ in thousands)		
Net income (loss)	**$ 366,261**	**$ (150,328)**
Other comprehensive (loss) income:		
Effect of changes in the fair value of a market risk benefit attributable to a change in the instrument-specific credit risk	(1,473)	397
Effect of changes in the discount rates used to measure limited-payment long duration insurance contracts	(98,671)	60,978
Other comprehensive (loss) income	**(100,144)**	**61,375**
Comprehensive income (loss)	**266,117**	**(88,953)**

See accompanying notes to consolidated financial statements.

IVY RE II LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

($ in thousands)	Common stock	Additional paid-in capital	Retained (deficit) earnings	Accumulated other comprehensive income (loss)	Total shareholder's equity
Balance as of December 31, 2021	**$ —**	**$ —**	**$ (3,766)**	**$ —**	**$ (3,766)**
Net loss	—	—	(150,328)	—	(150,328)
Other comprehensive income	—	—	—	61,375	61,375
Capital contributions	250	366,915	—	—	367,165
Balance as of December 31, 2022	**$ 250**	**$ 366,915**	**$ (154,094)**	**$ 61,375**	**$ 274,446**
Balance as of December 31, 2022 (as previously reported)	**$ 250**	**$ 366,915**	**$ (155,485)**	**$ —**	**$ 211,680**
Cumulative effect adjustment from adoption of accounting changes (see Note 2, "Significant accounting policies and practice")	—	—	1,391	61,375	62,766
Balance as of December 31, 2022 (as revised)	**$ 250**	**$ 366,915**	**(154,094)**	**61,375**	**274,446**
Net income	—	—	366,261	—	366,261
Other comprehensive loss	—	—	—	(100,144)	(100,144)
Equity-based compensation	—	97	—	—	97
Capital contributions	—	868,243	—	—	868,243
Balance as of December 31, 2023	**$ 250**	**$ 1,235,255**	**$ 212,167**	**$ (38,769)**	**$ 1,408,903**

See accompanying notes to consolidated financial statements.

IVY RE II LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31,			
	2023		2022	
($ in thousands)				
Cash flows from operating activities				
Net income (loss)	$	366,261	$	(150,328)
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Net investment-related (gains) losses		(1,844)		20,780
Change in fair value of derivatives and other derivative-related activity		(107,378)		134,241
Net accretion and amortization		4,426		13,939
Market risk benefit gains		(10,371)		(4,492)
Interest credited to policy account balances less policy fees		167,195		57,949
Deferred income tax expense		387		—
Changes in operating assets and liabilities:				
Reinsurance transactions and acquisitions, net of cash (used) provided		(29,322)		32,547
Change in premiums, notes receivable, and reinsurance receivable, net of reinsurance premiums payable		(3,000,623)		(190,809)
Change in cost of reinsurance assets		(2,369)		(4,459)
Change in accrued investment income		(602)		(116)
Change in policy liabilities and accruals, net		291,003		(3,102)
Other operating activities, net		39,513		(13,394)
Net cash used in operating activities	**$**	**(2,283,724)**	**$**	**(107,244)**
Cash flows from investing activities				
Purchase of other investments	$	(1,602)	$	—
Other investing activities, net		313		—
Net cash used in investing activities	**$**	**(1,289)**	**$**	**—**
Cash flows from financing activities				
Reinsurance transactions, net of cash used	$	(201,876)	$	(6,951)
Additions to contractholder deposit funds		2,723,966		91,022
Withdrawals from contractholder deposit funds		(798,314)		(233,903)
Capital contributions from shareholders		868,243		367,165
Other financing activities, net		(4,541)		(1,363)
Net cash provided by financing activities	**$**	**2,587,478**	**$**	**215,970**
Net change in cash, cash equivalents and restricted cash	**$**	**302,465**	**$**	**108,726**
Cash, cash equivalents and restricted cash, beginning of period	$	108,726	$	—
Cash, cash equivalents and restricted cash, end of period	**$**	**411,191**	**$**	**108,726**
Supplemental cash flow information				
Income tax payments	$	53	$	—
Non-cash transactions				
Contractholder deposit funds acquired through reinsurance agreements	$	3,772,420	$	3,579,932

See accompanying notes to consolidated financial statements.

(1) Nature of business and basis of presentation

Ivy Re II Limited (together with its subsidiaries, "Ivy Re II," the "Company," we, our, or us) was incorporated on August 25, 2021, and is a Bermuda exempted limited liability company registered under the Insurance Act 1978 as a Class E insurer, as amended, to be able to write long-term (life) reinsurance business. The Company primarily serves the reinsurance marketplace as a reinsurer for transactions sourced, negotiated and underwritten by subsidiaries of Global Atlantic Limited (Delaware) (f/k/a Global Atlantic Financial Limited) ("the Sponsor" or "Global Atlantic"). The reinsurance solutions include primarily reinsurance of life and retirement blocks, pension risk transfer, and the reinsurance of a share of future premiums ("flow reinsurance"). The Company operates independently, leveraging Global Atlantic's proven reinsurance expertise. Through the co-investment framework, the Company accesses an attractive opportunity to deploy investor capital while assisting life and annuity companies in addressing capital, risk management and strategic objectives.

The Company is a wholly owned subsidiary of Ivy FinCo II LLC, a Cayman Islands limited company ("FinCo II"). FinCo II is wholly owned by a Cayman Islands limited company, Ivy MidCo II LLC ("MidCo II"), which is a direct subsidiary of Ivy UK Co-Invest Vehicle II Limited, a private company incorporated under the laws of England and Wales ("UKCo II"). UKCo II is 92% owned by Ivy Co-Invest Vehicle II LLC, a Cayman Islands limited liability company ("Co-Invest II"), and 8% owned by third party Shareholders. Equity in Co-Invest II is 100% owned by third party Shareholders and held in membership interests. As such, the Company is a majority owned subsidiary of Co-Invest II. UKCo II's shares of the Company represent 100% of the voting rights and economic interests in the Company as of December 31, 2023. In 2022, the Company also established two wholly-owned subsidiaries; a Bermuda limited liability company, Ivy Investment Holdings BDA II LLC, and a Delaware limited liability company, Ivy Investment Holdings DE II LLC.

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

The consolidated financial statements reflect the reinsurance transactions entered into between the Company and certain of the Sponsor Insurance Subsidiaries. These reinsurance transactions comprise block reinsurance, pension risk transfer and flow reinsurance transactions, as described in Note 11 — "Reinsurance."

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

The consolidated financial statements include the results of operations and financial position of the Company and all other entities in which the Company has a controlling financial interest. All material intercompany accounts and transactions have been eliminated in consolidation.

(2) Significant accounting policies and practice

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

Accounting policy	Note
Investments	3, 4 and 5
Funds withheld receivable at interest (host contract and embedded derivative)	3, 4 and 5
Policy liabilities	7
Income taxes	10
Reinsurance	11

Investments

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

Investments include the following: funds withheld receivable at interest ceded by Sponsor Insurance Subsidiaries and other investments.

Funds withheld receivable at interest

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

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

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

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

Other investments

Other investments in the consolidated balance sheets include the Company's investments in investment partnerships or limited liability companies, for which the Company does not have voting control or power to direct activities. These investments are accounted for using the equity method of accounting unless the Company's interest is so minor that it has virtually no influence over partnership operating or financial policies. The equity method of accounting requires that the investments be initially recorded at cost and the carrying amount of the investment subsequently be adjusted to recognize the Company's share of the earnings and losses of the investee. Where there is a difference between the cost of the investment and the Company's proportionate share of the equity method investee's net assets, this basis difference is accreted to net investment income over the life of the underlying assets. In applying the equity method, the Company uses financial information provided by the investee, generally on a one to three month lag due to the timing of the receipt of related financial statements.

The income from the Company's equity method investments is included in net investment income in the consolidated statements of income (loss). In limited circumstances, the Company elects to apply the fair value option to investment partnerships or limited liability companies, which are carried at fair value with unrealized gains and losses reported in net investment-related gains (losses) in the consolidated statements of income (loss). The contributions to and distributions from investment partnerships or limited liability companies are classified as investing activities within the consolidated statements of cash flows.

Investment credit losses and impairment

Funds withheld receivable at interest

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

Other investments

Impairment of investments subject to the equity method of accounting is assessed whenever events or circumstances suggest that the carrying amount may not be recoverable. An impairment charge is recognized in earnings for a decline in value that is determined to be other than temporary and is measured as the difference between the carrying amount and the fair value of the equity method investment as of the balance sheet date.

Cash and cash equivalents

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

Policy liabilities

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

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

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

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

Fixed-rate and fixed-indexed annuities

Policy liabilities for fixed-indexed annuities earning a fixed rate of interest and certain other fixed-rate annuity products are computed under a retrospective deposit method and represent policyholder account balances before applicable surrender charges.

The Company reinsures fixed-indexed annuity products, which enable the policyholder to allocate contract value between a fixed crediting rate and strategies which reflect the change in the value of an index, such as the Standard & Poor's ("S&P") 500 Index, or other indices. These products are accounted for as investment-type contracts. The liability for these products consists of a combination of the underlying account value and an embedded derivative value. The liability for the underlying account value is primarily based on policy guarantees and its initial value is the difference between the premium payment and the fair value of the embedded derivative. Thereafter, the account value liability is determined in a manner consistent with the accounting for a deposit liability under the "effective yield method." All future host balances are determined as: (1) the initial host balance; (2) plus interest; (3) less applicable policyholder benefits. The interest rate used in the prior roll forward is re-determined on each valuation date, per the effective yield method. The embedded derivative component's fair value is based on an estimate of the policyholders' expected participation in future increases in the relevant index. The fair value of this embedded derivative component includes assumptions, including those about future interest rates and investment yields, future costs for options used to hedge the contract obligations, projected withdrawal and surrender activity, benefit utilization and the level and limits on contract participation in any future increases in the respective index option. The account value liability and embedded derivative are recorded in policy liabilities in the consolidated balance sheets, with changes in value of the liabilities recorded in policy benefits and claims in the consolidated statements of income (loss).

Interest-sensitive life products

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

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

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

Traditional life and limited-payment contracts

Liability for future policy benefits

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

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

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

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

Limited-payment contracts

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

Whole life

Contractholder deposit reserves for certain assumed blocks of whole life policies where mortality risk is retained by the ceding company are accounted for as investment-type contracts. A net liability is established at inception for the net consideration and amortized using the effective yield method.

Universal life policies

For reinsured universal life policies, the base policy reserve is the policyholder account value. For these products, the account value represents the Company’s obligation to repay to the policyholder the amounts held on deposit. Additional liabilities are held for other insurance benefit guarantees, if applicable.

Market risk benefits

The Company reinsures market risk benefits, which are contracts or contract features that both provide protection to the policy from other-than-nominal capital market risk and expose the Company to other-than-nominal capital market risk.

Market risk benefits include certain contract features on fixed annuity and variable annuity products. These features include minimum guarantees to policyholders, such as guaranteed minimum death benefits (“GMDBs”), guaranteed minimum income benefits (“GMIBs”) and guaranteed minimum withdrawal benefits (“GMWBs”). Market risk benefits are measured at fair value using a non-option and option valuation approach based on current net amounts at risk, market data, Company experience, and other factors. Changes in fair value are recognized in net income each period with the exception of the portion of the change in fair value due to a change in the instrument-specific credit risk, which is recognized in other comprehensive income.

Reinsurance

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

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

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

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

Placement fees and organizational expenses

Placement fees represent fees paid to agents that assist in raising capital for the Company. Placement fees are incurred when capital is committed to the Company and deducted directly from the capital drawn from investors (i.e., offset against additional paid-in capital in the consolidated balance sheets) and reimbursed by the Sponsor as a deduction from service fees. Placement fees are deferred and recognized in other assets in the consolidated balance sheets until the capital is drawn. They are reported as a financing activity in the consolidated statements of cash flows.

The placement fees that are reimbursed by the Sponsor are recognized in income over the life of the Company’s reinsurance transaction business. The reimbursement of the placement fees is reported as an operating activity in the consolidated statements of cash flows. The corresponding deferred expense reduction liability is included in other liabilities in the consolidated balance sheets. As of December 31, 2023 and 2022, respectively, the Company has paid a total of $4.5 million and $1.3 million in placement fees.

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

Service fees

Service fees represent fees paid quarterly by the Company to the Sponsor for services provided to the Company. Service fees are measured and paid quarterly to the Sponsor at 15 basis points, or such other amount agreed to by the Sponsor and the applicable investor, on U.S. statutory book value of assets, with no service fees charged for investors who are employees of the Sponsor or the Company. No service fees are charged on the excess of the statutory book value of assets over 20 times the shareholder's equity amount. The shareholder's equity amount is based on capital contributions made, adjusted for distributions and certain earnings and expenses. The fees of $4.2 million and $1.4 million for the years ended December 31, 2023 and 2022, respectively, are reported in service fees, net of Sponsor refunds in the consolidated statements of income (loss) and as an operating activity in the consolidated statements of cash flows.

Incentive fees

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

Income taxes

The Company operates certain subsidiaries in jurisdictions where they are subject to taxation. Income taxes are provided for using the asset and liability method under which deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax basis of assets and liabilities.

The Company evaluates the likelihood of realizing the benefit of deferred tax assets and may record a valuation allowance if, based on all available evidence, the Company determines that it is more-likely-than-not that some portion of the tax benefit will not be realized. The Company adjusts the valuation allowance if, based on its evaluation, there is a change in the amount of deferred income tax assets that are deemed more-likely-than-not to be realized.

The Company recognizes tax positions in the consolidated financial statements only when it is more-likely-than-not that the position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more-likely-than-not be realized on settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the consolidated financial statements.

The Company records the effect of changes in tax laws or rates at the date of enactment. The total effect of a tax law or rate change on the deferred tax balance is recorded as a component of tax expense related to continuing operations for the period in which the law is enacted.

Recognition of insurance revenue and related benefits

Premiums related to payout contracts with life contingencies are recognized in premiums in the consolidated statements of income (loss) when due from the contractholders.

Adoption of new accounting pronouncements

Financial instruments

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

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

Targeted improvements to the accounting for long-duration insurance contracts

The Company early adopted new accounting guidance for insurance and reinsurance companies that issue long-duration insurance contracts ("LDTI") as of January 1, 2023 on a full retrospective basis. As it did not have any in-force business as of January 1, 2022, the Company did not have any transition changes.

As a result of the retrospective application of the LDTI adoption, the Company adjusted certain previously reported amounts in its consolidated balance sheet, consolidated statement of loss, consolidated statement of comprehensive loss, and consolidated statement of cash flows as follows:

Consolidated balance sheet as of December 31, 2022	As previously reported(1)	Adjustment	As revised
($ in thousands)			
Cost of reinsurance assets	$ 4,247	$ 34,536	$ 38,783
Total assets	4,894,641	34,536	4,929,177
Policy liabilities	4,595,782	(28,230)	4,567,552
Total liabilities	4,682,961	(28,230)	4,654,731
Retained deficit	(155,485)	1,391	(154,094)
Accumulated other comprehensive income	—	61,375	61,375
Total shareholder's equity	211,680	62,766	274,446
Total liabilities and shareholder's equity	4,894,641	34,536	4,929,177

(1) As previously reported excludes $3.8 million of expenses that were related to 2021.

The cumulative impact of the retrospective application of the LDTI adoption increased net income by $1.4 million and increased comprehensive income by $62.8 million for the year ended December 31, 2022. These changes were primarily due to an increase in interest rates and instrument-specific credit risk during the period.

Consolidated statement of loss for the year ended December 31, 2022	As previously reported(1)	Adjustment	As revised
($ in thousands)			
Policy benefits and claims	$ 1,191,888	$ 10,203	$ 1,202,091
Amortization of cost of reinsurance assets	—	(11,595)	(11,595)
Total benefits and expenses	1,209,606	(1,392)	1,208,214
Loss before income taxes	(151,720)	1,392	(150,328)
Net loss	(151,720)	1,392	(150,328)

(1) As previously reported excludes $3.8 million of expenses that were related to 2021.

Consolidated statement of comprehensive loss for the year ended December 31, 2022	As previously reported(1)	Adjustment	As revised
($ in thousands)			
Net loss	$ (151,720)	$ 1,392	$ (150,328)
Effect of changes in the fair value of a market risk benefit attributable to a change in the instrument-specific credit risk	—	397	397
Effect of changes in the discount rates used to measure traditional and limited-payment long duration insurance contracts	—	60,978	60,978
Other comprehensive income	—	61,375	61,375
Comprehensive loss	(151,720)	62,767	(88,953)

(1) As previously reported excludes $3.8 million of expenses that were related to 2021.

Consolidated statement of cash flows for the year ended December 31, 2022	As previously reported(1)	Adjustment	As revised
($ in thousands)			
Net loss	$ (151,720)	$ 1,392	$ (150,328)
Net accretion and amortization	303	13,636	13,939
Market risk benefit losses	—	(4,492)	(4,492)
Change in policy liabilities and accruals, net	65,382	(68,484)	(3,102)

(1) As previously reported excludes $3.8 million of expenses that were related to 2021.

Future application of accounting standards

Improvements to income tax disclosures

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

December 15, 2025, with early adoption permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

(3) Investments

Funds withheld receivable at interest

As a reinsurance business, the Company is subject to the investment performance of the assets in the funds withheld receivable at interest. In the event of a ceding company's insolvency, the Company would need to assert a claim on the assets supporting its reserve liabilities. However, the risk of loss to the Company is mitigated by its ability to offset amounts it owes the ceding company for claims or allowances against amounts owed to it from the ceding company. As of December 31, 2023 and 2022, there were three and two Sponsor Insurance Subsidiary ceding companies holding assets under reinsurance agreements, respectively. Each of the three cedants, Commonwealth Annuity and Life Insurance Company ("CWA"), Global Atlantic Re Limited ("GA Re"), and Global Atlantic Assurance Limited ("GAAL") have financial strength ratings of "A-" from S&P.

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

As of December 31, 2022, the Company reported a retained deficit primarily due to changes in the value of the funds withheld or modified coinsurance embedded derivative, which was impacted by higher market interest rates and a decline in asset values. During the year ended December 31, 2022, the fair value of this embedded derivative decreased by $100.0 million. The retained deficit did not impact the Company's solvency, which is regulated by the BMA.

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

	December 31, 2023		December 31, 2022	
	Carrying value[2]	Percentage of total	Carrying value[2]	Percentage of total
($ in thousands, except percentages)				
Fixed maturity security portfolio by type:				
U.S. government and agencies	$ 1,314,518	9.4 %	$ 12,476	0.3 %
U.S. state, municipal and political subdivisions	588,510	4.2 %	242,106	5.2 %
Corporate	4,017,336	28.7 %	2,334,031	50.0 %
Commercial mortgage-backed securities	530,548	3.8 %	158,946	3.4 %
Residential mortgage-backed securities	887,671	6.3 %	77,944	1.7 %
Collateralized loan obligations	336,030	2.4 %	55,232	1.2 %
Collateralized bond obligations	15,931	0.1 %	15,845	0.3 %
All other structured securities	696,709	5.0 %	447,719	9.6 %
Total fixed-maturity security portfolio	**8,387,253**	**59.9 %**	**3,344,299**	**71.7 %**
Mortgages and other loans	2,923,972	20.9 %	910,347	19.6 %
Cash and cash equivalents	2,377,516	17.0 %	502,239	10.8 %
Embedded derivative[1]	193,640	1.4 %	(100,032)	(2.1)%
Other assets and liabilities	131,715	0.8 %	(952)	— %
Total funds withheld receivable at interest	**$ 14,014,096**	**100.0 %**	**$ 4,655,901**	**100.0 %**

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

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

Within the funds withheld receivable at interest, 97% of the fixed maturity security portfolio was classified as investment grade by NAIC designation as of both December 31, 2023 and 2022.

Other investments

As of December 31, 2023, the Company had $3.4 million of investment in entities that own real estate. These investments qualify as equity method investments; however, the Company has elected to apply the fair value option. The Company’s maximum exposure to loss related to these investments is limited to the carrying value of these investments. As of December 31, 2022, the Company had no investment in entities that own real estate.

Net investment income

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

The components of net investment income were as follows:

	Years ended December 31,	
	2023	2022
($ in thousands)		
Income assumed from funds withheld receivable at interest	$ 419,945	$ 100,442
Short-term and other investment income	7,466	681
Gross investment income	**427,411**	**101,123**
Less investment expenses:		
Investment management fees[1]	19,656	6,551
Net investment income	**$ 407,755**	**$ 94,572**

(1) Investment management fees include the 30 basis points per annum fee, or such other fee agreed to by the Sponsor and the applicable investor, charged by the Sponsor for the portfolio assets its investment manager manages under the terms of the operating and respective reinsurance agreements.

Net investment-related gains (losses)

Net investment-related gains (losses) were as follows:

	Years ended December 31,	
	2023	2022
($ in thousands)		
Unrealized gain (loss) on embedded derivative included in funds withheld receivable at interest[1]	$ 284,849	$ (159,799)
Realized (losses) gains on funds withheld receivable at interest	(36,545)	2,146
Unrealized gains on other investments[1]	1,844	—
Net investment-related gains (losses)	**$ 250,148**	**$ (157,653)**

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

(4) Derivatives

The Company has embedded derivatives related to reinsurance contracts that are accounted for on a modified coinsurance and funds withheld basis; an embedded derivative exists because the arrangement exposes the reinsurer to third-party credit risk. The Company also has embedded derivatives related to insurance liabilities including fixed-indexed annuities. These embedded derivatives are included in funds withheld receivable at interest and policy liabilities in the consolidated balance sheets.

The fair value of the derivatives was as follows:

	December 31,	
	2023	2022
($ in thousands)		
Embedded derivative – funds withheld receivable at interest[(1)]	$ 193,640	$ (100,032)
Embedded derivative – annuity products	138,294	(2,632)

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

(5) Fair value disclosure of financial instruments

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

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

Basis of fair value measurement

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

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

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

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

The following tables represent the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis:

As of December 31, 2023	Level 1		Level 2		Level 3		Total	
($ in thousands)								
Assets:								
Funds withheld receivable at interest	$	—	$	—	$	193,640	$	193,640
Other investments		—		—		3,446		3,446
Total assets at fair value	**$**	**—**	**$**	**—**	**$**	**197,086**	**$**	**197,086**
Liabilities:								
Policy liabilities – market risk benefits	$	—	$	—	$	14,214	$	14,214
Embedded derivative – annuity products		—		—		138,294		138,294
Total liabilities at fair value	**$**	**—**	**$**	**—**	**$**	**152,508**	**$**	**152,508**

As of December 31, 2022	Level 1		Level 2		Level 3		Total	
($ in thousands)								
Assets:								
Funds withheld receivable at interest	$	—	$	—	$	(100,032)	$	(100,032)
Total assets at fair value	**$**	**—**	**$**	**—**	**$**	**(100,032)**	**$**	**(100,032)**
Liabilities:								
Policy liabilities – market risk benefits	$	—	$	—	$	23,113	$	23,113
Embedded derivative – annuity products		—		—		(2,632)		(2,632)
Total liabilities at fair value	**$**	**—**	**$**	**—**	**$**	**20,481**	**$**	**20,481**

Fair value techniques and inputs

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

Funds withheld receivable at interest and insurance liabilities

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

Policy liabilities carried at fair value are valued using present value techniques that discount estimated liability cash flows at a rate that reflects the riskiness of those cash flows and also consider policyholder behavior (lapse rates, surrender rates and mortality). Market risk benefits liabilities are valued at fair value using a non-option and option valuation approach based on current net amounts at risk, market data, Company experience, and other factors. Other embedded derivative liabilities are related to our fixed-indexed annuity products, which contain equity-indexed features. We calculate the embedded derivative liabilities as the present value of future projected benefits in excess of the projected guaranteed benefits, using an option budget as the indexed account value growth rate and considering an adjustment to reflect the risk of nonperformance on our obligation and inputs such as projected withdrawal and surrender activity, and mortality. We calculate nonperformance risk using a blend of observable peer holding company credit spreads, adjusted to reflect the claims paying ability of our insurance entities, as well as an adjustment to reflect the priority of policy claims.

Fair value of assets and liabilities

Significant unobservable inputs

The table below presents significant unobservable inputs used to value the Company's Level 3 financial assets and liabilities and includes only those items for which information is reasonably available, such as data from internal determinations of fair value. The weighted average in the table below is calculated by weighting each input by the relative fair value of the respective financial instrument. The weighted average of these inputs is not representative of the appropriate inputs to use when calculating the fair value of any one financial liability.

As of December 31, 2023				
Level 3 assets [(1)]	**Level 3 assets** ***($ in thousands)***	**Valuation techniques and significant unobservable inputs**	**Range of significant unobservable inputs (weighted average, or "WA")**	**Impact of an increase in the input on fair value**
Other investments	$3,446	Discounted cash flow - vacancy rate	0.00% to 2.50%; WA 1.53%	Decrease
		Discounted cash flow - discount rate	7.25% to 7.59%; WA 7.34%	Decrease
		Discounted cash flow - terminal capitalization rate	5.00% to 6.25%; WA 5.68%	Decrease

(1) The funds withheld receivable at interest have been excluded from the above table. As discussed in Note 11 - Reinsurance, the funds withheld receivable at interest is created through funds withheld contracts. The assets supporting these receivables were held in trusts and are part of the respective counterparty's balance sheet. Accordingly, the unobservable inputs utilized in the valuation of the embedded derivative are a component of the invested assets supporting the reinsurance agreements on the Company's consolidated balance sheets.

As of December 31, 2023				
Level 3 liabilities	**Level 3 liabilities** ***($ in thousands)***	**Valuation techniques and significant unobservable inputs**	**Range of significant unobservable inputs (weighted average, or "WA")**	**Impact of an increase in the input on fair value**
Policy liabilities – market risk benefits	$14,214	Interest rates (10 and 30 year Treasury)	3.88% - 4.03%	Decrease/ Increase
		10 and 30 year instrument-specific credit risk	0.72% - 0.89%	Decrease
		Policyholder behavior is also a significant unobservable input, including utilization, lapse, surrender, and mortality	Mortality rate: 1.50% - 7.10%; WA 2.40%	Decrease
			Surrender rate: 2.50% - 7.00%; WA 5.80%	Increase
Embedded derivative – annuity products	$138,294	Future costs for options used to hedge contract obligations	Option budget assumption: Fixed-indexed annuity WA 3.74%	Increase
		Policyholder behavior is a significant unobservable input, including surrender and mortality	Surrender rate: Fixed-indexed annuity WA 14.25%	Decrease
			Mortality rate: Fixed-indexed annuity WA 1.65%	Decrease

As of December 31, 2022				
Level 3 liabilities	**Level 3 liabilities** ***($ in thousands)***	**Valuation techniques and significant unobservable inputs**	**Range of significant unobservable inputs (weighted average, or "WA")**	**Impact of an increase in the input on fair value**
Policy liabilities – market risk benefits	$23,113	Interest rates (10 and 30 year Treasury)	3.88% - 3.97%	Decrease
		10 and 30 year instrument-specific credit risk	1.29% - 1.62%	Decrease
		Policyholder behavior is also a significant unobservable input, including lapse, surrender, and mortality	Mortality rate: 1.50% - 8.9%; WA 2.40%	Increase
			Surrender rate: 2.9% - 7.7%; WA 6.10%	Increase

The tables below set forth a summary of changes in the fair value of the Company's Level 3 assets and liabilities for the years ended December 31, 2023 and 2022, respectively. The tables reflect gains and losses for all assets and liabilities categorized as Level 3 for the years ended December 31, 2023 and 2022, respectively:

		Net realized and unrealized gains / losses included in						Total realized and unrealized gains / losses included in	
Year ended December 31, 2023	**Beginning balance**	**Income**	**OCI**	**Net settlements / purchases**	**Transfers into Level 3**	**Transfers out of Level 3**	**Balance, at end of period**	**Income(1)**	**OCI(1)**
($ in thousands)									
Assets:									
Funds withheld receivable at interest	$ (100,032)	$ 284,849	$ —	$ 8,823	$ —	$ —	$ 193,640	$ 284,849	$ —
Other investments	—	1,844	—	1,602	—	—	3,446	1,844	—
Total assets	**$ (100,032)**	**$ 286,693**	**$ —**	**$ 10,425**	**$ —**	**$ —**	**$ 197,086**	**$ 286,693**	**$ —**
Liabilities:									
Policy liabilities – market risk benefits	$ 23,113	$ (9,657)	$ 1,473	$ (715)	$ —	$ —	$ 14,214	$ —	$ —
Embedded derivative – annuity products	(2,632)	43,824	—	97,102	—	—	138,294	—	—
Total liabilities	**$ 20,481**	**$ 34,167**	**$ 1,473**	**$ 96,387**	**$ —**	**$ —**	**$ 152,508**	**$ —**	**$ —**

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

Year ended December 31, 2022	Beginning balance	Net realized and unrealized gains / losses included in: Income	Net realized and unrealized gains / losses included in: OCI	Net settlements / purchases	Transfers into Level 3	Transfers out of Level 3	Balance, at end of period	Total realized and unrealized gains / losses included in: Income(1)	Total realized and unrealized gains / losses included in: OCI(1)
($ in thousands)									
Assets:									
Funds withheld receivable at interest	$ —	$ (136,873)	$ —	$ 36,841	$ —	$ —	$ (100,032)	$ —	$ —
Total assets	**$ —**	**$ (136,873)**	**$ —**	**$ 36,841**	**$ —**	**$ —**	**$ (100,032)**	**$ —**	**$ —**
Liabilities:									
Policy liabilities – market risk benefits	$ —	$ (2,497)	$ (397)	$ 26,007	$ —	$ —	$ 23,113	$ —	$ —
Embedded derivative – annuity products	—	(2,632)	—	—	—	—	(2,632)	—	—
Total liabilities	**$ —**	**$ (5,129)**	**$ (397)**	**$ 26,007**	**$ —**	**$ —**	**$ 20,481**	**$ —**	**$ —**

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

Year ended December 31, 2023	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
($ in thousands)					
Assets:					
Funds withheld receivable at interest	$ —	$ 8,823	$ —	$ —	$ 8,823
Other investments	—	1,602	—	—	1,602
Total assets	**$ —**	**$ 10,425**	**$ —**	**$ —**	**$ 10,425**
Liabilities:					
Policy liabilities – market risk benefits	$ —	$ —	$ —	$ (715)	$ (715)
Embedded derivative – annuity products	—	97,503	—	(401)	97,102
Total liabilities	**$ —**	**$ 97,503**	**$ —**	**$ (1,116)**	**$ 96,387**

Year ended December 31, 2022	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
($ in thousands)					
Assets:					
Funds withheld receivable at interest	$ —	$ 36,841	$ —	$ —	$ 36,841
Total assets	**$ —**	**$ 36,841**	**$ —**	**$ —**	**$ 36,841**
Liabilities:					
Policy liabilities – market risk benefits	$ —	$ 28,002	$ —	$ (1,995)	$ 26,007
Total liabilities	**$ —**	**$ 28,002**	**$ —**	**$ (1,995)**	**$ 26,007**

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

Other assets consist of the following:

	As of December 31,			
	2023		2022	
($ in thousands)				
Sponsor organization, structuring, and setup costs refund receivable	$	3,314	$	12,448
Miscellaneous assets		23,778		22,494
Total other assets	**$**	**27,092**	**$**	**34,942**

Other liabilities consist of the following:

	As of December 31,			
	2023		2022	
($ in thousands)				
Deferred expense reduction liability[1]	$	14,542	$	15,340
Accrued expenses and other payables[2]		60,478		31,495
Total other liabilities	**$**	**75,020**	**$**	**46,835**

(1) Includes placement fees which are paid initially by the Company and then reimbursed by the Sponsor over time.

(2) Includes net affiliate payable amount of $4.5 million and $11.7 million as of December 31, 2023 and 2022, respectively.

Insurance expenses consist of the following:

	Years ended December 31,			
	2023		2022	
($ in thousands)				
Commission expense	$	103,605	$	1,722
Reinsurance expense allowance		23,856		7,874
Premium taxes		766		47
Other insurance expenses		29		—
Total insurance expenses	**$**	**128,256**	**$**	**9,643**

General and administrative expenses consist of the following:

	Years ended December 31,			
	2023		2022	
($ in thousands)				
Professional services	$	4,056	$	4,725
Other miscellaneous general and administrative expenses		1,610		1,904
Total general and administrative expenses	**$**	**5,666**	**$**	**6,629**

(7) Policy liabilities

The following reflects the reconciliation of the components of policy liabilities to the total balance reported in the consolidated balance sheets as of December 31, 2023 and 2022, respectively:

	As of December 31,	
	2023	2022
($ in thousands)		
Policyholders' account balances	$ 9,375,572	$ 3,509,594
Liability for future policy benefits	2,657,205	1,017,142
Additional liability for annuitization, death, or other insurance benefits	822,220	—
Market risk benefit liability	14,214	23,113
Other policy-related liabilities(1)	483,146	17,703
Total policy liabilities	**$ 13,352,357**	**$ 4,567,552**

(1) Other policy-related liabilities primarily consist of cost of reinsurance liabilities ($344.8 million and $20.3 million) and embedded derivatives associated with contractholder deposit funds ($138.3 million and $(2.6) million) as of December 31, 2023 and 2022, respectively.

Policyholders' account balances

The following reflects the policyholders' account balances roll-forward for the years ended December 31, 2023 and 2022, respectively, and the policyholders' account balances average interest rates, net amount at risk, and cash surrender value as of those dates:

	Year ended December 31, 2023					
	Fixed rate annuities	Fixed indexed annuities	Variable annuities	Interest sensitive life	Other(1)	Total
($ in thousands, except percentages)						
Balance as of the beginning of the period	**$ 876,494**	**$ 490,158**	**$ 2,074,100**	**$ —**	**$ 68,842**	**$ 3,509,594**
Issuances and premiums received	3,522,017	493,350	57,984	2,174,550	247,766	6,495,667
Benefit payments, surrenders, and withdrawals	(135,263)	(126,117)	(500,542)	(12,629)	(23,762)	(798,313)
Interest(2)	70,463	17,880	64,703	7,548	6,601	167,195
Other activity(3)	(62,270)	(35,796)	120,750	(18,766)	(2,489)	1,429
Balance as of the end of the period	**$ 4,271,441**	**$ 839,475**	**$ 1,816,995**	**$ 2,150,703**	**$ 296,958**	**$ 9,375,572**
Average interest rate	5.21 %	4.24 %	3.41 %	4.29 %	3.16 %	4.49 %
Net amount at risk(4)	$ —	$ —	$ —	$23,720,766	$ —	$23,720,766
Cash surrender value(5)	4,240,759	926,367	2,598,534	2,122,683	—	9,888,343

(1) Other consists of activity related to payout annuities (without life contingencies).

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

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

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

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

	Year ended December 31, 2022					
	Fixed rate annuities	Fixed indexed annuities	Variable annuities	Interest sensitive life	Other(1)	Total
($ in thousands, except percentages)						
Balance as of the beginning of the period	$ —	$ —	$ —	$ —	$ —	$ —
Issuances and premiums received	902,370	508,516	2,120,716	—	79,038	3,610,640
Benefit payments, surrenders, and withdrawals	(46,614)	(31,524)	(71,043)	—	(11,819)	(161,000)
Interest(2)	20,695	11,204	24,427	—	1,623	57,949
Other activity(3)	43	1,962	—	—	—	2,005
Balance as of the end of the period	**$ 876,494**	**$ 490,158**	**$ 2,074,100**	**$ —**	**$ 68,842**	**$ 3,509,594**
Average interest rate	3.50 %	3.50 %	3.50 %	— %	3.50 %	3.50 %
Cash surrender value(4)	874,000	520,000	2,873,000	—	—	4,267,000

(1) Other consists of activity related to payout annuities (without life contingencies).

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

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

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

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

	As of December 31, 2023					
	Account values with adjustable crediting rates subject to guaranteed minimums:					
Range of guaranteed minimum crediting rates	At guaranteed minimum	1 - 49 bps above guaranteed minimum	50 - 99 bps above guaranteed minimum	100 - 150 bps above guaranteed minimum	Greater than 150 bps above guaranteed minimum	Total
($ in thousands, except percentages)						
Less than 1.00%	$ 58,484	$ —	$ —	$ —	$ 129,033	$ 187,517
1.00% - 1.99%	86,182	57,004	43,624	11,812	1,718,706	1,917,328
2.00% - 2.99%	305,927	302	31,739	32,339	269,875	640,182
3.00% - 4.00%	3,231,777	352,843	120,443	189,475	506,234	4,400,772
Greater than 4.00%	1,951,588	193,518	32,644	48,085	128,352	2,354,187
Total	**$ 5,633,958**	**$ 603,667**	**$ 228,450**	**$ 281,711**	**$ 2,752,200**	**$ 9,499,986**
Percentage of total	59 %	6 %	3 %	3 %	29 %	100 %

	As of December 31, 2022					
	Account values with adjustable crediting rates subject to guaranteed minimums:					
Range of guaranteed minimum crediting rates	At guaranteed minimum	1 - 49 bps above guaranteed minimum	50 - 99 bps above guaranteed minimum	100 - 150 bps above guaranteed minimum	Greater than 150 bps above guaranteed minimum	Total
($ in thousands, except percentages)						
Less than 1.00%	$ 222,327	$ —	$ —	$ —	$ —	$ 222,327
1.00% - 1.99%	148,701	1,235	2,933	—	276	153,145
2.00% - 2.99%	328,622	—	—	62	—	328,684
3.00% - 4.00%	2,724,015	—	6,038	—	—	2,730,053
Greater than 4.00%	319,199	—	—	—	—	319,199
Total	**$ 3,742,864**	**$ 1,235**	**$ 8,971**	**$ 62**	**$ 276**	**$ 3,753,408**
Percentage of total	100 %	— %	— %	— %	— %	100 %

Liability for future policy benefits

The following table summarizes the balances of, and changes in, the liability for future policy benefits for limited-payment contracts for the years ended December 31, 2023 and 2022, respectively:

	Payout annuities[1]	
	Years ended December 31,	
	2023	2022
($ in thousands)		
Present value of expected future policy benefits		
Balance as of the beginning of the period	**$ 1,017,142**	**$ —**
Balance at original discount rate	**1,078,120**	**—**
Effect of actual variances from expected experience	10,955	(3,642)
Adjusted beginning of the period balance	**1,089,075**	**(3,642)**
Issuances	1,612,318	1,101,483
Interest	65,385	10,830
Benefit payments	(151,599)	(30,551)
De-recognition (lapses and withdrawals)	4,333	—
Ending balance at original discount rate	**2,619,512**	**1,078,120**
Effect of changes in discount rate assumptions	37,693	(60,978)
Balance as of the end of the period	**2,657,205**	**1,017,142**
Net liability for future policy benefits	**$ 2,657,205**	**$ 1,017,142**

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

The following table summarizes the amount of gross premiums and assessments related to limited-payment contracts recognized in the consolidated statements of income (loss) for the years ended December 31, 2023 and 2022, respectively:

	Gross premiums and assessments	
	Years ended December 31,	
	2023	2022
($ in thousands)		
Payout annuities	$ 1,658,081	$ 1,104,766
Total products	**$ 1,658,081**	**$ 1,104,766**

The following table reflects the weighted-average duration and weighted-average interest rates of the future policy benefit liability as of December 31, 2023 and 2022, respectively:

	Payout annuities	
	As of December 31,	
	2023	2022
Weighted-average interest rates, original discount rate	5.13 %	4.33 %
Weighted-average interest rates, current discount rate	4.95 %	5.05 %
Weighted-average liability duration (years)	8.40	7.53

The following reflects the undiscounted ending balance of expected future gross premiums and expected future benefits and payments for limited-payment contracts as of December 31, 2023 and 2022, respectively:

	Payout annuities	
	As of December 31,	
	2023	2022
($ in thousands)		
Expected future benefit payments, undiscounted	$ 4,150,845	$ 1,438,619
Expected future benefit payments, discounted (original discount rate)	2,619,512	1,078,120
Expected future benefit payments, discounted (current discount rate)	2,657,205	1,017,142

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

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

For the years ended December 31, 2023 and 2022, the Company recognized $(98.7) million and $61.0 million in other comprehensive income (loss), respectively, due to changes in the future policy benefits estimate from updating discount rates. During the years ended December 31, 2023 and 2022, there were no changes to the methods used to determine the discount rates.

Additional liability for annuitization, death, or other insurance benefits

The following tables reflect the additional liability for annuitization, death, or other insurance benefits roll-forward for the years ended December 31, 2023 and 2022:

	Years ended December 31,	
	2023	2022
($ in thousands)		
Balance as of the beginning of period	$ —	$ —
Effect of actual variances from expected experience	(1,241)	—
Adjusted beginning of the period balance	**(1,241)**	**—**
Issuances	818,455	—
Assessments	4,629	—
Benefits paid	(2,310)	—
Interest	2,687	—
Balance as of the end of period	**$ 822,220**	**$ —**

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

The following reflects the amount of gross assessments recognized for the additional liability for annuitization, death, or other insurance benefits in the consolidated statements of income (loss) for the years ended December 31, 2023 and 2022:

	Gross assessments	
	Years ended December 31,	
	2023	2022
($ in thousands)		
Total amount recognized within revenue in the consolidated statements of income (loss)	$ 4,873	$ —

The following reflects the weighted average duration and weighted average interest rate for the additional liability for annuitization, death, or other insurance benefits as of December 31, 2023 and 2022:

	As of December 31,	
	2023	2022
Weighted-average interest, current discount rate	4.00 %	— %
Weighted-average liability duration (years)	29.61	0

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

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

Market risk benefits

The following table presents the balances of, and changes in, market risk benefits:

	Variable annuities			
	Years ended December 31,			
	2023		2022	
($ in thousands)				
Balance as of the beginning of the period	**$**	**23,113**	**$**	**—**
Balance as of the beginning of the period, before impact of changes in instrument-specific credit risk		**23,510**		**—**
Issuances		—		28,002
Interest		826		868
Attributed fees collected		574		462
Benefit payments		(715)		(1,995)
Effect of changes in interest rates		(741)		(3,827)
Effect of changes in equity markets		(2,595)		—
Effect of actual experience different from assumptions		(7,721)		—
Balance as of the end of the period before impact of changes in instrument-specific credit risk		**13,138**		**23,510**
Effect of changes in instrument-specific credit risk		1,076		(397)
Balance as of the end of the period		**14,214**		**23,113**
Net amount at risk	$	38,171	$	65,132
Weighted-average attained age of contract holders (years)		63.9		64.1

The following reflects the reconciliation of the market risk benefits reflected in the preceding table to the amounts reported in an asset and liability position, respectively, in the consolidated balance sheets as of December 31, 2023 and 2022:

	As of December 31, 2023						As of December 31, 2022					
	Asset		Liability		Net		Asset		Liability		Net	
($ in thousands)												
Variable annuities	$	—	$	14,214	$	(14,214)	$	—	$	23,113	$	(23,113)
Total	**$**	**—**	**$**	**14,214**	**$**	**(14,214)**	**$**	**—**	**$**	**23,113**	**$**	**(23,113)**

Significant inputs, judgments, and assumptions used in measuring market risk benefits

Significant policyholder behavior and other assumption inputs to the calculation of the market risk benefits include interest rates, instrument-specific credit risk, mortality rates, lapse rates, surrender rates, and utilization rates. The Company reviews all assumptions at least annually, and more frequently if necessary. Accordingly, as part of the annual assumption review conducted during the year ended December 31, 2023, the Company concluded that no changes in assumptions were needed.

(8) Equity-based compensation

An executive of the Company has been granted a notional capital commitment to UKCo II (the "Management Equity Award," the "Award") to be funded on the Company's behalf by its investors - in accordance with that certain fourth amended and restated shareholders agreement, dated as of December 31, 2023, between the Company, the Sponsor and the parties thereto. Under the terms of the Management Equity Award, the executive will be granted membership interests on a pro-rata basis as capital commitments from investors are called.

The total fair value of the Management Equity Award at the date of grant was $200 thousand. As of December 31, 2023, the Company had called 48.48% of its total capital commitments, which resulted in the issuance of $97 thousand in membership interests to the executive under the Award. In connection with the issuance, the Company recognized $97 thousand of equity-based compensation expense during the year ended December 31, 2023.

(9) Shareholder's equity

The maximum number of the Company shares authorized for issuance is 250,000 common shares at par value of $1 per share.

For the year ended December 31, 2023, the Company has received $868.2 million in capital contributions from its parent. For the year ended December 31, 2022, the Company received $367.2 million in capital contributions from its parent, including the issuance of $250 thousand of common shares.

(10) Income taxes

The Company and its respective subsidiaries are based in Bermuda and the United States. The Company's central management and control moved from the United Kingdom to Bermuda on November 29, 2023 ending its United Kingdom tax residency. Since the Company ceased to be a UK tax resident on November 29, 2023, it is no longer eligible for benefits under the US-UK tax treaty, including the exemption from the US Insurance Excise Tax, after November 29, 2023. Bermuda enacted the Corporate Income Tax Act 2023 on December 27, 2023. The Act introduces a 15% corporate income tax rate, effective for tax years beginning on or after January 1, 2025. Ivy Re II is expected to be eligible for the five-year limited international presence exemption so would be subject to the Bermuda corporate income tax starting in 2030. A deferred tax asset of $3.4 million was booked in 2023 to reflect the expected impact of the tax. A valuation allowance was established on the deferred tax asset as the Company was not able to get to a more-likely-than-not position that the deferred tax asset will be realized in the future based on all the available evidence.

The deferred tax position at December 31, 2023 reflects an assumption the Company will elect out of the Economic Transition Adjustment ("ETA"). The Company is evaluating the costs and benefits of the ETA which may result in a larger deferred tax asset position. Whether an ETA is beneficial for the Company will largely depend on certain facts that exist through 2030. These facts include: the unrealized gain (loss) position of the embedded derivatives related to reinsurance contracts; value of policyholder liabilities at September 30, 2023 that remain on the balance sheet at December 31, 2029; and future tax guidance from Bermuda.

The Company may be subject to a variety of transfer pricing or permanent establishment challenges by taxing authorities in various jurisdictions. The completion of tax examinations may result in changes to the amounts recognized in the Company's consolidated financial statements. The Company owns interests in certain U.S. entities that invest in real estate, the income of which is subject to U.S. income tax. The Company recorded income tax expense of $387 thousand for the year ended December 31, 2023; no income tax expense was recorded for the year ended December 31, 2022.

(11) Reinsurance

The Company has entered into a number of reinsurance treaties with Sponsor Insurance Subsidiaries whereby it assumes payout group, fixed, and variable annuity policies on a coinsurance and funds withheld basis.

Significant reinsurance transactions the Company entered into since January 1, 2022 include the following:

Effective November 1, 2023, the Company entered into a modified coinsurance agreement with the Sponsor Insurance Subsidiary for fixed annuities and universal life business. As of December 31, 2023, assumed annuity reserves are $5.2 billion.

Effective April 1, 2023, the Company entered into a funds withheld coinsurance agreement with the Sponsor Insurance Subsidiary for flow business. As of December 31, 2023, assumed annuity reserves are $475.0 million.

Effective April 1, 2023, the Company entered into a funds withheld coinsurance agreement with the Sponsor Insurance Subsidiary for flow business. As of December 31, 2023, assumed annuity reserves are $361.0 million.

Effective April 1, 2023, the Company entered into a funds withheld coinsurance agreement with the Sponsor Insurance Subsidiary for flow business. As of December 31, 2023, assumed annuity reserves are $1.1 billion.

Effective January 1, 2023, the Company entered into two coinsurance agreements with the Sponsor Insurance Subsidiary for universal life business and endowment annuity reserves. As of December 31, 2023, assumed annuity reserves are $215.6 million.

Effective January 1, 2023, the Company entered into a flow reinsurance agreement with the Sponsor Insurance Subsidiary for flow business. As of December 31, 2023, assumed annuity reserves are $1.1 billion.

Effective April 1, 2022, the Company entered into two funds withheld coinsurance agreements with the Sponsor Insurance Subsidiary whereby it assumed approximately $1.8 billion of fixed and variable annuity reserves at the closing date.

Effective October 1, 2022 the Company entered into a funds withheld coinsurance and modified coinsurance agreement with the Sponsor Insurance Subsidiary whereby it assumed approximately $1.9 billion of variable annuity reserves.

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

	As of December 31,	
	2023	2022
($ in thousands)		
Policy liabilities:		
Assumed	$ 13,352,357	$ 4,567,552
Total policy liabilities	**$ 13,352,357**	**$ 4,567,552**

The Company determines the appropriate amount of reinsurance based on evaluation of the risks accepted and on market conditions (including the availability and pricing of reinsurance). The Company evaluates the financial condition and monitors concentrations of credit risk with its Sponsor Insurance Subsidiaries. Based on its review of the Sponsor Insurance Subsidiaries' consolidated financial statements and reputations in the reinsurance marketplace, the Company held no allowance for bad debts as of both December 31, 2023 and 2022.

As of December 31, 2023 and 2022, respectively, the Company had funds withheld receivable at interest with three and two Sponsor Insurance Subsidiaries related to funds withheld contracts. The assets supporting these receivables were held in trusts by the Sponsor Insurance company.

The effects of reinsurance on the consolidated statements of income (loss) were as follows:

	Years ended December 31,	
	2023	2022
($ in thousands)		
Assumed:		
Premiums	$ 1,658,081	$ 1,104,766
Policy fees	85,853	16,201
Policy benefits and claims	1,887,471	1,202,091

(12) Dividend restrictions and statutory information

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

The Bermuda Insurance Act limits the ability of the Company to pay dividends or make capital distributions by stipulating certain margin and solvency requirements and by requiring approval from the BMA prior to a distribution of 15% or more of an insurer's total statutory capital as reported on its prior year statutory balance sheet. Moreover, an insurer must submit an affidavit to the BMA, sworn by at least two directors and the principal representative in Bermuda of the Bermuda insurer, at least seven days prior to payment of any dividend which would exceed 25% of an insurer's total statutory capital and surplus as reported on its prior year statutory balance sheet. The affidavit must state that, in the opinion of those swearing, the declaration of such dividend has not caused the insurer to fail to meet its relevant margins ("Bermuda Dividend Affidavit"). Accordingly, the Company may distribute up to: (1) 100% of statutory surplus; plus (2) an amount less than 15% of statutory capital, upon providing the BMA with a Bermuda Dividend Affidavit and meeting applicable solvency requirements, without BMA approval. The Company did not declare or pay any dividends or capital distributions in the years ended December 31, 2023 and 2022.

With respect to margin and solvency requirements, the Bermuda Insurance Act prohibits the Company from declaring or paying any dividends during any financial year if it is in breach of its solvency margin or if the declaration or payment of such dividends would cause such a breach. If the insurer has failed to meet its minimum solvency margin on the last day of any financial year, such an insurer will also be prohibited, without the approval of the BMA, from declaring or paying any dividends during the next financial year. The Company is also prohibited from declaring or paying a dividend when it has failed to comply with its enhanced capital requirement, until such noncompliance is rectified. As of December 31, 2023, the Company exceeded all relevant capital requirements. The aggregate amount of dividends and capital distributions permitted to be made from the Company without a required approval from or a submission of an affidavit to the BMA during the year ended December 31, 2024 is $500.0 million.

Statutory financial information

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

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

(13) Commitment and contingencies

Contingencies

Legal matters

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

(14) Subsequent events

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

Effective January 1, 2024, the Company entered into a funds withheld coinsurance agreement with the Sponsor Insurance Subsidiary whereby it assumed approximately $4.1 billion in whole life and fixed annuity reserves.