

REFINITIV

# DELTA REPORT

## 10-Q

FG - F&G ANNUITIES & LIFE, INC  
10-Q - JUNE 30, 2023 COMPARED TO 10-Q - MARCH 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1103
CHANGES	344
DELETIONS	305
ADDITIONS	454

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**Form 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **March 31, 2023** **June 30, 2023**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-41490

**F&G Annuities & Life, Inc.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

85-2487422

(I.R.S. Employer Identification No.)

801 Grand Avenue, Suite 2600

Des Moines, Iowa 50309

(Address of principal executive offices, including zip code)

(515) 330-3340

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.001 per share	F&G	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

The registrant had outstanding 126,379,456 125,507,473 shares of common stock as of April 30, 2023 July 31, 2023.

**FORM 10-Q**  
**QUARTERLY REPORT**

Quarter Ended March 31, 2023 June 30, 2023

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**F&G ANNUITIES & LIFE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Dollars in millions, except share data)

		March 31, 2023	December 31, 2022		June 30, 2023	December 31, 2022
		(Unaudited)	(Restated and Unaudited)		(Unaudited)	
<b>ASSETS</b>	<b>ASSETS</b>			<b>ASSETS</b>		
Investments:	Investments:			Investments:		
Fixed maturity securities available for sale, at fair value, at March 31, 2023 and December 31, 2022, at an amortized cost of \$38,226 and \$35,723, respectively, net of allowance for credit losses of \$16 and \$31, respectively		\$ 34,197	\$ 31,218			
Fixed maturity securities available for sale, at fair value, at June 30, 2023 and December 31, 2022, at an amortized cost of \$40,374 and \$35,723, respectively, net of allowance for credit losses of \$32 and \$31, respectively				Fixed maturity securities available for sale, at fair value, at June 30, 2023 and December 31, 2022, at an amortized cost of \$40,374 and \$35,723, respectively, net of allowance for credit losses of \$32 and \$31, respectively	\$ 36,182	\$ 31,218
Preferred securities, at fair value	Preferred securities, at fair value	691	722	Preferred securities, at fair value	647	722
Equity securities, at fair value	Equity securities, at fair value	106	101	Equity securities, at fair value	109	101
Derivative investments	Derivative investments	432	244	Derivative investments	648	244
Mortgage loans, net of allowance for credit losses of \$60 and \$42 at March 31, 2023 and December 31, 2022, respectively		4,984	4,554			
Investments in unconsolidated affiliates		2,669	2,455			
Mortgage loans, net of allowance for credit losses of \$64 and \$42 at June 30, 2023 and December 31, 2022, respectively				Mortgage loans, net of allowance for credit losses of \$64 and \$42 at June 30, 2023 and December 31, 2022, respectively	5,076	4,554
Investments in unconsolidated affiliates (certain investments at fair value of \$197 and \$23 at June 30, 2023 and December 31, 2022, respectively)				Investments in unconsolidated affiliates (certain investments at fair value of \$197 and \$23 at June 30, 2023 and December 31, 2022, respectively)	2,803	2,455
Other long-term investments	Other long-term investments	565	537	Other long-term investments	566	537
Short-term investments	Short-term investments	776	1,556	Short-term investments	347	1,556
Total investments	Total investments	44,420	41,387	Total investments	46,378	41,387
Cash and cash equivalents	Cash and cash equivalents	1,584	960	Cash and cash equivalents	1,688	960
Reinsurance recoverable, net of allowance for credit losses of \$9 and \$10 at March 31, 2023 and December 31, 2022, respectively		6,361	5,417			
Reinsurance recoverable, net of allowance for credit losses of \$9 and \$10 at June 30, 2023 and December 31, 2022, respectively				Reinsurance recoverable, net of allowance for credit losses of \$9 and \$10 at June 30, 2023 and December 31, 2022, respectively	7,076	5,417
Goodwill	Goodwill	1,749	1,749	Goodwill	1,749	1,749
Prepaid expenses and other assets	Prepaid expenses and other assets	948	941	Prepaid expenses and other assets	1,168	941
Other intangible assets, net	Other intangible assets, net	3,677	3,429	Other intangible assets, net	3,851	3,429
Market risk benefits asset	Market risk benefits asset	106	117	Market risk benefits asset	118	117
Income taxes receivable	Income taxes receivable	25	28	Income taxes receivable	13	28
Deferred tax asset	Deferred tax asset	544	600	Deferred tax asset	546	600
Total assets	Total assets	\$ 59,414	\$ 54,628	Total assets	\$ 62,587	\$ 54,628
<b>LIABILITIES AND EQUITY</b>						
Liabilities:	Liabilities:			Liabilities:		
Contractholder funds	Contractholder funds	\$ 43,379	\$ 40,843	Contractholder funds	\$ 45,070	\$ 40,843

Future policy benefits	Future policy benefits	5,371	5,021	Future policy benefits	5,715	5,021
Market risk benefits liability	Market risk benefits liability	324	282	Market risk benefits liability	313	282
Accounts payable and accrued liabilities	Accounts payable and accrued liabilities	1,453	1,260	Accounts payable and accrued liabilities	1,719	1,260
Notes payable	Notes payable	1,572	1,114	Notes payable	1,571	1,114
Funds withheld for reinsurance liabilities		4,830	3,703			
Funds withheld for reinsurance liabilities				Funds withheld for reinsurance liabilities	5,681	3,703
Total liabilities	Total liabilities	56,929	52,223	Total liabilities	60,069	52,223
Equity:	Equity:			Equity:		
F&G common stock, \$0.001 par value; authorized 500,000,000 shares as of March 31, 2023 and December 31, 2022; outstanding of 126,379,456 and 126,409,904 as of March 31, 2023 and December 31, 2022, respectively, and issued of 126,387,218 and 126,409,904 as of March 31, 2023 and December 31, 2022, respectively		—	—			
F&G common stock, \$0.001 par value; authorized 500,000,000 shares as of June 30, 2023 and December 31, 2022; outstanding 125,591,479 and 126,409,904 as of June 30, 2023 and December 31, 2022, respectively; and issued 126,386,605 and 126,409,904 as of June 30, 2023 and December 31, 2022, respectively				F&G common stock, \$0.001 par value; authorized 500,000,000 shares as of June 30, 2023 and December 31, 2022; outstanding 125,591,479 and 126,409,904 as of June 30, 2023 and December 31, 2022, respectively; and issued 126,386,605 and 126,409,904 as of June 30, 2023 and December 31, 2022, respectively	—	—
Additional paid-in capital	Additional paid-in capital	3,167	3,162	Additional paid-in capital	3,173	3,162
Retained earnings	Retained earnings	1,866	2,061	Retained earnings	1,971	2,061
Accumulated other comprehensive (loss) earnings	Accumulated other comprehensive (loss) earnings	(2,548)	(2,818)	Accumulated other comprehensive (loss) earnings	(2,610)	(2,818)
Treasury stock, at cost (7,762 shares and — shares at March 31, 2023 and December 31, 2022)		—	—			
Treasury stock, at cost (795,126 shares and 7,762 shares as of June 30, 2023 and December 31, 2022)				Treasury stock, at cost (795,126 shares and 7,762 shares as of June 30, 2023 and December 31, 2022)	(16)	—
Total equity	Total equity	2,485	2,405	Total equity	2,518	2,405
Total liabilities and equity	Total liabilities and equity	\$ 59,414	\$ 54,628	Total liabilities and equity	\$ 62,587	\$ 54,628

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

**F&G ANNUITIES & LIFE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Dollars and shares millions, except per share data)

		Three months ended March 31,		Three months ended June 30,				Six months ended June 30,	
		2023	2022	2023	2022	2023	2022	2023	2022
		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Revenues:	Revenues:			Revenues:					
Life insurance premiums and other fees	Life insurance premiums and other fees	\$ 365	\$ 596	Life insurance premiums and other fees	\$ 576	\$ 71	\$ 941	\$ 667	

Interest and investment income	Interest and investment income	519	451	Interest and investment income	525	425	1,044	876
Recognized gains and (losses), net	Recognized gains and (losses), net	(15)	(297)	Recognized gains and (losses), net	67	(426)	52	(723)
Total revenues	Total revenues	869	750	Total revenues	1,168	70	2,037	820
Benefits and expenses:	Benefits and expenses:			Benefits and expenses:				
Benefits and other changes in policy reserves (Remeasurement gains (losses) (a))		812	203					
Benefits and other changes in policy reserves (remeasurement gains (losses) (a))				Benefits and other changes in policy reserves (remeasurement gains (losses) (a))	817	(377)	1,629	(174)
Market risk benefit (gains) losses	Market risk benefit (gains) losses	59	70	Market risk benefit (gains) losses	(30)	(189)	29	(119)
Depreciation and amortization	Depreciation and amortization	90	76	Depreciation and amortization	104	80	194	156
Personnel costs	Personnel costs	53	30	Personnel costs	56	34	109	64
Other operating expenses	Other operating expenses	36	18	Other operating expenses	33	31	69	49
Interest expense	Interest expense	22	8	Interest expense	25	9	47	17
Total expenses	Total expenses	1,072	405	Total expenses	1,005	(412)	2,077	(7)
Earnings (Loss) before income taxes		(203)	345					
Income tax expense (benefit)		(8)	106					
Earnings (loss) before income taxes				Earnings (loss) before income taxes	163	482	(40)	827
Income tax expense				Income tax expense	33	97	25	203
Net earnings (loss)				Net earnings (loss)	130	385	(65)	624
Net earnings (loss)		\$ (195)	\$ 239					
Earnings (loss) per share	Earnings (loss) per share			Earnings (loss) per share				
Basic	Basic			Basic				
Net earnings (loss) per share, basic	Net earnings (loss) per share, basic	\$ (1.56)	\$ 2.28	Net earnings (loss) per share, basic	\$ 1.04	\$ 3.60	\$ (0.52)	\$ 5.89
Diluted	Diluted			Diluted				
Net earnings (loss) per share, diluted	Net earnings (loss) per share, diluted	\$ (1.56)	\$ 2.28	Net earnings (loss) per share, diluted	\$ 1.04	\$ 3.60	\$ (0.52)	\$ 5.89
Weighted average shares outstanding F&G common stock, basic basis <sup>(b)</sup>	Weighted average shares outstanding F&G common stock, basic basis <sup>(b)</sup>	125	105	Weighted average shares outstanding F&G common stock, basic basis <sup>(b)</sup>	125	107	125	106

Weighted average shares outstanding F&G common stock, diluted basis <sup>(b)</sup>	Weighted average			Weighted average			
	shares			shares			
	outstanding			outstanding			
	F&G common			F&G common			
	stock, diluted			stock, diluted			
basis <sup>(b)</sup>	125	105	basis <sup>(b)</sup>	125	107	125	106

- (a) The remeasurement gains (losses) losses for the three and six months ended March 31, 2023 and March 31, 2022 June 30, 2023 were \$(4) \$(1) million and \$(1) \$(5) million, respectively. The remeasurement losses for the three and six months ended June 30, 2022 were \$(2) million and \$(4) million, respectively.
- (b) Weighted average shares outstanding for the three and six months ended March 31, 2022 June 30, 2022 retrospectively include the effects of the 105,000 for 1 stock split that occurred on June 24, 2022.

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

**F&G ANNUITIES & LIFE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS**  
(In millions)

		Three months ended March 31,			Three months ended		Six months ended	
					June 30,		June 30,	
		2023	2022		2023	June 30, 2022	2023	2022
		(Unaudited)			(Unaudited)		(Unaudited)	
Net earnings (loss)	Net earnings (loss)	\$ (195)	\$ 239	Net earnings (loss)	\$ 130	\$ 385	\$ (65)	\$ 624
Other comprehensive earnings:	Other comprehensive earnings:			Other comprehensive earnings:				
Changes in current discount rate - future policy benefits <sup>(1)</sup>	Changes in current discount rate - future policy benefits <sup>(1)</sup>	(100)	292	Changes in current discount rate - future policy benefits <sup>(1)</sup>	57	310	(43)	602
Changes in instrument-specific credit risk - market risk benefits <sup>(2)</sup>	Changes in instrument-specific credit risk - market risk benefits <sup>(2)</sup>	7	33	Changes in instrument-specific credit risk - market risk benefits <sup>(2)</sup>	(4)	50	3	83
Unrealized (loss) gain on investments and other financial instruments, net of deferred income taxes <sup>(3)</sup>								
		321	(1,853)					
Unrealized (loss) gain on foreign currency translation <sup>(4)</sup>								
		1	(2)					
Unrealized gain (loss) on investments and other financial instruments, net of deferred income taxes <sup>(3)</sup>								
						(161)	(1,873)	160
Unrealized gain (loss) on foreign currency translation <sup>(4)</sup>								
						1	(4)	2
Reclassification adjustments for change in unrealized gains and losses included in net earnings <sup>(5)</sup>								
		41	27		45	52	86	79

Other comprehensive (loss) earnings	270	(1,503)				
Comprehensive (loss) earnings	\$ 75	\$ (1,264)				
Other comprehensive gain (loss) earnings			Other comprehensive gain (loss) earnings	(62)	(1,465)	208 (2,968)
Comprehensive gain (loss) earnings			Comprehensive gain (loss) earnings	\$ 68	\$ (1,080)	\$ 143 \$ (2,344)

- (1) Net of income tax (benefit) expense of \$(27) million \$15 million and \$78 million \$82 million for the three months ended March 31, 2023 June 30, 2023 and 2022, respectively, and \$(12) million and \$160 million for the six months ended June 30, 2023 and 2022, respectively.
- (2) Net of income tax (benefit) expense of \$2 million \$(1) million and \$9 million \$13 million for the three months ended March 31, 2023 June 30, 2023 and 2022, respectively, \$1 million and \$22 million for the six months ended June 30, 2023 and 2022, respectively.
- (3) Net of income tax (benefit) expense of \$86 million \$(43) million and \$(372) \$(516) million for the three months ended March 31, 2023 June 30, 2023 and 2022, respectively, \$43 million and \$(888) million for the six months ended June 30, 2023 and 2022, respectively.
- (4) Net of income tax (benefit) expense of \$— million and \$— \$(2) million for the three months ended March 31, 2023 June 30, 2023 and 2022, respectively, \$— million and \$(2) million for the six months ended June 30, 2023 and 2022, respectively.
- (5) Net of income tax (benefit) expense of \$11 million \$12 million and \$7 million \$14 million for the three months ended March 31, 2023 June 30, 2023 and 2022, respectively, \$23 million and \$21 million for the six months ended June 30, 2023 and 2022, respectively.

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

**F&G ANNUITIES & LIFE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**  
(In millions, except per share data)  
(Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Earnings (Loss)	Treasury Stock	Total Equity
Balance, December 31, 2021	\$ —	\$ 2,750	\$ 1,451	\$ 833	\$ —	\$ 5,034
Other comprehensive earnings - unrealized gain on investments and other financial instruments	—	—	—	(1,853)	—	(1,853)
Other comprehensive earnings - unrealized gain on foreign currency translation	—	—	—	(2)	—	(2)
Reclassification adjustments for change in unrealized gains and losses included in net earnings	—	—	—	27	—	27
Stock-based compensation	—	3	—	—	—	3
Change in instrument-specific credit risk - market risk benefits	—	—	—	33	—	33
Change in current discount rate - liability for future policy benefits	—	—	—	292	—	292
Net earnings	—	—	239	—	—	239
Balance, March 31, 2022	\$ —	\$ 2,753	\$ 1,690	\$ (670)	\$ —	\$ 3,773

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Earnings (Loss)	Treasury Stock	Total Equity
Balance, March 31, 2022	\$ —	\$ 2,753	\$ 1,690	\$ (670)	\$ —	\$ 3,773
Treasury stock repurchased	—	—	—	—	—	—
Unrealized gain (loss) on investments and other financial instruments	—	—	—	(1,873)	—	(1,873)
Unrealized gain (loss) on foreign currency translation	—	—	—	(4)	—	(4)
Reclassification adjustments for change in unrealized gains and losses included in net earnings	—	—	—	52	—	52
Stock-based compensation	—	3	—	—	—	3
Change in instrument-specific credit risk - market risk benefits	—	—	—	50	—	50



Change in current discount rate - future policy benefits	—	—	—	310	—	310
Conversion of debt to equity	—	400	—	—	—	400
Net earnings (loss)	—	—	385	—	—	385
Balance, June 30, 2022	\$ —	\$ 3,156	\$ 2,075	\$ (2,135)	\$ —	\$ 3,096

		Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Earnings (Loss)	Treasury Stock	Total Equity		
Balance, December 31, 2022		\$ —	\$ 3,162	\$ 2,061	\$ (2,818)	\$ —	\$ 2,405		
Other comprehensive loss -									
unrealized loss on investments and									
other financial instruments		—	—	—	321	—	321		
Other comprehensive earnings -									
unrealized gain on investments in									
unconsolidated affiliates		—	—	—	1	—	1		
		Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Earnings (Loss)	Treasury Stock	Total Equity		
Balance, March 31, 2023		\$ —	\$ 3,167	\$ 1,866	\$ (2,548)	\$ —	\$ 2,485	Balance, March 31, 2023	
Treasury stock repurchased		—	—	—	—	(16)	(16)	Treasury stock repurchased	
Unrealized gain (loss) on investments and other financial instruments		—	—	—	(161)	—	(161)	Unrealized gain (loss) on investments and other financial instruments	
Unrealized gain (loss) on foreign currency translation		—	—	—	1	—	1	Unrealized gain (loss) on foreign currency translation	
Reclassification adjustments for change in unrealized gains and losses included in net earnings	Reclassification adjustments for change in unrealized gains and losses included in net earnings	—	—	—	41	—	41	Reclassification adjustments for change in unrealized gains and losses included in net earnings	45
Stock-based compensation	Stock-based compensation	—	5	—	—	—	5	Stock-based compensation	6
Change in instrument-specific credit risk - market risk benefits	Change in instrument-specific credit risk - market risk benefits	—	—	—	7	—	7	Change in instrument-specific credit risk - market risk benefits	(4)
Change in current discount rate - future policy benefits	Change in current discount rate - future policy benefits	—	—	—	(100)	—	(100)	Change in current discount rate - future policy benefits	57
Dividends declared	Dividends declared	—	—	(25)	—	—	(25)	Dividends declared	(25)

Net earnings							Net earnings						
(loss)							(loss)	—	—	130	—	—	130
Balance, June 30, 2023							Balance, June 30, 2023	\$ —	\$ 3,173	\$ 1,971	\$ (2,610)	\$ (16)	\$ 2,518
Net earnings	—	—	(195)	—	—	(195)							
Balance, March 31, 2023	\$ —	\$ 3,167	\$ 1,866	\$ (2,548)	\$ —	\$ 2,485							

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

**F&G ANNUITIES & LIFE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (Continued)**  
(In millions, except per share data)  
(Unaudited)

	Accumulated Other					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Comprehensive Earnings (Loss)	Treasury Stock	Total Equity
Balance, January 1, 2022	\$ —	\$ 2,750	\$ 1,451	\$ 833	\$ —	\$ 5,034
Unrealized gain (loss) on investments and other financial instruments	—	—	—	(3,726)	—	(3,726)
Unrealized gain (loss) on foreign currency translation	—	—	—	(6)	—	(6)
Reclassification adjustments for change in unrealized gains and losses included in net earnings	—	—	—	79	—	79
Stock-based compensation	—	6	—	—	—	6
Change in instrument-specific credit risk - market risk benefits	—	—	—	83	—	83
Change in current discount rate - future policy benefits	—	—	—	602	—	602
Conversion of debt to equity	—	400	—	—	—	400
Net earnings (loss)	—	—	624	—	—	624
Balance, June 30, 2022	\$ —	\$ 3,156	\$ 2,075	\$ (2,135)	\$ —	\$ 3,096

	Accumulated Other					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Comprehensive Earnings (Loss)	Treasury Stock	Total Equity
Balance, January 1, 2023	\$ —	\$ 3,162	\$ 2,061	\$ (2,818)	\$ —	\$ 2,405
Treasury stock repurchased	—	—	—	—	(16)	(16)
Unrealized gain (loss) on investments and other financial instruments	—	—	—	160	—	160
Unrealized gain (loss) on foreign currency translation	—	—	—	2	—	2
Reclassification adjustments for change in unrealized gains and losses included in net earnings	—	—	—	86	—	86
Stock-based compensation	—	11	—	—	—	11
Change in instrument-specific credit risk - market risk benefits	—	—	—	3	—	3
Change in current discount rate - future policy benefits	—	—	—	(43)	—	(43)
Dividends declared	—	—	(25)	—	—	(25)
Net earnings (loss)	—	—	(65)	—	—	(65)
Balance, June 30, 2023	\$ —	\$ 3,173	\$ 1,971	\$ (2,610)	\$ (16)	\$ 2,518

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

**F&G ANNUITIES & LIFE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)

Three months ended March 31,	Six months ended June 30,
------------------------------	---------------------------

		2023		2022			2023		2022	
		(Unaudited)		(Unaudited)			(Unaudited)		(Unaudited)	
Cash Flows from Operating Activities:	Cash Flows from Operating Activities:					Cash Flows from Operating Activities:				
Net earnings (loss)	Net earnings (loss)	\$	(195)	\$	239	Net earnings (loss)	\$	(65)	\$	624
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:	Adjustments to reconcile net earnings to net cash provided (used) by operating activities:					Adjustments to reconcile net earnings to net cash provided (used) by operating activities:				
Depreciation and amortization	Depreciation and amortization		90		76	Depreciation and amortization		194		156
(Gain) loss on sales of investments and other assets and asset impairments, net	(Gain) loss on sales of investments and other assets and asset impairments, net		182		(15)	(Gain) loss on sales of investments and other assets and asset impairments, net		324		73
Interest credited/index credits to contractholder account balances	Interest credited/index credits to contractholder account balances		463		(386)	Interest credited/index credits to contractholder account balances		857		(827)
Change in market risk benefits, net	Change in market risk benefits, net		59		70	Change in market risk benefits, net		29		(119)
Deferred policy acquisition costs and deferred sales inducements	Deferred policy acquisition costs and deferred sales inducements		(251)		(169)	Deferred policy acquisition costs and deferred sales inducements		(518)		(371)
Charges assessed to contractholders for mortality and administration	Charges assessed to contractholders for mortality and administration		(58)		(52)	Charges assessed to contractholders for mortality and administration		(122)		(107)
Distributions from unconsolidated affiliates, return on investment	Distributions from unconsolidated affiliates, return on investment		19		17	Distributions from unconsolidated affiliates, return on investment		45		24
Stock-based compensation cost	Stock-based compensation cost		5		3	Stock-based compensation cost		11		6
Change in NAV of limited partnerships, net	Change in NAV of limited partnerships, net		(57)		(112)	Change in NAV of limited partnerships, net		(96)		(172)
Change in valuation of derivatives, equity and preferred securities, net	Change in valuation of derivatives, equity and preferred securities, net		(166)		312	Change in valuation of derivatives, equity and preferred securities, net		(377)		648
Changes in assets and liabilities, net of effects from acquisitions:	Changes in assets and liabilities, net of effects from acquisitions:					Changes in assets and liabilities, net of effects from acquisitions:				
Change in reinsurance recoverable	Change in reinsurance recoverable		—		35	Change in reinsurance recoverable		(27)		103
Change in future policy benefits	Change in future policy benefits		224		428	Change in future policy benefits		421		330
Change in funds withheld from reinsurers	Change in funds withheld from reinsurers		1,124		181	Change in funds withheld from reinsurers		1,980		617
Net change in income taxes	Net change in income taxes		(13)		103	Net change in income taxes		14		187

Net change in other assets and other liabilities	Net change in other assets and other liabilities	11	(307)	Net change in other assets and other liabilities	147	(444)
Net cash provided by (used in) operating activities	Net cash provided by (used in) operating activities	\$ 1,437	\$ 423	Net cash provided by (used in) operating activities	\$ 2,817	\$ 728
<b>Cash Flows from Investing Activities:</b>	<b>Cash Flows from Investing Activities:</b>			<b>Cash Flows from Investing Activities:</b>		
Proceeds from sales, calls and maturities of investment securities	Proceeds from sales, calls and maturities of investment securities	915	1,801	Proceeds from sales, calls and maturities of investment securities	1,920	3,150
Additions to property and equipment and capitalized software	Additions to property and equipment and capitalized software	(6)	(11)	Additions to property and equipment and capitalized software	(14)	(20)
Purchases of investment securities	Purchases of investment securities	(3,900)	(3,702)	Purchases of investment securities	(6,907)	(6,553)
Net proceeds from (purchases of) sales and maturities of short-term investment securities	Net proceeds from (purchases of) sales and maturities of short-term investment securities	785	(15)	Net proceeds from (purchases of) sales and maturities of short-term investment securities	1,219	3
Additional investments in unconsolidated affiliates	Additional investments in unconsolidated affiliates	(293)	(290)	Additional investments in unconsolidated affiliates	(651)	(688)
Distributions from unconsolidated affiliates, return of investment	Distributions from unconsolidated affiliates, return of investment	91	29	Distributions from unconsolidated affiliates, return of investment	187	71
Net cash used in investing activities	Net cash used in investing activities	\$ (2,408)	\$ (2,188)	Net cash used in investing activities	\$ (4,246)	\$ (4,037)
<b>Cash Flows from Financing Activities:</b>	<b>Cash Flows from Financing Activities:</b>			<b>Cash Flows from Financing Activities:</b>		
Borrowings	Borrowings	500	—	Borrowings	500	—
Debt issuance costs	Debt issuance costs	(10)	—	Debt issuance costs	(9)	—
Net revolving credit facility (repayments) borrowings	Net revolving credit facility (repayments) borrowings	(35)	—	Net revolving credit facility (repayments) borrowings	(35)	—
Dividends paid	Dividends paid	(25)	—	Dividends paid	(50)	—
Purchases of treasury stock				Purchases of treasury stock	(16)	—
Contractholder account deposits	Contractholder account deposits	2,115	2,123	Contractholder account deposits	3,847	4,512
Contractholder account withdrawals	Contractholder account withdrawals	(950)	(723)	Contractholder account withdrawals	(2,080)	(1,744)
Net cash provided by (used in) financing activities	Net cash provided by (used in) financing activities	\$ 1,595	\$ 1,400	Net cash provided by (used in) financing activities	\$ 2,157	\$ 2,768
Net increase (decrease) in cash and cash equivalents	Net increase (decrease) in cash and cash equivalents	624	(365)	Net increase (decrease) in cash and cash equivalents	728	(541)
Cash and cash equivalents at beginning of period	Cash and cash equivalents at beginning of period	960	1,533	Cash and cash equivalents at beginning of period	960	1,533
Cash and cash equivalents at end of period	Cash and cash equivalents at end of period	\$ 1,584	\$ 1,168	Cash and cash equivalents at end of period	\$ 1,688	\$ 992

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements

**F&G ANNUITIES & LIFE, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note A — Basis of Financial Statements**

The financial information in this report presented for interim periods is unaudited and includes the accounts of F&G Annuities & Life, Inc. ("FGAL") and its subsidiaries (collectively, "we", "us", "our", the "Company" or "F&G") prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All adjustments made were of a normal, recurring nature. This report should be read in conjunction with our Annual Report on Form 10-K (our "Annual Report") for the year ended December 31, 2022, filed on February 27, 2023, as amended by Amendment No. 1 on Form 10-K/A filed on April 27, 2023, (collectively our "Annual Report") and our Current Report on Form 8-K, filed on July 13, 2023, to update our Annual Report for changes in accounting for long-duration contracts by insurance companies as discussed below in "Recent Developments."

### Description of the Business

F&G is a majority-owned subsidiary of Fidelity National Financial, Inc. (NYSE:FNF)("FNF"). We provide insurance solutions and market a broad portfolio of annuity and life insurance products, including deferred annuities (fixed indexed annuities ("FIA") and fixed rate annuities including multi-year guarantee annuities ("MYGAs")), immediate annuities, and indexed universal life ("IUL") insurance, through our retail distribution channels. We also provide funding agreements and pension risk transfer ("PRT") solutions through our institutional channels. F&G has one reporting segment, which is consistent with and reflects the manner by which our chief operating decision maker views and manages the business. For certain disclosures within this Quarterly Report on Form 10-Q, we have elected to aggregate business based on the applicable product type, the manner in which information is regularly reviewed by management and the nature of disclosures that exist outside the Company's GAAP financial statements.

### Recent Developments

*Adoption of Accounting Standards Update ("ASU") 2018-12, Financial Services-Insurance (Topic 944), Targeted Improvements to the Accounting for Long-Duration Contracts ("ASU 2018-12")*

F&G adopted ASU 2018-12 on January 1, 2023, with a transition date of January 1, 2021, or the beginning of the earliest period that will be presented in the annual December 31, 2023 Consolidated Financial Statements. We elected to adopt ASU 2018-12 using the full retrospective transition method and balances for liability for future policy benefits ("FPB"), deferred acquisition costs ("DAC") and balances amortized on a basis consistent with DAC (value of business acquired ("VOBA"), deferred sales inducements ("DSI"), and unearned revenue liabilities ("URL")), and market risk benefits ("MRBs") were adjusted to conform to ASU 2018-12 starting as of the FNF acquisition date, June 1, 2020 (the "FNF Acquisition Date"). The 2022 and 2021 financial information contained herein have been adjusted for our full retrospective adoption of this update. For more information, refer to *Recent Accounting Pronouncements and Updates to Summary of significant accounting policies* below and Note F — *Intangibles*, Note G — *Market Risk Benefits*, Note H — *Income Taxes*, Note I — *Contractholder Funds*, Note J — *Future Policy Benefits*, Note K — *Accounts Payable and Accrued Liabilities*, and Note P — *ASU 2018-12 Transition*.

### Share Repurchase Program

On March 21, 2023, F&G's Board of Directors approved a new three-year stock repurchase program, effective March 21, 2023, under which the Company may repurchase up to \$25 million of FG common stock. The Company believes its shares are undervalued and the share repurchase program is an efficient means of returning cash to shareholders. Purchases may be made from time to time by the Company in the open market at prevailing market prices or in privately negotiated transactions through March 21, 2026 and all purchases are currently planned to be held as Treasury Stock. The extent to which the Company repurchases its shares, and the timing of such purchases, will depend upon a variety of factors, including market conditions, regulatory requirements and other considerations.

### Syncis Investment

as determined by the Company.

During the three and six months ended June 30, 2023, the Company purchased approximately 790 thousand shares pursuant to the program, for a total cost of approximately \$16 million with an average cost per share of \$20.79. Approximately \$9 million of F&G common stock may yet be purchased under the program.

### Owned Distribution Investments

On June 20, 2023, F&G purchased a 40% minority ownership stake in DCMT Worldwide, LLC ("DCMT"). DCMT distributes life insurance and annuity products through a network of over 1,000 agents. On January 30, 2023, F&G purchased a 49% minority ownership stake in Syncis Holdings, LLC ("Syncis"). Syncis is an approximately 1,200 agent Network Marketing Group ("NMG") that focuses on cultural markets including Korean, African-American and Persian. We have elected the fair value option ("FVO") to account for this investment these investments and have included it them in Investments in unconsolidated affiliates on the accompanying unaudited Condensed Consolidated Balance Sheets.

For the three six months ended March 31, 2023 June 30, 2023, we paid approximately \$9 \$77 million in commissions to Syncis, on sales through our new and prior owned distribution investments and their affiliates, with the acquisition expense included deferred and amortized in Other operating expenses Depreciation and amortization on the accompanying unaudited Condensed Consolidated Statements of Operations.

### 7.40% F&G Senior Notes

On January 13, 2023, F&G completed its issuance and sale of \$500 million aggregate principal amount of its 7.40% Senior Notes due 2028 (the "7.40% F&G Notes"). F&G intends to use the net proceeds from the offering for general corporate purposes, including to support the growth of assets under management and for F&G's future liquidity requirements.

### Revolving Credit Facility

On November 22, 2022, F&G entered into a Credit Agreement (the "Credit Agreement") with certain lenders (the "Lenders") and Bank of America, N.A. as administrative agent (in such capacity, the "Administrative Agent"), swing line lender and an issuing bank, pursuant to which the Lenders have made available an unsecured revolving credit facility in an aggregate principal amount of \$550 million \$550 million to be used for working capital and general corporate purposes. As of December 31, 2022, the revolving credit facility was fully drawn with \$550 million \$550 million outstanding. A net partial revolver payoff of \$35 million \$35 million was made during the three months ended March 31, 2023 on January 6, 2023 and, on February 21, 2023, we entered into an amendment with the Lenders to increase the available aggregate principal amount of the Credit Agreement by \$115 million \$115 million to \$665 million. \$665 million. As of March 31, 2023 June 30, 2023, we had \$515 million \$515 million drawn on the revolving credit facility with \$150 million \$150 million of remaining borrowing availability.

### Earnings Per Share

Basic earnings per share, as presented on the unaudited Condensed Consolidated Statements of Operations, is computed by dividing net earnings available to common shareholders in a given period by the weighted average number of common shares outstanding during such period. In periods when earnings are positive, diluted earnings per share is calculated by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding plus assumed conversions of potentially dilutive securities. For periods when we recognize a net loss, diluted loss per share is equal to basic loss per share as the impact of assumed conversions of potentially dilutive securities is considered to be antidilutive.

## Recent Accounting Pronouncements

### Adopted Pronouncements

In August 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-12, as clarified and amended by ASU 2019-09, Financial Services-Insurance: Effective Date and ASU 2020-11, Financial Services-Insurance: Effective Date and Early Application, effective for fiscal years beginning after December 15, 2022 including interim periods within those fiscal years. This update introduced the following requirements: assumptions used to measure cash flows for traditional and limited-payment contracts must be reviewed at least annually with the effect of changes in those assumptions being recognized in the statement of operations; the discount rate applied to measure the liability for future policy benefits FPB and limited-payment contracts must be updated at each reporting date with the effect of changes in the rate being recognized in accumulated other comprehensive income (loss) ("AOCI"); MRB associated with deposit contracts must be measured at fair value, with the effect of the change in the fair value recognized in earnings, except for the change attributable to instrument-specific credit risk which is recognized in AOCI; deferred acquisition costs are no longer required to be amortized in proportion to premiums, gross profits, or gross margins; instead, those balances must be amortized on a constant level basis over the expected term of the related contracts; deferred acquisition costs must be written off for unexpected contract terminations; and disaggregated roll forwards of beginning to ending balances of the liability for future policy benefits, policyholder account balances, FPBs, Contractholder funds, MRBs, separate account liabilities and deferred acquisition costs, as well as information about significant inputs, judgments, assumptions, and methods used in measurement are required to be disclosed. We adopted this standard, which required the new guidance be applied as of the beginning of the earliest period that will be presented in our annual December 31, 2023 Consolidated Financial Statements or January 1, 2021, referred to as the transition date, and elected the full retrospective transition method. As a result of adoption, the Company recorded a cumulative-effect adjustment, which increased opening 2021 retained earnings by \$73 million \$75 million, net of tax.

In December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848. The amendments in this update defer the sunset provision within Topic 848 that provides a temporary, optional expedient and exception for contracts affected by reference rate reform by not applying certain modification accounting requirements and instead accounting for the modified contract as a continuation of the existing contract. This guidance eases the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting through December 31, 2024. We adopted this standard upon issuance and this standard had no impact on our Consolidated Financial Statements and related disclosures to date.

### Updates to Summary of significant accounting policies

Since our Annual Report on Form 10-K for the year ended December 31, 2022, as a result of our adoption of ASU 2018-12, we have updated certain of the following significant accounting policies, which have been followed in preparing the accompanying unaudited Condensed Consolidated Financial Statements:

#### Investments

##### Fixed Maturity Securities Available-for-Sale

Fixed maturity securities are purchased to support our investment strategies, which are developed based on factors including rate of return, maturity, credit risk, duration, tax considerations and regulatory requirements. Our investments in fixed maturity securities have been designated as available-for-sale ("AFS") and are carried at fair value, net of allowance for expected credit losses, with unrealized gains and losses included within AOCI, net of deferred income taxes. Fair values for fixed maturity securities are principally a function of current market conditions and are primarily valued based on quoted prices in markets that are not active or model inputs that are observable or unobservable. We recognize investment income on fixed maturities based on the effective interest method, which results in the recognition of a constant rate of return on the investment equal to the prevailing rate at the time of purchase or at the time of subsequent adjustments of book value. Realized gains and losses on sales of our fixed maturity securities are determined on the first-in first-out cost basis. We generally record security transactions on a trade date basis except for private placements, which are recorded on a settlement date basis. Realized gains and losses on sales of fixed maturity securities are reported within Recognized gains and (losses), net in the accompanying unaudited Condensed Consolidated Statements of Operations. Fixed maturity securities AFS are subject to an allowance for credit loss and changes in the allowance are reported in net earnings as a component of Recognized gains and (losses), net. For details on our policy around allowance for expected credit losses on available-for-sale securities, refer to Note C - Investments.

##### Investments in Unconsolidated Affiliates

We account for our investments in unconsolidated affiliates using the equity method or by electing the fair value option. Initial investments are recorded at cost. For investments subsequently measured using the equity method (primarily limited partnerships), adjustments to the carrying amount reflect our pro rata ownership percentage of the operating results as indicated by net asset value ("NAV") in the unconsolidated affiliates's financial statements,

which we may adjust if we determine NAV is not calculated consistent with investment company fair value principles. Distributions received are recorded as a decrease in the investment balance. For investments subsequently measured using the fair value option, adjustments to the carrying amount reflecting the change in fair value of the investment are reported along with realized gains and losses on sales of investments in unconsolidated affiliates in Recognized gains and (losses), net in the accompanying unaudited Condensed Consolidated Statements of Operations. Other income from investments in unconsolidated affiliates, including distributions received from investments measured using the fair value option, is reported within Interest and investment income in the accompanying unaudited Condensed Consolidated Statements of Operations. Recognition of income and adjustments to the carrying amount can be delayed due to the availability of the related financial statements, which are obtained from the general partner or managing member generally on a one to three-month delay. For investments using the equity method, management inquires quarterly with the general partner or managing member to determine whether any credit or other market events have occurred since prior quarter financial statements to ensure any material events are properly included in current quarter valuation and investment income.

##### VOBA, DAC, DSI and URL

Our intangible assets include the value of insurance and reinsurance contracts acquired (hereafter referred to as VOBA), DAC and DSI.

VOBA is an intangible asset that reflects the amount recorded as insurance contract liabilities less the estimated fair value of in-force contracts ("VIF") in a life insurance company acquisition. It represents the portion of the purchase price that is allocated to the value of the rights to receive future cash flows from the business in force at the acquisition date. VOBA is a function of the VIF, current GAAP reserves, GAAP assets, and deferred tax liability. The VIF is determined by the present value of statutory distributable earnings less opening required capital. DAC consists principally of commissions and other acquisition costs that are related directly to the successful sale of new or renewal insurance contracts. Indirect or unsuccessful acquisition costs, maintenance, product development and overhead expenses are charged to expense as incurred. DSI represents up front bonus credits and persistency or vesting bonuses credited to **policyholder account** **contractholder fund** balances.

VOBA, DAC, and DSI are amortized on a constant level basis for the grouped contracts over the expected term of the related contracts to approximate straight-line amortization. Contracts are grouped by product type and feature and issue year into cohorts consistent with the grouping used in estimating the associated liability, where applicable. The constant level amortization bases of VOBA, DAC and DSI varies by product type. For universal life and IUL insurance products, the constant level basis used is face amount in force. For deferred annuities (FIA and fixed rate annuities), the constant level basis used is initial premium deposit for DAC and DSI and vested account value as of the acquisition date for VOBA. For immediate annuity contracts, the VOBA balance is amortized in alignment with the Company's accounting policy of amortizing the deferred profit liability ("DPL"). All amortization bases are adjusted by full lapses, which includes deaths, full surrenders, annuitizations and maturities, where applicable.

The constant level bases used for amortization are projected using mortality and lapse assumptions that are based on Company's experience, industry data, and other factors and are consistent with those used for the FPB, where applicable. If those projected assumptions change in future periods, they will be reflected in the cohort level amortization basis at that time. Unexpected contract terminations, due to higher mortality and/or lapse experience than expected, are recognized in the current period as a reduction of the capitalized balances. All balances are reduced for actual experience in excess of expected experience with changes in future estimates recognized prospectively over the remaining expected grouped contract term. The impact of changes in projected assumptions and the impact of actual experience that is different from expectations both impact the amortization of these intangible assets, which is reported within Depreciation and amortization in the accompanying unaudited Condensed Consolidated Statements of Operations.

Some of our IUL policies require payment of fees or other policyholder assessments in advance for services that will be rendered over the estimated lives of the policies or contracts. These payments are established as URL upon receipt and included in Accounts payable and other accrued liabilities in the Condensed Consolidated Balance Sheets. URL is amortized like DAC over the estimated lives of these policies.

#### **Contractholder Funds**

Contractholder funds include deferred annuities (FIAs and fixed rate annuities), IULs, funding agreements and non-life contingent ("NLC") immediate annuities (which includes NLC PRT annuities). The liabilities for **contractholder** **Contractholder** funds for fixed rate annuities, funding agreements and NLC immediate annuities (which includes NLC PRT annuities) consist of contract account balances that accrue to the benefit of the contractholders. The liabilities for FIA and IUL policies consist of the value of the host contract plus the fair value of the indexed crediting feature of the policy, which is accounted for as an embedded derivative. The embedded derivative liability is carried at fair value in Contractholder funds in the accompanying Condensed Consolidated Balance Sheets with changes in fair value reported in Benefits and other changes in policy reserves in the accompanying unaudited Condensed Consolidated Statements of Operations. See a description of the fair value methodology used in Note B - *Fair Value of Financial Instruments*.

#### **Future Policy Benefits**

The FPB is determined as the present value of future policy benefits and related claims expenses to be paid to or on behalf of the policyholder less the present value of future net premiums to be collected from policyholders. The FPB for traditional life policies and life-contingent immediate annuity policies (which includes life-contingent PRT annuities) are estimated using current assumptions that include discount rate, mortality and surrender/lapse terminations for traditional life insurance policies only, and expenses. The expense assumption is locked-in at contract issuance and not subsequently reviewed or updated. The initial assumptions are based on generally accepted actuarial methods and a combination of internal and industry experience. Policies are terminated through surrenders, lapses and maturities, where surrenders represent the voluntary terminations of policies by policyholders, lapses represent cancellations by us due to nonpayment of premiums, and maturities are determined by policy contract terms. Surrender assumptions are based upon policyholder behavior experience adjusted for expected future conditions.

For traditional life policies and life-contingent immediate annuity policies, contracts are grouped into cohorts by product type, legal entity, and issue year, or acquisition year for cohorts established as of the FNF Acquisition Date. Life-contingent PRT annuities are grouped into cohorts by deal and legal entity. At contract inception, a net premium ratio ("NPR") is determined, which is calculated based on discounted future cash flows projected using best estimate assumptions and is capped at 100%, as net premiums cannot exceed gross premiums. Cohorts with NPRs less than 100% are not used to offset cohorts with NPRs greater than 100%.

The NPR is adjusted for changes in cash flow assumptions and for differences between actual and expected experience. We assess the appropriateness of all future cash flow assumptions, excluding the expense assumption, on a quarterly basis and perform an in-depth review of future cash flow assumptions in the third quarter of each year. Updates are made when evidence suggests a revision is necessary. Updates for actual experience, which includes actual cash flows and insurance in-force, are performed on a quarterly basis. These updated cash flows are used to calculate a revised NPR, which is used to derive an updated liability as of the beginning of the current reporting period, discounted at the original contract issuance date. The updated liability is compared with the carrying amount of the liability as of that same date before the revised NPR. The difference between these amounts is the remeasurement gain or loss, presented parenthetically within Benefits and other changes in policy reserves in the accompanying unaudited Condensed Consolidated Statements of Operations. In subsequent periods, the revised NPR, which is capped at 100%, is used to measure the FPB, subject to future revisions. If the NPR is greater than 100%, and therefore capped at 100%, the liability is increased and expensed immediately to reflect the amount necessary for net premiums to equal gross premiums. As the liability assumptions are reviewed and updated, if deemed necessary, at least annually, if conditions improve whereby the contracts are no longer expected to have net premiums in excess of gross premiums, the improvements would be captured in the remeasurement process and reflected in the accompanying unaudited Condensed Consolidated Statements of Operations in the period of improvement.

For traditional life policies and life-contingent immediate annuity policies (which includes life-contingent PRT annuities), the discount rate assumption is an equivalent single rate that is derived based on A-credit-rated fixed-income instruments with similar duration to the liability. We selected fixed-income instruments that have been A-rated by Bloomberg. In order to reflect the duration characteristics of the liability, we will use an implied forward yield curve and linear interpolation will be used for durations that have limited or no market observable points on the curve. The discount rate assumption is updated quarterly and used to remeasure the liability at the reporting date, with the resulting change reflected in the accompanying unaudited Condensed Consolidated Statements of Comprehensive Earnings.



### Deferred Profit Liability

For life-contingent immediate annuity policies (which includes life-contingent PRT annuities), gross premiums received in excess of net premiums are deferred at initial recognition as a DPL. Gross premiums are measured using assumptions consistent with those used in the measurement of the related liability for future policy benefits, FPBs, including discount rate, mortality, and expenses.

The DPL is amortized and recognized as premium revenue with the amount of expected future benefit payments, discounted using the same discount rate determined and locked-in at contract issuance that is used in the measurement of the related FPB. Interest is accreted on the balance of the DPL using this same discount rate. We periodically review and update our estimates of using the actual historical experience and updated cash flows for the DPL at the same time as the estimates of cash flows for the FPB. When cash flows are updated, the updated estimates are used to recalculate the initial DPL at contract issuance. The recalculated DPL as of the beginning of the current reporting period is compared to the carrying amount of the DPL as of the beginning of the current reporting period, with any differences recognized as a remeasurement gain or loss, presented parenthetically within Benefits and other changes in policy reserves in the accompanying unaudited Condensed Consolidated Statements of Operations. The DPL is recorded as a component of the Future policy benefits in the accompanying Condensed Consolidated Balance Sheets.

### Market Risk Benefits

MRBs are contracts or contract features that both provide protection to the contract holder from other-than-nominal capital market risk (equity, interest rate and foreign exchange risk) and expose the Company to other-than-nominal capital market risk. MRBs include certain contract features primarily on FIA products that provide minimum guarantees to policyholders, such as guaranteed minimum death benefit ("GMDB") and guaranteed minimum withdrawal benefit ("GMWB") riders.

MRBs are measured at fair value using an attributed fee measurement approach where attributed fees are explicit rider charges collectible from the policyholder used to cover the excess benefits, which represent expected benefits in excess of the policyholder's account value. At contract inception, an attributed fee ratio is calculated equal to rider charges over benefits paid in excess of the account value attributable to the MRB. The attributed fee ratio remains static over the life of the MRB and is capped at 100%. Each period subsequent to contract inception, the attributed fee ratio is used to calculate the fair value of the MRB using a risk neutral valuation method and is based on current net amounts at risk, market data, internal and industry experience, and other factors. The balances are computed using assumptions including mortality, full and partial surrender, GMWB utilization, risk-free rates including non-performance spread and risk margin, market value of options and economic scenarios. Policyholder behavior assumptions are reviewed at least annually, typically in the third quarter, for any revisions. MRBs can either be in an asset or liability position and are presented separately on the Condensed Consolidated Balance Sheets as the right of setoff criteria are not met. Changes in fair value are recognized in Market risk benefits gain (losses) in the unaudited Condensed Consolidated Statements of Operations, except for the change in fair value due to a change in the instrument-specific credit risk, which is recognized in the unaudited Condensed Consolidated Statements of Comprehensive Earnings. See a description of the fair value methodology used in Note B - Fair Value of Financial Instruments and Note G - Market Risk Benefits.

### Benefits and Other Changes in Policy Reserves

Benefit expenses for deferred annuities (FIAs and fixed rate annuities), IUL policies and funding agreements include interest credited, fixed interest and/or indexed (specific to FIA and IUL policies), to contractholder account balances. Benefit claims in excess of contract account balances, net of reinsurance recoveries, are charged to expense in the period that they are earned by the policyholder based on their selected strategy or strategies. Other changes in policy reserves include the change in the fair value of the FIA embedded derivative.

Other changes in policy reserves also include the change in reserves for life insurance products. For traditional life and life-contingent immediate annuities (which includes PRT annuities with life contingencies), policy benefit claims are charged to expense in the period that the claims are incurred, net of reinsurance recoveries. Remeasurement gains or losses on the related FPB and DPL balances are presented parenthetically within Benefits and other changes in policy reserves in the accompanying unaudited Condensed Consolidated Statements of Operations.

### Note B — Fair Value of Financial Instruments

Our measurement of fair value is based on assumptions used by market participants in pricing the asset or liability, which may include inherent risk, restrictions on the sale or use of an asset, or non-performance risk, which may include our own credit risk. We estimate an exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability ("exit price") in the principal market, or the most advantageous market for that asset or liability in the absence of a principal market as opposed to the price that would be paid to acquire the asset or assume a liability ("entry price"). We categorize financial instruments carried at fair value into a three-level fair value hierarchy, based on the priority of inputs to the respective valuation technique. The three-level hierarchy for fair value measurement is defined as follows:

*Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

*Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

*Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date based on the best information available in the circumstances.

**NAV Net asset value ("NAV")** – Certain equity investments are measured using net asset value ("NAV") NAV as a practical expedient in determining fair value. In addition, our unconsolidated affiliates (primarily limited partnerships) are primarily accounted for using the equity method of accounting with fair value determined using NAV as a practical expedient. Our carrying value reflects our pro rata ownership percentage as indicated by NAV in the limited partnership unconsolidated affiliate's financial statements, which we may adjust if we determine NAV is not calculated consistent with investment company fair value principles. The underlying investments of the limited partnerships unconsolidated affiliates may have significant unobservable inputs, which may include, but are not limited to, comparable multiples and weighted average cost of capital rates applied in valuation models or a discounted cash flow model. Additionally, management meets inquires quarterly with the general partner to determine whether any



credit or other market events have occurred since prior quarter financial statements to ensure any material events are properly included in current quarter valuation and investment income.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

When a determination is made to classify an asset or liability within Level 3 of the fair value hierarchy, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement. Because certain securities trade in less liquid or illiquid markets with limited or no pricing information, the determination of fair value for these securities is inherently more difficult. In addition to the unobservable inputs, Level 3 fair value investments may include observable components, which are components that are actively quoted or can be validated to market-based sources.

The carrying amounts and estimated fair values of our financial instruments for which the disclosure of fair values is required, including financial assets and liabilities measured and carried at fair value on a recurring basis, was summarized according to the hierarchy previously described, as follows (in millions):

		March 31, 2023							June 30, 2023						
		Level 1	Level 2	Level 3	NAV	Fair Value	Carrying Amount		Level 1	Level 2	Level 3	NAV	Fair Value	Carrying Amount	
Assets	Assets							Assets							
Cash and cash equivalents	Cash and cash equivalents	\$ 1,584	\$ —	\$ —	\$ —	\$ 1,584	\$ 1,584	Cash and cash equivalents	\$ 1,688	\$ —	\$ —	\$ —	\$ 1,688	\$ 1,688	
Fixed maturity securities available-for-sale:	Fixed maturity securities available-for-sale:							Fixed maturity securities available-for-sale:							
Asset-backed securities	Asset-backed securities	—	5,592	6,300	—	11,892	11,892	Asset-backed securities	—	6,330	6,510	—	12,840	12,840	
Commercial mortgage-backed securities	Commercial mortgage-backed securities	—	3,643	29	—	3,672	3,672	Commercial mortgage-backed securities	—	3,932	17	—	3,949	3,949	
Corporates	Corporates	—	12,859	1,532	—	14,391	14,391	Corporates	—	13,148	1,618	—	14,766	14,766	
Hybrids	Hybrids	97	657	—	—	754	754	Hybrids	95	582	—	—	677	677	
Municipals	Municipals	—	1,549	32	—	1,581	1,581	Municipals	—	1,509	49	—	1,558	1,558	
Residential mortgage-backed securities	Residential mortgage-backed securities	—	1,652	12	—	1,664	1,664	Residential mortgage-backed securities	—	1,983	28	—	2,011	2,011	
U.S. Government	U.S. Government	71	—	—	—	71	71	U.S. Government	211	—	—	—	211	211	
Foreign Governments	Foreign Governments	—	156	16	—	172	172	Foreign Governments	—	154	16	—	170	170	
Preferred securities	Preferred securities	220	471	—	—	691	691	Preferred securities	203	438	6	—	647	647	
Equity securities	Equity securities	64	—	—	42	106	106	Equity securities	68	—	—	41	109	109	
Derivative investments	Derivative investments	—	432	—	—	432	432	Derivative investments	—	648	—	—	648	648	
Investment in unconsolidated affiliates	Investment in unconsolidated affiliates	—	—	107	—	107	107	Investment in unconsolidated affiliates	—	—	197	—	197	197	
Short term investments	Short term investments	745	8	23	—	776	776	Short term investments	176	45	126	—	347	347	
Reinsurance related embedded derivative, included in other assets	Reinsurance related embedded derivative, included in other assets	—	260	—	—	260	260	Reinsurance related embedded derivative, included in other assets	—	277	—	—	277	277	
Other long-term investments	Other long-term investments	—	—	48	—	48	48	Other long-term investments	—	—	49	—	49	49	
Market risk benefits asset	Market risk benefits asset	—	—	106	—	106	106	Market risk benefits asset	—	—	118	—	118	118	

Total financial assets at fair value	Total financial assets at fair value	\$ 2,781	\$ 27,279	\$ 8,205	\$ 42	\$ 38,307	\$ 38,307	Total financial assets at fair value	\$ 2,441	\$ 29,046	\$ 8,734	\$ 41	\$ 40,262	\$ 40,262
<b>Liabilities</b>	<b>Liabilities</b>							<b>Liabilities</b>						
Derivatives:	Derivatives:							Derivatives:						
FIA/IUL embedded derivatives, included in contractholder funds	FIA/IUL embedded derivatives, included in contractholder funds	—	—	3,569	—	3,569	3,569	FIA/IUL embedded derivatives, included in contractholder funds	—	—	3,821	—	3,821	3,821
Market risk benefits liability	Market risk benefits liability	—	—	324	—	324	324	Market risk benefits liability	—	—	313	—	313	313
Total financial liabilities at fair value	Total financial liabilities at fair value	\$ —	\$ —	\$ 3,893	\$ —	\$ 3,893	\$ 3,893	Total financial liabilities at fair value	\$ —	\$ —	\$ 4,134	\$ —	\$ 4,134	\$ 4,134

December 31, 2022

	Level 1	Level 2	Level 3	NAV	Fair Value	Carrying Amount
<b>Assets</b>						
Cash and cash equivalents	\$ 960	\$ —	\$ —	\$ —	\$ 960	\$ 960
Fixed maturity securities available-for-sale:						
Asset-backed securities	—	5,204	6,263	—	11,467	11,467
Commercial mortgage-backed securities	—	2,999	37	—	3,036	3,036
Corporates	—	11,472	1,427	—	12,899	12,899
Hybrids	93	612	—	—	705	705
Municipals	—	1,381	29	—	1,410	1,410
Residential mortgage-backed securities	—	1,219	302	—	1,521	1,521
U.S. Government	32	—	—	—	32	32
Foreign Governments	—	132	16	—	148	148
Preferred securities	248	474	—	—	722	722
Equity securities	54	—	—	47	101	101
Derivative investments	—	244	—	—	244	244
Investment in unconsolidated affiliates	—	—	23	—	23	23
Short term investments	1,556	—	—	—	1,556	1,556
Reinsurance related embedded derivative, included in other assets	—	279	—	—	279	279
Other long-term investments	—	—	48	—	48	48
Market risk benefits asset	—	—	117	—	117	117
Total financial assets at fair value	\$ 2,943	\$ 24,016	\$ 8,262	\$ 47	\$ 35,268	\$ 35,268
<b>Liabilities</b>						
Derivatives:						
FIA/IUL embedded derivatives, included in contractholder funds	—	—	3,115	—	3,115	3,115
Market risk benefits liability	—	—	282	—	282	282
Total financial liabilities at fair value	\$ —	\$ —	\$ 3,397	\$ —	\$ 3,397	\$ 3,397

**Valuation Methodologies**

*Cash and Cash Equivalents*

The carrying amounts reported in the Condensed Consolidated Balance Sheets for these instruments approximate fair value.

*Fixed Maturity, Preferred and Equity Securities*

We measure the fair value of our securities based on assumptions used by market participants in pricing the security. The most appropriate valuation methodology is selected based on the specific characteristics of the fixed maturity, preferred or equity security, and we will then consistently apply the valuation methodology to measure the security's fair value. Our fair value measurement is based on a market approach, which utilizes prices and other relevant information generated by market transactions involving identical or comparable securities. Sources of inputs to the market approach include third-party pricing services, independent broker quotations, or pricing matrices. We use observable and

unobservable inputs in our valuation methodologies. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. In addition, market indicators and industry and economic events are monitored and further market data will be acquired when certain thresholds are met.

For certain security types, additional inputs may be used, or some of the inputs described above may not be applicable. The significant input used in the fair value measurement of equity securities for which the market approach valuation technique is employed is yield for comparable securities. Increases or decreases in the yields would result in lower or higher, respectively, fair value measurements. For broker-quoted only securities, quotes from market makers or broker-dealers are obtained from sources recognized to be market participants. We believe the broker quotes are prices at which trades could be executed based on historical trades executed at broker-quoted or slightly higher prices.

We analyze the third-party valuation methodologies and related inputs to perform assessments to determine the appropriate level within the fair value hierarchy. However, we did not adjust prices received from third parties as of **March 31, 2023**, **June 30, 2023** or December 31, 2022.

Certain equity investments are measured using NAV as a practical expedient in determining fair value.

#### *Derivative Financial Instruments*

The fair value of call options is based upon valuation pricing models, which represents what we would expect to receive or pay at the balance sheet date if we canceled the options, entered into offsetting positions, or exercised the options. Fair values for these instruments are determined internally, based on industry accepted valuation pricing models, which use market-observable inputs, including interest rates, yield curve volatilities, and other factors.

The fair value of futures contracts (specifically for FIA contracts) represents the cumulative unsettled variation margin (open trade equity, net of cash settlements), which represents what we would expect to receive or pay at the balance sheet date if we canceled the contracts or entered into offsetting positions. These contracts are classified as Level 1.

The fair value measurement of the FIA/IUL embedded derivatives included in **contractholder** **Contractholder** funds is determined through a combination of market observable information and significant unobservable inputs using the option budget method. The market observable inputs are the market value of option and treasury rates. The significant unobservable inputs are the budgeted option cost (i.e., the expected cost to purchase call options in future periods to fund the equity indexed linked feature), surrender rates, mortality multiplier and non-performance spread. The mortality multiplier at **March 31, 2023**, **June 30, 2023** and December 31, 2022 was applied to the 2012 Individual Annuity mortality tables. Increases or decreases in the market value of an option in isolation would result in a higher or lower, respectively, fair value measurement. Increases or decreases in treasury rates, mortality multiplier, surrender rates, or non-performance spread in isolation would result in a lower or higher fair value measurement, respectively. Generally, a change in any one unobservable input would not directly result in a change in any other unobservable input.

The fair value of the reinsurance-related embedded derivatives in the funds withheld reinsurance agreements with Somerset Reinsurance Ltd. ("Somerset"), a certified third party reinsurer, and ASPIDA Life Re Ltd ("Aspida Re") are estimated based upon the fair value of the assets supporting the funds withheld from reinsurance liabilities. The fair value of the assets is based on a quoted market price of similar assets (Level 2), and therefore the fair value of the embedded derivative is based on market-observable inputs and classified as Level 2. See Note E - *Reinsurance* for further discussion on F&G reinsurance agreements.

#### *Investments in Unconsolidated affiliates*

**The** **We have elected the** fair value **of our option for certain** investments in unconsolidated affiliates **is** **as we believe this better aligns them with other investments in** unconsolidated affiliates that are measured using NAV as a practical expedient in determining fair value. Investments measured using the fair value option are included in Level 3 **and the fair value of these investments are** determined using a multiple of the affiliates' EBITDA, which is derived from market analysis of transactions involving comparable companies. The EBITDA used in this calculation is based on the affiliates' financial information.

**The inputs are usually considered unobservable, as not all market participants have access to this data.**

#### *Short-term Investments*

The carrying amounts reported in the Condensed Consolidated Balance Sheets for these instruments approximate fair value.

#### *Other Long-term Investments*

We hold a fund-linked note, which provides for an additional payment at maturity based on the value of an embedded derivative based on the actual return of a dedicated return fund. Fair value of the embedded derivative is based on an unobservable input, the NAV of the fund at the balance sheet date. The embedded derivative is similar to a call option on the net asset value of the fund with a strike price of zero since we will not be required to make any additional payments at maturity of the fund-linked note in order to receive the NAV of the fund on the maturity date. A Black-Scholes model determines the NAV of the fund as the fair value of the call option regardless of the values used for the other inputs to the option pricing model. The NAV of the fund is provided by the fund manager at the end of each calendar month and represents the value an investor would receive if it withdrew its investment on the balance sheet date. Therefore, the key unobservable input used in the Black-Scholes model is the value of the fund. As the value of the fund increases or decreases, the fair value of the embedded derivative will increase or decrease. See further discussion on the available-for-sale embedded derivative in Note **LD** - *Derivative Financial Instruments*.

The fair value of the credit-linked note is based on a weighted average of a broker quote and a discounted cash flow analysis. The discounted cash flow approach is based on the expected portfolio cash flows and amortization schedule reflecting investment expectations, adjusted for assumptions on the portfolio's default and recovery rates, and the note's discount rate. The fair value of the note is provided by the fund manager at the end of each quarter.

#### *Market Risk Benefits*

MRBs are measured at fair value using an attributed fee measurement approach where attributed fees are explicit rider charges collectible from the policyholder used to cover the excess benefits. The fair value is calculated using a risk neutral valuation method and is based on current net amounts at risk, market data, internal and industry experience, and

other factors. The balances are computed using assumptions including mortality, full and partial surrender, rider benefit utilization, risk-free rates including non-performance spread and risk margin, market value of options and economic scenarios. Policyholder behavior assumptions are reviewed at least annually, typically in the third quarter, for any revisions. See further discussion on MRBs in Note G - *Market Risk Benefits*.

Quantitative information regarding significant unobservable inputs used for recurring Level 3 fair value measurements of financial instruments carried at fair value as of **March 31, 2023**, **June 30, 2023** and December 31, 2022 are as follows (in millions):

	Fair Value at		Valuation Technique	Unobservable Input(s)	Range (Weighted average)	
	March 31, 2023	June 30, 2023			March 31, 2023	June 30, 2023
Assets						
Asset-backed securities	\$	6,019 6,233	Broker-quoted Broker-Quoted	Offered quotes Quotes	54.20% 54.70% - 187.27% 171.9% (93.86% (94.28%))	
Asset-backed securities		281 277	Third-Party Valuation	Offered quotes Quotes	39.43% 39.65% - 102.60% 101.77% (62.83% (62.08%))	
	12					
Commercial mortgage-backed securities		17	Third-Party Valuation	Offered quotes Quotes	73.36% 79.35% - 88.60% 88.61% (82.26% (84.76%))	
Corporates		682 789	Broker-quoted Broker-Quoted	Offered quotes Quotes	80.24% 46.39% - 104.74% (95.90% (95.87%))	
Corporates		850 829	Third-Party Valuation	Offered quotes Quotes	0.00% - 105.32% 103.12% (90.85% (89.85%))	
Municipals		32 31	Third-Party Valuation	Offered quotes Quotes	104.38% 102.11% - 104.38% 102.11% (104.38% (102.11%))	
Municipals		18	Broker-Quoted	Offered Quotes	101.20% - 101.20% (101.20%)	

		Fair Value at		Range (Weighted Fair Value at)				Range (Weighted average)	
		March 31, 2023	Valuation Technique	Unobservable Input(s)	March 31, 2023	June 30, 2023	Valuation Technique	June 30, 2023	Unobservable Input(s)
Residential mortgage-backed securities	Residential mortgage-backed securities	8	Broker-quoted	Offered quotes	0.00% - 98.38% (98.18%)	Residential mortgage-backed securities	25	Broker-Quoted	Offered Quotes
Residential mortgage-backed securities	Residential mortgage-backed securities	4	Third-Party Valuation	Offered quotes	94.93%-94.93% (94.93%)	Residential mortgage-backed securities	3	Third-Party Valuation	Offered Quotes
Foreign governments	Foreign governments	16	Third-Party Valuation	Offered quotes	99.20% - 99.44% (99.28%)	Foreign governments	16	Third-Party Valuation	Offered Quotes
Investment in unconsolidated affiliates	Investment in unconsolidated affiliates	107	Market Comparable Company Analysis	EBITDA multiple	5x-14x (12.1x)	Investment in unconsolidated affiliates	197	Market Comparable Company Analysis	EBITDA Multiple
Short term investments	Short term investments	23	Broker-quoted	Offered quotes	100.00% - 100.00% (100.00%)	Short term investments	126	Broker-Quoted	Offered Quotes
Preferred securities	Preferred securities					Preferred securities	6	Broker-Quoted	Offered Quotes
Other long-term investments:	Other long-term investments:					Other long-term investments:			
Available-for-sale embedded derivative	Available-for-sale embedded derivative	25	Black Scholes model	Market value of fund	100%	Available-for-sale embedded derivative	26	Black Scholes Model	Market Value of Fund
Secured borrowing receivable	Secured borrowing receivable	10	Broker-quoted	Offered quotes	100.00% - 100.00% (100.00%)	Secured borrowing receivable	10	Broker-Quoted	Offered Quotes
Credit Linked Note	Credit Linked Note	13	Broker-quoted	Offered quotes	96.23%	Credit Linked Note	13	Broker-Quoted	Offered Quotes

	Fair Value at				Range (Weighted Fair Value average)					Range (Weighted average)
	December 31, 2022	Valuation Technique	Unobservable Input(s)	December 31, 2022	December 31, 2022	Valuation Technique	December 31, 2022	Unobservable Input(s)		
Assets	Assets				Assets					
Asset-backed securities	Asset-backed securities	Broker-quoted	Offered quotes	52.85% - 117.17% 94.18%	Asset-backed securities	Broker-Quoted		Offered Quotes	52.85% - 117.17% 94.18%	

Asset-backed securities	Asset-backed securities	347	Third-Party Valuation	Offered quotes	41.43% - 210.50% 67.99%	Asset-backed securities	347	Third-Party Valuation	Offered Quotes	41.43% - 210.50% 67.99%
Commercial mortgage-backed securities	Commercial mortgage-backed securities	20	Broker-quoted	Offered quotes	109.02% - 109.02% 109.02%	Commercial mortgage-backed securities	20	Broker-Quoted	Offered Quotes	109.02% - 109.02% 109.02%
Commercial mortgage-backed securities	Commercial mortgage-backed securities	17	Third-Party Valuation	Offered quotes	74.66% - 88.48% 82.74%	Commercial mortgage-backed securities	17	Third-Party Valuation	Offered Quotes	74.66% - 88.48% 82.74%
Corporates	Corporates	602	Broker-quoted	Offered quotes	79.16% - 102.53% 94.16%	Corporates	602	Broker-Quoted	Offered Quotes	79.16% - 102.53% 94.16%
Corporates	Corporates	825	Third-Party Valuation	Offered quotes	0.00% - 104.96% 89.69%	Corporates	825	Third-Party Valuation	Offered Quotes	0.00% - 104.96% 89.69%
Municipals	Municipals	29	Third-Party Valuation	Offered quotes	93.95% - 93.95% 93.95%	Municipals	29	Third-Party Valuation	Offered Quotes	93.95% - 93.95% 93.95%
Residential mortgage-backed securities	Residential mortgage-backed securities	302	Broker-quoted	Offered quotes	—% - 91.04% (86.38%)	Residential mortgage-backed securities	302	Broker-Quoted	Offered Quotes	0.00% - 91.04% (86.38%)
Foreign governments	Foreign governments	16	Third-Party Valuation	Offered quotes	99.78% - 102.29% (100.56)%	Foreign governments	16	Third-Party Valuation	Offered Quotes	99.78% - 102.29% (100.56)%
Investment in unconsolidated affiliates	Investment in unconsolidated affiliates	23	Market Comparable Company Analysis	EBITDA multiple	5x-5.5x	Investment in unconsolidated affiliates	23	Market Comparable Company Analysis	EBITDA Multiple	5x-5.5x
Other long-term investments:	Other long-term investments:					Other long-term investments:				
Available-for-sale embedded derivative	Available-for-sale embedded derivative	23	Black Scholes model	Market value of fund	100.00%	Available-for-sale embedded derivative	23	Black Scholes Model	Market Value of Fund	100.00%
Secured borrowing receivable	Secured borrowing receivable	10	Broker-quoted	Offered quotes	100.00% - 100.00% (100.00%)	Secured borrowing receivable	10	Broker-Quoted	Offered Quotes	100.00% - 100.00% (100.00%)
Credit linked note	Credit linked note	15	Broker-quoted	Offered quotes	96.23%	Credit linked note	15	Broker-Quoted	Offered Quotes	96.23%
Market risk benefits asset	Market risk benefits asset	117	Discounted cash flow	Mortality	100.00% - 100.00% (100.00%)	Market risk benefits asset	117	Discounted Cash flow	Mortality	100.00% - 100.00% (100.00%)
				Surrender rates	0.25% - 10.00% (4.69%)				Surrender Rates	0.25% - 10.00% (4.69%)
				Partial withdrawal rates	2.00% - 21.74% (2.49%)				Partial Withdrawal Rates	2.00% - 21.74% (2.49%)
				Non-performance spread	0.48% - 1.44% (1.30%)				Non-Performance Spread	0.48% - 1.44% (1.30%)
				GMWB utilization	50.00% - 60.00% (50.94%)				GMWB Utilization	50.00% - 60.00% (50.94%)
Total financial assets at fair value	Total financial assets at fair value	\$ 8,262				Total financial assets at fair value	\$ 8,262			
Liabilities	Liabilities					Liabilities				
Derivatives:	Derivatives:					Derivatives:				
FIA/ IUL embedded derivatives, included in contractholder funds	FIA/ IUL embedded derivatives, included in contractholder funds	\$ 3,115	Discounted cash flow	Market value of option	0.00% - 23.90% (0.87%)	FIA/ IUL embedded derivatives, included in contractholder funds	\$ 3,115	Discounted Cash Flow	Market Value of Option	0.00% - 23.90% (0.87%)



Residential mortgage-backed securities	Residential mortgage-backed securities	302	1	8	8	—	(8)	(299)	12	8	Residential mortgage-backed securities	12	—
Foreign governments	Foreign governments	16	—	—	—	—	—	—	16	—	Foreign governments	16	—
Investment in unconsolidated affiliates	Investment in unconsolidated affiliates	23	—	—	84	—	—	—	107	—	Investment in unconsolidated affiliates	107	—
Short-term	Short-term	—	—	—	23	—	—	—	23	—	Short-term	23	—
Preferred securities											Preferred securities		—
Other long-term investments:	Other long-term investments:										Other long-term investments:		
Available-for-sale embedded derivative	Available-for-sale embedded derivative	23	—	2	—	—	—	—	25	2	Available-for-sale embedded derivative	25	—
Credit linked note	Credit linked note	15	—	—	—	—	(2)	—	13	—	Credit linked note	13	—
Secured borrowing receivable	Secured borrowing receivable	10	—	—	—	—	—	—	10	—	Secured borrowing receivable	10	—
<b>Subtotal assets at Level 3 fair value</b>	<b>Subtotal assets at Level 3 fair value</b>	<u>\$ 8,145</u>	<u>\$ (8)</u>	<u>\$ 9</u>	<u>\$ 677</u>	<u>\$ (83)</u>	<u>\$ (250)</u>	<u>\$ (391)</u>	<u>\$ 8,099</u>	<u>\$ 9</u>	<b>Subtotal assets at Level 3 fair value</b>	<u>\$ 8,099</u>	<u>\$ (3)</u>
Market risk benefits asset (b)	Market risk benefits asset (b)	117							106		Market risk benefits asset (b)	106	
<b>Total assets at Level 3 fair value</b>	<b>Total assets at Level 3 fair value</b>	<u>\$ 8,262</u>							<u>\$ 8,205</u>		<b>Total assets at Level 3 fair value</b>	<u>\$ 8,205</u>	
<b>Liabilities</b>	<b>Liabilities</b>										<b>Liabilities</b>		
FIA/ IUL embedded derivatives, included in contractholder funds	FIA/ IUL embedded derivatives, included in contractholder funds	3,115	385	—	96	—	(27)	—	3,569	—	FIA/ IUL embedded derivatives, included in contractholder funds	3,569	197
<b>Subtotal liabilities at Level 3 fair value</b>	<b>Subtotal liabilities at Level 3 fair value</b>	<u>\$ 3,115</u>	<u>\$ 385</u>	<u>\$ —</u>	<u>\$ 96</u>	<u>\$ —</u>	<u>\$ (27)</u>	<u>\$ —</u>	<u>\$ 3,569</u>	<u>\$ —</u>	<b>Subtotal liabilities at Level 3 fair value</b>	<u>\$ 3,569</u>	<u>\$ 197</u>
Market risk benefits liability (b)	Market risk benefits liability (b)	282							324		Market risk benefits liability (b)	324	
<b>Total liabilities at Level 3 fair value</b>	<b>Total liabilities at Level 3 fair value</b>	<u>\$ 3,397</u>							<u>\$ 3,893</u>		<b>Total liabilities at Level 3 fair value</b>	<u>\$ 3,893</u>	

(a) The net transfers out of Level 3 during the three months ended **March 31, 2023** **June 30, 2023** were exclusively to Level 2.

(b) Refer to Note G - *Market Risk Benefits* for roll forward activity of the net Market Risk **Benefits** Asset and Liability.



Three months ended March 31, 2022													
		Total Gains (Losses)							Net transfer In (Out) of Level 3 (a)	Balance at Beginning of Period	Included at End of Earnings	Change in Unrealized Included in OCI	Balance at Beginning of Period
		Balance at Beginning of Period	Included in Earnings	Included in AOCI	Purchases	Sales	Settlements	Change in Unrealized Included in OCI					Included in AOCI
Assets	Assets												Purchases
Fixed maturity securities available-for-sale:	Fixed maturity securities available-for-sale:												
Asset-backed securities	Asset-backed securities	\$ 3,959	\$ —	\$(130)	\$ 400	\$ —	\$ (152)	\$ 84		\$ 4,161	\$ (138)		
Commercial mortgage-backed securities	Commercial mortgage-backed securities	35	—	(2)	—	—	—	7		40	(2)		40
Corporates	Corporates	1,121	—	(73)	78	—	(26)	26		1,126	(73)		1,126
Municipals	Municipals	43	—	(6)	—	—	—	—		37	(5)		37
Residential mortgage-backed securities													Residential mortgage-backed securities —
Foreign Governments	Foreign Governments	18	—	(1)	—	—	—	—		17	(1)		17
Investment in unconsolidated affiliates	Investment in unconsolidated affiliates	21	—	—	—	—	—	—		21	—		21
Short-term	Short-term	321	—	(1)	20	—	—	(321)		19	(1)		19
Preferred securities		1	—	(1)	—	—	—	—		—	(1)		
Other long-term investments:	Other long-term investments:												
Available-for-sale embedded derivative	Available-for-sale embedded derivative	34	(4)	—	—	—	—	—		30	—		30
Credit linked note	Credit linked note	23	—	(3)	—	—	(1)	—		19	—		19
Secured borrowing receivable													Secured borrowing receivable —
Subtotal assets at Level 3 fair value	Subtotal assets at Level 3 fair value	\$ 5,576	\$ (4)	\$(217)	\$ 498	\$ —	\$ (179)	\$ (204)		\$ 5,470	\$ (221)		\$ 5,470
Market risk benefits asset (b)	Market risk benefits asset (b)	41								29			29
Total assets at Level 3 fair value	Total assets at Level 3 fair value	\$ 5,617								\$ 5,499			\$ 5,499
Liabilities	Liabilities												

FIA/IUL embedded derivatives, included in contractholder funds	FIA/IUL embedded derivatives, included in contractholder funds									FIA/IUL embedded derivatives, included in contractholder funds		
		3,883	(584)	—	126	—	(30)	—	3,395	—		3,395
<b>Subtotal</b>	<b>Subtotal</b>										<b>Subtotal</b>	
<b>liabilities</b>	<b>liabilities</b>										<b>liabilities</b>	
<b>at Level</b>	<b>at Level</b>										<b>at Level</b>	
<b>3 fair</b>	<b>3 fair</b>										<b>3 fair</b>	
<b>value</b>	<b>value</b>	\$ 3,883	\$(584)	\$ —	\$ 126	\$ —	\$ (30)	\$ —	\$ 3,395	\$ —	<b>value</b>	\$ 3,395
Market risk	Market risk										Market risk	
benefits	benefits										benefits liability	
liability (b)	liability (b)	469							486		(b)	486
<b>Total</b>	<b>Total</b>										<b>Total</b>	
<b>liabilities</b>	<b>liabilities</b>										<b>liabilities</b>	
<b>at Level</b>	<b>at Level</b>										<b>at Level</b>	
<b>3 fair</b>	<b>3 fair</b>										<b>3 fair</b>	
<b>value</b>	<b>value</b>	\$ 4,352							\$ 3,881		<b>value</b>	\$ 3,881

- (a) The net transfers out of Level 3 during the three months ended **March 31, 2023** **June 30, 2023** were to Level 2, except for the net transfers out related to our other long-term investment, which was to Level 1.
- (b) Refer to Note G - *Market Risk Benefits* for roll forward activity of the net Market Risk **Benefits Asset and Liability**.

Six months ended June 30, 2023											
	Balance at Beginning of Period	Total Gains (Losses) Included in Earnings	Included in AOCI	Purchases	Sales	Settlements	Net transfer In (Out) of Level 3 (a)	Balance at End of Period	Change in Unrealized Included in OCI		
<b>Assets</b>											
Fixed maturity securities available-for-sale:											
Asset-backed securities	\$ 6,263	\$ (11)	\$ 33	\$ 795	\$ (98)	\$ (386)	\$ (86)	\$ 6,510	\$ 32		
Commercial mortgage-backed securities	37	—	1	12	—	—	(33)	17	1		
Corporates	1,427	(1)	(56)	259	—	(19)	8	1,618	(56)		
Hybrids	—	—	—	—	—	—	—	—	—		
Municipals	29	—	20	—	—	—	—	49	20		
Residential mortgage-backed securities	302	1	8	32	—	(8)	(307)	28	8		
Foreign Governments	16	—	—	—	—	—	—	16	—		
Short-term	—	—	—	126	—	—	—	126	—		
Preferred securities	—	—	—	—	—	—	6	6	—		
Other long-term investments:											
Available-for-sale embedded derivative	23	—	3	—	—	—	—	26	3		
Investment in affiliate	23	—	—	174	—	—	—	197	—		
Credit linked note	15	—	—	—	—	(2)	—	13	—		
Secured borrowing receivable	10	—	—	—	—	—	—	10	—		
<b>Subtotal assets at Level 3 fair value</b>											
<b>value</b>	\$ 8,145	\$ (11)	\$ 9	\$ 1,398	\$ (98)	\$ (415)	\$ (412)	\$ 8,616	\$ 8		
Market risk benefits asset (b)	117							118			
<b>Total assets at Level 3 fair value</b>	\$ 8,262							\$ 8,734			
<b>Liabilities</b>											
FIA/IUL embedded derivatives, included in contractholder funds	3,115	582	—	189	—	(65)	—	3,821	—		
<b>Subtotal liabilities at Level 3 fair value</b>											
<b>value</b>	\$ 3,115	\$ 582	\$ —	\$ 189	\$ —	\$ (65)	\$ —	\$ 3,821	\$ —		
Market risk benefits liability (b)	282							313			
<b>Total liabilities at Level 3 fair value</b>	\$ 3,397							\$ 4,134			

- (a) The net transfers out of Level 3 during the six months ended June 30, 2023 were to Level 2, except for the net transfers out related to our other long-term investment, which was to Level 1.

(b) Refer to Note G - Market Risk Benefits for roll forward activity of the net Market Risk Benefits Asset and Liability.

Six months ended June 30, 2022									
	Balance at Beginning of Period	Total Gains (Losses) Included in Earnings	Included in AOCI	Purchases	Sales	Settlements	Net transfer In (Out) of Level 3 (a)	Balance at End of Period	Change in Unrealized Included in OCI
<b>Assets</b>									
Fixed maturity securities available-for-sale:									
Asset-backed securities	3,959	1	(272)	1,227	(39)	(278)	79	4,677	\$ (291)
Commercial mortgage-backed securities	35	—	(5)	—	—	—	7	37	(4)
Corporates	1,121	—	(137)	382	—	(32)	22	1,356	(134)
Municipals	43	—	(10)	—	—	—	—	33	(9)
Residential mortgage-backed securities	—	—	—	9	—	—	—	9	—
Foreign Governments	18	—	(2)	—	—	—	—	16	(1)
Short-term	321	—	(1)	20	—	—	(340)	—	(1)
Preferred securities	1	—	(1)	—	—	—	—	—	(1)
Other long-term investments:									
Available-for-sale embedded derivative	34	(10)	—	—	—	—	—	24	—
Credit linked note	23	—	(3)	—	—	(3)	—	17	—
Secured borrowing receivable	—	—	—	—	—	—	10	10	—
Investment in affiliate	21	—	—	—	—	—	—	21	—
<b>Subtotal assets at Level 3 fair value</b>	<b>\$ 5,576</b>	<b>\$ (9)</b>	<b>\$ (431)</b>	<b>\$ 1,638</b>	<b>\$ (39)</b>	<b>\$ (313)</b>	<b>\$ (222)</b>	<b>\$ 6,200</b>	<b>\$ (441)</b>
Market risk benefits asset (b)	41							86	
<b>Total assets at Level 3 fair value</b>	<b>\$ 5,617</b>							<b>\$ 6,286</b>	
<b>Liabilities</b>									
FIA/IUL embedded derivatives, included in contractholder funds	3,883	(1,159)	—	272	—	(55)	—	2,941	—
<b>Subtotal liabilities at Level 3 fair value</b>	<b>\$ 3,883</b>	<b>\$ (1,159)</b>	<b>\$ —</b>	<b>\$ 272</b>	<b>\$ —</b>	<b>\$ (55)</b>	<b>\$ —</b>	<b>\$ 2,941</b>	<b>\$ —</b>
Market risk benefits liability (b)	469							292	
<b>Total liabilities at Level 3 fair value</b>	<b>\$ 4,352</b>							<b>\$ 3,233</b>	

(a) The net transfers out of Level 3 during the six months ended June 30, 2022 were to Level 2.

(b) Refer to Note G - Market Risk Benefits for roll forward activity of the net Market Risk Benefits Asset and Liability.

#### Valuation Methodologies and Associated Inputs for Financial Instruments Not Carried at Fair Value

The following discussion outlines the methodologies and assumptions used to determine the fair value of our financial instruments not carried at fair value. Considerable judgment is required to develop these assumptions used to measure fair value. Accordingly, the estimates shown are not necessarily indicative of the amounts that would be realized in a one-time, current market exchange of all of our financial instruments.

##### Mortgage Loans

The fair value of mortgage loans is established using a discounted cash flow method based on internal credit rating, maturity and future income. This yield-based approach is sourced from our third-party vendor. The internal ratings for mortgages in good standing are based on property type, location, market conditions, occupancy, debt service coverage, loan-to-value, quality of tenancy, borrower, and payment record. The inputs used to measure the fair value of our mortgage loans are classified as Level 3 within the fair value hierarchy.

##### Investments in Unconsolidated affiliates

The fair value of investments in unconsolidated affiliates is primarily determined using NAV as a practical expedient.

#### Policy Loans (included within Other long-term investments)

Fair values for policy loans are estimated from a discounted cash flow analysis, using interest rates currently being offered for loans with similar credit risk. Loans with similar characteristics are aggregated for purposes of the calculations.

#### Company Owned Life Insurance

Company owned life insurance ("COLI") is a life insurance program used to finance certain employee benefit expenses. The fair value of COLI is based on net realizable value, which is generally cash surrender value. COLI is classified as Level 3 within the fair value hierarchy.

#### Other Invested Assets (included within Other long-term investments)

The fair value of bank loans is estimated using a discounted cash flow method with the discount rate based on weighted average cost of capital ("WACC"). This yield-based approach is sourced from a third-party vendor and the WACC establishes a market participant discount rate by determining the hypothetical capital structure for the asset should it be underwritten as of each period end. Other invested assets are classified as Level 3 within the fair value hierarchy.

#### Investment Contracts

Investment contracts include deferred annuities (FIAs and fixed rate annuities), IUL policies, funding agreements and PRT and immediate annuity contracts without life contingencies. The FIA/IUL embedded derivatives, included in **contractholder** **Contractholder** funds, are excluded as they are carried at fair value. The fair value of the deferred annuities (FIA and fixed rate **annuity** **annuities**) and IUL contracts is based on their cash surrender value (i.e., the cost the Company would incur to extinguish the liability) as these contracts are generally issued without an annuitization date. The fair value of funding agreements and PRT and immediate annuity contracts without life contingencies is derived by calculating a new fair value interest rate using the updated yield curve and treasury spreads as of the respective reporting date. The Company is not required to, and has not, estimated the fair value of the liabilities under contracts that involve significant mortality or morbidity risks, as these liabilities fall within the definition of insurance contracts that are exceptions from financial instruments that require disclosures of fair value.

#### Other

Federal Home Loan Bank of Atlanta ("FHLB") common stock, Accounts receivable and Notes receivable are carried at cost, which approximates fair value. FHLB common stock is classified as Level 2 within the fair value hierarchy. Accounts receivable and Notes receivable are classified as Level 3 within the fair value hierarchy.

#### Debt

The fair value of the **\$500 million** **\$500 million** aggregate principal amount of its 7.40% Senior Notes due 2028 and the \$550 million aggregate principal amount of **its** 5.50% **senior notes** **Senior Notes** due 2025 are based on quoted market prices of debt with similar credit risk and tenor. The inputs used to measure the fair value of these debts results in a Level 2 classification within the fair value hierarchy.

The carrying value of the revolving credit facility approximates fair value as the rates are comparable to those at which we could currently borrow under similar terms. As such, the fair value of the revolving credit facility was classified as a Level 2 measurement.

The following tables provide the carrying value and estimated fair value of our financial instruments that are carried on the Condensed Consolidated Balance Sheets at amounts other than fair value, summarized according to the fair value hierarchy previously described (in millions).

		March 31, 2023						June 30, 2023					
						Total Estimated Fair Value	Carrying Amount					Total Estimated Fair Value	Carrying Amount
Assets	Assets	Level 1	Level 2	Level 3	NAV			Level 1	Level 2	Level 3	NAV		
FHLB common stock	FHLB common stock	\$ —	\$ 106	\$ —	\$ —	\$ 106	\$ 106	\$ —	\$ 106	\$ —	\$ —	\$ 106	\$ 106
Commercial mortgage loans	Commercial mortgage loans	—	—	2,178	—	2,178	2,458	—	—	2,144	—	2,144	2,457
Residential mortgage loans	Residential mortgage loans	—	—	2,323	—	2,323	2,526	—	—	2,377	—	2,377	2,619
Investments in unconsolidated affiliates	Investments in unconsolidated affiliates	—	—	4	2,558	2,562	2,562	—	—	8	2,598	2,606	2,606
Policy loans	Policy loans	—	—	55	—	55	55	—	—	59	—	59	59
Other invested assets		—	—	10	—	10	10						
Company-owned life insurance	Company-owned life insurance	—	—	346	—	346	346	—	—	352	—	352	352
<b>Total</b>	<b>Total</b>	<b>\$ —</b>	<b>\$ 106</b>	<b>\$ 4,916</b>	<b>\$ 2,558</b>	<b>\$ 7,580</b>	<b>\$ 8,063</b>	<b>\$ —</b>	<b>\$ 106</b>	<b>\$ 4,940</b>	<b>\$ 2,598</b>	<b>\$ 7,644</b>	<b>\$ 8,199</b>
<b>Liabilities</b>	<b>Liabilities</b>												

Investment contracts, included in contractholder funds	Investment contracts, included in contractholder funds	—	—	36,117	—	36,117	39,809	Investment contracts, included in contractholder funds	—	—	37,228	—	37,228	41,249
Debt	Debt	—	1,563	—	—	1,563	1,572	Debt	—	1,544	—	—	1,544	1,571
<b>Total</b>	<b>Total</b>	<b>\$ —</b>	<b>\$ 1,563</b>	<b>\$ 36,117</b>	<b>\$ —</b>	<b>\$ 37,680</b>	<b>\$ 41,381</b>	<b>Total</b>	<b>\$ —</b>	<b>\$ 1,544</b>	<b>\$ 37,228</b>	<b>\$ —</b>	<b>\$ 38,772</b>	<b>\$ 42,820</b>

December 31, 2022

	Level 1	Level 2	Level 3	NAV	Total Estimated Fair Value	Carrying Amount
<b>Assets</b>						
FHLB common stock	\$ —	\$ 99	\$ —	\$ —	\$ 99	\$ 99
Commercial mortgage loans	—	—	2,083	—	2,083	2,406
Residential mortgage loans	—	—	1,892	—	1,892	2,148
Investments in unconsolidated affiliates	—	—	5	2,427	2,432	2,432
Policy loans	—	—	52	—	52	52
Other invested assets	—	—	10	—	10	10
Company-owned life insurance	—	—	328	—	328	328
<b>Total</b>	<b>\$ —</b>	<b>\$ 99</b>	<b>\$ 4,370</b>	<b>\$ 2,427</b>	<b>\$ 6,896</b>	<b>\$ 7,475</b>
<b>Liabilities</b>						
Investment contracts, included in contractholder funds	—	—	34,464	—	34,464	38,412
Debt	—	1,092	—	—	1,092	1,114
<b>Total</b>	<b>\$ —</b>	<b>\$ 1,092</b>	<b>\$ 34,464</b>	<b>\$ —</b>	<b>\$ 35,556</b>	<b>\$ 39,526</b>

For investments for which NAV is used, we do not have any significant restrictions in our ability to liquidate our positions in these investments, other than obtaining general partner approval, nor do we believe it is probable a price less than NAV would be received in the event of a liquidation.

We review the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers in and out of Level 3, or between other levels, at the beginning fair value for the reporting period in which the changes occur. The transfers into and out of Level 3 were related to changes in the primary pricing source and changes in the observability of external information used in determining the fair value.

**Note C — Investments**

Our investments in fixed maturity securities have been designated as available-for-sale ("AFS") and are carried at fair value, net of allowance for expected credit losses, with unrealized gains and losses included within AOCI, net of deferred income taxes. Our preferred and equity securities investments are carried at fair value with unrealized gains and losses included in net earnings. The Company's consolidated investments are summarized as follows (in millions):

		March 31, 2023						June 30, 2023					
		Allowance for Expected Credit Losses		Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value	Allowance for Expected Credit Losses		Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
Amortized Cost								Amortized Cost					
<b>Available-for-sale securities</b>													
<b>AFS securities</b>								<b>AFS securities</b>					
Asset-backed securities	Asset-backed securities	\$ 12,620	\$ (10)	\$ 43	\$ (761)	\$ 11,892	\$ 11,892	Asset-backed securities	\$ 13,492	\$ (7)	\$ 65	\$ (710)	\$ 12,840
Commercial mortgage-backed securities	Commercial mortgage-backed securities	4,004	—	4	(336)	3,672	3,672	Commercial mortgage-backed securities	4,307	(18)	5	(345)	3,949
Corporates	Corporates	16,930	—	61	(2,600)	14,391	14,391	Corporates	17,491	—	43	(2,768)	14,766
Hybrids	Hybrids	828	—	8	(82)	754	754	Hybrids	747	—	3	(73)	677
Municipals	Municipals	1,797	—	13	(229)	1,581	1,581	Municipals	1,792	—	11	(245)	1,558

Residential mortgage-backed securities	Residential mortgage-backed securities	1,764	(6)	13	(107)	1,664	1,664	Residential mortgage-backed securities	2,121	(7)	11	(114)	2,011	2,011
U.S. Government	U.S. Government	72	—	—	(1)	71	71	U.S. Government	213	—	1	(3)	211	211
Foreign Governments	Foreign Governments	211	—	—	(39)	172	172	Foreign Governments	211	—	—	(41)	170	170
Total available-for-sale securities														
		\$ 38,226	\$ (16)	\$ 142	\$ (4,155)	\$ 34,197	\$ 34,197							
Total AFS securities								Total AFS securities						
		\$ 40,374	\$ (32)	\$ 139	\$ (4,299)	\$ 36,182	\$ 36,182							
	December 31, 2022							December 31, 2022						
	Allowance for Expected							Allowance for Expected						
	Amortized	Credit	Gross Unrealized	Gross Unrealized		Carrying	Amortized	Credit	Gross Unrealized	Gross Unrealized		Carrying		
	Cost	Losses	Gains	Losses	Fair Value	Value	Cost	Losses	Gains	Losses	Fair Value	Value		
Available-for-sale securities														
AFS securities								AFS securities						
Asset-backed securities	Asset-backed securities	\$ 12,209	\$ (8)	\$ 36	\$ (770)	\$ 11,467	\$ 11,467	Asset-backed securities	\$ 12,209	\$ (8)	\$ 36	\$ (770)	\$ 11,467	\$ 11,467
Commercial mortgage-backed securities	Commercial mortgage-backed securities	3,309	(1)	12	(284)	3,036	3,036	Commercial mortgage-backed securities	3,309	(1)	12	(284)	3,036	3,036
Corporates	Corporates	15,879	(15)	30	(2,995)	12,899	12,899	Corporates	15,879	(15)	30	(2,995)	12,899	12,899
Hybrids	Hybrids	781	—	8	(84)	705	705	Hybrids	781	—	8	(84)	705	705
Municipals	Municipals	1,695	—	4	(289)	1,410	1,410	Municipals	1,695	—	4	(289)	1,410	1,410
Residential mortgage-backed securities	Residential mortgage-backed securities	1,631	(7)	6	(109)	1,521	1,521	Residential mortgage-backed securities	1,631	(7)	6	(109)	1,521	1,521
U.S. Government	U.S. Government	34	—	—	(2)	32	32	U.S. Government	34	—	—	(2)	32	32
Foreign Governments	Foreign Governments	185	—	—	(37)	148	148	Foreign Governments	185	—	—	(37)	148	148
Total available-for-sale securities														
		\$ 35,723	\$ (31)	\$ 96	\$ (4,570)	\$ 31,218	\$ 31,218							
Total AFS securities								Total AFS securities						
		\$ 35,723	\$ (31)	\$ 96	\$ (4,570)	\$ 31,218	\$ 31,218							

Securities held on deposit with various state regulatory authorities had a fair value of **\$18,746 million** **\$19,862 million** and **\$17,751 million** at **March 31, 2023** **June 30, 2023** and **December 31, 2022**, respectively.

As of **March 31, 2023** **June 30, 2023** and **December 31, 2022**, the Company held **\$31 million** **\$35 million** and **\$27 million**, respectively, of investments that were non-income producing for a period greater than twelve months.

As of **March 31, 2023** **June 30, 2023** and **December 31, 2022**, the Company's accrued interest receivable balance was **\$407.415 million** and **\$358 million**, respectively. Accrued interest receivable is classified within Prepaid expenses and other assets within the Condensed Consolidated Balance Sheets.

In accordance with our FHLB agreements, the investments supporting the funding agreement liabilities are pledged as collateral to secure the FHLB funding agreement liabilities and are not available to us for general purposes. The collateral investments had a fair value of **\$3,830 million** **\$3,543 million** and **\$3,387 million** as of **March 31, 2023** **June 30, 2023** and **December 31, 2022**, respectively.

The amortized cost and fair value of fixed maturity securities by contractual maturities, as applicable, are shown below (in millions). Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations.

March 31, 2023		December 31, 2022		June 30, 2023		December 31, 2022	
Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value



recognized credit loss is limited to the total unrealized loss on the security (i.e., the fair value floor). Cash flows are discounted using the implicit yield of bonds at their time of purchase and the current book yield for asset and mortgage-backed securities as well as variable rate securities. We recognize the expected credit losses in Recognized gains and (losses), net in the unaudited Condensed Consolidated Statements of Operations, with an offset for the amount of non-credit impairments recognized in AOCI. We do not measure a credit loss allowance on accrued investment income because we write-off accrued interest through Interest and investment income when collectability concerns arise.

We consider the following in determining whether write-offs of a security's amortized cost is necessary:

- We believe amounts related to securities have become uncollectible;
- We intend to sell a security; or
- It is more likely than not that we will be required to sell a security prior to recovery.

If we intend to sell a fixed maturity security or it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis and the fair value of the security is below amortized cost, we will write down the security to current fair value, with a corresponding charge, net of any amount previously recognized as an allowance for expected credit loss, to Recognized gains and (losses), net in the accompanying unaudited Condensed Consolidated Statements of Operations. If we do not intend to sell a fixed maturity security or it is more likely than not that we will not be required to sell a fixed maturity security before recovery of its amortized cost basis but believe amounts related to a security are uncollectible (generally based on proximity to expected credit loss), an impairment is deemed to have occurred and the amortized cost is written down to the estimated recovery value with a corresponding charge, net of any amount previously recognized as an allowance for expected credit loss, to Recognized gains and (losses), net in the accompanying unaudited Condensed Consolidated Statements of Operations. The remainder of unrealized loss is held in other comprehensive income in the accompanying unaudited Condensed Consolidated Statements of Equity.

The activity in the allowance for expected credit losses of available-for-sale AFS securities aggregated by investment category was as follows (in millions):

Three months ended March 31, 2023												Three months ended June 30, 2023											
Additions						Reductions						Additions						Reductions					
For initial credit (Additions)												For initial credit (Additions)											
For credit losses on securities for which	losses on purchased securities accounted	for as	reductions in allowance recorded			For securities intended/required	Write offs					For credit losses on securities for which	losses on purchased securities accounted	for as	reductions in allowance recorded			For securities intended/required	Write offs				
Balance at Beginning of Period	losses were not recorded	for PCD previously financial impaired assets (a)	on securities			sold during the period	to be sold prior to recovery of the amortized cost basis	charged against the allowance	Recoveries of amounts previously written off	Balance at End of Period		Balance at Beginning of Period	losses were not recorded	for PCD previously financial impaired assets (a)	on securities			sold during the period	to be sold prior to recovery of the amortized cost basis	charged against the allowance	Recoveries of amounts previously written off	Balance at End of Period	
Available-for-sale securities												AFS securities											
AFS securities												AFS securities											
Asset-backed securities	Asset-backed securities	\$ (8)	\$ (7)	\$ —	\$ 5	\$ —	\$ —	\$ —	\$ —	\$ (10)		Asset-backed securities	\$ (10)	\$ 1	\$ —	\$ 2	\$ —						
Commercial mortgage-backed securities	Commercial mortgage-backed securities	(1)	—	—	1	—	—	—	—	—		Commercial mortgage-backed securities	—	(20)	—	2	—						
Corporates		(15)	—	—	—	15	—	—	—	—													
Residential mortgage-backed securities	Residential mortgage-backed securities	(7)	—	—	1	—	—	—	—	(6)		Residential mortgage-backed securities	(6)	(1)	—	—	—						
Total available-for-sale securities		\$ (31)	\$ (7)	\$ —	\$ 7	\$ 15	\$ —	\$ —	\$ —	\$ (16)		Total AFS securities	\$ (16)	\$ (20)	\$ —	\$ —	\$ —						

Three months ended March 31, 2022												Three months ended June 30, 2022											
Additions						Reductions						Additions						Reductions					



		For initial credit (Additions)												For initial credit (Additions)							
		For credit losses on securities for which accounted recorded				For securities intended/required Write offs				For credit losses on securities for which accounted recorded				For securities intended/required Write offs							
		Balance at Beginning of Period	losses were not previously recorded	for as PCD financial assets (a)	on previously impaired securities	sold during the period	to be sold prior to recovery of amortized cost basis	charged against the allowance	Recoveries of amounts previously written off	Balance at End of Period	Balance at Beginning of Period	losses were not previously recorded	for as PCD financial assets (a)	on previously impaired securities	sold during the period	to be sold prior to recovery of amortized cost basis	charged against the allowance	Recoveries of amounts previously written off	Balance at End of Period		
Available-for-sale securities																					
AFS securities					AFS securities																
Asset-backed securities	Asset-backed securities	\$ (3)	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ —	\$ —	\$ (1)	Asset-backed securities	\$ (1)	\$ —	\$ —	\$ (1)	\$ —	\$ —	\$ —	\$ —		
Commercial mortgage-backed securities	Commercial mortgage-backed securities	(2)	—	—	—	—	—	—	—	(2)	Commercial mortgage-backed securities	(2)	—	—	—	—	—	—	—		
Corporates		—	—	—	—	—	—	—	—	—											
Residential mortgage-backed securities	Residential mortgage-backed securities	(3)	—	—	(1)	—	—	—	—	(4)	Residential mortgage-backed securities	(3)	—	—	—	—	—	—	—		
Total available-for-sale securities		\$ (8)	\$ —	\$ —	\$ (1)	\$ 2	\$ —	\$ —	\$ —	\$ (7)											
Total AFS securities		Total AFS securities															\$ (6)	\$ —	\$ —		
Six months ended June 30, 2023																					
		Additions				Reductions															
		Balance at Beginning of Period	For credit losses on securities for which losses were not previously recorded	For initial credit losses on purchased securities accounted for as PCD financial assets (a)	(Additions) reductions in allowance recorded on previously impaired securities	For securities sold during the period	For securities intended/required to be sold prior to recovery of amortized cost basis	Write offs charged against the allowance	Recoveries of amounts previously written off	Balance at End of Period											
AFS securities																					
Asset-backed securities		\$ (8)	\$ (6)	\$ —	\$ 7	\$ —	\$ —	\$ —	—	(7)											
Commercial mortgage-backed securities		(1)	(20)	—	3	—	—	—	—	(18)											
Corporates		(15)	—	—	—	15	—	—	—	—											
Residential mortgage-backed securities		(7)	(1)	—	1	—	—	—	—	(7)											
Total AFS securities		(31)	(27)	—	11	15	—	—	—	(32)											
Six months ended June 30, 2022																					
		Additions				Reductions															
		Balance at Beginning of Period	For credit losses on securities for which losses were not previously recorded	For initial credit losses on purchased securities accounted for as PCD financial assets (a)	(Additions) reductions in allowance recorded on previously impaired securities	For securities sold during the period	For securities intended/required to be sold prior to recovery of amortized cost basis	Write offs charged against the allowance	Recoveries of amounts previously written off	Balance at End of Period											
AFS securities																					
Asset-backed securities		\$ (3)	\$ —	\$ —	\$ (1)	\$ 2	\$ —	\$ —	—	(2)											
Commercial mortgage-backed securities		(2)	—	—	—	2	—	—	—	—											
Residential mortgage-backed securities		(3)	—	—	—	—	—	—	—	(3)											
Total AFS securities		(8)	—	—	(1)	4	—	—	—	(5)											

The fair value and gross unrealized losses of AFS securities, excluding securities in an unrealized loss position with an allowance for expected credit loss, aggregated by investment category and duration of fair value below amortized cost as of **March 31, 2023**, **June 30, 2023** and December 31, 2022 were as follows (dollars in millions):

		March 31, 2023							June 30, 2023					
		Less than 12 months		12 months or longer		Total			Less than 12 months		12 months or longer		Total	
		Gross Unrealized		Gross Unrealized		Gross Unrealized			Gross Unrealized		Gross Unrealized		Gross Unrealized	
		Fair Value	Losses	Fair Value	Losses	Fair Value	Losses		Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
Available-for-sale securities														
AFS securities								AFS securities						
Asset-backed securities	Asset-backed securities	\$ 5,347	\$ (307)	\$ 4,520	\$ (448)	\$ 9,867	\$ (755)	Asset-backed securities	\$ 4,219	\$ (182)	\$ 6,220	\$ (517)	\$ 10,439	\$ (699)
Commercial mortgage-backed securities	Commercial mortgage-backed securities	2,226	(122)	1,234	(214)	3,460	(336)	Commercial mortgage-backed securities	1,555	(102)	1,663	(242)	3,218	(344)
Corporates	Corporates	4,788	(372)	7,931	(2,228)	12,719	(2,600)	Corporates	4,598	(294)	8,884	(2,474)	13,482	(2,768)
Hybrids	Hybrids	341	(29)	321	(53)	662	(82)	Hybrids	194	(15)	457	(58)	651	(73)
Municipals	Municipals	480	(37)	866	(192)	1,346	(229)	Municipals	550	(68)	793	(177)	1,343	(245)
Residential mortgage-backed securities	Residential mortgage-backed securities	705	(22)	539	(81)	1,244	(103)	Residential mortgage-backed securities	1,031	(17)	619	(93)	1,650	(110)
U.S. Government	U.S. Government	5	—	21	(1)	26	(1)	U.S. Government	61	(2)	4	(1)	65	(3)
Foreign Government	Foreign Government	23	(2)	137	(37)	160	(39)	Foreign Government	25	(3)	136	(38)	161	(41)
Total available-for-sale securities		\$ 13,915	\$ (891)	\$ 15,569	\$ (3,254)	\$ 29,484	\$ (4,145)							
Total number of available-for-sale securities in an unrealized loss position less than twelve months								2,182						
Total number of available-for-sale securities in an unrealized loss position twelve months or longer								2,096						
Total number of available-for-sale securities in an unrealized loss position								4,278						
Total AFS securities								Total AFS securities						
		\$ 12,233	\$ (683)	\$ 18,776	\$ (3,600)	\$ 31,009	\$ (4,283)							
Total number of AFS in an unrealized loss position less than twelve months								1,938						
Total number of AFS securities in an unrealized loss position twelve months or longer								2,531						

Total number of AFS securities in an unrealized loss position	Total number of AFS securities in an unrealized loss position	4,469
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		December 31, 2022							December 31, 2022					
		Less than 12 months		12 months or longer		Total			Less than 12 months		12 months or longer		Total	
		Gross		Gross		Gross			Gross		Gross		Gross	
		Unrealized		Unrealized		Unrealized			Unrealized		Unrealized		Unrealized	
		Fair Value	Losses	Fair Value	Losses	Fair Value	Losses		Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
Available-for-sale securities														
AFS securities								AFS securities						
Asset-backed securities	Asset-backed securities	\$ 7,001	\$ (410)	\$ 3,727	\$ (360)	\$ 10,728	\$ (770)	Asset-backed securities	\$ 7,001	\$ (410)	\$ 3,727	\$ (360)	\$ 10,728	\$ (770)
Commercial mortgage-backed securities	Commercial mortgage-backed securities	2,065	(168)	475	(116)	2,540	(284)	Commercial mortgage-backed securities	2,065	(168)	475	(116)	2,540	(284)
Corporates	Corporates	8,780	(1,679)	3,231	(1,312)	12,011	(2,991)	Corporates	8,780	(1,679)	3,231	(1,312)	12,011	(2,991)
Hybrids	Hybrids	619	(83)	3	(1)	622	(84)	Hybrids	619	(83)	3	(1)	622	(84)
Municipals	Municipals	948	(176)	352	(113)	1,300	(289)	Municipals	948	(176)	352	(113)	1,300	(289)
Residential mortgage-backed securities	Residential mortgage-backed securities	990	(51)	184	(22)	1,174	(73)	Residential mortgage-backed securities	990	(51)	184	(22)	1,174	(73)
U.S. Government	U.S. Government	11	(1)	21	(1)	32	(2)	U.S. Government	11	(1)	21	(1)	32	(2)
Foreign Government	Foreign Government	119	(32)	14	(5)	133	(37)	Foreign Government	119	(32)	14	(5)	133	(37)
Total available-for-sale securities		\$ 20,533	\$ (2,600)	\$ 8,007	\$ (1,930)	\$ 28,540	\$ (4,530)							
Total number of available-for-sale securities in an unrealized loss position less than twelve months								2,774						
Total number of available-for-sale securities in an unrealized loss position twelve months or longer								1,212						
Total number of available-for-sale securities in an unrealized loss position								3,986						
Total AFS securities								Total AFS securities						
		\$ 20,533	\$ (2,600)	\$ 8,007	\$ (1,930)	\$ 28,540	\$ (4,530)							
Total number of AFS securities in an unrealized loss position less than twelve months								2,774						

Total number of AFS securities in an unrealized loss position twelve months or longer	Total number of AFS securities in an unrealized loss position twelve months or longer	1,212
Total number of AFS securities in an unrealized loss position	Total number of AFS securities in an unrealized loss position	3,986

We determined the decrease in unrealized losses as of **March 31, 2023** June 30, 2023, compared to December 31, 2022, was caused by **lower** longer treasury rates **being lower** as well as **credit** spread compression. For securities in an unrealized loss position as of **March 31, 2023** June 30, 2023, our allowance for expected credit loss was **\$16** \$32 million. We believe the unrealized loss position for which we have not recorded an allowance for expected credit loss as of **March 31, 2023** June 30, 2023 was primarily attributable to interest rate increases, near-term illiquidity, and other macroeconomic uncertainties as opposed to issuer specific credit concerns.

## Mortgage Loans

Our mortgage loans are collateralized by commercial and residential properties.

### Commercial Mortgage Loans

Commercial mortgage loans ("CMLs") represented approximately **5% and 6%** of our total investments as of **March 31, 2023** June 30, 2023 and December 31, 2022, **respectively**. The mortgage loans in our investment portfolio, are generally comprised of high quality commercial first lien and mezzanine real estate loans. Mortgage loans are primarily on income producing properties including industrial properties, retail buildings, multifamily properties and office buildings. We diversify our CML portfolio by geographic region and property type to attempt to reduce concentration risk. We continuously evaluate CMLs based on relevant current information to ensure properties are performing at a consistent and acceptable level to secure the related debt. The distribution of CMLs, gross of valuation allowances, by property type and geographic region is reflected in the following tables (dollars in millions):

Property Type:	Property Type:	March 31, 2023		December 31, 2022		Property Type:	June 30, 2023		December 31, 2022	
		Gross Carrying		Gross Carrying			Gross Carrying		Gross Carrying	
		Value	% of Total	Value	% of Total		Value	% of Total	Value	% of Total
Hotel	Hotel	\$ 18	1 %	\$ 18	1 %	Hotel	\$ 18	1 %	\$ 18	1 %
Industrial	Industrial	538	22 %	520	22 %	Industrial	538	22 %	520	22 %
Mixed Use	Mixed Use	12	1 %	12	1 %	Mixed Use	12	1 %	12	1 %
Multifamily	Multifamily	1,013	41 %	1,013	42 %	Multifamily	1,012	41 %	1,013	42 %
Office	Office	329	13 %	330	14 %	Office	328	13 %	330	14 %
Retail	Retail	104	4 %	105	4 %	Retail	103	4 %	105	4 %
Student Housing	Student Housing	83	3 %	83	3 %	Student Housing	83	3 %	83	3 %
Other	Other	373	15 %	335	13 %	Other	376	15 %	335	13 %
Total commercial mortgage loans, gross of valuation allowance		\$ 2,470	100 %	\$ 2,416	100 %					
Total CMLs, gross of valuation allowance						Total CMLs, gross of valuation allowance				
Allowance for expected credit loss	Allowance for expected credit loss	(12)		(10)		Allowance for expected credit loss				
Total commercial mortgage loans, net of valuation allowance		\$ 2,458		\$ 2,406						
Total CMLs, net of valuation allowance						Total CMLs, net of valuation allowance				
U.S. Region:	U.S. Region:					U.S. Region:				
East North Central	East North Central	\$ 177	7 %	\$ 151	6 %	East North Central	\$ 150	6 %	\$ 151	6 %
East South Central	East South Central	76	3 %	76	3 %	East South Central	76	3 %	76	3 %
Middle Atlantic	Middle Atlantic	325	13 %	326	13 %	Middle Atlantic	325	13 %	326	13 %

Mountain	Mountain	354	14	%	355	15	%	Mountain	353	14	%	355	15	%	
New England	New England	164	7	%	158	7	%	New England	166	7	%	158	7	%	
Pacific	Pacific	700	28	%	708	28	%	Pacific	726	29	%	708	28	%	
South Atlantic	South Atlantic	553	22	%	521	22	%	South Atlantic	553	22	%	521	22	%	
West North Central	West North Central	4	1	%	4	1	%	West North Central	4	1	%	4	1	%	
West South Central	West South Central	117	5	%	117	5	%	West South Central	117	5	%	117	5	%	
Total commercial mortgage loans, gross of valuation allowance															
		\$	2,470	100	%	\$	2,416	100	%						
Total CMLs, gross of valuation allowance								Total CMLs, gross of valuation allowance							
								\$	2,470	100	%	\$	2,416	100	%
Allowance for expected credit loss	Allowance for expected credit loss							Allowance for expected credit loss							
		(12)				(10)			(13)				(10)		
Total commercial mortgage loans, net of valuation allowance															
		\$ 2,458				\$ 2,406									
Total CMLs, net of valuation allowance								Total CMLs, net of valuation allowance							
								\$	2,457			\$	2,406		

Commercial mortgage loans CMLs segregated by risk rating exposure as of March 31, 2023 June 30, 2023 and December 31, 2022, were as follows, gross of valuation allowances (in millions):

	March 31, 2023						
	Amortized Cost by Origination Year						
	2023	2022	2021	2020	2019	Prior	Total
<b>Commercial mortgages</b>							
Current (less than 30 days past due)	\$ 53	\$ 354	\$ 1,301	\$ 486	\$ —	\$ 267	\$ 2,461
30-89 days past due	—	—	—	—	—	—	—
90 days or more past due	—	—	—	—	—	9	9
Total commercial mortgages	\$ 53	\$ 354	\$ 1,301	\$ 486	\$ —	\$ 276	\$ 2,470

	December 31, 2022						
	Amortized Cost by Origination Year						
	2022	2021	2020	2019	2018	Prior	Total
<b>Commercial mortgages</b>							
Current (less than 30 days past due)	\$ 350	\$ 1,300	\$ 488	\$ —	\$ —	\$ 269	\$ 2,407
30-89 days past due	—	—	—	—	—	—	—
90 days or more past due	—	—	—	—	—	9	9
Total commercial mortgages	\$ 350	\$ 1,300	\$ 488	\$ —	\$ —	\$ 278	\$ 2,416

	June 30, 2023						
	Amortized Cost by Origination Year						
	2023	2022	2021	2020	2019	Prior	Total
Current (less than 30 days past due)	\$ 55	\$ 338	\$ 1,299	\$ 487	\$ —	\$ 265	\$ 2,444
30-89 days past due	—	—	—	—	—	—	—
90 days or more past due	—	—	—	—	—	9	9
<b>Total CMLs (a)</b>	\$ 55	\$ 338	\$ 1,299	\$ 487	\$ —	\$ 274	\$ 2,453

	December 31, 2022						
	Amortized Cost by Origination Year						
	2022	2021	2020	2019	2018	Prior	Total
Current (less than 30 days past due)	\$ 350	\$ 1,300	\$ 488	\$ —	\$ —	\$ 269	\$ 2,407

30-89 days past due	—	—	—	—	—	—	—
90 days or more past due	—	—	—	—	—	9	9
<b>Total CMLs</b>	<b>\$ 350</b>	<b>\$ 1,300</b>	<b>\$ 488</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 278</b>	<b>\$ 2,416</b>

(a) Excludes loans under development with an amortized cost and estimated fair value of \$17 million for June 30, 2023.

Loan-to-value (“LTV”) and debt service coverage (“DSC”) ratios are measures commonly used to assess the risk and quality of mortgage loans. The LTV ratio is expressed as a percentage of the amount of the loan relative to the value of the underlying property. A An LTV ratio in excess of 100% indicates the unpaid loan amount exceeds the underlying collateral. The DSC ratio, based upon the most recently received financial statements, is expressed as a percentage of the amount of a property’s net income to its debt service payments. A DSC ratio of less than 1.00 indicates that a property’s operations do not generate sufficient income to cover debt payments. We normalize our DSC ratios to a 25-year amortization period for purposes of our general loan allowance evaluation.

The following tables present the recorded investment in CMLs by LTV and DSC ratio categories and estimated fair value by the indicated loan-to-value ratios, gross of valuation allowances at **March 31, 2023**, **June 30, 2023** and December 31, 2022 (dollars in millions):

	Debt-Service Coverage Ratios								Debt-Service Coverage Ratios								
	Ratios																
	1.00 -			Total Amount	% of Total	Estimated Fair Value	% of Total										
	>1.25	1.25	<1.00					1.00 - 1.25			% of Total	Total Amount		% of Total	Estimated Fair Value	% of Total	
March 31, 2023									June 30, 2023								
June 30, 2023									June 30, 2023								
LTV Ratios:	LTV Ratios:								LTV Ratios:								
Less than	Less than								Less than								
50.00%	50.00%	\$ 511	\$ 4	\$ 11	\$ 526	21 %	\$ 493	23 %	50.00%	\$ 510	\$ 4	\$ 11	\$ 525	21 %	\$ 491	23 %	
50.00% to	50.00% to								50.00% to								
59.99%	59.99%	732	—	—	732	30 %	653	30 %	59.99%	740	—	—	740	30 %	649	30 %	
60.00% to	60.00% to								60.00% to								
74.99%	74.99%	1,170	8	—	1,178	48 %	1,002	46 %	74.99%	1,160	10	—	1,170	48 %	973	46 %	
75.00% to	75.00% to								75.00% to								
84.99%	84.99%	—	2	18	20	1 %	17	1 %	84.99%	—	—	18	18	1 %	14	1 %	
Commercial mortgage																	
loans (a)	\$ 2,413	\$ 14	\$ 29	\$ 2,456	100 %	\$ 2,165	100 %										
Total CMLs (a)									Total CMLs (a)								
	\$ 2,410	\$ 14	\$ 29	\$ 2,453		100 %	\$ 2,127	100 %									
December 31, 2022	December 31, 2022								December 31, 2022								
LTV Ratios:	LTV Ratios:								LTV Ratios:								
Less than	Less than								Less than								
50.00%	50.00%	\$ 511	\$ 4	\$ 11	\$ 526	22 %	\$ 490	24 %	50.00%	\$ 511	\$ 4	\$ 11	\$ 526	22 %	\$ 490	24 %	
50.00% to	50.00% to								50.00% to								
59.99%	59.99%	706	—	—	706	29 %	615	30 %	59.99%	706	—	—	706	29 %	615	30 %	
60.00% to	60.00% to								60.00% to								
74.99%	74.99%	1,154	3	—	1,157	48 %	955	45 %	74.99%	1,154	3	—	1,157	48 %	955	45 %	
75.00% to	75.00% to								75.00% to								
84.99%	84.99%	—	—	18	18	1 %	14	1 %	84.99%	—	—	18	18	1 %	14	1 %	
Commercial mortgage																	
loans (a)	\$ 2,371	\$ 7	\$ 29	\$ 2,407	100 %	\$ 2,074	100 %										
Total CMLs (a)									Total CMLs (a)								
	\$ 2,371	\$ 7	\$ 29	\$ 2,407		100 %	\$ 2,074	100 %									

(a) Excludes loans under development with an amortized cost and estimated fair value of \$14.17 million for **March 31, June 30, 2023** and an amortized cost and estimated fair value of \$9 million for December 31, 2022.

March 31, 2023							June 30, 2023						
Amortized Cost by Origination Year							Amortized Cost by Origination Year						
2023	2022	2021	2020	2019	Prior	Total	2023	2022	2021	2020	2019	Prior	Total



Commercial mortgages									
Total CMLs (a)		Total CMLs (a)							
DSCR	DSCR	DSCR							
Greater than 1.25x	Greater than 1.25x	1.25x	\$ 329	\$ 1,300	\$ 488	\$ —	\$ —	\$ 254	\$ 2,371
1.00x - 1.25x	1.00x - 1.25x	3	—	—	—	—	4	7	
Less than 1.00x	Less than 1.00x	9	—	—	—	—	20	29	
Total commercial mortgages (a)		\$ 341	\$ 1,300	\$ 488	\$ —	\$ —	\$ 278	\$ 2,407	
Total CMLs (a)		Total CMLs (a)							
		\$ 341	\$ 1,300	\$ 488	\$ —	\$ —	\$ 278	\$ 2,407	

(a) Excludes loans under development with an amortized cost and estimated fair value of \$14.17 million for March 31, June 30, 2023 and an amortized cost and estimated fair value of \$9 million for December 31, 2022.

We recognize a mortgage loan as delinquent when payments on the loan are greater than 30 days past due. At March 31, 2023, June 30, 2023 and December 31, 2022 we had one CML that was delinquent in principal or interest payments as shown in the risk rating exposure table above.

### Residential Mortgage Loans

Residential mortgage loans ("RMLs") represented approximately 6% and 5% of our total investments as of March 31, 2023, June 30, 2023 and December 31, 2022, respectively. Our residential mortgage loans RMLs are closed end, amortizing loans and 100% of the properties are located in the United States. We diversify our RML portfolio by state to attempt to reduce concentration risk. The distribution of RMLs by state with highest-to-lowest concentration are reflected in the following tables, gross of valuation allowances (dollars in millions):

		March 31, 2023		June 30, 2023	
U.S. State:	U.S. State:	Amortized Cost	% of Total	U.S. State:	Amortized Cost % of Total
Florida	Florida	\$ 236	9	% Florida	\$ 152 5 %
Texas		181	7	%	
New Jersey		167	6	%	
New York				New York	131 5 %
California	California	157	6	% California	123 5 %
New York		155	6	%	
All other states (a)	All other states (a)	1,678	66	% All other states (a)	2,264 85 %
Total residential mortgage loans		\$ 2,574	100	%	
Total RMLs, gross of valuation allowance				Total RMLs, gross of valuation allowance	\$ 2,670 100 %

(a) The individual concentration of each state is equal to or less than 5% as of March 31, 2023, June 30, 2023.

		December 31, 2022		December 31, 2022	
U.S. State:	U.S. State:	Amortized Cost	% of Total	U.S. State:	Amortized Cost % of Total
Florida	Florida	\$ 324	15	% Florida	\$ 324 15 %
Texas	Texas	215	10	% Texas	215 10 %
New Jersey	New Jersey	172	8	% New Jersey	172 8 %
Pennsylvania	Pennsylvania	153	7	% Pennsylvania	153 7 %
California	California	139	6	% California	139 6 %
New York	New York	138	6	% New York	138 6 %
Georgia	Georgia	125	6	% Georgia	125 6 %
All other states (a)	All other states (a)	914	42	% All other states (a)	914 42 %



Total residential mortgage loans	\$	2,180	100	%
Total RMLs, gross of valuation allowance				
	\$	2,180	100	%

(a) The individual concentration of each state is equal to or less than 5% as of December 31, 2022.

Residential mortgage loans RMLs have a primary credit quality indicator of either a performing or nonperforming loan. We define non-performing residential mortgage loans as those that are 90 or more days past due or in non-accrual status, which is assessed monthly. The credit quality of RMLs as of March 31, 2023, June 30, 2023 and December 31, 2022, was as follows (dollars in millions):

		March 31, 2023		December 31, 2022			June 30, 2023		December 31, 2022	
Performance indicators:	Performance indicators:	Amortized Cost	% of Total	Amortized Cost	% of Total	Performance indicators:	Amortized Cost	% of Total	Amortized Cost	% of Total
Performing	Performing	\$ 2,511	98 %	\$ 2,118	97 %	Performing	\$ 2,598	97 %	\$ 2,118	97 %
Non-performing	Non-performing	63	2 %	62	3 %	Non-performing	72	3 %	62	3 %
Total residential mortgage loans, gross of valuation allowance										
		\$ 2,574	100 %	\$ 2,180	100 %					
Total RMLs, gross of valuation allowance						Total RMLs, gross of valuation allowance	\$ 2,670	100 %	\$ 2,180	100 %
Allowance for expected loan loss	Allowance for expected loan loss	(48)	— %	(32)	— %	Allowance for expected loan loss	(51)	— %	(32)	— %
Total residential mortgage loans, net of valuation allowance										
		\$ 2,526	100 %	\$ 2,148	100 %					
Total RMLs, net of valuation allowance						Total RMLs, net of valuation allowance	\$ 2,619	100 %	\$ 2,148	100 %

Residential mortgage loans RMLs segregated by risk rating exposure as of March 31, 2023, June 30, 2023 and December 31, 2022, were as follows, gross of valuation allowances (in millions):

	March 31, 2023									June 30, 2023						
	Amortized Cost by Origination Year															
	Amortized Cost by Origination Year									2023	2022	2021	2020	2019	Prior	Total
	2023	2022	2021	2020	2019	Prior	Total									
Residential mortgages																
Current (less than 30 days past due)	Current (less than 30 days past due)	\$ 35	\$ 950	\$ 889	\$ 209	\$ 199	\$ 209	\$ 2,491	Current (less than 30 days past due)	\$ 137	\$ 963	\$ 862	\$ 200	\$ 192	\$ 199	\$ 2,553
30-89 days past due	30-89 days past due	—	3	8	3	4	2	20	30-89 days past due	—	6	24	5	4	6	45
90 days or more past due	90 days or more past due	—	3	18	13	28	1	63	90 days or more past due	—	7	20	15	29	1	72
Total residential mortgages	\$ 35	\$ 956	\$ 915	\$ 225	\$ 231	\$ 212	\$ 2,574									
Total RML mortgages									Total RML mortgages	\$ 137	\$ 976	\$ 906	\$ 220	\$ 225	\$ 206	\$ 2,670
	December 31, 2022									December 31, 2022						
	Amortized Cost by Origination Year															
	Amortized Cost by Origination Year									2022	2021	2020	2019	2018	Prior	Total
	2022	2021	2020	2019	2018	Prior	Total									
Residential mortgages																

Current (less than 30 days past due)	Current (less than 30 days past due)	\$ 766	\$ 884	\$ 214	\$ 185	\$ 23	\$ 33	\$ 2,105	Current (less than 30 days past due)	\$ 766	\$ 884	\$ 214	\$ 185	\$ 23	\$ 33	\$ 2,105
30-89 days past due	30-89 days past due	2	7	—	4	—	—	13	30-89 days past due	2	7	—	4	—	—	13
90 days or more past due	90 days or more past due	3	9	15	34	1	—	62	90 days or more past due	3	9	15	34	1	—	62
Total residential mortgages		\$ 771	\$ 900	\$ 229	\$ 223	\$ 24	\$ 33	\$ 2,180								
Total RML mortgages									Total RML mortgages	\$ 771	\$ 900	\$ 229	\$ 223	\$ 24	\$ 33	\$ 2,180

Non-accrual loans by amortized cost as of **March 31, 2023**, **June 30, 2023** and December 31, 2022, were as follows (in millions):

Amortized cost of loans on non-accrual	Amortized cost of loans on non-accrual	March 31, 2023	December 31, 2022	Amortized cost of loans on non-accrual	June 30, 2023	December 31, 2022
Residential mortgage:	Residential mortgage:	\$ 63	\$ 62	Residential mortgage:	\$ 72	\$ 62
Commercial mortgage:	Commercial mortgage:	9	9	Commercial mortgage:	9	9
Total non-accrual mortgages	Total non-accrual mortgages	\$ 72	\$ 71	Total non-accrual mortgages	\$ 81	\$ 71

Immaterial interest income was recognized on non-accrual financing receivables for the three and six months ended **March 31, 2023**, **June 30, 2023** and **March 31, 2022**, **June 30, 2022**.

It is our policy to cease to accrue interest on loans that are delinquent for 90 days or more. For loans less than 90 days delinquent, interest is accrued unless it is determined that the accrued interest is not collectible. If a loan becomes 90 days or more delinquent, it is our general policy to initiate foreclosure proceedings unless a workout arrangement to bring the loan current is in place. As of **March 31, 2023**, **June 30, 2023** and December 31, 2022, we had **\$72 million**, **\$72 million** and **\$71 million**, **\$62 million**, respectively, of residential mortgage loans **RMLs** that were over 90 days past due, of which **\$32 million**, **\$35 million** and **\$38 million**, **\$38 million** were in the process of foreclosure as of **March 31, 2023**, **June 30, 2023** and December 31, 2022, respectively.

#### Allowance for Expected Credit Loss

We estimate expected credit losses for our commercial and residential mortgage loan portfolios using a probability of default/loss given default model. Significant inputs to this model include, where applicable, the loans' current performance, underlying collateral type, location, contractual life, LTV, DSC and Debt to Income or FICO. The model projects losses using a two-year reasonable and supportable forecast and then reverts over a three-year period to market-wide historical loss experience. Changes in our allowance for expected credit losses on mortgage loans are recognized in Recognized gains and (losses), net in the accompanying unaudited Condensed Consolidated Statements of Operations.

The allowances for our mortgage loan portfolio are summarized as follows (in millions):

		Three months ended March 31, 2023			Three months ended June 30, 2023			Six months ended June 30, 2023		
		Residential Mortgage	Commercial Mortgage	Total	Residential Mortgage	Commercial Mortgage	Total	Residential Mortgage	Commercial Mortgage	Total
Beginning Balance	Beginning Balance	\$ 32	\$ 10	\$ 42	\$ (48)	\$ (12)	\$ (60)	\$ (32)	\$ (10)	\$ (42)
Provision for loan losses	Provision for loan losses	16	2	18	(3)	(1)	(4)	(19)	(3)	(22)
Ending Balance	Ending Balance	\$ 48	\$ 12	\$ 60	\$ (51)	\$ (13)	\$ (64)	\$ (51)	\$ (13)	\$ (64)
		Three months ended March 31, 2022			Three months ended June 30, 2022			Six months ended June 30, 2022		
		Residential Mortgage	Commercial Mortgage	Total	Residential Mortgage	Commercial Mortgage	Total	Residential Mortgage	Commercial Mortgage	Total
Beginning Balance	Beginning Balance	\$ 25	\$ 6	\$ 31	\$ (26)	\$ (6)	\$ (32)	\$ (25)	\$ (6)	\$ (31)
Provision for loan losses	Provision for loan losses	1	—	1	(3)	—	(3)	(4)	—	(4)

Ending Balance	Ending Balance	Ending Balance	Ending Balance	Ending Balance	Ending Balance	Ending Balance	Ending Balance	Ending Balance	Ending Balance	Ending Balance	Ending Balance
		\$ 26	\$ 6	\$ 32		\$ (29)	\$ (6)	\$ (35)	\$ (29)	\$ (6)	\$ (35)

An allowance for expected credit loss is not measured on accrued interest income for commercial mortgage loans as we have a process to write-off interest on loans that enter into non-accrual status (90 days or more past due). Allowances for expected credit losses are measured on accrued interest income for residential mortgage loans and were immaterial as of **March 31, 2023** **June 30, 2023** and **March 31, 2022** **June 30, 2022**.

#### Interest and Investment Income

The major sources of Interest and investment income reported on the accompanying unaudited Condensed Consolidated Statements of Operations were as follows (in millions):

		Three months ended			Three months ended		Six months ended	
		March 31, 2023	March 31, 2022		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Fixed maturity securities, available-for-sale	Fixed maturity securities, available-for-sale	\$ 432	\$ 319	Fixed maturity securities, available-for-sale	\$ 448	\$ 336	\$ 880	\$ 655
Equity securities	Equity securities	5	4	Equity securities	4	4	9	8
Preferred securities	Preferred securities	10	11	Preferred securities	12	15	22	26
Mortgage loans	Mortgage loans	51	39	Mortgage loans	57	49	108	88
Invested cash and short-term investments	Invested cash and short-term investments	16	4	Invested cash and short-term investments	17	9	33	13
Limited partnerships	Limited partnerships	57	113	Limited partnerships	44	58	101	171
Other investments	Other investments	9	6	Other investments	5	1	14	7
Gross investment income	Gross investment income	580	496	Gross investment income	587	472	1,167	968
Investment expense	Investment expense	(61)	(45)	Investment expense	(62)	(47)	(123)	(92)
Interest and investment income	Interest and investment income	\$ 519	\$ 451	Interest and investment income	\$ 525	\$ 425	\$ 1,044	\$ 876

Interest and investment income is shown net of amounts attributable to certain funds withheld reinsurance agreements which is passed along to the reinsurer in accordance with the terms of these agreements. Interest and investment income attributable to these agreements, and thus excluded from the totals in the table above, was **\$(58) million** **\$76 million** and **\$(18) million** **\$134 million** for the three and six months ended **March 31, 2023** **June 30, 2023**, respectively, and **March 31, 2022** **\$20 million** and **\$38 million** for the three and six months ended **June 30, 2022**, respectively.

#### Recognized Gains and (Losses), net

Details underlying Recognized gains and (losses), net reported on the accompanying unaudited Condensed Consolidated Statements of Operations were as follows (in millions):

		Three months ended			Three months ended		Six months ended	
		March 31, 2023	March 31, 2022		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net realized (losses) gains on fixed maturity available-for-sale securities	Net realized (losses) gains on fixed maturity available-for-sale securities	\$ (44)	\$ (34)	Net realized (losses) gains on fixed maturity available-for-sale securities	\$ (52)	\$ (59)	\$ (96)	\$ (93)
Net realized/unrealized (losses) gains on equity securities (a)	Net realized/unrealized (losses) gains on equity securities (a)	5	(2)	Net realized/unrealized (losses) gains on equity securities (a)	3	(20)	8	(22)
Net realized/unrealized (losses) gains on preferred securities (b)	Net realized/unrealized (losses) gains on preferred securities (b)	(9)	(67)	Net realized/unrealized (losses) gains on preferred securities (b)	5	(83)	(4)	(150)
Realized (losses) gains on other invested assets	Realized (losses) gains on other invested assets	—	(4)	Realized (losses) gains on other invested assets	15	—	15	(4)
Change in allowance for expected credit losses	Change in allowance for expected credit losses	(8)	(1)	Change in allowance for expected credit losses	(21)	(6)	(29)	(7)
Derivatives and embedded derivatives:	Derivatives and embedded derivatives:			Derivatives and embedded derivatives:				

Realized (losses) gains on certain derivative instruments	Realized (losses) gains on certain derivative instruments	(89)	50	Realized (losses) gains on certain derivative instruments	(65)	(35)	(154)	15
Unrealized (losses) gains on certain derivative instruments	Unrealized (losses) gains on certain derivative instruments	147	(358)	Unrealized (losses) gains on certain derivative instruments	164	(359)	311	(717)
Change in fair value of reinsurance related embedded derivatives (c)	Change in fair value of reinsurance related embedded derivatives (c)	(19)	122	Change in fair value of reinsurance related embedded derivatives (c)	17	141	(2)	263
Change in fair value of other derivatives and embedded derivatives	Change in fair value of other derivatives and embedded derivatives	2	(3)	Change in fair value of other derivatives and embedded derivatives	1	(5)	3	(8)
Realized (losses) gains on derivatives and embedded derivatives	Realized (losses) gains on derivatives and embedded derivatives	41	(189)	Realized (losses) gains on derivatives and embedded derivatives	117	(258)	158	(447)
<b>Recognized gains and (losses), net</b>	<b>Recognized gains and (losses), net</b>	<b>\$ (15)</b>	<b>\$ (297)</b>	<b>Recognized gains and (losses), net</b>	<b>\$ 67</b>	<b>\$ (426)</b>	<b>\$ 52</b>	<b>\$ (723)</b>

- (a) Includes net valuation (losses) gains of \$5 million \$3 million and \$(2) \$(20) million for the three months ended March 31, 2023 June 30, 2023 and March 31, 2022 June 30, 2022, respectively, and net valuation (losses) gains of \$8 million and \$(22) million for the six months ended June 30, 2023 and June 30, 2022, respectively.
- (b) Includes net valuation (losses) gains of \$26 million \$19 million and \$(66) \$(83) million for the three months ended March 31, 2023 June 30, 2023 and March 31, 2022 June 30, 2022, respectively, and net valuation (losses) gains of \$44 million and \$(149) million for the six months ended June 30, 2023 and June 30, 2022, respectively.
- (c) Change in fair value of reinsurance related embedded derivatives is due to activity related to the reinsurance treaties with Somerset and Aspidia Re.

Recognized gains and (losses), net is shown net of amounts attributable to certain funds withheld reinsurance agreements which is passed along to the reinsurer in accordance with the terms of these agreements. Recognized gains and (losses) attributable to these agreements, and thus excluded from the totals in the table above, was \$(22) \$21 million and \$(1) million and \$128 million for the three and six months ended March 31, 2023 June 30, 2023, respectively, and March 31, 2022 \$151 million and \$279 million for the three and six month periods ended June 30, 2022, respectively.

The proceeds from the sale of fixed-maturity securities and the gross gains and losses associated with those transactions were as follows (in millions):

		Three months ended			Three months ended		Six months ended	
		March 31, 2023	March 31, 2022		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Proceeds	Proceeds	\$ 445	\$ 1,032	Proceeds	\$ 608	\$ 783	\$ 1,053	\$ 1,795
Gross gains	Gross gains	3	3	Gross gains	2	1	5	4
Gross losses	Gross losses	(49)	(37)	Gross losses	(30)	(59)	(79)	(94)

#### Unconsolidated Variable Interest Entities

We own investments in VIEs that are not consolidated within our financial statements. A VIE is an entity that does not have sufficient equity to finance its own activities without additional financial support, where investors lack certain characteristics of a controlling financial interest, or where the entity is structured with non-substantive voting rights. VIEs are consolidated by their 'primary beneficiary', a designation given to an entity that receives both the benefits from the VIE as well as the substantive power to make its key economic decisions. While we participate in the benefits from VIEs in which we invest, but do not consolidate, the substantive power to make the key economic decisions for each respective VIE resides with entities not under our common control. It is for this reason that we are not considered the primary beneficiary for the VIE investments that are not consolidated.

We invest in various limited partnerships and limited liability companies primarily as a passive investor. These investments are primarily in credit funds with a bias towards current income, real assets, or private equity. Limited partnership and limited liability company interests are accounted for under the equity method and are included in Investments in unconsolidated affiliates on our Condensed Consolidated Balance Sheets. In addition, we invest in structured investments, which may be VIEs, but for which we are not the primary beneficiary. These structured investments typically invest in fixed income investments and are managed by third parties and include asset-backed securities, commercial mortgage-backed securities and residential mortgage-backed securities included in fixed maturity securities available for sale on our Condensed Consolidated Balance Sheets.

Our maximum exposure to loss with respect to these VIEs is limited to the investment carrying amounts reported in our Condensed Consolidated Balance Sheets for limited partnerships and the amortized costs of our fixed maturity securities, in addition to any required unfunded commitments (also refer to Note N - *Commitments and Contingencies*).

The following table summarizes the carrying value and the maximum loss exposure of our unconsolidated VIEs as of March 31, 2023 June 30, 2023 and December 31, 2022 (in millions):

March 31, 2023	December 31, 2022	June 30, 2023	December 31, 2022
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		Maximum Loss		Maximum Loss			Maximum Loss		Maximum Loss	
		Carrying Value	Exposure	Carrying Value	Exposure		Carrying Value	Exposure	Carrying Value	Exposure
Investment in unconsolidated affiliates	Investment in unconsolidated affiliates	\$ 2,558	\$ 4,268	\$ 2,427	\$ 4,030	Investment in unconsolidated affiliates	\$ 2,803	\$ 4,491	\$ 2,427	\$ 4,030
Fixed maturity securities	Fixed maturity securities	16,890	18,590	15,680	17,404	Fixed maturity securities	18,471	20,853	15,680	17,404
<b>Total unconsolidated</b>	<b>Total unconsolidated</b>	<b>\$ 19,448</b>	<b>\$ 22,858</b>	<b>\$ 18,107</b>	<b>\$ 21,434</b>	<b>Total unconsolidated</b>	<b>\$ 21,274</b>	<b>\$ 25,344</b>	<b>\$ 18,107</b>	<b>\$ 21,434</b>
<b>VIE investments</b>	<b>VIE investments</b>					<b>VIE investments</b>				

#### Concentrations

Our underlying investment concentrations that exceed 10% of shareholders equity are as follows (in millions):

		March 31, 2023		December 31, 2022			June 30, 2023		December 31, 2022	
Blackstone Wave Asset Holdco (a)	Blackstone Wave Asset Holdco (a)	\$ 760		\$ 741		Blackstone Wave Asset Holdco (a)	\$ 738		\$ 741	
ELBA (b)	ELBA (b)	473		470		ELBA (b)	463		470	
COLI	COLI	313		308		COLI	316		308	
Verus Securitization Trust (c)	Verus Securitization Trust (c)	299		302		Verus Securitization Trust (c)	297		302	
Jade 1 (d)	Jade 1 (d)	280		271		Jade 1 (d)	279		271	
Jade 2 (d)	Jade 2 (d)	280		271		Jade 2 (d)	279		271	
Jade 3 (d)	Jade 3 (d)	280		271		Jade 3 (d)	279		271	
Jade 4 (d)	Jade 4 (d)	280		271		Jade 4 (d)	279		271	

- (a) Represents a special purpose vehicle that holds investments in numerous limited partnership investments whose underlying investments are further diversified by holding interest in multiple individual investments and industries.
- (b) Represents special purpose vehicles that hold an underlying minority ownership interest in a single operating liquified natural gas export facility.
- (c) Represents special purpose vehicles that hold investments backed by the interest paid on loans for residencies.
- (d) Represents special purpose vehicles that hold numerous underlying corporate loans across various industries.

#### Note D — Derivative Financial Instruments

The carrying amounts of derivative instruments, including derivative instruments embedded in FIA and IUL contracts, and reinsurance is as follows (in millions):

		March 31, 2023		December 31, 2022			June 30, 2023		December 31, 2022	
<b>Assets:</b>	<b>Assets:</b>					<b>Assets:</b>				
Derivative investments:	Derivative investments:					Derivative investments:				
Call options	Call options	\$ 432		\$ 244		Call options	\$ 648		\$ 244	
Other long-term investments:	Other long-term investments:					Other long-term investments:				
Other embedded derivatives	Other embedded derivatives	25		23		Other embedded derivatives	26		23	
Prepaid expenses and other assets:	Prepaid expenses and other assets:					Prepaid expenses and other assets:				
Reinsurance related embedded derivatives	Reinsurance related embedded derivatives	260		279		Reinsurance related embedded derivatives	277		279	
		<u>\$ 717</u>		<u>\$ 546</u>			<u>\$ 951</u>		<u>\$ 546</u>	
<b>Liabilities:</b>	<b>Liabilities:</b>					<b>Liabilities:</b>				
Contractholder funds:	Contractholder funds:					Contractholder funds:				
FIA/ IUL embedded derivatives	FIA/ IUL embedded derivatives	\$ 3,569		\$ 3,115		FIA/ IUL embedded derivatives	\$ 3,821		\$ 3,115	
		<u>\$ 3,569</u>		<u>\$ 3,115</u>			<u>\$ 3,821</u>		<u>\$ 3,115</u>	

The change in fair value of derivative instruments included in the accompanying unaudited Condensed Consolidated Statements of Operations is as follows (in millions):

		Three months ended				Three months ended				Six months ended	
		March 31, 2023	March 31, 2022			June 30, 2023	June 30, 2022			June 30, 2023	June 30, 2022
<b>Recognized gains and (losses), net</b>	<b>Recognized gains and (losses), net</b>			<b>Recognized gains and (losses), net</b>				<b>Recognized gains and (losses), net</b>			
<b>Net investment gains (losses):</b>	<b>Net investment gains (losses):</b>			<b>Net investment gains (losses):</b>				<b>Net investment gains (losses):</b>			
Call options	Call options	\$ 55	\$ (314)	Call options	\$ 98	\$ (395)		Call options	\$ 153	\$ (709)	
Futures contracts	Futures contracts	5	3	Futures contracts	—	(8)		Futures contracts	5	(5)	
Foreign currency forwards	Foreign currency forwards	(1)	3	Foreign currency forwards	—	9		Foreign currency forwards	(1)	12	
Other derivatives and embedded derivatives	Other derivatives and embedded derivatives	1	(3)	Other derivatives and embedded derivatives	2	(5)		Other derivatives and embedded derivatives	3	(8)	
Reinsurance related embedded derivatives	Reinsurance related embedded derivatives	(19)	122	Reinsurance related embedded derivatives	17	141		Reinsurance related embedded derivatives	(2)	263	
<b>Total net investment gains (losses)</b>	<b>Total net investment gains (losses)</b>	<b>\$ 41</b>	<b>\$ (189)</b>	<b>Total net investment gains (losses)</b>	<b>\$ 117</b>	<b>\$ (258)</b>		<b>Total net investment gains (losses)</b>	<b>\$ 158</b>	<b>\$ (447)</b>	
<b>Benefits and other changes in policy reserves:</b>	<b>Benefits and other changes in policy reserves:</b>			<b>Benefits and other changes in policy reserves:</b>				<b>Benefits and other changes in policy reserves:</b>			
FIA/ IUL embedded derivatives (decrease) increase	FIA/ IUL embedded derivatives (decrease) increase	\$ 454	\$ (488)	FIA/ IUL embedded derivatives (decrease) increase	\$ 252	\$ (454)		FIA/ IUL embedded derivatives (decrease) increase	\$ 706	\$ (942)	

#### Additional Disclosures

##### FIA/IUL Embedded Derivative, Call Options and Futures

We have FIA and IUL contracts that permit the holder to elect an interest rate return or an equity index linked component, where interest credited to the contracts is linked to the performance of various equity indices, primarily the S&P 500 Index. This feature represents an embedded derivative under GAAP. The FIA/IUL embedded derivatives are valued at fair value and included in the liability for Contractholder funds in the accompanying Condensed Consolidated Balance Sheets with changes in fair value included as a component of Benefits and other changes in policy reserves in the unaudited Condensed Consolidated Statements of Operations. See a description of the fair value methodology used in Note B - Fair Value of Financial Instruments.

We purchase derivatives consisting of a combination of call options and futures contracts (specifically for FIA contracts) on the applicable market indices to fund the index credits due to FIA/IUL contractholders. The call options are one, two, three, and five - year options purchased to match the funding requirements of the underlying policies. On the respective anniversary dates of the indexed policies, the index used to compute the interest credit is reset and we purchase new call options to fund the next index credit. We manage the cost of these purchases through the terms of our FIA/IUL contracts, which permit us to change caps, spreads or participation rates, subject to guaranteed minimums, on each contract's anniversary date. The change in the fair value of the call options and futures contracts is generally designed to offset the portion of the change in the fair value of the FIA/IUL embedded derivatives related to index performance through the current credit period. The call options and futures contracts are marked to fair value with the change in fair value included as a component of Recognized gains and (losses), net, in the accompanying unaudited Condensed Consolidated Statements of Operations. The change in fair value of the call options and futures contracts includes the gains and losses recognized at the expiration of the instrument term or upon early termination and the changes in fair value of open positions.

Other market exposures are hedged periodically depending on market conditions and our risk tolerance. Our FIA/IUL hedging strategy economically hedges the equity returns and exposes us to the risk that unhedged market exposures result in divergence between changes in the fair value of the liabilities and the hedging assets. We use a variety of techniques, including direct estimation of market sensitivities, to monitor this risk daily. We intend to continue to adjust the hedging strategy as market conditions and our risk tolerance changes.

##### Reinsurance Related Embedded Derivatives

The Company entered into a reinsurance agreement with Kubera Insurance (SAC) Ltd. ("Kubera") effective December 31, 2018, to cede certain fixed rate and deferred annuity business, including MYGA, on a coinsurance funds withheld basis, net of applicable existing reinsurance. Effective October 31, 2021, this agreement was novated from Kubera to Somerset, a certified third-party reinsurer. Additionally, F&G entered into a reinsurance agreement with Aspida Re effective January 1, 2021, and amended in August 2021 and September 2022, to cede a quota share of MYGA business on a coinsurance funds withheld basis. Fair value movements in the funds withheld balances associated with these arrangements creates an obligation for F&G to pay Somerset and Aspida Re at a later date, which results in embedded derivatives. These embedded derivatives are considered total return swaps with contractual returns that are attributable to the assets and liabilities associated with the reinsurance arrangements. The fair value of the total return swap is based on the change in fair value of the underlying assets held in the funds withheld portfolio. Investment results for the assets that support the coinsurance with funds withheld reinsurance arrangements, including gains and losses from sales, were passed directly to the reinsurers pursuant to contractual terms of the reinsurance arrangements. The reinsurance related embedded derivatives are reported in Prepaid expenses and other assets if in a net gain position, or Accounts payable and accrued liabilities, if in a net loss

position, on the unaudited Condensed Consolidated Balance Sheets and the related gains or losses are reported in Recognized gains and losses, net on the unaudited Condensed Consolidated Statements of Operations.

#### Credit Risk

We are exposed to credit loss in the event of non-performance by our counterparties on the call options and reflect assumptions regarding this non-performance risk in the fair value of the call options. The non-performance risk is the net counterparty exposure based on the fair value of the open contracts less collateral held. We maintain a policy of requiring all derivative contracts to be governed by an International Swaps and Derivatives Association ("ISDA") Master Agreement.

Information regarding our exposure to credit loss on the call options we hold is presented in the following table (in millions):

	March 31, 2023						June 30, 2023					
	Credit Rating (Fitch/Moody's/S&P)	Notional	Fair Value	Collateral	Net Credit Risk		Credit Rating (Fitch/Moody's/S&P)	Notional	Fair Value	Collateral	Net Credit Risk	
Counterparty	Counterparty	(a)	Amount			Risk	Counterparty	(a)	Amount			Risk
Merrill Lynch	Merrill Lynch	AA/*IA+	\$ 3,834	\$ 44	\$ —	\$ 44	Merrill Lynch	AA/*IA+	\$ 4,033	\$ 69	\$ 26	\$ 43
Morgan Stanley	Morgan Stanley	*IAa3/A+	2,038	22	24	—	Morgan Stanley	*IAa3/A+	2,375	50	60	—
Barclay's Bank	Barclay's Bank	A+IA1/A	5,939	106	95	11	Barclay's Bank	A+IA1/A+	6,137	121	113	8
Canadian Imperial Bank of Commerce	Canadian Imperial Bank of Commerce	AAIA2/A+	6,006	129	113	16	Canadian Imperial Bank of Commerce	AAIA2/A+	6,542	204	180	24
Wells Fargo	Wells Fargo	A+IA1/BBB+	1,270	31	29	2	Wells Fargo	A+IA1/BBB+	1,480	54	53	1
Goldman Sachs	Goldman Sachs	AIA2/BBB+	1,178	16	14	2	Goldman Sachs	AIA2/BBB+	1,212	23	22	1
Credit Suisse	Credit Suisse	BBB+IA3/A-	672	7	7	—	Credit Suisse	A+IA3/A	266	9	9	—
Truist	Truist	A+IA2/A	2,204	60	54	6	Truist	A+IA2/A	2,055	89	85	4
Citibank	Citibank	A+IAa3/A+	1,207	17	15	2	Citibank	A+IAa3/A+	1,272	29	31	—
Total	Total		\$ 24,348	\$ 432	\$ 351	\$ 83	Total		\$ 25,372	\$ 648	\$ 579	\$ 81

December 31, 2022

Counterparty	Credit Rating (Fitch/Moody's/S&P) (a)	Notional Amount	Fair Value	Collateral	Net Credit Risk
Merrill Lynch	AA/*IA+	\$ 3,563	\$ 23	\$ —	\$ 23
Morgan Stanley	*IAa3/A+	1,699	14	19	—
Barclay's Bank	A+/A1/A	6,049	65	59	6
Canadian Imperial Bank of Commerce	AA/Aa2/A+	5,169	68	64	4
Wells Fargo	A+/A1/BBB+	1,361	17	17	—
Goldman Sachs	A/A2/BBB+	1,133	9	10	—
Credit Suisse	BBB+/A3/A-	1,039	5	5	—
Truist	A+/A2/A	2,489	35	36	—
Citibank	A+/Aa3/A+	795	8	9	—
<b>Total</b>		<b>\$ 23,297</b>	<b>\$ 244</b>	<b>\$ 219</b>	<b>\$ 33</b>

(a) An \* represents credit ratings that were not available.

#### Collateral Agreements

We are required to maintain minimum ratings as a matter of routine practice as part of our over-the-counter derivative agreements on ISDA forms. Under some ISDA agreements, we have agreed to maintain certain financial strength ratings. A downgrade below these levels provides the counterparty under the agreement the right to terminate the open option contracts between the parties, at which time any amounts payable by us or the counterparty would be dependent on the market value of the underlying option contracts. Our current rating does not allow any counterparty the right to terminate ISDA agreements. In certain transactions, both us and the counterparty have entered into a collateral support agreement requiring either party to post collateral when the net exposures exceed pre-determined thresholds. For all counterparties, except Merrill Lynch, this threshold is set to zero. As of **March 31, 2023** **June 30, 2023** and December 31, 2022 counterparties posted **\$351 million** **\$579 million** and \$219 million, respectively, of collateral of which **\$290 million** **\$459 million** and \$178 million, respectively, is included in **cash** **Cash** and cash equivalents with an associated payable for this collateral included in **accounts** **Accounts** payable and accrued liabilities on the Condensed Consolidated Balance Sheets. Accordingly, the maximum amount of loss due to credit risk that we would incur if parties to the call options failed completely to perform according to the terms of the contracts was **\$83 million** **\$81 million** at **March 31, 2023** **June 30, 2023** and \$33 million at December 31, 2022.

We are required to pay counterparties the effective federal funds rate each day for cash collateral posted to F&G for daily mark to market margin changes. We reinvest derivative cash collateral to reduce the interest cost. Cash collateral is invested in overnight investment sweep products, which are included in cash and cash equivalents in the

accompanying Condensed Consolidated Balance Sheets.

We held 404,409 and 409 futures contracts at March 31, 2023, June 30, 2023 and December 31, 2022, respectively. The fair value of the futures contracts represents the cumulative unsettled variation margin (open trade equity, net of cash settlements). We provide cash collateral to the counterparties for the initial and variation margin on the futures contracts, which is included in cash and cash equivalents in the accompanying Condensed Consolidated Balance Sheets. The amount of cash collateral held by the counterparties for such contracts was \$4 million and \$3 million at March 31, 2023, June 30, 2023 and December 31, 2022, respectively.

#### Note E—E Reinsurance

The Company reinsures portions of its policy risks with other insurance companies. The use of indemnity reinsurance does not discharge an insurer from liability on the insurance ceded. The insurer is required to pay in full the amount of its insurance liability regardless of whether it is entitled to or able to receive payment from the reinsurer. The portion of risks exceeding the Company's retention limit is reinsured. The Company primarily seeks reinsurance coverage in order to limit its exposure to mortality losses and enhance capital management. The Company follows reinsurance accounting when there is adequate risk transfer or deposit accounting if there is inadequate risk transfer. If the underlying policy being reinsured is an investment contract, the effects of the agreement are accounted for as a separate investment contract.

The effects of reinsurance on net premiums earned and net benefits incurred (benefits paid and reserve changes) for the three and six months ended March 31, 2023, June 30, 2023 and March 31, 2022, June 30, 2022 were as follows (in millions):

		Three months ended						Three months ended						Six months ended			
		March 31, 2023		March 31, 2022				June 30, 2023		June 30, 2022				June 30, 2023		June 30, 2022	
		Net Premiums	Net Benefits	Net Premiums	Net Benefits			Net Premiums	Net Benefits	Net Premiums	Net Benefits			Net Premiums	Net Benefits	Net Premiums	Net Benefits
		Earned	Incurred	Earned	Incurred			Earned	Incurred	Earned	Incurred			Earned	Incurred	Earned	Incurred
Direct	Direct	\$ 301	\$ 872	\$ 567	\$ 505	Direct		\$ 510	\$ 862	\$ 39	\$ 204			\$ 811	\$ 1,734	\$ 606	\$ 709
Ceded	Ceded	(26)	(60)	(32)	(302)	Ceded		(27)	(45)	(35)	(581)			(53)	(105)	(67)	(883)
Net	Net	\$ 275	\$ 812	\$ 535	\$ 203	Net		\$ 483	\$ 817	\$ 4	\$ (377)			\$ 758	\$ 1,629	\$ 539	\$ (174)

Amounts payable or recoverable for reinsurance on paid and unpaid claims are not subject to periodic or maximum limits. The Company did not write off any significant reinsurance balances during the three and six months ended March 31, 2023, June 30, 2023 and March 31, 2022, June 30, 2022. The Company did not commute any ceded reinsurance treaties during the three and six months ended March 31, 2023, June 30, 2023 and March 31, 2022, June 30, 2022.

The Company estimates expected credit losses on reinsurance recoverables using a probability of default/loss given default model. Significant inputs to the model include the reinsurer's credit risk, expected timing of recovery, industry-wide historical default experience, senior unsecured bond recovery rates, and credit enhancement features.

The expected credit loss reserves were as follows (in millions):

		Three months ended						Three months ended						Six months ended			
		March 31, 2023	March 31, 2022					June 30, 2023	June 30, 2022					June 30, 2023	June 30, 2022		
Balance at	Balance at			Balance at		Balance at				Balance at		Balance at				Balance at	
Beginning of	Beginning of			Beginning of		Beginning of				Beginning of		Beginning of				Beginning of	
Period	Period	\$ (10)	\$ (20)	Period		Period		\$ (9)	\$ (20)	Period		Period		\$ (10)	\$ (20)	Period	
Changes in the	Changes in the			Changes in the		Changes in the				Changes in the		Changes in the				Changes in the	
expected credit	expected credit			expected credit		expected credit				expected credit		expected credit				expected credit	
loss reserve	loss reserve	1	—	loss reserve		loss reserve		—	1	loss reserve		loss reserve		1	1	loss reserve	
Balance at End	Balance at End			Balance at End		Balance at End				Balance at End		Balance at End				Balance at End	
of Period	of Period	\$ (9)	\$ (20)	of Period		of Period		\$ (9)	\$ (19)	of Period		of Period		\$ (9)	\$ (19)	of Period	

No policies issued by the Company have been reinsured with any foreign company, which is controlled, either directly or indirectly, by a party not primarily engaged in the business of insurance.

The Company has not entered into any reinsurance agreements in which the reinsurer may unilaterally cancel any reinsurance for reasons other than non-payment of premiums or other similar credit issues.

**Aspida Reinsurance Transaction.** F&G executed a Funds Withheld Coinsurance Agreement with Aspida Re, a Bermuda reinsurer. In accordance with the terms of this agreement, F&G cedes to the reinsurer, on a fifty percent (50%) funds withheld coinsurance basis, certain MYGA business written effective January 1, 2021. The agreement was originally executed January 15, 2021 and amended in August 2021 and September 2022. For reinsured policies issued prior to September 1, 2022, the policies are ceded on a fifty percent (50%) quota share basis. For reinsured policies issued on or after September 1, 2022, the policies are ceded on a seventy-five percent (75%) quota share basis, capped at \$350 million cession per month. For the month of March 2023 only, the premiums cap increased to \$450 million. As the policies ceded to Aspida are investment contracts, there is no significant insurance risk present and therefore the effects of this agreement are accounted for as a separate investment contract.

There have been no other significant changes to reinsurance contracts for the three and six months ended March 31, 2023, June 30, 2023.

#### Concentration of Reinsurance Risk

The Company has a significant concentration of reinsurance risk with third party reinsurers, Aspida Re, Wilton Reassurance Company ("Wilton Re"), and Somerset that could have a material impact on our financial position in the event that any of these reinsurers fails to perform its obligations under the various reinsurance treaties. Aspida Re has an A-issuer credit rating from AM Best as of March 31, 2023, June 30, 2023, and the risk of non-performance is further mitigated through the funds withheld arrangement. Wilton Re has



an A+ issuer credit rating from AM Best and an A issuer credit rating from Fitch as of **March 31, 2023** **June 30, 2023**. Somerset has an A- issuer credit rating from AM Best and a BBB+ issuer credit rating from S&P as of **March 31, 2023** **June 30, 2023**, and the risk of non-performance is further mitigated through the funds withheld arrangement. On **March 31, 2023** **June 30, 2023**, the net amounts recoverable from Aspida Re, Wilton Re, and Somerset were **\$4,073 million** **\$4,857 million**, **\$1,184 million** **\$1,157 million**, and **\$553 million** **\$543 million**, respectively. We monitor both the financial condition of individual reinsurers and risk concentration arising from similar activities and economic characteristics of reinsurers to attempt to reduce the risk of default by such reinsurers. We believe that all amounts due from Aspida Re, Wilton Re, and Somerset for periodic treaty settlements are collectible as of **March 31, 2023** **June 30, 2023**.

There have been no other material changes in the reinsurance and the intercompany reinsurance agreements described in our **Form 10-K Annual Report** for the year ended December 31, 2022.

#### Note F — Intangibles — Intangibles

The following table reconciles to Other intangible assets, net, on the Condensed Consolidated Balance Sheets as of **March 31, 2023** **June 30, 2023** and December 31, 2022 (in millions):

		March 31, 2023	December 31, 2022		June 30, 2023	December 31, 2022
VOBA	VOBA	\$ 1,572	\$ 1,615	VOBA	\$ 1,529	\$ 1,615
DAC	DAC	1,676	1,411	DAC	1,856	1,411
DSI	DSI	225	200	DSI	258	200
Value of distribution asset	Value of distribution asset	97	100	Value of distribution asset	93	100
Computer software	Computer software	65	61	Computer software	70	61
Definite lived trademarks, tradenames, and other	Definite lived trademarks, tradenames, and other	21	22	Definite lived trademarks, tradenames, and other	37	34
Indefinite lived tradenames and other	Indefinite lived tradenames and other	21	20	Indefinite lived tradenames and other	8	8
Total Other intangible assets, net	Total Other intangible assets, net	\$ 3,677	\$ 3,429	Total Other intangible assets, net	\$ 3,851	\$ 3,429

The following tables roll forward VOBA by product for the **three** six months ended **March 31, 2023** **June 30, 2023** and **March 31, 2022** **June 30, 2022** (in millions):

		Fixed							Fixed						
		Rate		Immediate		Universal		Traditional		Rate		Immediate		Universal	
		FIA	Annuities	Annuities	Life	Life	Total			FIA	Annuities	Annuities	Life	Life	Total
<b>Balance at January 1, 2023</b>	<b>Balance at January 1, 2023</b>	\$ 1,166	\$ 32	\$ 201	\$ 143	\$ 73	\$ 1,615	<b>Balance at January 1, 2023</b>	<b>Balance at January 1, 2023</b>	\$ 1,166	\$ 32	\$ 201	\$ 143	\$ 73	\$ 1,615
Amortization	Amortization	(36)	(1)	(3)	(2)	(1)	(43)	Amortization	Amortization	(71)	(3)	(6)	(4)	(2)	(86)
<b>Balance at March 31, 2023</b>		<b>\$ 1,130</b>	<b>\$ 31</b>	<b>\$ 198</b>	<b>\$ 141</b>	<b>\$ 72</b>	<b>\$ 1,572</b>								
<b>Balance at June 30, 2023</b>								<b>Balance at June 30, 2023</b>		<b>\$1,095</b>			<b>\$29</b>	<b>\$195</b>	<b>\$139 \$71 \$1,529</b>

  

		Fixed							Fixed						
		Rate		Immediate		Universal		Traditional		Rate		Immediate		Universal	
		FIA	Annuities	Annuities	Life	Life	Total			FIA	Annuities	Annuities	Life	Life	Total
<b>Balance at January 1, 2022</b>	<b>Balance at January 1, 2022</b>	\$ 1,314	\$ 39	\$ 212	\$ 153	\$ 25	\$ 1,743	<b>Balance at January 1, 2022</b>	<b>Balance at January 1, 2022</b>	\$ 1,314	\$ 39	\$ 212	\$ 153	\$ 25	\$ 1,743
Amortization	Amortization	(38)	(2)	(3)	(3)	(1)	(47)	Amortization	Amortization	(76)	(3)	(6)	(5)	(1)	(91)
Shadow Premium Deficiency Testing ("PDT")	Shadow Premium Deficiency Testing ("PDT")	—	—	—	—	53	53	Shadow Premium Deficiency Testing ("PDT")	Shadow Premium Deficiency Testing ("PDT")	—	—	—	—	52	52
<b>Balance at March 31, 2022</b>		<b>\$ 1,276</b>	<b>\$ 37</b>	<b>\$ 209</b>	<b>\$ 150</b>	<b>\$ 77</b>	<b>\$ 1,749</b>								
<b>Balance at June 30, 2022</b>								<b>Balance at June 30, 2022</b>		<b>\$1,238</b>			<b>\$36</b>	<b>\$206</b>	<b>\$148 \$76 \$1,704</b>

VOBA amortization expense of \$(86) million and \$(91) million was recorded in Depreciation and amortization on the unaudited Condensed Consolidated Statements of Operations for the six months ended June 30, 2023 and June 30, 2022, respectively.

The following table presents a reconciliation of VOBA to the table above which is reconciled to the Condensed Consolidated Balance Sheets as of **March 31, 2023** June 30, 2023 and December 31, 2022 (in millions):

		March 31, 2023	December 31, 2022		June 30, 2023	December 31, 2022
FIA	FIA	\$ 1,130	\$ 1,166	FIA	\$ 1,095	\$ 1,166
Fixed Rate	Fixed Rate			Fixed Rate		
Annuities	Annuities	31	32	Annuities	29	32
Immediate	Immediate			Immediate		
Annuities	Annuities	198	201	Annuities	195	201
Universal Life	Universal Life	141	143	Universal Life	139	143
Traditional Life	Traditional Life	72	73	Traditional Life	71	73
<b>Total</b>	<b>Total</b>	<b>\$ 1,572</b>	<b>\$ 1,615</b>	<b>Total</b>	<b>\$ 1,529</b>	<b>\$ 1,615</b>

The following tables roll forward DAC by product for the **three** six months ended **March 31, 2023** June 30, 2023 and **March 31, 2022** June 30, 2022 (in millions):

		FIA	Fixed Rate Annuities	Universal Life	Total (a)		FIA	Fixed Rate Annuities	Universal Life	Total (a)
<b>Balance at January 1, 2023</b>	<b>Balance at January 1, 2023</b>	\$ 971	\$ 83	\$ 348	\$ 1,402	<b>Balance at January 1, 2023</b>	\$ 971	\$ 83	\$ 348	\$ 1,402
Capitalization	Capitalization	113	52	56	221	Capitalization	249	91	109	449
Amortization	Amortization	(22)	(5)	(8)	(35)	Amortization	(47)	(20)	(16)	(83)
Reinsurance related adjustments	Reinsurance related adjustments	—	79	—	79	Reinsurance related adjustments	—	79	—	79
<b>Balance at March 31, 2023</b>		<b>\$ 1,062</b>	<b>\$ 209</b>	<b>\$ 396</b>	<b>\$ 1,667</b>	<b>Balance at June 30, 2023</b>	<b>\$ 1,173</b>	<b>\$ 233</b>	<b>\$ 441</b>	<b>\$ 1,847</b>
<b>Balance at June 30, 2023</b>						<b>Balance at June 30, 2023</b>				
		FIA	Fixed Rate Annuities	Universal Life	Total (a)		FIA	Fixed Rate Annuities	Universal Life	Total (a)
<b>Balance at January 1, 2022</b>	<b>Balance at January 1, 2022</b>	\$ 564	\$ 38	\$ 173	\$ 775	<b>Balance at January 1, 2022</b>	\$ 564	\$ 38	\$ 173	\$ 775
Capitalization	Capitalization	98	8	47	153	Capitalization	216	25	91	332
Amortization	Amortization	(13)	(2)	(4)	(19)	Amortization	(29)	(4)	(9)	(42)
<b>Balance at March 31, 2022</b>		<b>\$ 649</b>	<b>\$ 44</b>	<b>\$ 216</b>	<b>\$ 909</b>	<b>Balance at June 30, 2022</b>	<b>\$ 751</b>	<b>\$ 59</b>	<b>\$ 255</b>	<b>\$ 1,065</b>
<b>Balance at June 30, 2022</b>						<b>Balance at June 30, 2022</b>				

(a) Excludes insignificant amounts of DAC related to Funding Agreement Backed Note ("FABN")

DAC amortization expense of \$(83) million and \$(42) million was recorded in Depreciation and amortization on the unaudited Condensed Consolidated Statements of Operations for the six months ended June 30, 2023 and June 30, 2022, respectively.

The following table presents a reconciliation of DAC to the table above which is reconciled to the Condensed Consolidated Balance Sheets as of **March 31, 2023** June 30, 2023 and December 31, 2022 (in millions):

		March 31, 2023	December 31, 2022		June 30, 2023	December 31, 2022
FIA	FIA	\$ 1,062	\$ 971	FIA	\$ 1,173	\$ 971
Fixed Rate	Fixed Rate			Fixed Rate		
Annuities	Annuities	209	83	Annuities	233	83
Universal Life	Universal Life	396	348	Universal Life	441	348
Funding Agreements	Funding Agreements	9	9	Funding Agreements	9	9
<b>Total</b>	<b>Total</b>	<b>\$ 1,676</b>	<b>\$ 1,411</b>	<b>Total</b>	<b>\$ 1,856</b>	<b>\$ 1,411</b>

The following tables roll forward DSI for the **six** months ended June 30, 2023 and June 30, 2022 (in millions):

	FIA	Total
Balance at January 1, 2023	\$ 200	\$ 200

Capitalization	68	68
Amortization	(10)	(10)
<b>Balance at June 30, 2023</b>	<b>\$ 258</b>	<b>\$ 258</b>
	<b>FIA</b>	<b>Total</b>
<b>Balance at January 1, 2022</b>	<b>\$ 127</b>	<b>\$ 127</b>
Capitalization	38	38
Amortization	(6)	(6)
<b>Balance at June 30, 2022</b>	<b>\$ 159</b>	<b>\$ 159</b>

DSI amortization expense of \$(10) million and \$(6) million was recorded in Depreciation and amortization on the unaudited Condensed Consolidated Statements of Operations for the **three** six months ended **March 31, 2023** **June 30, 2023** and **March 31, 2022** (in millions); **June 30, 2022**, respectively.

	<b>FIA</b>	<b>Total</b>
Balance at January 1, 2023	\$ 200	\$ 200
Capitalization	29	29
Amortization	(4)	(4)
<b>Balance at March 31, 2023</b>	<b>\$ 225</b>	<b>\$ 225</b>
	<b>FIA</b>	<b>Total</b>
<b>Balance at January 1, 2022</b>	<b>\$ 127</b>	<b>\$ 127</b>
Capitalization	16	16
Amortization	(3)	(3)
<b>Balance at March 31, 2022</b>	<b>\$ 140</b>	<b>\$ 140</b>

The following table presents a reconciliation of DSI to the table above which is reconciled to the Condensed Consolidated Balance Sheets as of **March 31, 2023** **June 30, 2023** and December 31, 2022 (in millions):

		<b>March 31, 2023</b>	<b>December 31, 2022</b>		<b>June 30, 2023</b>	<b>December 31, 2022</b>
FIA	FIA	\$ 225	\$ 200	FIA	\$ 258	\$ 200
<b>Total</b>	<b>Total</b>	<b>\$ 225</b>	<b>\$ 200</b>	<b>Total</b>	<b>\$ 258</b>	<b>\$ 200</b>

The cash flow assumptions used to amortize VOBA and DAC were consistent with the assumptions used to estimate the FPB for life contingent immediate annuity and PRT contracts, and will be reviewed and unlocked, if applicable, in the same period as those balances. For nonparticipating traditional life contracts, the VOBA amortization is straight-line, without the use of cash flow assumptions. For FIA contracts, the cash flow assumptions used to amortize VOBA, DAC, and DSI were consistent with the assumptions used to estimate the value of the embedded derivative and MRBs, and will be reviewed and unlocked, if applicable, in the same period as those balances. For fixed rate annuities and IUL the cash flow assumptions used to amortize VOBA, DAC and DSI reflect the company's best estimates for policyholder behavior, consistent with the development of assumptions for FIA, immediate annuity, and PRT.

We review cash flow assumptions annually, generally in the third quarter. In 2022, F&G undertook a review of all significant assumptions and revised GMWB utilization for our deferred annuity contracts (FIA and fixed rate annuities) to reflect internal and industry experience in the first several contract years.

For the in-force liabilities as of **March 31, 2023** **June 30, 2023**, the estimated amortization expense for VOBA in future fiscal periods is as follows (in millions):

<b>Fiscal Year</b>	<b>Fiscal Year</b>	<b>Estimated Amortization Expense</b>	<b>Fiscal Year</b>	<b>Estimated Amortization Expense</b>
2023	2023	\$ 122	2023	\$ 80
2024	2024	151	2024	151
2025	2025	139	2025	139
2026	2026	128	2026	128
2027	2027	117	2027	117
Thereafter	Thereafter	915	Thereafter	914

#### Note G — Market Risk Benefits

The following table presents the balances of and changes in MRBs associated with FIAs and fixed rate annuities for the **three** six months ended **March 31, 2023** **June 30, 2023** and the years ended December 31, 2022 and December 31, 2021 (in millions):

		March 31, 2023		December 31, 2022		December 31, 2021				June 30, 2023		December 31, 2022		December 31, 2021	
		Fixed rate		Fixed rate		Fixed rate				Fixed rate		Fixed rate		Fixed rate	
		FIA	annuities	FIA	annuities	FIA	annuities			FIA	annuities	FIA	annuities	FIA	annuities
Balance, beginning of period	Balance, beginning of period	\$ 164	\$ 1	\$ 426	\$ 2	\$ 478	\$ 1	Balance, beginning of period	\$ 164	\$ 1	\$ 426	\$ 2	\$ 478	\$ 1	
Balance, beginning of period, before effect of changes in the instrument-specific credit risk	Balance, beginning of period, before effect of changes in the instrument-specific credit risk	\$ 104	\$ 1	\$ 280	\$ 1	\$ 320	\$ 1	Balance, beginning of period, before effect of changes in the instrument-specific credit risk	\$ 102	\$ 1	\$ 280	\$ 1	\$ 320	\$ 1	
Issuances and benefit payments	Issuances and benefit payments	(4)	—	(21)	—	(9)	—	Issuances and benefit payments	(8)	—	(21)	—	(9)	—	
Attributed fees collected and interest accrual	Attributed fees collected and interest accrual	30	—	107	1	99	1	Attributed fees collected and interest accrual	68	—	107	1	99	1	
Actual policyholder behavior different from expected	Actual policyholder behavior different from expected	7	—	43	—	(22)	—	Actual policyholder behavior different from expected	11	—	43	—	(22)	—	
Changes in assumptions and other	Changes in assumptions and other	1	—	(76)	—	—	—	Changes in assumptions and other	1	—	(76)	—	—	—	
Effects of market related movements	Effects of market related movements	26	—	(231)	(1)	(108)	—	Effects of market related movements	(38)	—	(231)	(1)	(108)	(1)	
Balance, end of period, before effect of changes in the instrument-specific credit risk	Balance, end of period, before effect of changes in the instrument-specific credit risk	\$ 164	\$ 1	\$ 102	\$ 1	\$ 280	\$ 2	Balance, end of period, before effect of changes in the instrument-specific credit risk	\$ 136	\$ 1	\$ 102	\$ 1	\$ 280	\$ 1	
Effect of changes in the instrument-specific credit risk	Effect of changes in the instrument-specific credit risk	53	—	62	—	146	—	Effect of changes in the instrument-specific credit risk	58	—	62	—	146	1	
Balance, end of period	Balance, end of period	\$ 217	\$ 1	\$ 164	\$ 1	\$ 426	\$ 2	Balance, end of period	\$ 194	\$ 1	\$ 164	\$ 1	\$ 426	\$ 2	
Weighted-average attained age of policyholders weighted by total AV (years)	Weighted-average attained age of policyholders weighted by total AV (years)	68.49	72.64	68.59	72.88	68.95	73.10	Weighted-average attained age of policyholders weighted by total AV (years)	68.41	72.67	68.59	72.88	68.95	73.10	

Weighted-average attained age of policyholders weighted by Unlocked MRB (years)									
		78.33	77.73	80.84	77.56	68.77	73.72		
Net amount at risk	Net amount at risk	\$ 1,031	\$ 3	\$ 952	\$ 3	\$ 1,304	\$ 4	Net amount at risk	\$ 1,006 \$ 3 \$ 952 \$ 3 \$ 1,304 \$ 4

The following table reconciles MRBs by amounts in an asset position and amounts in a liability position to the MRB amounts in the Condensed Consolidated Balance Sheets (in millions):

		March 31, 2023			December 31, 2022			December 31, 2021					June 30, 2023			December 31, 2022			December 31, 2021		
		Asset	Liability	Net	Asset	Liability	Net	Asset	Liability	Net			Asset	Liability	Net	Asset	Liability	Net	Asset	Liability	Net
FIA	FIA	\$ 106	\$ 323	\$ 217	\$ 117	\$ 281	\$ 164	\$ 41	\$ 467	\$ 426	FIA	\$ 118	\$ 312	\$ 194	\$ 117	\$ 281	\$ 164	\$ 41	\$ 467	\$ 426	
Fixed rate annuities	Fixed rate annuities	—	1	1	—	1	1	—	2	2	Fixed rate annuities	—	1	1	—	1	1	—	2	2	
Total	Total	\$ 106	\$ 324	\$ 218	\$ 117	\$ 282	\$ 165	\$ 41	\$ 469	\$ 428	Total	\$ 118	\$ 313	\$ 195	\$ 117	\$ 282	\$ 165	\$ 41	\$ 469	\$ 428	

In For the first quarter of 2023, six months ended June 30, 2023, the following notable changes were made to the inputs to the fair value estimates of MRB calculations:

- Risk-free rates decreased increased slightly, leading to an increase a decrease in the MRB associated with FIA and fixed rate annuities.
- Decreases Increases in the equity market related projections resulted in an increase a decrease in the net amount of at risk associated with FIAs, leading to an increase a decrease in the value of the associated MRBs.
- F&G's credit spread increased slightly, leading to a corresponding decrease in the MRBs associated with both FIA and fixed rate annuities.

In 2022, the following notable changes were made to the inputs to the fair value estimates of MRB calculations:

- Risk-free rates increased moderately, significantly, leading to a decrease in the MRBs associated with both FIA and fixed rate annuities.
- Increases Decreases in the equity markets resulted in a decrease an increase in the net amount at risk associated with FIA and fixed rate annuities, FIAs, leading to a decrease an increase in the value of the associated MRBs.
- Volatility indices decreased, increased, leading to a decrease an increase in the MRBs associated with both FIA and fixed rate annuities, FIAs.
- Cash flow assumptions for mortality and full and partial surrenders were unchanged during the annual third quarter review. The GMWB utilization assumption was revised in the second quarter of 2022 to reflect additional internal and industry experience for the first several contract years. This assumption update led to a decrease in the MRBs.
- F&G's credit spread increased during the year, leading to a corresponding decrease in the MRBs value. Credit spreads on the block of business remain lower than the at-issue or at-purchase credit spreads, but the level has decreased since the beginning of 2022.

In 2021, the following notable changes were made to the inputs to the fair value estimates of MRB calculations:

- Risk-free rates increased moderately, leading to a decrease in the MRBs associated with both FIA and fixed rate annuities.
- Increases in the equity markets resulted in a decrease in the net amount at risk associated with FIA and fixed rate annuities, leading to a decrease in the value of the associated MRBs.

## Note H — Income Taxes

The effective tax rate for the three and six months ended March 31, 2023 June 30, 2023 was 4% 20% and (63)%. The effective tax rate for the three and six months ended March 31, 2022 June 30, 2022 was 31% 20% and 25%. The effective tax rate on pre-tax income for the three six months ended March 31, 2023 June 30, 2023 differs from the U.S. Federal statutory rate of 21% primarily due to the valuation allowance recorded on capital deferred tax assets for US Life companies, partially offset by favorable permanent adjustments, including low income housing tax credits ("LIHTC"), the dividends received deduction ("DRD"), and COLI. company owned life insurance ("ICOLI"). The effective tax rate on pre-tax income for the three months ended March 31, 2022 June 30, 2023 differs from the U.S. Federal Statutory rate of 21% primarily due to favorable permanent adjustments, including LIHTC, DRD, and ICOLI, partially offset by the valuation allowance recorded on capital deferred tax assets for US Life companies. The effective tax rate on pre-tax income for the six months ended June 30, 2022 differed from the U.S. Federal statutory rate of 21% primarily due to the valuation allowance recorded on the capital loss carryforwards for the US Non-life companies, partially offset by favorable permanent adjustments, including LIHTC, DRD, and COLI. ICOLI. The effective tax rate on pre-tax income for the three months ended June 30, 2022 differed from the U.S. Federal Statutory rate of 21% primarily due to favorable permanent adjustments, including LIHTC, DRD, and ICOLI.

As of December 31, 2022, the Company had a partial valuation allowance of ~~\$30~~ \$30 million against its net deferred tax assets of \$630 million. As of ~~March 31, 2023~~ June 30, 2023, the Company had a partial valuation allowance of ~~\$67 million~~ \$69 million against its net deferred tax assets of ~~\$611 million~~ \$615 million. There was a ~~\$37 million~~ \$39 million increase in the valuation allowance for the ~~three~~ six months ended ~~March 31, 2023~~ June 30, 2023. The valuation allowance consisted of a full valuation allowance on the unrealized capital loss deferred tax assets for F&G Life Re, F&G Cayman Re, and the US non-life companies, a full valuation allowance on the US non-life companies' remaining capital loss carryforwards, and a partial valuation allowance on the capital loss deferred tax assets on the U.S. life insurance companies.

The valuation allowance is reviewed quarterly and will be maintained until there is sufficient positive evidence, if any, to support a release. At each reporting date, management considers new evidence, both positive and negative, that could impact the future realization of deferred tax assets. Management will consider a release of the valuation allowance once there is sufficient positive evidence that it is more likely than not that the deferred tax assets will be realized.

All other deferred tax assets are more likely than not to be realized based on expectations as to our future taxable income and considering all other available evidence, both positive and negative.

The Inflation Reduction Act of 2022 (the "IRA") was signed into law on August 16, 2022. Among other changes, the IRA introduced a 15% corporate alternative minimum tax ("CAMT") on adjusted financial statement income and a 1% excise tax on treasury stock repurchases. The effective date of these provisions is January 1, 2023. Though the Company will likely be subject to the minimum tax, the Company does not expect to be in a perpetual CAMT position. The life companies will join the consolidated tax return group with FNF and file a life/non-life consolidated return once the five-year waiting period has completed in 2026, which should strengthen that position as FNF is not anticipating owing CAMT on its future returns. As a result, the Company has assessed that there is no material impact of the CAMT to tax for the ~~three~~ six months ended ~~March 31, 2023~~ June 30, 2023.

As a result of the adoption of ASU 2018-12, the changes required resulted in changes to deferred tax for the prior periods. The decrease in the deferred tax asset as of December 31, 2022 due to ASU 2018-12 was \$163 million. See Note A - *Basis of Financial Statements* for details on the changes required for the new accounting standard.

#### Note I — Contractholder Funds

The following tables summarize balances of and changes in contractholder funds' account balances (in millions):

		March 31, 2023						June 30, 2023				
		FIA	Fixed rate annuities	Universal Life	FABN (b)	FHLB (b)		FIA	Fixed rate annuities	Universal Life	FABN (b)	FHLB (b)
Balance, beginning of year	Balance, beginning of year	\$ 24,766	\$ 9,358	\$ 2,112	\$ 2,613	\$ 1,982	Balance, beginning of year	\$ 24,766	\$ 9,358	\$ 2,112	\$ 2,613	\$ 1,982
Issuances	Issuances	1,186	1,522	49	—	256	Issuances	2,415	2,584	99	—	456
Premiums received	Premiums received	25	1	87	—	—	Premiums received	52	1	180	—	—
Policy charges (a)	Policy charges (a)	(42)	—	(60)	—	—	Policy charges (a)	(87)	—	(124)	—	—
Surrenders and withdrawals	Surrenders and withdrawals	(403)	(257)	(21)	—	—	Surrenders and withdrawals	(876)	(520)	(45)	—	—
Benefit payments	Benefit payments	(121)	(59)	(10)	(15)	(110)	Benefit payments	(254)	(118)	(16)	(27)	(323)
Interest credited	Interest credited	21	81	5	13	11	Interest credited	69	179	20	27	25
Other	Other	23	(1)	—	—	—	Other	23	(1)	—	—	3
Balance, end of year	Balance, end of year	\$ 25,455	\$ 10,645	\$ 2,162	\$ 2,611	\$ 2,139	Balance, end of year	\$ 26,108	\$ 11,483	\$ 2,226	\$ 2,613	\$ 2,143
Embedded derivative adjustment (c)	Embedded derivative adjustment (c)	(12)	—	45	—	—	Embedded derivative adjustment (c)	98	—	73	—	—
Gross Liability, end of period	Gross Liability, end of period	\$ 25,443	\$ 10,645	\$ 2,207	\$ 2,611	\$ 2,139	Gross Liability, end of period	\$ 26,206	\$ 11,483	\$ 2,299	\$ 2,613	\$ 2,143
Less: Reinsurance	Less: Reinsurance	(17)	(4,691)	(933)	—	—	Less: Reinsurance	(17)	(5,431)	(924)	—	—
Net Liability, after Reinsurance	Net Liability, after Reinsurance	\$ 25,426	\$ 5,954	\$ 1,274	\$ 2,611	\$ 2,139	Net Liability, after Reinsurance	\$ 26,189	\$ 6,052	\$ 1,375	\$ 2,613	\$ 2,143
Weighted-average crediting rate	Weighted-average crediting rate	0.33 %	— %	1.00 %	N/A	N/A	Weighted-average crediting rate	1.10 %	7.07 %	3.85 %	N/A	N/A

Net amount at risk (d)	Net amount at risk (d)	N/A	N/A	49,426	N/A	N/A	Net amount at risk (d)	N/A	N/A	53,401	N/A	N/A
Cash surrender value	Cash surrender value	23,726	9,929	1,724	N/A	N/A	Cash surrender value	24,337	10,707	1,760	N/A	N/A

(a) Contracts included in the contractholder funds are generally charged a premium and/or monthly assessments on the basis of the account balance.

(b) FABN and FHLB are considered funding agreements that are investment contracts which follow the interest method of accounting, and therefore are not subject to ASU 2018-12 disclosure requirements. However, the Company has elected to present the liability for these agreements within the disaggregated roll forward as we believe it will provide meaningful information for users of the financials.

(c) The embedded derivative adjustment reconciles the account balance to the gross GAAP liability and represents the combination of the host contract and the fair value of the embedded derivatives.

(d) For those guarantees of benefits that are payable in the event of death, the net amount at risk is generally defined as the current guaranteed minimum death benefit in excess of the current account balance at the balance sheet date.

December 31, 2022							December 31, 2022						
		FIA	Fixed rate annuities	Universal Life	FABN (b)	FHLB (b)			FIA	Fixed rate annuities	Universal Life	FABN (b)	FHLB (b)
<b>Balance, beginning of year</b>	<b>Balance, beginning of year</b>	21,997	6,367	1,907	1,904	1,543	<b>Balance, beginning of year</b>	<b>Balance, beginning of year</b>	21,997	6,367	1,907	1,904	1,543
Issuances	Issuances	4,462	3,758	167	700	1,192	Issuances	Issuances	4,462	3,758	167	700	1,192
Premiums received	Premiums received	106	3	295	—	—	Premiums received	Premiums received	106	3	295	—	—
Policy charges (a)	Policy charges (a)	(166)	(1)	(209)	—	—	Policy charges (a)	Policy charges (a)	(166)	(1)	(209)	—	—
Surrenders and withdrawals	Surrenders and withdrawals	(1,322)	(797)	(74)	—	—	Surrenders and withdrawals	Surrenders and withdrawals	(1,322)	(797)	(74)	—	—
Benefit payments	Benefit payments	(485)	(192)	(22)	(35)	(789)	Benefit payments	Benefit payments	(485)	(192)	(22)	(35)	(789)
Interest credited	Interest credited	198	220	48	45	36	Interest credited	Interest credited	198	220	48	45	36
Other	Other	(24)	—	—	(1)	—	Other	Other	(24)	—	—	(1)	—
<b>Balance, end of year</b>	<b>Balance, end of year</b>	\$ 24,766	\$ 9,358	\$ 2,112	\$ 2,613	\$ 1,982	<b>Balance, end of year</b>	<b>Balance, end of year</b>	\$ 24,766	\$ 9,358	\$ 2,112	\$ 2,613	\$ 1,982
Embedded derivative adjustment (c)	Embedded derivative adjustment (c)	(343)	—	15	—	—	Embedded derivative adjustment (c)	Embedded derivative adjustment (c)	(343)	—	15	—	—
<b>Gross Liability, end of period</b>	<b>Gross Liability, end of period</b>	\$ 24,423	\$ 9,358	\$ 2,127	\$ 2,613	\$ 1,982	<b>Gross Liability, end of period</b>	<b>Gross Liability, end of period</b>	\$ 24,423	\$ 9,358	\$ 2,127	\$ 2,613	\$ 1,982
Less: Reinsurance	Less: Reinsurance	(17)	(3,723)	(947)	—	—	Less: Reinsurance	Less: Reinsurance	(17)	(3,723)	(947)	—	—
<b>Net Liability, after Reinsurance</b>	<b>Net Liability, after Reinsurance</b>	\$ 24,406	\$ 5,635	\$ 1,180	\$ 2,613	\$ 1,982	<b>Net Liability, after Reinsurance</b>	<b>Net Liability, after Reinsurance</b>	\$ 24,406	\$ 5,635	\$ 1,180	\$ 2,613	\$ 1,982
Weighted-average crediting rate	Weighted-average crediting rate	0.85 %	—	2.39 %	N/A	N/A	Weighted-average crediting rate	Weighted-average crediting rate	0.85 %	2.84 %	2.39 %	N/A	N/A
Net amount at risk (d)	Net amount at risk (d)	N/A	N/A	53,348	N/A	N/A	Net amount at risk (d)	Net amount at risk (d)	N/A	N/A	53,348	N/A	N/A
Cash surrender value	Cash surrender value	188	5,992	1,698	N/A	N/A	Cash surrender value	Cash surrender value	188	5,992	1,698	N/A	N/A

(a) Contracts included in the contractholder funds are generally charged a premium and/or monthly assessments on the basis of the account balance.

(b) FABN and FHLB are considered funding agreements that are investment contracts which follow the interest method of accounting, and therefore are not subject to ASU 2018-12 disclosure requirements. However, the Company has elected to present the liability for these agreements within the disaggregated roll forward as we believe it will provide meaningful information for users of the financials.

(c) The embedded derivative adjustment reconciles the account balance to the gross GAAP liability and represents the combination of the host contract and the fair value of the embedded derivatives.

(d) For those guarantees of benefits that are payable in the event of death, the net amount at risk is generally defined as the current guaranteed minimum death benefit in excess of the current account balance at the balance sheet date.

December 31, 2021							December 31, 2021						
		FIA	Fixed rate annuities	Universal Life	FABN (b)	FHLB (b)			FIA	Fixed rate annuities	Universal Life	FABN (b)	FHLB (b)

Balance, beginning of year	Balance, beginning of year						Balance, beginning of year						
		\$ 18,703	\$ 5,142	\$ 1,696	\$ —	\$ 1,203		\$ 18,703	\$ 5,142	\$ 1,696	\$ —	\$ 1,203	
Issuances	Issuances	4,400	1,743	114	1,899	759	Issuances	4,400	1,743	114	1,899	759	
Premiums received	Premiums received	103	3	233	—	—	Premiums received	103	3	233	—	—	
Policy charges (a)	Policy charges (a)	(148)	(1)	(167)	—	—	Policy charges (a)	(148)	(1)	(167)	—	—	
Surrenders and withdrawals	Surrenders and withdrawals	(1,303)	(543)	(68)	—	—	Surrenders and withdrawals	(1,303)	(543)	(68)	—	—	
Benefit payments	Benefit payments	(440)	(145)	(19)	(7)	(447)	Benefit payments	(440)	(145)	(19)	(7)	(447)	
Interest credited	Interest credited	686	167	118	12	30	Interest credited	686	167	118	12	30	
Other	Other	(4)	1	—	—	(2)	Other	(4)	1	—	—	(2)	
<b>Balance, end of year</b>	<b>Balance, end of year</b>	<b>\$ 21,997</b>	<b>\$ 6,367</b>	<b>\$ 1,907</b>	<b>\$ 1,904</b>	<b>\$ 1,543</b>	<b>Balance, end of year</b>	<b>\$ 21,997</b>	<b>\$ 6,367</b>	<b>\$ 1,907</b>	<b>\$ 1,904</b>	<b>\$ 1,543</b>	
Embedded derivative adjustment (c)	Embedded derivative adjustment (c)	603	—	74	—	—	Embedded derivative adjustment (c)	603	—	74	—	—	
<b>Gross Liability, end of period</b>	<b>Gross Liability, end of period</b>	<b>\$ 22,600</b>	<b>\$ 6,367</b>	<b>\$ 1,981</b>	<b>\$ 1,904</b>	<b>\$ 1,543</b>	<b>Gross Liability, end of period</b>	<b>\$ 22,600</b>	<b>\$ 6,367</b>	<b>\$ 1,981</b>	<b>\$ 1,904</b>	<b>\$ 1,543</b>	
Less: Reinsurance	Less: Reinsurance	(17)	(1,692)	(984)	—	—	Less: Reinsurance	(17)	(1,692)	(984)	—	—	
<b>Net Liability, after Reinsurance</b>	<b>Net Liability, after Reinsurance</b>	<b>\$ 22,583</b>	<b>\$ 4,675</b>	<b>\$ 997</b>	<b>\$ 1,904</b>	<b>\$ 1,543</b>	<b>Net Liability, after Reinsurance</b>	<b>\$ 22,583</b>	<b>\$ 4,675</b>	<b>\$ 997</b>	<b>\$ 1,904</b>	<b>\$ 1,543</b>	
Weighted-average crediting rate	Weighted-average crediting rate	3.43 %	—	6.77 %	N/A	N/A	Weighted-average crediting rate	3.43 %	2.94 %	6.77 %	N/A	N/A	
Net amount at risk (d)	Net amount at risk (d)	N/A	N/A	41,326	N/A	N/A	Net amount at risk (d)	N/A	N/A	41,326	N/A	N/A	
Cash surrender value	Cash surrender value	20,455	5,992	1,572	N/A	N/A	Cash surrender value	20,455	5,992	1,572	N/A	N/A	

(a) Contracts included in the contractholder funds are generally charged a premium and/or monthly assessments on the basis of the account balance.  
(b) FABN and FHLB are considered funding agreements that are investment contracts which follow the interest method of accounting, and therefore are not subject to ASU 2018-12 disclosure requirements. However, the Company has elected to present the liability for these agreements within the disaggregated roll forward as we believe it will provide meaningful information for users of the financials.  
(c) The embedded derivative adjustment reconciles the account balance to the gross GAAP liability and represents the combination of the host contract and the fair value of the embedded derivatives.  
(d) For those guarantees of benefits that are payable in the event of death, the net amount at risk is generally defined as the current guaranteed minimum death benefit in excess of the current account balance at the balance sheet date.

The following table reconciles contractholder funds' account balances to the contractholder Contractholder funds liability in the Condensed Consolidated Balance Sheet (in millions):

		March 31, 2023	December 31, 2022	December 31, 2021		June 30, 2023	December 31, 2022	December 31, 2021
FIA	FIA	\$ 25,443	\$ 24,423	\$ 22,600	FIA	\$ 26,206	\$ 24,423	\$ 22,600
Fixed rate annuities	Fixed rate annuities	10,645	9,358	6,367	Fixed rate annuities	11,483	9,358	6,367
Immediate annuities	Immediate annuities	326	332	352	Immediate annuities	317	332	352
Universal life	Universal life	2,207	2,127	1,981	Universal life	2,299	2,127	1,981
Traditional life	Traditional life	5	5	5	Traditional life	5	5	5
Funding Agreement-FABN	Funding Agreement-FABN	2,611	2,613	1,904	Funding Agreement-FABN	2,613	2,613	1,904
FHLB	FHLB	2,139	1,982	1,543	FHLB	2,143	1,982	1,543



PRT	PRT	3	3	1	PRT	4	3	1
Total	Total	\$ 43,379	\$ 40,843	\$ 34,753	Total	\$ 45,070	\$ 40,843	\$ 34,753

The following tables present 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 (in millions):

		March 31, 2023							June 30, 2023					
			1 Basis Point-50 Basis Points Above	51 Basis Points-150 Basis Points Above	Greater Than 150 Basis Points Above	Total			1 Basis Point-50 Basis Points Above	51 Basis Points-150 Basis Points Above	Greater Than 150 Basis Points Above	Total		
		At Guaranteed Minimum						At Guaranteed Minimum						
FIA	FIA						FIA							
0.00%-1.50%	0.00%-1.50%	\$ 23,348	\$ 806	\$ 406	\$ 370	\$ 24,930	0.00%-1.50%	\$ 23,749	\$ 796	\$ 403	\$ 663	\$ 25,611		
1.51%-2.50%	1.51%-2.50%	149	—	1	—	150	1.51%-2.50%	141	—	1	—	142		
Greater than 2.50%	Greater than 2.50%	373	—	2	—	375	Greater than 2.50%	353	—	2	—	355		
Total	Total	\$ 23,870	\$ 806	\$ 409	\$ 370	\$ 25,455	Total	\$ 24,243	\$ 796	\$ 406	\$ 663	\$ 26,108		
Fixed Rate Annuities	Fixed Rate Annuities						Fixed Rate Annuities							
0.00%-1.50%	0.00%-1.50%	\$ 12	\$ 31	\$ 1,867	\$ 7,522	\$ 9,432	0.00%-1.50%	\$ 17	\$ 30	\$ 1,838	\$ 8,287	\$ 10,172		
1.51%-2.50%	1.51%-2.50%	8	13	28	187	236	1.51%-2.50%	8	13	28	313	362		
Greater than 2.50%	Greater than 2.50%	962	3	4	8	977	Greater than 2.50%	934	3	4	8	949		
Total	Total	\$ 982	\$ 47	\$ 1,899	\$ 7,717	\$ 10,645	Total	\$ 959	\$ 46	\$ 1,870	\$ 8,608	\$ 11,483		
Universal Life	Universal Life						Universal Life							
0.00%-1.50%	0.00%-1.50%	\$ 1,752	\$ 4	\$ —	\$ 18	\$ 1,774	0.00%-1.50%	\$ 1,822	\$ 4	\$ —	\$ 18	\$ 1,844		
1.51%-2.50%	1.51%-2.50%	—	—	—	—	—	1.51%-2.50%	—	—	—	—	—		
Greater than 2.50%	Greater than 2.50%	344	43	1	—	388	Greater than 2.50%	346	35	1	—	382		
Total	Total	\$ 2,096	\$ 47	\$ 1	\$ 18	\$ 2,162	Total	\$ 2,168	\$ 39	\$ 1	\$ 18	\$ 2,226		

		December 31, 2022				
		At Guaranteed Minimum	1 Basis Point-50 Basis Points Above	51 Basis Points-150 Basis Points Above	Greater Than 150 Basis Points Above	Total
<b>FIA</b>						
0.00%-1.50%		\$ 22,848	\$ 801	\$ 410	\$ 151	\$ 24,210
1.51%-2.50%		162	—	1	—	163
Greater than 2.50%		390	—	3	—	393
Total		\$ 23,400	\$ 801	\$ 414	\$ 151	\$ 24,766
<b>Fixed Rate Annuities</b>						
0.00%-1.50%		\$ 10	\$ 32	\$ 1,871	\$ 6,379	\$ 8,292
1.51%-2.50%		9	14	30	1	54
Greater than 2.50%		997	4	4	7	1,012
Total		\$ 1,016	\$ 50	\$ 1,905	\$ 6,387	\$ 9,358
<b>Universal Life</b>						
0.00%-1.50%		\$ 1,701	\$ 3	\$ —	\$ 17	\$ 1,721
1.51%-2.50%		—	—	—	—	—
Greater than 2.50%		346	44	1	—	391
Total		\$ 2,047	\$ 47	\$ 1	\$ 17	\$ 2,112

December 31, 2021

	At Guaranteed Minimum	1 Basis Point-50 Basis Points Above	51 Basis Points-150 Basis Points Above	Greater Than 150 Basis Points Above	Total
<b>FIA</b>					
0.00%-1.50%	\$ 20,162	\$ 803	\$ 388	\$ —	\$ 21,353
1.51%-2.50%	171	11	25	—	207
Greater than 2.50%	431	3	3	—	437
Total	\$ 20,764	\$ 817	\$ 416	\$ —	\$ 21,997
<b>Fixed Rate Annuities</b>					
0.00%-1.50%	\$ 2	\$ 28	\$ 1,928	\$ 3,219	\$ 5,177
1.51%-2.50%	9	15	37	1	62
Greater than 2.50%	954	142	25	7	1,128
Total	\$ 965	\$ 185	\$ 1,990	\$ 3,227	\$ 6,367
<b>Universal Life</b>					
0.00%-1.50%	\$ 1,486	\$ 2	\$ —	\$ 13	\$ 1,501
1.51%-2.50%	—	—	—	—	—
Greater than 2.50%	359	46	1	—	406
Total	\$ 1,845	\$ 48	\$ 1	\$ 13	\$ 1,907

#### Note J — Future Policy Benefits

The following table summarizes balances and changes in the present value of expected net premiums and the present value of the expected FPB for nonparticipating traditional contracts (in millions):

		March 31, 2023	December 31, 2022	December 31, 2021		June 30, 2023	December 31, 2022	December 31, 2021
<b>Expected net premiums</b>	<b>Expected net premiums</b>				<b>Expected net premiums</b>			
<b>Balance, beginning of year</b>	<b>Balance, beginning of year</b>	\$ 797	\$ 1,020	\$ 1,152	<b>Balance, beginning of year</b>	\$ 797	\$ 1,020	\$ 1,152
Beginning balance of original discount rate	Beginning balance of original discount rate	974	1,045	1,131	Beginning balance of original discount rate	974	1,045	1,131
Effect of actual variances from expected experience	Effect of actual variances from expected experience	3	33	25	Effect of actual variances from expected experience	7	33	25
Balance adjusted for variances from expectation	Balance adjusted for variances from expectation	977	1,078	1,156	Balance adjusted for variances from expectation	981	1,078	1,156
Interest accrual	Interest accrual	5	20	22	Interest accrual	9	20	22
Net premiums collected	Net premiums collected	(30)	(124)	(133)	Net premiums collected	(60)	(124)	(133)
Ending Balance at original discount rate	Ending Balance at original discount rate	952	974	1,045	Ending Balance at original discount rate	930	974	1,045
Effect of changes in discount rate assumptions	Effect of changes in discount rate assumptions	(158)	(177)	(25)	Effect of changes in discount rate assumptions	(167)	(177)	(25)
<b>Balance, end of year</b>	<b>Balance, end of year</b>	\$ 794	\$ 797	\$ 1,020	<b>Balance, end of year</b>	\$ 763	\$ 797	\$ 1,020

Expected FPB	Expected FPB				Expected FPB									
Balance, beginning of year	Balance, beginning of year	\$	2,151	\$	2,772	\$	3,105	Balance, beginning of year	\$	2,151	\$	2,772	\$	3,105
Beginning balance of original discount rate	Beginning balance of original discount rate		2,665		2,806		2,995	Beginning balance of original discount rate		2,665		2,806		2,995
Effect of actual variances from expected experience	Effect of actual variances from expected experience		(7)		13		(14)	Effect of actual variances from expected experience		(9)		13		(14)
Balance adjusted for variances from expectation	Balance adjusted for variances from expectation		2,658	\$	2,819	\$	2,981	Balance adjusted for variances from expectation		2,656	\$	2,819	\$	2,981
Interest accrual	Interest accrual		14		59		62	Interest accrual		28		59		62
Benefits payments	Benefits payments		(48)		(213)		(237)	Benefits payments		(99)		(213)		(237)
Ending Balance at original discount rate	Ending Balance at original discount rate		2,624	\$	2,665	\$	2,806	Ending Balance at original discount rate		2,585	\$	2,665	\$	2,806
Effect of changes in discount rate assumptions	Effect of changes in discount rate assumptions		(448)		(514)		(34)	Effect of changes in discount rate assumptions		(474)		(514)		(34)
Balance, end of year	Balance, end of year	\$	2,176	\$	2,151	\$	2,772	Balance, end of year	\$	2,111	\$	2,151	\$	2,772
Net liability for future policy benefits	Net liability for future policy benefits	\$	1,382	\$	1,354	\$	1,752	Net liability for future policy benefits	\$	1,348	\$	1,354	\$	1,752
Less: Reinsurance recoverable	Less: Reinsurance recoverable		510		515		670	Less: Reinsurance recoverable		587		612		749
Net liability for future policy benefits, after reinsurance recoverable	Net liability for future policy benefits, after reinsurance recoverable	\$	872	\$	839	\$	1,082	Net liability for future policy benefits, after reinsurance recoverable	\$	761	\$	742	\$	1,003
Weighted-average duration of liability for future policyholder benefits (years)	Weighted-average duration of liability for future policyholder benefits (years)		7.53		7.58		8.54	Weighted-average duration of liability for future policyholder benefits (years)		7.36		7.58		8.54

The following tables summarize balances and changes in the present value of the expected FPB for limited-payment contracts (in millions):

		March 31, 2023			June 30, 2023	
		Immediate annuities	PRT		Immediate annuities	PRT
Balance, beginning of year	Balance, beginning of year	\$ 1,429	\$ 2,165	Balance, beginning of year	\$ 1,429	\$ 2,165
Beginning balance of original discount rate	Beginning balance of original discount rate	1,858	2,475	Beginning balance of original discount rate	1,858	2,475
Effect of changes in cash flow assumptions	Effect of changes in cash flow assumptions	—	(1)	Effect of changes in cash flow assumptions	—	(5)

Effect of actual variances from expected experience	Effect of actual variances from expected experience	(7)	(3)	Effect of actual variances from expected experience	(17)	—
Balance adjusted for variances from expectation	Balance adjusted for variances from expectation	1,851	2,471	Balance adjusted for variances from expectation	1,841	2,470
Issuances	Issuances	5	268	Issuances	10	755
Interest accrual	Interest accrual	16	23	Interest accrual	33	50
Benefits payments	Benefits payments	(31)	(55)	Benefits payments	(65)	(115)
Ending Balance at original discount rate	Ending Balance at original discount rate	1,841	2,707	Ending Balance at original discount rate	1,819	3,160
Effect of changes in discount rate assumptions	Effect of changes in discount rate assumptions	(389)	(251)	Effect of changes in discount rate assumptions	(408)	(290)
<b>Balance, end of year</b>	<b>Balance, end of year</b>	\$ 1,452	\$ 2,456	<b>Balance, end of year</b>	\$ 1,411	\$ 2,870
Net liability for future policy benefits	Net liability for future policy benefits	\$ 1,452	\$ 2,456	Net liability for future policy benefits	\$ 1,411	\$ 2,870
Less: Reinsurance recoverable	Less: Reinsurance recoverable	204	—	Less: Reinsurance recoverable	116	—
<b>Net liability for future policy benefits, after reinsurance recoverable</b>	<b>Net liability for future policy benefits, after reinsurance recoverable</b>	\$ 1,248	\$ 2,456	<b>Net liability for future policy benefits, after reinsurance recoverable</b>	\$ 1,295	\$ 2,870
Weighted-average duration of liability for future policyholder benefits (years)	Weighted-average duration of liability for future policyholder benefits (years)	12.18	8.07	Weighted-average duration of liability for future policyholder benefits (years)	12.47	8.23
		<b>December 31, 2022</b>			<b>December 31, 2022</b>	
		<b>Immediate annuities</b>	<b>PRT</b>		<b>Immediate annuities</b>	<b>PRT</b>
<b>Balance, beginning of year</b>	<b>Balance, beginning of year</b>	\$ 1,954	\$ 1,148	<b>Balance, beginning of year</b>	\$ 1,954	\$ 1,148
Beginning balance of original discount rate	Beginning balance of original discount rate	1,935	1,151	Beginning balance of original discount rate	1,935	1,151
Effect of changes in cash flow assumptions	Effect of changes in cash flow assumptions	—	(20)	Effect of changes in cash flow assumptions	—	(20)
Effect of actual variances from expected experience	Effect of actual variances from expected experience	(26)	2	Effect of actual variances from expected experience	(26)	2
Balance adjusted for variances from expectation	Balance adjusted for variances from expectation	\$ 1,909	\$ 1,133	Balance adjusted for variances from expectation	\$ 1,909	\$ 1,133
Issuances	Issuances	26	1,418	Issuances	26	1,418
Interest accrual	Interest accrual	60	50	Interest accrual	60	50
Benefits payments	Benefits payments	(137)	(126)	Benefits payments	(137)	(126)
Ending Balance at original discount rate	Ending Balance at original discount rate	\$ 1,858	\$ 2,475	Ending Balance at original discount rate	\$ 1,858	\$ 2,475

Effect of changes in discount rate assumptions	Effect of changes in discount rate assumptions	(429)	(310)	Effect of changes in discount rate assumptions	(429)	(310)
<b>Balance, end of year</b>	<b>Balance, end of year</b>	\$ 1,429	\$ 2,165	<b>Balance, end of year</b>	\$ 1,429	\$ 2,165
Net liability for future policy benefits	Net liability for future policy benefits	\$ 1,429	\$ 2,165	Net liability for future policy benefits	\$ 1,429	\$ 2,165
Less: Reinsurance recoverable	Less: Reinsurance recoverable	218	—	Less: Reinsurance recoverable	118	—
<b>Net liability for future policy benefits, after reinsurance recoverable</b>	<b>Net liability for future policy benefits, after reinsurance recoverable</b>	\$ 1,211	\$ 2,165	<b>Net liability for future policy benefits, after reinsurance recoverable</b>	\$ 1,311	\$ 2,165
Weighted-average duration of liability for future policyholder benefits (years)	Weighted-average duration of liability for future policyholder benefits (years)	11.76	8.09	Weighted-average duration of liability for future policyholder benefits (years)	11.76	8.09

		December 31, 2021				December 31, 2021	
		Immediate annuities	PRT			Immediate annuities	PRT
<b>Balance, beginning of year</b>	<b>Balance, beginning of year</b>	\$ 2,153	\$ —	<b>Balance, beginning of year</b>	<b>Balance, beginning of year</b>	\$ 2,153	\$ —
Beginning balance of original discount rate	Beginning balance of original discount rate	2,040	—	Beginning balance of original discount rate	Beginning balance of original discount rate	2,040	—
Effect of actual variances from expected experience	Effect of actual variances from expected experience	(47)	—	Effect of actual variances from expected experience	Effect of actual variances from expected experience	(47)	—
Balance adjusted for variances from expectation	Balance adjusted for variances from expectation	\$ 1,993	\$ —	Balance adjusted for variances from expectation	Balance adjusted for variances from expectation	\$ 1,993	\$ —
Issuances	Issuances	18	1,155	Issuances	Issuances	18	1,155
Interest accrual	Interest accrual	60	2	Interest accrual	Interest accrual	60	2
Benefits payments	Benefits payments	(136)	(6)	Benefits payments	Benefits payments	(136)	(6)
Ending Balance at original discount rate	Ending Balance at original discount rate	\$ 1,935	\$ 1,151	Ending Balance at original discount rate	Ending Balance at original discount rate	\$ 1,935	\$ 1,151
Effect of changes in discount rate assumptions	Effect of changes in discount rate assumptions	19	(3)	Effect of changes in discount rate assumptions	Effect of changes in discount rate assumptions	19	(3)
<b>Balance, end of year</b>	<b>Balance, end of year</b>	\$ 1,954	\$ 1,148	<b>Balance, end of year</b>	<b>Balance, end of year</b>	\$ 1,954	\$ 1,148
Net liability for future policy benefits	Net liability for future policy benefits	\$ 1,954	\$ 1,148	Net liability for future policy benefits	Net liability for future policy benefits	\$ 1,954	\$ 1,148
Less: Reinsurance recoverable	Less: Reinsurance recoverable	293	—	Less: Reinsurance recoverable	Less: Reinsurance recoverable	145	—
<b>Net liability for future policy benefits, after reinsurance recoverable</b>	<b>Net liability for future policy benefits, after reinsurance recoverable</b>	\$ 1,661	\$ 1,148	<b>Net liability for future policy benefits, after reinsurance recoverable</b>	<b>Net liability for future policy benefits, after reinsurance recoverable</b>	\$ 1,809	\$ 1,148

Weighted-average duration of liability for future policyholder benefits (years)	Weighted-average duration of liability for future policyholder benefits (years)	13.61	Weighted-average duration of liability for future policyholder benefits (years)	8.75	13.61	8.75
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The following tables summarize balances and changes in the liability for DPL for limited-payment contracts (in millions):

		March 31, 2023		December 31, 2022		December 31, 2021				June 30, 2023		December 31, 2022		December 31, 2021	
		Immediate annuities	PRT	Immediate annuities	PRT	Immediate annuities	PRT			Immediate annuities	PRT	Immediate annuities	PRT	Immediate annuities	PRT
Balance, beginning of year	Balance, beginning of year	\$ 69	\$ 4	\$ 57	\$ 7	\$ 22	\$ —	Balance, beginning of year	Balance, beginning of year	\$ 69	\$ 4	\$ 57	\$ 7	\$ 22	\$ —
Effect of modeling changes	Effect of modeling changes	4	—	—	—	—	—	Effect of modeling changes	Effect of modeling changes	4	—	—	—	—	—
Effect of changes in cash flow assumptions	Effect of changes in cash flow assumptions	—	—	—	(2)	—	—	Effect of changes in cash flow assumptions	Effect of changes in cash flow assumptions	—	—	—	(2)	—	—
Effect of actual variances from expected experience	Effect of actual variances from expected experience	4	—	16	—	39	—	Effect of actual variances from expected experience	Effect of actual variances from expected experience	10	2	16	—	39	—
Balance adjusted for variances from expectation	Balance adjusted for variances from expectation	77	4	73	5	61	—	Balance adjusted for variances from expectation	Balance adjusted for variances from expectation	83	6	73	5	61	—
Issuances	Issuances	1	—	1	—	\$ —	\$ 7	Issuances	Issuances	1	—	1	—	\$ —	\$ 7
Interest accrual	Interest accrual	1	—	2	—	2	—	Interest accrual	Interest accrual	1	(1)	2	—	2	—
Amortization	Amortization	(2)	—	(7)	(1)	(6)	—	Amortization	Amortization	(3)	(1)	(7)	(1)	(6)	—
Balance, end of year	Balance, end of year	\$ 77	\$ 4	\$ 69	\$ 4	\$ 57	\$ 7	Balance, end of year	Balance, end of year	\$ 82	\$ 4	\$ 69	\$ 4	\$ 57	\$ 7

The following table reconciles the net FPB to the FPB in the Condensed Consolidated Balance Sheets (in millions). The DPL for Immediate Annuities and PRT is presented together with the FPB in the Condensed Consolidated Balance Sheets and has been included as a reconciling item in the table below:

		March 31, 2023		December 31, 2022		December 31, 2021				June 30, 2023		December 31, 2022		December 31, 2021	
		Traditional Life	Immediate annuities	PRT	Immediate annuities DPL	PRT DPL	Total			Traditional Life	Immediate annuities	PRT	Immediate annuities DPL	PRT DPL	Total
Traditional Life	Traditional Life	\$ 1,382	\$ 1,354	\$ 1,752	Traditional Life	Traditional Life	\$ 1,348	\$ 1,354	\$ 1,752	Traditional Life	Traditional Life	\$ 1,348	\$ 1,354	\$ 1,752	Traditional Life
Immediate annuities	Immediate annuities	1,452	1,429	1,954	Immediate annuities	Immediate annuities	1,411	1,429	1,954	Immediate annuities	Immediate annuities	1,411	1,429	1,954	Immediate annuities
PRT	PRT	2,456	2,165	1,148	PRT	PRT	2,870	2,165	1,148	PRT	PRT	2,870	2,165	1,148	PRT
Immediate annuities DPL	Immediate annuities DPL	77	69	57	Immediate annuities DPL	Immediate annuities DPL	82	69	57	Immediate annuities DPL	Immediate annuities DPL	82	69	57	Immediate annuities DPL
PRT DPL	PRT DPL	4	4	7	PRT DPL	PRT DPL	4	4	7	PRT DPL	PRT DPL	4	4	7	PRT DPL
Total	Total	\$ 5,371	\$ 5,021	\$ 4,918	Total	Total	\$ 5,715	\$ 5,021	\$ 4,918	Total	Total	\$ 5,715	\$ 5,021	\$ 4,918	Total

The following table provides the amount of undiscounted and discounted expected gross premiums and expected future benefits and expenses for nonparticipating traditional and limited-payment contracts (in millions):

		Undiscounted		Discounted				Undiscounted		Discounted	
		March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022			June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Traditional Life	Traditional Life	Traditional Life	Traditional Life	Traditional Life	Traditional Life	Traditional Life	Traditional Life	Traditional Life	Traditional Life	Traditional Life	Traditional Life
Expected future benefit payments	Expected future benefit payments	\$ 3,073	\$ 3,265	\$ 2,155	\$ 2,734	Expected future benefit payments	Expected future benefit payments	\$ 3,027	\$ 3,201	\$ 2,089	\$ 2,686

Expected future gross premiums	Expected future gross premiums	1,142	1,289	839	1,129	Expected future gross premiums	1,114	1,245	803	1,091
Immediate annuities	Immediate annuities					Immediate annuities				
Expected future benefit payments	Expected future benefit payments	\$ 3,402	\$ 3,545	\$ 1,452	\$ 1,923	Expected future benefit payments	\$ 3,361	\$ 3,516	\$ 1,411	\$ 1,907
Expected future gross premiums	Expected future gross premiums	—	—	—	—	Expected future gross premiums	—	—	—	—
PRT	PRT					PRT				
Expected future benefit payments	Expected future benefit payments	\$ 3,916	\$ 2,289	\$ 2,708	\$ 1,665	Expected future benefit payments	\$ 4,724	\$ 2,265	\$ 3,161	\$ 1,652
Expected future gross premiums	Expected future gross premiums	—	—	—	—	Expected future gross premiums	—	—	—	—

The following table summarizes the amount of revenue and interest related to nonparticipating traditional and limited-payment contracts recognized in the unaudited Condensed Consolidated Statements of Operations (in millions):

		Gross Premiums (a)		Interest Expense (b)			Gross Premiums (a)		Interest Expense (b)	
		March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Traditional Life	Traditional Life	\$ 32	\$ 36	\$ 9	\$ 10	Traditional Life	\$ 63	\$ 70	\$ 19	\$ 20
Immediate annuities	Immediate annuities	6	7	16	15	Immediate annuities	11	16	33	30
PRT	PRT	263	525	23	7	PRT	737	520	50	19
<b>Total</b>	<b>Total</b>	<b>\$ 301</b>	<b>\$ 568</b>	<b>\$ 48</b>	<b>\$ 32</b>	<b>Total</b>	<b>\$ 811</b>	<b>\$ 606</b>	<b>\$ 102</b>	<b>\$ 69</b>

(a) Included in Life insurance premiums and other fees on the unaudited Condensed Consolidated Statements of Operations.

(b) Included in Benefits and other changes in policy reserves (Remeasurement (remeasurement gains (losses) (a)) on the unaudited Condensed Consolidated Statements of Operations.

The following table presents the weighted-average interest rate:

		March 31, 2023		December 31, 2022		December 31, 2021			June 30, 2023		December 31, 2022		December 31, 2021	
Traditional Life	Traditional Life							Traditional Life						
Interest accretion rate	Interest accretion rate	2.33	%	2.32	%	2.29	%	Interest accretion rate	2.33	%	2.32	%	2.29	%
Current discount rate	Current discount rate	4.96	%	5.37	%	2.41	%	Current discount rate	4.63	%	5.37	%	2.41	%
Immediate annuities	Immediate annuities							Immediate annuities						
Interest accretion rate	Interest accretion rate	3.11	%	3.07	%	3.04	%	Interest accretion rate	3.12	%	3.07	%	3.04	%
Current discount rate	Current discount rate	5.02	%	5.21	%	3.07	%	Current discount rate	5.10	%	5.21	%	3.07	%
PRT	PRT							PRT						
Interest accretion rate	Interest accretion rate	3.82	%	3.20	%	1.20	%	Interest accretion rate	4.04	%	3.20	%	1.20	%
Current discount rate	Current discount rate	5.08	%	5.40	%	2.79	%	Current discount rate	5.28	%	5.40	%	2.79	%

The following tables summarize the actual experience and expected experience for mortality and lapses of the FPB:

	March 31, 2023							June 30, 2023							
	Traditional Life		Immediate annuities			PRT			Traditional Life		Immediate annuities			PRT	
Mortality	Mortality							Mortality							
Actual experience	Actual experience	1.4	%	3.2	%	2.7	%	Actual experience	1.4	%	3.2	%	2.3	%	

Expected experience	Expected experience	1.4	%	1.7	%	2.1	%	Expected experience	1.4	%	1.6	%	2.1	%
Lapses	Lapses							Lapses						
Actual experience	Actual experience	0.1	%	—	%	—	%	Actual experience	0.1	%	—	%	—	%
Expected experience	Expected experience	0.2	%	—	%	—	%	Expected experience	0.3	%	—	%	—	%

		December 31, 2022		
		Traditional Life	Immediate annuities	PRT
Mortality				
Actual experience		1.5 %	3.0 %	1.9 %
Expected experience		1.3 %	1.9 %	2.5 %
Lapses				
Actual experience		— %	— %	— %
Expected experience		0.3 %	— %	— %

		December 31, 2021		
		Traditional Life	Immediate annuities	PRT
Mortality				
Actual experience		1.7 %	4.2 %	— %
Expected experience		1.3 %	2.0 %	— %
Lapses				
Actual experience		0.1 %	— %	— %
Expected experience		0.3 %	— %	— %

The following table provides additional information for periods in which a cohort has an NPR > 100% (and therefore capped at 100%) (dollars in millions):

March 31, 2023													
Cohort X				Description				Cohort X				Description	
Net Premium	Net Premium							Net Premium					
Ratio before capping	Ratio before capping	101	%	Term with ROP Non-NY Cohort				Ratio before capping	100	%	Term with ROP Non-NY Cohort		
Reserves before NP	Reserves before NP							Reserves before NP					
Ratio capping	Ratio capping	\$ 1,208		Term with ROP Non-NY Cohort				Ratio capping	\$ 1,184		Term with ROP Non-NY Cohort		
Reserves after NP	Reserves after NP							Reserves after NP					
Ratio capping	Ratio capping	\$ 1,211		Term with ROP Non-NY Cohort				Ratio capping	\$ 1,185		Term with ROP Non-NY Cohort		
Loss Expense	Loss Expense	\$ 2		Term with ROP Non-NY Cohort				Loss Expense	\$ 1		Term with ROP Non-NY Cohort		

F&G realized actual-to-expected experience variances and made changes to assumptions during the **three six months ended March 31, 2023** **June 30, 2023** and the year ended December 31, 2022 as follows:

#### Traditional life

Significant assumption inputs to the calculation of the FPB for traditional life include mortality, lapses (including lapses due to nonpayment of premium and surrenders for cash surrender value), and discount rates (both accretion and current). We review the cash flow assumptions annually, typically in the third quarter. Market data that underlies current discount rates was updated in the first **quarter six months** of 2023 from that utilized in 2022 resulting in decreased discount rates that drove a material increase to the FPB.

In 2022, F&G similarly undertook a review in the third quarter of the significant cash flow assumptions and did not make any changes to mortality or lapses.

Market data that underlies current discount rates was updated from 2021 and increased significantly year-over-year, resulting in a material decrease to the FPB. Impacts to expected net premiums and expected **future policy benefits FPBs** due to discount rate changes in 2022 can be observed in the FPB roll forward tables at December 31, 2022.

#### Immediate annuities (life contingent)



Significant assumption inputs to the calculation of the FPB for immediate annuities (life contingent) include mortality and discount rates (both accretion and current). We review the cash flow assumptions annually, typically in the third quarter. Market data that underlies current discount rates was updated in the first **quarter six months** of 2023 from that utilized in 2022, resulting in decreased discount rates that drove a material increase to the FPB.

In 2022, F&G similarly undertook a review of the significant cash flow assumptions and did not make any changes to mortality. Market data that underlies current discount rates was updated from 2021 and increased significantly year-over-year, resulting in a material decrease to the FPB. Impacts to expected **future policy benefits FPBs** due to assumption changes in 2022 can be observed in the FPB roll forward tables at December 31, 2022.

#### PRT (life contingent)

Significant assumption inputs to the calculation of the FPB for PRT (life contingent) include mortality and discount rates (both accretion and current). We review the cash flow assumptions annually, typically in the third quarter. Market data that underlies current discount rates was updated in the first **quarter six months** of 2023 from 2022 resulting in decreased discount rates that drove a material increase to the FPB.

In 2022, F&G similarly undertook a review of the significant cash flow assumption and did not make any changes to mortality. Market data that underlies current discount rates was updated from 2021 and increased significantly year-over-year, resulting in a material decrease to the FPB. Impacts to expected **future policy benefits FPBs** due to assumption changes in 2022 can be observed in the FPB roll forward tables at December 31, 2022.

#### Premium deficiency testing

F&G conducts annual premium deficiency testing for its long-duration contracts except for the FPB for nonparticipating traditional and limited-payment contracts. F&G also conducts annual premium deficiency testing for the VOBA of all long-duration contracts. Premium deficiency testing is performed by reviewing assumptions used to calculate the insurance liabilities and determining whether the sum of the existing contract liabilities and the present value of future gross premiums is sufficient to cover the present value of future benefits to be paid to or on behalf of policyholders and settlement costs and recover unamortized present value of future profits. Anticipated investment income, based on F&G's experience, is considered when performing premium deficiency testing for long-duration contracts. During 2023 and 2022, F&G was not required to establish any additional liabilities as a result of premium deficiency testing.

### Note K - Accounts Payable and Accrued Liabilities

As of **March 31, 2023** **June 30, 2023** and December 31, 2022, the total URL balance of **\$190 million** **\$215 million** and \$166 million, respectively, is included in Accounts payable and accrued liabilities on the Condensed Consolidated Balance Sheets. The following table presents a reconciliation of Accounts payable and accrued liabilities to the Condensed Consolidated Balance Sheets as of **March 31, 2023** **June 30, 2023** and December 31, 2022 (in millions):

		March 31, 2023	December 31, 2022		June 30, 2023	December 31, 2022
Salaries and incentives	Salaries and incentives	\$ 38	\$ 72	Salaries and incentives	\$ 56	\$ 72
Accrued benefits	Accrued benefits	56	58	Accrued benefits	58	58
URL	URL	190	166	URL	215	166
Trade accounts payable	Trade accounts payable	132	114	Trade accounts payable	113	114
Accrued premium taxes		3	5			
Liability for policy and contract claims	Liability for policy and contract claims	109	109	Liability for policy and contract claims	92	109
Retained asset account	Retained asset account	105	117	Retained asset account	96	117
Remittances and items not allocated	Remittances and items not allocated	278	225	Remittances and items not allocated	193	225
Option collateral liabilities	Option collateral liabilities	290	178	Option collateral liabilities	459	178
Lease liability	Lease liability	13	13	Lease liability	12	13
Other accrued liabilities	Other accrued liabilities	239	203	Other accrued liabilities	425	208
<b>Accounts payable and other accrued liabilities</b>		<b>\$ 1,453</b>	<b>\$ 1,260</b>			
<b>Accounts payable and liabilities</b>	<b>payable accrued</b>			<b>Accounts and liabilities</b>	<b>payable accrued</b>	
					\$ 1,719	\$ 1,260

The following tables roll forward URL for the **three six months** ended **March 31, 2023** **June 30, 2023** and **March 31, 2022** **June 30, 2022** (in millions):

		Universal Life	Total		Universal Life	Total
Balance at January 1, 2023	Balance at January 1, 2023	\$ 166	\$ 166	Balance at January 1, 2023	\$ 166	\$ 166

Capitalization	Capitalization	27	27	Capitalization	56	56
Amortization	Amortization	(3)	(3)	Amortization	(7)	(7)
<b>Balance at March 31, 2023</b>		<b>\$ 190</b>	<b>\$ 190</b>			
<b>Balance at June 30, 2023</b>					<b>Balance at June 30, 2023</b>	<b>\$ 215</b>
						<b>\$ 215</b>
		<b>Universal Life</b>	<b>Total</b>		<b>Universal Life</b>	<b>Total</b>
Balance at January 1, 2022	Balance at January 1, 2022	\$ 87	\$ 87	Balance at January 1, 2022	\$ 87	\$ 87
Capitalization	Capitalization	20	20	Capitalization	41	41
Amortization	Amortization	(2)	(2)	Amortization	(4)	(4)
<b>Balance at March 31, 2022</b>		<b>\$ 105</b>	<b>\$ 105</b>			
<b>Balance at June 30, 2022</b>					<b>Balance at June 30, 2022</b>	<b>\$ 124</b>
						<b>\$ 124</b>

For IUL the cash flow assumptions used to amortize URL reflect the company's best estimates for policyholder behavior. We review cash flow assumptions annually, generally in the third quarter. In 2022, F&G undertook a review of all significant assumptions and there were no significant changes.

#### Note L — Notes Payable

The carrying amounts of notes payable are summarized as follows (in millions):

	March 31, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Revolving Credit Facility - Short-term	\$ 511	\$ 547		
Revolving Credit Facility - Short-term (variable)			\$ 511	\$ 547
7.40% F&G Notes	494	—	495	—
5.50% F&G Notes	567	567	565	567
	<b>\$ 1,572</b>	<b>\$ 1,114</b>		
<b>Notes payable</b>			<b>\$ 1,571</b>	<b>\$ 1,114</b>

On January 13, 2023, F&G completed its issuance and sale of **\$500 million** aggregate principal amount of its 7.40% Senior Notes due 2028 (as defined above, the "7.40% F&G Notes"). F&G intends to use the net proceeds from the offering for general corporate purposes, including to support the growth of assets under management and for F&G's future liquidity requirements.

On November 22, 2022, we entered into a Credit Agreement (as defined above, the "Credit Agreement") with certain lenders (the "Lenders") and Bank of America, N.A. as administrative agent (in such capacity, the "Administrative Agent"), swing line lender and an issuing bank, pursuant to which the Lenders have made available an unsecured revolving credit facility in an aggregate principal amount of \$550 million to be used for working capital and general corporate purposes. As of December 31, 2022, the revolving credit facility was fully drawn with **\$550 million** outstanding. A net partial revolver paydown of **\$35 million** was made on January 6, 2023 and, on February 21, 2023, we entered into an amendment with the Lenders to increase the available aggregate principal amount of the Credit Agreement by **\$115 million** to **\$665 million**. As of June 30, 2023, we had \$515 million drawn on the revolving credit facility with \$150 million of remaining borrowing availability. The average variable interest rate on the revolver was 6.44% for the six months ended June 30, 2023.

On April 20, 2018, Fidelity & Guaranty Life Holdings, Inc. ("FGLH"), our indirect wholly owned subsidiary, completed a debt offering Gross principal maturities of \$550 million aggregate principal amount of 5.50% senior notes due May 1, 2025 (the "5.50% F&G Notes"), payable at 99.5% of face value for proceeds of \$547 million. As a result of the FNF Acquisition, a premium of \$39 million was established for these notes and is being amortized over the remaining life of the debt through 2025. In conjunction with the acquisition, FNF became a guarantor of FGLH's obligations under the 5.50% F&G Notes and agreed to fully and unconditionally guarantee the F&G 5.50% Notes, on a joint and several basis. June 30, 2023 are as follows (in millions):

Gross principal maturities of notes payable at March 31, 2023 are as follows (in millions):					
2023	2023	\$	515	2023	\$ 515
2024	2024		—	2024	—
2025	2025		550	2025	550
2026	2026		—	2026	—
2027	2027		—	2027	—
Thereafter	Thereafter		500	Thereafter	500
		\$	1,565	\$	1,565

#### Note M — Supplemental Cash Flow Information

The following supplemental cash flow information is provided with respect to certain cash payment and non-cash investing and financing activities (in millions):

		Three months ended March 31,		Six months ended June 30,	
		2023	2022	2023	2022
Cash paid for:	Cash paid for:			Cash paid for:	
Interest	Interest	\$ 9	\$ —	Interest	\$ 24
Income taxes				Income taxes	—
Deferred sales inducements	Deferred sales inducements	29	16	Deferred sales inducements	68
Non-cash investing and financing activities:	Non-cash investing and financing activities:			Non-cash investing and financing activities:	
Investments received from pension risk transfer premiums				Investments received from pension risk transfer premiums	219
Change in proceeds of sales of investments available for sale receivable in period	Change in proceeds of sales of investments available for sale receivable in period	22	81	Change in proceeds of sales of investments available for sale receivable in period	(151)
Change in purchases of investments available for sale payable in period	Change in purchases of investments available for sale payable in period	79	204	Change in purchases of investments available for sale payable in period	237
					18
					7
					38
					—
					151
					226

## Note N — Commitments and Contingencies

### Legal and Regulatory Contingencies

In the ordinary course of business, we are involved in various pending and threatened litigation matters related to our operations, some of which include claims for punitive or exemplary damages. Like other companies, our ordinary course litigation includes a number of class action and purported class action lawsuits, which make allegations related to aspects of our operations. We believe that no actions, other than the matters discussed below, if any, depart from customary litigation incidental to our business.

We review lawsuits and other legal and regulatory matters (collectively "legal proceedings") on an ongoing basis when making accrual and disclosure decisions. When assessing reasonably possible and probable outcomes, management bases its decision on its assessment of the ultimate outcome assuming all appeals have been exhausted. For legal proceedings in which it has been determined that a loss is both probable and reasonably estimable, a liability based on known facts and that represents our best estimate has been recorded. Our accrual for legal and regulatory matters was insignificant as of **March 31, 2023**, **June 30, 2023** and December 31, 2022. We do not consider (i) the amounts we have currently recorded for all legal proceedings in which it has been determined that a loss is both probable and reasonably estimable and (ii) reasonably possible losses for all pending legal proceedings to be material to our financial statements either individually or in the aggregate. Actual losses may materially differ from the amounts recorded and the ultimate outcome of our pending legal proceedings is generally not yet determinable. While some of these matters could be material to our operating results or cash flows for any particular period if an unfavorable outcome results, at present we do not believe that the ultimate resolution of currently pending legal proceedings, either individually or in the aggregate, will have a material adverse effect on our financial condition.

In August 2020, a lawsuit styled, In the Matter of FGL Holdings, was filed in the Grand Court of the Cayman Islands related to FNF's acquisition of F&G where dissenting shareholders, Kingfishers LP, Kingstown 1740 Fund LP, Kingstown Partners II LP, Kingstown Partners Master Ltd., and Ktown LP, asserted statutory appraisal rights relative to their ownership of 12,000,000 shares of F&G stock. They sought a judicial determination of the fair value of their shares of F&G stock as of the date of valuation under the law of the Cayman Islands, together with **interest, interest and legal costs**. On **September 5, 2022**, **October 5, 2022**, the Grand Court of the Cayman Islands decided in favor of F&G. **Kingstown Capital Management LP** The dissenting shareholders failed to appeal the fair value order, and its appeal period expired on **October 20, 2022**, **October 19, 2022**. **The result** On April 19, 2023 the Grand Court of the Cayman Islands determined that the dissenting shareholders should pay F&G's Cayman Islands legal expenses and discovery costs relating to the lawsuit, by way of interim payment of \$4 million with the balance to be determined after assessment. We are attempting to collect reimbursement of our expenses in this **case had no material adverse effect on our financial condition, lawsuit**.

From time to time we receive inquiries and requests for information from state insurance departments, attorneys general and other regulatory agencies about various matters relating to our business. Sometimes these take the form of civil investigative demands or subpoenas. We cooperate with all such inquiries and we have responded to or are currently responding to inquiries from multiple governmental agencies. From time to time, we are assessed fines for violations of regulations or other matters or enter into settlements with such authorities, which may require us to pay fines or claims or take other actions. We do not anticipate such fines and settlements, either individually or in the aggregate, will have a material adverse effect on our financial condition.

### Commitments

We have unfunded investment commitments as of **March 31, 2023**, **June 30, 2023** based upon the timing of when investments are executed compared to when the actual investments are funded, as some investments require that funding occur over a period of months or years. A summary of unfunded commitments by invested asset class as of **March 31, 2023**, **June 30, 2023** is included below (in millions):

March 31, June 30, 2023

Asset Type	
Unconsolidated VIEs:	
Limited partnerships	\$ 1,710 1,688
Whole loans	743 1,044
Fixed maturity securities, ABS	212 247
Direct Lending	1,000 910
Other fixed maturity securities, AFS	28 21
Commercial mortgage loans	29 16
Other assets	142 125
Residential mortgage loans Other invested assets	1 6
Committed amounts included in liabilities	1 2
<b>Total</b>	<b>\$ 3,866 4,059</b>

#### Note O — F&G Insurance Subsidiary Financial Information and Regulatory Matters

Our U.S. insurance subsidiaries, FGL Insurance, FGL NY Insurance, and Raven Re, Reinsurance Company ("Raven Re"), file financial statements with state insurance regulatory authorities and the National Association of Insurance Commissioners ("NAIC") that are prepared in accordance with Statutory Accounting Principles ("SAP") prescribed or permitted by such authorities, which may vary materially from GAAP. Prescribed SAP includes the Accounting Practices and Procedures Manual of the NAIC as well as state laws, regulations and administrative rules. Permitted SAP encompasses all accounting practices not so prescribed. The principal differences between SAP financial statements and financial statements prepared in accordance with GAAP are that SAP financial statements do not reflect VOBA, DAC, and DSI, some bond portfolios may be carried at amortized cost, assets and liabilities are presented net of reinsurance, contractholder liabilities are generally valued using more conservative assumptions and certain assets are non-admitted. Accordingly, SAP operating results and SAP capital and surplus may differ substantially from amounts reported in the GAAP basis financial statements for comparable items.

F&G Cayman Re Ltd and F&G Life Re Ltd (Bermuda) file financial statements with their respective regulators that are based on U.S. GAAP.

FGL Insurance applies Iowa-prescribed accounting practices that permit Iowa-domiciled insurers to report equity call options used to economically hedge FIA index credits at amortized cost for statutory accounting purposes and to calculate FIA statutory reserves such that index credit returns will be included in the reserve only after crediting to the annuity contract. Effective October 1, 2022, the Company incorporated IUL products under these Iowa-prescribed accounting practices. This resulted in a \$3 million \$202 million and \$152 million decrease to statutory capital and surplus at March 31, 2023 June 30, 2023 and December 31, 2022, respectively.

Based on a permitted practice received from the Iowa Insurance Department, FGL Insurance carries one of its limited partnership interests which qualifies for accounting under SSAP No. 48, "Investments in Joint Ventures, Partnerships and Limited Liability Companies" on a net asset value per share basis. This is a departure from SSAP No. 48 which requires such investments to be carried based on the investees underlying U.S. GAAP equity (prior to any impairment considerations). This resulted in a \$15 million and \$13 million increase to statutory capital and surplus at June 30, 2023 and December 31, 2022, respectively.

FGL Insurance's statutory carrying value of Raven Reinsurance Company ("Raven Re") Re reflects the effect of permitted practices Raven Re received to treat the available amount of a letter of credit as an admitted asset, which increased Raven Re's statutory capital and surplus by \$200 million and \$200 million at March 31, 2023 June 30, 2023 and December 31, 2022, respectively.

Raven Re is also permitted to follow Iowa prescribed statutory accounting practice for its reserves on reinsurance assumed from FGL Insurance. Without such permitted statutory accounting practices, Raven Re's statutory capital and surplus (deficit) and its risk-based capital would fall below the minimum regulatory requirements. The letter of credit facility is collateralized by NAIC 1 rated debt securities. If the permitted practice was revoked, the letter of credit could be replaced by the collateral assets with Nomura's consent. FGL Insurance's statutory carrying value of Raven Re was \$93 million \$107 million and \$121 million at March 31, 2023 June 30, 2023 and December 31, 2022, respectively.

As of March 31, 2023 June 30, 2023, FGL NY Insurance did not follow any prescribed or permitted statutory accounting practices that differ from the NAIC's statutory accounting practices.

The prescribed and permitted statutory accounting practices have no impact on our unaudited Condensed Consolidated Financial Statements, which are prepared in accordance with GAAP.

#### Note P — ASU 2018-12 Transition

F&G adopted ASU 2018-12 on January 1, 2023 with a transition date of January 1, 2021, or the beginning of the earliest period that will be presented in the annual December 31, 2023 Consolidated Financial Statements. We elected to adopt ASU 2018-12 using the full retrospective transition method and balances for FPB, DAC and balances amortized on a basis consistent with DAC (VOBA, DSI, and URL), and MRBs were adjusted to conform to ASU 2018-12 starting as of the FNF Acquisition Date. No hindsight was used for the full retrospective adoption of MRBs. As a result of adoption, the Company recorded a cumulative-effect adjustment, which increased opening 2021 retained earnings by \$73 million \$75 million, net of tax.

The following table summarizes the balance of and changes in the FPB on January 1, 2021 due to adoption of ASU 2018-12 (in millions):

	Immediate annuities		Traditional Life		Total (3)
<b>Balance, December 31, 2020</b>	\$	1,861	\$	2,144	\$ 4,005
Cumulative effect of retrospective adoption (1)		201		(279)	(78)

Effect of remeasurement of liability at current discount rate (2)		113	88	201
<b>Balance, January 1, 2021</b>	\$	2,175	\$ 1,953	\$ 4,128
Less: Reinsurance Recoverable		322	793	1,115
<b>Balance, January 1, 2021, net of reinsurance</b>	\$	1,853	\$ 1,160	\$ 3,013

(1) Adjustments for the cumulative effect of adoption of the new measurement guidance under the full retrospective method for contract issue years from the FNF Acquisition Date through December 31, 2020, net of the effects of any change in the DPL.

(2) The remeasurement of the liability at the current discount rate is reflected as an adjustment to opening AOCI upon the adoption of ASU 2018-12.

(3) PRT was not written as of the transition date, January 1, 2021, and as a result is not presented in the transition adjustment roll forward.

The following table summarizes the balance of and changes in VOBA on January 1, 2021 due to adoption of ASU 2018-12 (in millions):

		Fixed								Fixed							
		rate	Immediate	Universal	Traditional					rate	Immediate	Universal	Traditional				
		FIA	annuities	annuities	Life	Life	Total			FIA	annuities	annuities	Life	Life	Total		
<b>Balance, December 31, 2020</b>	<b>Balance, December 31, 2020</b>	\$1,208	\$ 15	\$ 86	\$ 139	\$ 18	\$1,466	<b>Balance, December 31, 2020</b>	<b>Balance, December 31, 2020</b>	\$1,208	\$ 15	\$ 86	\$ 139	\$ 18	\$1,466		
Adjustment for reversal of AOCI adjustments (1)	Adjustment for reversal of AOCI adjustments (1)	208	24	—	29	22	283	Adjustment for reversal of AOCI adjustments (1)	Adjustment for reversal of AOCI adjustments (1)	208	24	—	29	(29)	232		
Cumulative effect of retrospective adoption (2)	Cumulative effect of retrospective adoption (2)	(14)	7	(5)	(9)	(1)	(22)	Cumulative effect of retrospective adoption (2)	Cumulative effect of retrospective adoption (2)	(14)	7	(5)	(9)	(1)	(22)		
Transition opening balance adjustment (3)	Transition opening balance adjustment (3)	69	2	144	5	43	263	Transition opening balance adjustment (3)	Transition opening balance adjustment (3)	69	2	145	5	43	264		
<b>Balance, January 1, 2021</b>	<b>Balance, January 1, 2021</b>	\$1,471	\$ 48	\$ 225	\$ 164	\$ 82	\$1,990	<b>Balance, January 1, 2021</b>	<b>Balance, January 1, 2021</b>	\$1,471	\$ 48	\$ 226	\$ 164	\$ 31	\$1,940		

(1) Prior period "shadow" adjustments in AOCI have been reversed upon the adoption of ASU 2018-12 from opening AOCI.

(2) Adjustments for the cumulative effect of adoption of the simplified amortization methodology under the full retrospective method for contract issue years from the FNF acquisition date through December 31, 2020

(2)  
Adjustments  
for the  
cumulative  
effect of  
adoption of  
the simplified  
amortization  
methodology  
under the full  
retrospective  
method from  
the FNF  
acquisition  
date through  
December 31,  
2020.

(2) Adjustments for the cumulative effect of adoption of the simplified amortization methodology under the full retrospective method from the FNF acquisition date through December 31, 2020.

(3) Adjustments for the change in VOBA due to the full retrospective adjustment of carrying amounts of acquired contracts as of the FNF Acquisition Date due to the adoption of ASU 2018-12.

The following table summarizes the balance of and changes in DAC on January 1, 2021 due to adoption of ASU 2018-12 (in millions):

		Fixed rate Universal						Fixed rate Universal			
		FIA	annuities	Life	Total			FIA	annuities	Life	Total
<b>Balance, December 31, 2020</b>	<b>Balance, December 31, 2020</b>	\$167	\$ 14	\$ 41	\$222	<b>Balance, December 31, 2020</b>	<b>Balance, December 31, 2020</b>	\$167	\$ 14	\$ 41	\$222
Adjustment for reversal of AOCI adjustments (1)	Adjustment for reversal of AOCI adjustments (1)	15	2	8	25	Adjustment for reversal of AOCI adjustments (1)	Adjustment for reversal of AOCI adjustments (1)	15	2	8	25
Cumulative effect of retrospective adoption (2)	Cumulative effect of retrospective adoption (2)	(1)	—	(1)	(2)	Cumulative effect of retrospective adoption (2)	Cumulative effect of retrospective adoption (2)	(1)	—	(1)	(2)
<b>Balance, January 1, 2021</b>	<b>Balance, January 1, 2021</b>	\$181	\$ 16	\$ 48	\$245	<b>Balance, January 1, 2021</b>	<b>Balance, January 1, 2021</b>	\$181	\$ 16	\$ 48	\$245

(1) Prior period "shadow" adjustments in AOCI have been reversed upon the adoption of ASU 2018-12 from opening AOCI.

(2) Adjustments for the cumulative effect of adoption of the simplified amortization methodology under the full retrospective method for contract issue years from the FNF Acquisition Date through December 31, 2020

(2)	(2)
Adjustments for the cumulative effect of adoption of the simplified amortization methodology under the full retrospective method for contract issue years from the FNF Acquisition Date through December 31, 2020.	Adjustments for the cumulative effect of adoption of the simplified amortization methodology under the full retrospective method for contract issue years from the FNF Acquisition Date through December 31, 2020.

The following table summarizes the balance of and changes in DSI on January 1, 2021 due to adoption of ASU 2018-12 (in millions):

		FIA Total				FIA Total	
		FIA	Total			FIA	Total
<b>Balance, December 31, 2020</b>	<b>Balance, December 31, 2020</b>	\$36	\$ 36	<b>Balance, December 31, 2020</b>	<b>Balance, December 31, 2020</b>	\$36	\$ 36
Adjustment for reversal of AOCI adjustments (1)	Adjustment for reversal of AOCI adjustments (1)	5	5	Adjustment for reversal of AOCI adjustments (1)	Adjustment for reversal of AOCI adjustments (1)	5	5

Cumulative effect of retrospective adoption (2)	Cumulative effect of retrospective adoption (2)	4	4	Cumulative effect of retrospective adoption (2)	4	4
<b>Balance, January 1, 2021</b>	<b>Balance, January 1, 2021</b>	\$45	\$45	<b>Balance, January 1, 2021</b>	\$45	\$45

(1) Prior period "shadow" adjustments in AOCI have been reversed upon the adoption of ASU 2018-12 from opening AOCI.

(2) Adjustments for the cumulative effect of adoption of the simplified amortization methodology under the full retrospective method for contract issue years from the FNF Acquisition Date through December 31, 2020	
(2)	(2)
Adjustments	Adjustments
for the	for the
cumulative	cumulative
effect of	effect of
adoption of	adoption of
the	the
simplified	simplified
amortization	amortization
methodology	methodology
under the	under the
full	full
retrospective	retrospective
method for	method for
contract	contract
issue years	issue years
from the	from the
FNF	FNF
Acquisition	Acquisition
Date	Date
through	through
December	December
31, 2020.	31, 2020.

The following table summarizes the balance of and changes in URL on January 1, 2021 due to adoption of ASU 2018-12 (in millions):

		Universal			Universal		
		Life	Total		Life	Total	
<b>Balance, December 31, 2020</b>	<b>Balance, December 31, 2020</b>	\$	2 \$ 2	<b>Balance, December 31, 2020</b>	\$	2 \$ 2	
Adjustment for reversal of AOCI adjustments (1)	Adjustment for reversal of AOCI adjustments (1)		25 25	Adjustment for reversal of AOCI adjustments (1)		25 25	
Cumulative effect of retrospective adoption (2)	Cumulative effect of retrospective adoption (2)		2 2	Cumulative effect of retrospective adoption (2)		2 2	
<b>Balance, January 1, 2021</b>	<b>Balance, January 1, 2021</b>	\$	29 \$ 29	<b>Balance, January 1, 2021</b>	\$	29 \$ 29	

(1) Prior period "shadow" adjustments in AOCI have been reversed upon the adoption of ASU 2018-12 from opening AOCI.

(2) Adjustments for the cumulative effect of adoption of the simplified amortization methodology under the full retrospective method for contract issue years from the FNF Acquisition Date through December 31, 2020	
(2)	(2)
Adjustments	Adjustments
for the	for the
cumulative	cumulative
effect of	effect of
adoption of	adoption of
the	the
simplified	simplified
amortization	amortization
methodology	methodology
under the	under the
full	full
retrospective	retrospective
method for	method for
contract	contract
issue years	issue years
from the	from the
FNF	FNF
Acquisition	Acquisition
Date	Date
through	through
December	December
31, 2020.	31, 2020.

The following table summarizes the balance of and changes in the asset and liability position of MRBs on January 1, 2021 due to adoption of ASU 2018-12 (in millions):

	Fixed rate				Fixed rate			
	FIA	annuities	Total		FIA	annuities	Total	
Balance, December 31, 2020 - Carrying amount of MRBs under prior guidance (1)	Balance, December 31, 2020 - Carrying amount of MRBs under prior guidance (1)	\$ 531	\$ —	\$ 531	Balance, December 31, 2020 - Carrying amount of MRBs under prior guidance (1)	\$ 531	\$ —	\$ 531
Adjustment for reversal of AOCI adjustments (2)	Adjustment for reversal of AOCI adjustments (2)	(116)	—	(116)	Adjustment for reversal of AOCI adjustments (2)	(116)	—	(116)



	Cumulative effect of the changes in the instrument-specific credit risk between the original contract issuance date and the transition date (3)	159	—	159		Cumulative effect of the changes in the instrument-specific credit risk between the original contract issuance date and the transition date (3)	159	—	159
Remaining cumulative difference (exclusive of the instrument specific credit risk change) between June 1, 2020 carrying amount and fair value measurement for the MRBs (4)					(96)	1	(95)		
Remaining cumulative difference (exclusive of the instrument specific credit risk change) between December 31, 2020 carrying amount and fair value measurement for the MRBs (4)								(96)	1 (95)
Balance, January 1, 2021 - Market risk benefits at fair value	Balance, January 1, 2021 - Market risk benefits at fair value	\$478	\$	1	\$479	Balance, January 1, 2021 - Market risk benefits at fair value	\$478	\$	1 \$479
Less: Reinsurance Recoverable	Less: Reinsurance Recoverable	—	—	—		Less: Reinsurance Recoverable	—	—	—
Balance, January 1, 2021, net of reinsurance	Balance, January 1, 2021, net of reinsurance	\$478	\$	1	\$479	Balance, January 1, 2021, net of reinsurance	\$478	\$	1 \$479

(2) Prior  
period  
"shadow"

(4) The cumulative

(1) The pre-adoption balance as of December 31, adjustments (3) The cumulative effective difference (exclusive of 2020 balance for MRBs represents the contract in AOCI have of the change in instrument-instrument-specific credit features that meet the definition of an MRB under been specific credit risk between risk change) between the ASU 2018-12 and the related carrying amount of reversed the FNF Acquisition Date or, pre-adoption carrying those features prior to the ASU. Those contract upon the if later, the original contract amount and the fair value features were previously accounted for at fair value as adoption of issuance date and the measurement for MRBs is a derivative or embedded derivative under ASC 815 ASU 2018-12 transition date to ASU 2018- recorded as an adjustment or as an additional liability for annuitization benefits or from opening 12, which is recorded as an to opening retained death or other insurance benefits under ASC 944. AOCI. adjustment to opening AOCI. earnings.

The following table presents the effect of transition adjustments on Equity on January 1, 2021 due to the adoption of ASU 2018-12 (in millions):

	January 1, 2021		January 1, 2021			
	Retained Earnings	AOCI	Retained Earnings	AOCI		
Contractholder funds	Contractholder funds	\$ 100	\$ 115	Contractholder funds	\$ 101	\$ 115
MRB	MRB	29	(159)	MRB	30	(160)
FPB	FPB	(15)	(159)	FPB	(14)	(159)
VOBA	VOBA	(21)	233	VOBA	(21)	233
DAC	DAC	(1)	5	DAC	(1)	5
Increase to Equity, gross of tax	Increase to Equity, gross of tax	\$ 92	\$ 35	Increase to Equity, gross of tax	\$ 95	\$ 34
Tax impact	Tax impact	19	9	Tax impact	20	9
Increase to Equity, net of tax	Increase to Equity, net of tax	\$ 73	\$ 26	Increase to Equity, net of tax	\$ 75	\$ 25

For MRBs, the transition adjustment reflected within the unaudited Condensed Consolidated Statements of Comprehensive Earnings relates to the cumulative effect of changes in the instrument-specific credit risk between contract issue date and transition date. The remaining difference between the fair value and carrying amount of the MRBs at transition, excluding the amounts recorded in the unaudited Condensed Consolidated Statements of Comprehensive Earnings, was recorded as an adjustment to Retained Earnings as of the transition date.

For the FPB, the net transition adjustment is primarily related to the difference in the discount rate used pre-transition and the discount rate at January 1, 2021, partially offset by the removal of provisions for adverse deviation from the cash flow assumptions used in the FPB calculation. At transition, we did not identify any instances, at the cohort level, where net premiums exceeded gross premiums.

Before the adoption of ASU 2018-12, VOBA was amortized consistent with DAC, which was amortized over the lives of the policies in relation to the expected emergence of estimated gross profits ("EGPs"). Based on our historical practice of using consistent amortization methods for VOBA and DAC, we elected to change the amortization method for VOBA associated with fixed rate annuities, FIAs, and IUL/Universal Life ("UL") products to maintain consistency with the amortization method for DAC. At transition, VOBA associated with these product types is amortized on a constant level basis for the grouped contracts over the expected term of the related contracts to approximate straight-line amortization. Additionally, at transition, shadow adjustments previously recorded in the unaudited Condensed Consolidated Statements of Comprehensive Earnings, consistent with the historic amortization of DAC, have been removed.

For DAC, DSI and URL, we removed shadow adjustments previously recorded in the unaudited Condensed Consolidated Statements of Comprehensive Earnings for the impact of unrealized gains and losses that were included in the pre-transition expected gross profits amortization calculation as of the transition date.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding our expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. It is important to note that our actual results could vary materially from those forward-looking statements contained herein due to many factors, including, but not limited to: the potential impact of our business relationships, including with our employees, customers and competitors; changes in general economic, business and political conditions, including changes in the financial markets; weakness or adverse changes in the level of activity in our sector or the sectors of our affiliated companies, which may be caused by, among other things, high or increasing interest rates, or a weak U.S. economy; significant competition that our operating subsidiaries face; compliance with extensive government regulation; and other risks detailed in the "Statement Regarding Forward-Looking Information," "Risk Factors" and other sections of our Annual Report on Form 10-K (our "Annual Report") for the year ended December 31, 2022 and other filings with the SEC. The following discussion should be read in conjunction with our our Annual Report on Form 10-K for the year ended December 31, 2022, filed on February 27, 2023, as amended by Amendment No. 1 on Form 10-K/A filed on April 27, 2023, (collectively our "Annual Report") and our Current Report on Form 8-K, filed on July 13, 2023, to update our Annual Report for changes in accounting for long-duration contracts by insurance companies as discussed below in "Overview."

The following discussion should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2022.

### Overview

For a description of our business, including descriptions of recent business developments, see the discussion in Note A - *Basis of Financial Statements* in the accompanying unaudited Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q, which is incorporated by reference into this Part I, Item 2.

We adopted Accounting Standards Update ("ASU") 2018-12, Financial Services-Insurance (Topic 944), Targeted Improvements to the Accounting for Long-Duration Contracts ("ASU 2018-12") on January 1, 2023, with a transition date of January 1, 2021, or the beginning of the earliest period that will be presented in the annual December 31, 2023 Consolidated Financial Statements. We elected to adopt ASU 2018-12 using the full retrospective transition method and balances for liability for future policy benefits ("FPB"), deferred acquisition costs ("DAC") and balances amortized on a basis consistent with DAC (value of business acquired ("VOBA"), deferred sales inducements ("DSI"), and unearned revenue liabilities ("URL"), and market risk benefits ("MRBs") were adjusted to conform to ASU 2018-12 starting as of the FNF acquisition date, June 1, 2020 (the "FNF Acquisition Date"). The 2022 and 2021 financial information contained herein have been adjusted for our full retrospective adoption of this update.

## Business Trends and Conditions

The following factors represent some of the key trends and uncertainties that have influenced the development of the Company and its historical financial performance, and we believe these key trends and uncertainties will continue to influence the business and financial performance of the Company in the future.

### Market Conditions

Market volatility has affected, and may continue to affect, our business and financial performance in varying ways. Volatility can pressure sales and reduce demand as consumers hesitate to make financial decisions. To enhance the attractiveness and profitability of our products and services, we continually monitor the behavior of our customers, as evidenced by annuitization rates and lapse rates, which vary in response to changes in market conditions. See "Risk Factors" in this Quarterly Report on Form 10-Q and Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2022 for further discussion of risk factors that could affect market conditions.

### Interest Rate Environment

Some of our products include guaranteed minimum crediting rates, most notably our fixed rate annuities. As of March 31, 2023, June 30, 2023 and December 31, 2022, our reserves, net of reinsurance, and average crediting rate on our fixed rate annuities were \$11 billion, \$6 billion and 3%, respectively, and \$6 billion and 3%, respectively. We are required to pay the guaranteed minimum crediting rates even if earnings on our investment portfolio decline, which would negatively impact earnings. In addition, we expect more policyholders to hold policies with comparatively high guaranteed rates for a longer period in a low interest rate environment. Conversely, a rise in average yield on our investment portfolio would increase earnings if the average interest rate we pay on our products does not rise correspondingly. Similarly, we expect that policyholders would be less likely to hold policies with existing guarantees as interest rates rise and the relative value of other new business offerings are increased, which would negatively impact our earnings and cash flows.

See "Quantitative and Qualitative Disclosure about Market Risk" and "Risk Factors" in this Quarterly Report on Form 10-Q for a more detailed discussion of interest rate risk.

### Aging of the U.S. Population

We believe that the aging of the U.S. population will increase the demand for our fixed index annuity ("FIA") and indexed universal life ("IUL") products. As the "baby boomer" generation prepares for retirement, we believe that demand for retirement savings, growth, and income products will grow. Over 10,000 people will turn 65 each day in the United States over the next 15 years, and according to the U.S. Census Bureau, the proportion of the U.S. population over the age of 65 is expected to grow from 18% in 2022 to 21% in 2035. The impact of this growth may be offset to some extent by asset outflows as an increasing percentage of the population begins withdrawing assets to convert their savings into income.

### Industry Factors and Trends Affecting Our Results of Operations

We operate in the sector of the insurance industry that focuses on the needs of middle-income Americans. The underserved middle-income market represents a major growth opportunity for us. As a tool for addressing the unmet need for retirement planning, we believe that many middle-income Americans have grown to appreciate the financial certainty that we believe annuities such as our FIA products afford. For example, the FIA market grew from nearly \$12 billion of sales in 2002 to \$79 billion of sales in 2022. Additionally, this market demand has positively impacted the IUL market as it has expanded from \$100 million of annual premiums in 2002 to \$3 billion of annual premiums in 2022.

See Item 7 of Part II of our Annual Report on Form 10-K for the year ended December 31, 2022 for a more detailed discussion of industry factors and trends affecting our Results of Operations.

## Critical Accounting Policies and Estimates

The accounting estimates described in Item 7 of Part II of our Annual Report on Form 10-K for the year ended December 31, 2022 and as updated below for changes required by the adoption of ASC 2018-12, are those we consider critical in preparing our Condensed Consolidated Financial Statements. Management is required to make estimates and assumptions that can affect the reported amounts of assets and liabilities and disclosures with respect to contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates. See Note A - *Basis of Financial Statements* included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional description of certain significant accounting policies that have been followed in preparing our Condensed Consolidated Financial Statements.

### Reserves for Future Policy Benefits and Certain Information on Contractholder Funds

The determination of future policy benefit (FPB) reserves is dependent on actuarial assumptions. The principal assumptions used to establish liabilities for future policy benefits (FPBs) are established at issue of the contract and include discount rates, mortality, and cash surrender or policy lapse for our traditional life insurance products. The

assumptions used require considerable judgment. We review policyholder behavior experience at least annually and update these assumptions when deemed necessary based on additional information that becomes available. Discount rate assumptions are updated at each reporting period and also incorporate changes in risk free rates and option market

values. Changes in, or deviations from, the assumptions previously used can significantly affect our reserve levels and related results of operations in a positive or negative direction.

Mortality refers to the incidence of death on covered lives, which triggers contractual death benefit provisions. On our deferred annuities and life insurance products, these provisions may allow for lump sum payments, payments over a period of time, or spousal continuation of the contract. On our life-contingent immediate annuities, the death of a named annuitant or pension risk transfer ("PRT") certificate holder may trigger the cessation or reduction of future life-contingent payments due, depending on the presence of a joint annuitant/certificate holder and any remaining guaranteed non-life contingent payment periods. We utilize a combination of internal and industry experience when setting our mortality assumptions.

A surrender rate is the percentage of account value surrendered by the policyholder in exchange for receipt of a cash surrender value. A lapse rate is the percentage of account value canceled by us due to nonpayment of premiums required to maintain coverage on our life insurance products. We make estimates of expected full and partial surrenders of our deferred annuity products, based on a combination of internal and industry experience. Management's best estimate of surrender behavior generally represents a medium-to-long term perspective, as we expect to experience a range of policyholder behavior and market conditions period to period. If actual surrender rates are significantly different from those estimated, such differences could have a significant effect on our reserve levels and related results of operations.

Discount rates refers to the interest rates used to discount future cash flows to the current period to determine a present value. For liability for **future policy benefit ("FPB") FPB** reserves the discount rate used is based on the yield curve for A-rated corporate bonds as of the valuation date. Changes in the discount rates from the at-issue or at-purchase discount rates flow through other comprehensive income ("OCI").

Our aggregate reserves for **contractholder Contractholder funds**, **future policy benefits FPBs** and **market risk benefits MRBs** on a direct and net basis as of **March 31, 2023 June 30, 2023** and December 31, 2022 are summarized as follows (dollars in millions):

		As of March 31, 2023					As of June 30, 2023		
		Deposit Asset/ Reinsurance Recoverable					Deposit Asset/ Reinsurance Recoverable		
		Direct		Net			Direct		Net
Fixed indexed annuities ("FIA")	Fixed indexed annuities ("FIA")	\$ 25,765	\$ (16)	\$ 25,749	Fixed indexed annuities ("FIA")	\$ 26,518	\$ (17)	\$ 26,501	
Fixed rate annuities	Fixed rate annuities	10,646	(4,691)	5,955	Fixed rate annuities	11,484	(5,431)	6,053	
Single premium immediate annuities ("SPIA") and other	Single premium immediate annuities ("SPIA") and other	1,854	(86)	1,768	Single premium immediate annuities ("SPIA") and other	1,810	(116)	1,694	
IUL and other life	IUL and other life	3,595	(1,568)	2,027	IUL and other life	3,651	(1,512)	2,139	
Funding agreement backed notes ("FABN")	Funding agreement backed notes ("FABN")	4,751	—	4,751	Funding agreement backed notes ("FABN")	4,756	—	4,756	
PRT	PRT	2,463	—	2,463	PRT	2,879	—	2,879	
<b>Total</b>	<b>Total</b>	<b>\$ 49,074</b>	<b>\$ (6,361)</b>	<b>\$ 42,713</b>	<b>Total</b>	<b>\$ 51,098</b>	<b>\$ (7,076)</b>	<b>\$ 44,022</b>	

  

		As of December 31, 2022		
		Deposit Asset/ Reinsurance Recoverable		
		Direct		Net
FIA		\$ 24,704	\$ (16)	\$ 24,688
Fixed rate annuities		9,360	(3,723)	5,637
SPIA and other		1,829	(118)	1,711
IUL and other life		3,486	(1,560)	1,926
FABN		4,595	—	4,595
PRT		2,172	—	2,172
<b>Total</b>		<b>\$ 46,146</b>	<b>\$ (5,417)</b>	<b>\$ 40,729</b>

FIA and IUL products contain an embedded derivative; a feature that permits the holder to elect an interest rate return or an equity-index linked component, where interest credited to the contract is linked to the performance of various equity indices. The FIA/IUL embedded derivatives are valued at fair value and included in the liability for Contractholder funds in our Condensed Consolidated Balance Sheets with changes in fair value included as a component of Benefits and other changes in policy reserves in our unaudited Condensed Consolidated Statements of Operations.

For life-contingent immediate annuity policies (which includes life-contingent PRT annuities), gross premiums received in excess of net premiums are deferred at initial recognition as a deferred profit liability ("DPL"). Gross premiums are measured using assumptions consistent with those used in the measurement of the related liability for **future policy benefits**. **FPBs**.

#### **Valuation of Fixed Maturity, Preferred and Equity Securities, and Derivatives and Reinsurance Recoverable**

Our investments in fixed maturity securities have been designated as available-for-sale ("AFS") and are carried at fair value, net of allowance for expected credit losses, with unrealized gains and losses included within accumulated other comprehensive income (loss) ("AOCI"), net of deferred income taxes. Our equity securities are carried at fair value with unrealized gains and losses included in net income (loss). Realized gains and losses on the sale of investments are determined on the basis of the cost of the specific investments sold and are credited or charged to income on a trade date basis.

Management's assessment of all available data when determining fair value of the AFS securities is necessary to appropriately apply fair value accounting. Management utilizes information from independent pricing services, who take into account perceived market movements and sector news, as well as a security's terms and conditions, including any features specific to that issue that may influence risk and marketability. Depending on the security, the priority of the use of observable market inputs may change as some observable market inputs may not be relevant or additional inputs may be necessary. We generally obtain one value from our primary external pricing service. In situations where a price is not available from the independent pricing service, we may obtain broker quotes or prices from additional parties recognized to be market participants. We believe the broker quotes are prices at which trades could be executed based on historical trades executed at broker-quoted or slightly higher prices. When quoted prices in active markets are not available, the determination of estimated fair value is based on market standard valuation methodologies, including discounted cash flows, matrix pricing, or other similar techniques.

We validate external valuations at least quarterly through a combination of procedures that include the evaluation of methodologies used by the pricing services, comparisons to valuations from other independent pricing services, analytical reviews and performance analysis of the prices against trends, and maintenance of a securities watch list. See Note B - *Fair Value of Financial Instruments* and Note C - *Investments* to our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

The fair value of derivative assets and liabilities is based upon valuation pricing models and represents what we would expect to receive or pay at the balance sheet date if we canceled the options, entered into offsetting positions, or exercised the options. Fair values for these instruments are determined internally using a conventional model and market observable inputs, including interest rates, yield curve volatilities and other factors. Credit risk related to the counterparty is considered when estimating the fair values of these derivatives. However, we are largely protected by collateral arrangements with counterparties when individual counterparty exposures exceed certain thresholds. The fair value of futures contracts (specifically for FIA contracts) at the balance sheet date represents the cumulative unsettled variation margin (open trade equity net of cash settlements). The fair values of the embedded derivatives in our FIA and IUL contracts are derived using market value of options, use of current and budgeted option cost, swap rates, mortality rates, surrender rates, partial withdrawals, and non-performance spread and are classified as Level 3. The discount rate used to determine the fair value of our FIA/IUL embedded derivative liabilities includes an adjustment to reflect the risk that these obligations will not be fulfilled ("non-performance risk"). For the **quarter six months ended March 31, 2023** **June 30, 2023** and the year ended December 31, 2022, our non-performance risk adjustment was based on the expected loss due to default in debt obligations for similarly rated financial companies. See Note B - *Fair Value of*

*Financial Instruments* and Note D - *Derivative Financial Instruments* to our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

As discussed in Note E - *Reinsurance* of our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, FGL Insurance entered into a reinsurance agreement with Kubera effective December 31, 2018, to cede certain MYGAs and other fixed rate annuity GAAP and statutory reserves on a coinsurance funds withheld basis, net of applicable existing reinsurance. Effective October 31, 2021, this agreement was novated from Kubera to Somerset. Additionally, FGL Insurance entered into a reinsurance agreement with Aspida Re effective January 1, 2021, and amended in August 2021 and September 2022, to cede a quota share of MYGA business on a funds withheld basis. Fair value movements in the funds withheld balances associated with these arrangements create an obligation for FGL Insurance to pay Somerset and Aspida Re at a later date, which results in embedded derivatives. These embedded derivatives are considered total return swaps with contractual returns that are attributable to the assets and liabilities associated with the reinsurance arrangements. The fair value of the total return swaps are based on the change in fair value of the underlying assets held in the funds withheld portfolio. Investment results for the assets that support the coinsurance with funds withheld reinsurance arrangement, including gains and losses from sales, are passed directly to the reinsurer pursuant to contractual terms of the reinsurance arrangement. The reinsurance related embedded derivatives are reported in Prepaid expenses and other assets if in a net gain position, or Accounts payable and accrued liabilities, if in a net loss position on the Condensed Consolidated Balance Sheets. The related gains or losses are reported in Recognized gains and (losses), net on the unaudited Condensed Consolidated Statements of Operations.

#### **Market Risk Benefits**

MRBs are contracts or contract features that both provide protection to the contract holder from other-than-nominal capital market risk (equity, interest and foreign exchange risk) and expose the Company to other-than-nominal capital market risk. MRBs include certain contract features primarily on FIA contracts that provide minimum guarantees to policyholders, such as Guaranteed Minimum Death Benefit ("GMDBs") and Guaranteed Minimum Withdrawal Benefits ("GMWBs") riders. MRBs are measured at fair value using a risk neutral valuation method, which is based on current net amounts at risk, market data, internal and industry experience, and other factors.

The principal policyholder behavior assumptions used to calculate MRBs are established at issue of the contract and include mortality, contract full and partial surrenders, and utilization of the GMWB rider benefits. The assumptions used reflect a combination of internal experience, industry experience, and judgment. We review overall policyholder behavior experience at least annually and update these assumptions when deemed necessary based on additional information that becomes available. Changes in, or deviations from, the assumptions previously used can significantly affect our MRBs and related results of operations in a positive or negative direction.

Mortality refers to the incidence of death amongst policyholders on covered lives, which triggers contractual death benefit provisions. These provisions may allow for lump sum payments, payments over a period of time, or spousal continuation of the contract. We utilize a combination of actual internal and industry experience when setting our mortality assumptions.

A surrender rate is the percentage of account value surrendered by the policyholder in exchange for receipt of a cash surrender value. We make estimates of expected full and partial surrenders of our deferred annuity products based on a combination of internal and industry experience. Management's best estimate of surrender generally represents a medium-to-long term perspective, as we expect to experience a range of policyholder behavior and market conditions period to period. If actual surrender rates are significantly different from those estimated, such differences could have a significant effect on our MRBs and related results of operations.

We have been issuing GMWB products since 2008. We make assumptions for policyholder behavior as it relates to GMWB utilization using a higher degree of industry experience and judgment than our other behavioral assumptions because internal experience, which we review annually, is still emerging. If emerging experience deviates from our assumptions on GMWB utilization, it could have a significant effect on MRBs and related results of operations.

## Business Overview

We have five distribution channels across retail and institutional markets. Our three retail channels include agent-based Independent Marketing Organizations ("IMOs"), banks and broker dealers. We have deep, long-tenured relationships with our network of leading IMOs and their agents to serve the needs of the middle-income market and develop competitive annuity and life products to align with their evolving needs. Upon FNF's acquisition of F&G on June 1, 2020 (the "FNF Acquisition"), and F&G's subsequent rating upgrades in mid-2020, we launched into banks and broker dealers. Further, in 2021, we launched two institutional channels to originate Funding Agreement Backed Notes ("FABN") and PRT transactions. The FABN Program offers funding agreements to institutional clients by means of capital markets transactions through investment banks. The funding agreements issued under the FABN Program are in addition to those issued to the Federal Home Loan Bank of Atlanta ("FHLB"). The PRT solutions business was launched by building an experienced team and then working with brokers and institutional consultants for distribution. These markets leverage our existing team's spread-based capabilities as well as our strategic partnership with Blackstone.

In setting the features and pricing of our flagship FIA products relative to our targeted net margin, we take into account our expectations regarding (1) the difference between the net investment income we earn and the sum of the interest credited to policyholders and the cost of hedging our risk on the policies; (2) fees, including surrender charges and rider fees, partly offset by vesting bonuses that we pay our policyholders; and (3) a number of related expenses, including benefits and changes in reserves, acquisition costs, and general and administrative expenses.

On March 16, 2022, FNF announced its intention to partially spin off F&G through a dividend to FNF shareholders. On December 1, 2022, FNF distributed, on a pro rata basis, approximately 15% of the common stock of F&G. FNF retained control of F&G through ownership of approximately 85% of F&G common stock. Effective December 1, 2022, F&G commenced "regular-way" trading of its common stock on the New York Stock Exchange ("NYSE") under the symbol "FG".

## Key Components of Our Historical Results of Operations

Through our insurance subsidiaries, we issue a broad portfolio of deferred annuities (FIA and fixed rate annuities), IUL insurance, immediate annuities, funding agreements and PRT solutions. A deferred annuity is a type of contract that accumulates value on a tax deferred basis and typically begins making specified periodic or lump sum payments a certain number of years after the contract has been issued. IUL insurance is a complementary type of contract that accumulates value in a cash value account and provides a payment to designated beneficiaries upon the policyholder's death. An immediate annuity is a type of contract that begins making specified payments within one annuity period (e.g., one month or one year) and typically makes payments of principal and interest earnings over a period of time.

Under GAAP, premium collections for deferred annuities (FIAs and fixed rate annuities), immediate annuities and PRT without life contingency, and deposits received for funding agreements are reported in the financial statements as deposit liabilities (i.e., contractholder funds) instead of as sales or revenues. Similarly, cash payments to customers are reported as decreases in the liability for contractholder funds and not as expenses. Sources of revenues for products accounted for as deposit liabilities are net investment income, surrender, cost of insurance and other charges deducted from contractholder funds (i.e. amortization of URL), and net realized gains (losses) on investments. Components of expenses for products accounted for as deposit liabilities are interest-sensitive and index product benefits (primarily interest credited to account balances or the hedging cost of providing index credits to the policyholder), amortization of VOBA, DAC, DSI and URL, other operating costs and expenses, and income taxes.

F&G hedges certain portions of its exposure to product related equity market risk by entering into derivative transactions. We purchase derivatives consisting predominantly of call options and, to a lesser degree, futures contracts (specifically for FIA contracts) on the equity indices underlying the applicable policy. These derivatives are used to offset the reserve impact of the index credits due to policyholders under the FIA and IUL contracts. The

majority of all such call options are one-year options purchased to match the funding requirements underlying the FIA/IUL contracts. We attempt to manage the cost of these purchases through the terms of our FIA/IUL contracts, which permit us to change caps, spread, or participation rates on each policy's annual anniversary, subject to certain guaranteed minimums that must be maintained. The call options and futures contracts are marked to fair value with the change in fair value included as a component of net investment gains (losses). The change in fair value of the call options and futures contracts includes the gains and losses recognized at the expiration of the instruments' terms or upon early termination and the changes in fair value of open positions.

As noted above, MRBs are contracts or contract features that both provide protection to the contract holder from other-than-nominal capital market risk (equity, interest and foreign exchange risk) and expose the Company to other-than-nominal capital market risk. MRBs are measured at fair value using a risk neutral valuation method, which is based on current net amounts at risk, market data, internal and industry experience, and other factors. The change in fair value of MRBs generally reflects impacts from actual policyholder behavior (including surrenders of the benefit), changes in interest rates, and changes in equity market returns. Generally higher interest rates and equity returns result in gains whereas lower interest rates and equity returns result in losses.

Earnings from products accounted for as deposit liabilities are primarily generated from the excess of net investment income earned over the sum of interest credited to policyholders and the cost of hedging our risk on FIA/IUL policies. With respect to FIAs/IULs, the cost of hedging our risk includes the expenses incurred to fund the index credits.



Proceeds received upon expiration or early termination of call options purchased to fund annual index credits are recorded as part of the change in fair value of derivatives, and are largely offset by an expense for index credits earned on annuity contractholder fund balances.

Our profitability depends in large part upon the amount of AUM (see “—Non-GAAP Financial Measures”), the excess of net investment income earned over the sum of interest credited to policyholders and the cost of hedging our risk on indexed product policies, earned on our average assets under management (“AAUM” — see “—Non-GAAP Financial Measures”), our ability to manage our operating expenses and the costs of acquiring new business (principally commissions to agents and bonuses credited to policyholders). As we grow AUM, earnings generally increase. AUM increases when cash inflows, which include sales, exceed cash outflows. Managing the excess of net investment income earned over the sum of interest credited to policyholders and the cost of hedging our risk on indexed product policies, involves the ability to maximize returns on our AUM and minimize risks such as interest rate changes and defaults or impairment of investments. It also includes our ability to manage interest rates credited to policyholders and costs of the options and futures purchased to fund the annual index credits on the FIA/IULs. We analyze returns on AAUM to measure our profitability.

#### Non-GAAP Financial Measures

In addition to reporting financial results in accordance with GAAP, this report Quarterly Report on Form 10-Q includes non-GAAP financial measures, which the Company believes are useful to help investors better understand its financial performance, competitive position and prospects for the future. Management believes these non-GAAP financial measures may be useful in certain instances to provide additional meaningful comparisons between current results and results in prior operating periods. Our non-GAAP measures may not be comparable to similarly titled measures of other organizations because other organizations may not calculate such non-GAAP measures in the same manner as we do. The presentation of this financial information is not intended to be considered in isolation of or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. By disclosing these non-GAAP financial measures, the Company believes it offers investors a greater understanding of, and an enhanced level of transparency into, the means by which the Company's management operates the Company. Any non-GAAP measures should be considered in context with the GAAP financial presentation and should not be considered in isolation or as a substitute for GAAP net earnings, net earnings attributable to common shareholders, or any other measures derived in accordance with GAAP as measures of operating performance or liquidity. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures are provided within this Quarterly Report on Form 10-Q.

#### Adjusted Net Earnings

Adjusted net earnings is a non-GAAP economic measure we use to evaluate financial performance each period. Adjusted net earnings is calculated by adjusting net earnings (loss) from continuing operations to eliminate:

- (i) Recognized (gains) and losses, net: the impact of net investment gains/losses, including changes in allowance for expected credit losses and other than temporary impairment (“OTTI”) losses, recognized in operations; and the effect of changes in fair value of the reinsurance related embedded derivative;
- (ii) Market related liability adjustments: the impacts related to changes in the fair value, including both realized and unrealized gains and losses, of index product related derivatives and embedded derivatives, net of hedging cost; the impact of initial pension risk transfer deferred profit liability losses, including amortization from previously deferred pension risk transfer deferred profit liability losses; and the changes in the fair value of market risk benefits by deferring current period changes and amortizing that amount over the life of the market risk benefit;
- (iii) Purchase price amortization: the impacts related to the amortization of certain intangibles (internally developed software, trademarks and value of distribution asset (“VODA”)) recognized as a result of acquisition activities;
- (iv) Transaction costs: the impacts related to acquisition, integration and merger related items;
- (v) Other “non-recurring,” “infrequent” or “unusual items”: Management excludes certain items determined to be “non-recurring,” “infrequent” or “unusual” from adjusted net earnings when incurred if it is determined these expenses are not a reflection of the core business and when the nature of the item is such that it is not reasonably likely to recur within two years and/or there was not a similar item in the preceding two years; years;
- (vi) Income taxes: the income tax impact related to the above-mentioned adjustments is measured using an effective tax rate, as appropriate by tax jurisdiction.

While these adjustments are an integral part of the overall performance of F&G, market conditions and/or the non-operating nature of these items can overshadow the underlying performance of the core business. Accordingly, management considers this to be a useful measure internally and to investors and analysts in analyzing the trends of our operations. Adjusted net earnings should not be used as a substitute for net earnings (loss). However, we believe the adjustments made to net earnings (loss) in order to derive adjusted net earnings provide an understanding of our overall results of operations.

For example, we could have strong operating results in a given period, yet report net income that is materially less, if during such period the fair value of our derivative assets hedging the FIA and IUL index credit obligations decreased due to general equity market conditions but the embedded derivative liability related to the index credit obligation did not decrease in the same proportion as the derivative assets because of non-equity market factors such as interest rate and non-performance credit spread movements. Similarly, we could also have poor operating results in a given period yet show net earnings (loss) that is materially greater, if during such period the fair value of the derivative assets increased but the embedded derivative liability did not increase in the same proportion as the derivative assets. We hedge our index credits with a combination of static and dynamic strategies, which can result in earnings volatility, the effects of which are generally likely to reverse over time. Our management and board of directors review adjusted net earnings and net earnings (loss) as part of their examination of our overall financial results. However, these examples illustrate the significant impact derivative and embedded derivative movements can have on our net earnings (loss). Accordingly, our management performs a review and analysis of these items, as part of their review of our hedging results each period.

Amounts attributable to the fair value accounting for derivatives hedging the FIA and IUL index credits and the related embedded derivative liability fluctuate from period to period based upon changes in the fair values of call options purchased to fund the annual index credits, changes in the interest rates and non-performance credit spreads used to discount the embedded derivative liability, and the fair value assumptions reflected in the embedded derivative liability. The accounting standards for fair value measurement require the discount rates used in the calculation of the embedded derivative liability to be based on risk-free interest rates adjusted for our non-performance as of the reporting date. The impact of the change in fair values of FIA-related derivatives, embedded derivatives and hedging costs has been removed from net earnings (loss) in calculating adjusted net earnings.

#### Adjusted Return on Assets

Adjusted return on assets is calculated by dividing year-to-date annualized adjusted net earnings by year-to-date Average Assets Under Management ("AAUM"). Return on assets is comprised of net investment income, less cost of funds, and less expenses (including operating expenses, interest expense and income taxes) consistent with our adjusted net earnings definition and related adjustments. Cost of funds includes liability costs related to cost of crediting as well as other liability costs. Management considers this non-GAAP financial measure to be useful internally and to investors and analysts when assessing financial performance and profitability earned on AAUM.

#### Assets Under Management ("AUM")

AUM uses the following components:

- (i) total invested assets at amortized cost, excluding derivatives, net of reinsurance qualifying for risk transfer in accordance with GAAP;
- (ii) related party loans and investments;
- (iii) accrued investment income;
- (iv) the net payable/receivable for the purchase/sale of investments, and
- (v) cash and cash equivalents excluding derivative collateral at the end of the period

Management considers this non-GAAP financial measure to be useful internally and to investors and analysts when assessing the rate of return on assets available for reinvestment.

#### Average Assets Under Management (AAUM)

AAUM is calculated as AUM at the beginning of the period and the end of each month in the period, divided by the total number of months in the period plus one. Management considers this non-GAAP financial measure to be useful internally and to investors and analysts when assessing the rate of return on assets available for reinvestment.

#### Sales

Annuity, IUL, funding agreement and non-life contingent PRT sales are not derived from any specific GAAP income statement accounts or line items and should not be viewed as a substitute for any financial measure determined in accordance with GAAP. Sales from these products are recorded as deposit liabilities (i.e., contractholder funds) within the Company's consolidated financial statements in accordance with GAAP. Life contingent PRT sales are recorded as premiums in revenues within the consolidated financial statements. Management believes that presentation of sales, as measured for management purposes, enhances the understanding of our business and helps depict longer term trends that may not be apparent in the results of operations due to the timing of sales and revenue recognition.

#### Total Equity excluding AOCI

Total equity excluding AOCI is based on total equity excluding the effect of AOCI. Since AOCI fluctuates from quarter to quarter due to unrealized changes in the fair value of available for sale investments and discount rate assumption changes for the FPB, management considers this non-GAAP financial measure to provide useful supplemental information internally and to investors and analysts assessing the level of earned equity on total equity.

#### Yield on AAUM

Yield on AAUM is calculated by dividing annualized net investment income on an adjusted net earnings basis by AAUM. Management considers this non-GAAP financial measure to be useful internally and to investors and analysts when assessing the level of return earned on AAUM.

### Results of Operations

The results of operations for the three and six months ended March 31, 2023 June 30, 2023 and March 31, 2022 June 30, 2022 were as follows (in millions):

		Three months ended			Three months ended			Six months ended	
		March 31, 2023	March 31, 2022		June 30, 2023	June 30, 2022		June 30, 2023	June 30, 2022
<b>Revenues:</b>	<b>Revenues:</b>			<b>Revenues:</b>					
Life insurance premiums and other fees	Life insurance premiums and other fees	\$ 365	\$ 596	Life insurance premiums and other fees	\$ 576	\$ 71		\$ 941	\$ 667
Interest and investment income	Interest and investment income	519	451	Interest and investment income	525	425		1,044	876
Recognized gains and (losses), net	Recognized gains and (losses), net	(15)	(297)	Recognized gains and (losses), net	67	(426)		52	(723)
<b>Total revenues</b>	<b>Total revenues</b>	<b>869</b>	<b>750</b>	<b>Total revenues</b>	<b>1,168</b>	<b>70</b>		<b>2,037</b>	<b>820</b>
<b>Benefits and expenses:</b>	<b>Benefits and expenses:</b>			<b>Benefits and expenses:</b>					



Benefits and other changes in policy reserves	Benefits and other changes in policy reserves	812	203	Benefits and other changes in policy reserves	817	(377)	1,629	(174)
Market risk benefit (gains) losses	Market risk benefit (gains) losses	59	70	Market risk benefit (gains) losses	(30)	(189)	29	(119)
Depreciation and amortization	Depreciation and amortization	90	76	Depreciation and amortization	104	80	194	156
Personnel costs	Personnel costs	53	30	Personnel costs	56	34	109	64
Other operating expenses	Other operating expenses	36	18	Other operating expenses	33	31	69	49
Interest expense	Interest expense	22	8	Interest expense	25	9	47	17
Total benefits and expenses	Total benefits and expenses	1,072	405	Total benefits and expenses	1,005	(412)	2,077	(7)
Earnings (loss) before income taxes	Earnings (loss) before income taxes	\$ (203)	\$ 345	Earnings (loss) before income taxes	\$ 163	\$ 482	\$ (40)	\$ 827
Income tax expense (benefit)		(8)	106					
Income tax expense				Income tax expense			33	97
Net earnings (loss) attributable to common shareholders		\$ (195)	\$ 239					
Net earnings (loss)				Net earnings (loss)			\$ 130	\$ 385
							\$ (65)	\$ 624

The following table summarizes sales by product type (in millions) (see "Non-GAAP Financial Measures"):

		Three months ended			Three months ended		Six months ended	
		March 31, 2023	March 31, 2022		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
FIA	FIA	\$ 1,211	\$ 962	FIA	\$ 1,224	\$ 1,114	\$ 2,435	\$ 2,076
Fixed rate annuities ("MYGA")	Fixed rate annuities ("MYGA")	1,513	473	Fixed rate annuities ("MYGA")	1,064	1,087	2,577	1,560
Total annuity	Total annuity	2,724	1,435	Total annuity	2,288	2,201	5,012	3,636
IUL	IUL	37	27	IUL	42	29	79	56
Funding agreements	Funding agreements	256	600	Funding agreements	200	843	456	1,443
PRT	PRT	264	527	PRT	478	—	742	527
Gross Sales	Gross Sales	\$ 3,281	\$ 2,589	Gross Sales	\$ 3,008	\$ 3,073	\$ 6,289	\$ 5,662
Sales attributable to flow reinsurance to third parties	Sales attributable to flow reinsurance to third parties	(1,072)	(236)	Sales attributable to flow reinsurance to third parties	(796)	(544)	(1,868)	(780)
Net Sales	Net Sales	\$ 2,209	\$ 2,353	Net Sales	\$ 2,212	\$ 2,529	\$ 4,421	\$ 4,882

- FIA and MYGA Total annuity sales increased during the three and six months ended March 31, 2023 June 30, 2023, compared to the three and six months ended March 31, 2022 June 30, 2022, reflecting execution of the Company's diversified growth strategy with a disciplined approach to pricing in the current macro environment, given increased demand for our Retail products due to higher interest rates and market volatility.
- Funding agreements, reflecting new FABN and FHLB agreements during the three and six months ended March 31, 2023 June 30, 2023, were lower compared to the three and six months ended March 31, 2022 June 30, 2022, and are subject to fluctuation period to period.
- PRT sales decreased increased during the three and six months ended March 31, 2023 June 30, 2023 compared to the three and six months ended March 31, 2022 June 30, 2022, reflecting lower higher PRT transactions and are also subject to fluctuation period to period.
- Higher sales attributable to flow reinsurance to third parties during the three and six months ended June 30, 2023, compared to the three and six months ended June 30, 2022, reflect increases in the percentage ceded during the periods and the increased MYGA sales.

## Revenues

### Life insurance premiums and other fees

Life insurance premiums and other fees primarily reflect premiums on life-contingent PRTs and traditional life insurance products, which are recognized as revenue when due from the policyholder, as well as policy rider fees primarily on FIA policies, the cost of insurance on IUL policies and surrender charges assessed against policy withdrawals in excess of the policyholder's allowable penalty-free amounts (up to 10% of the prior year's value, subject to certain limitations). The following table summarizes the Life insurance premiums and other fees, on the unaudited Condensed Consolidated Statements of Operations (in millions), for the three and six months ended **March 31, 2023** **June 30, 2023** and **March 31, 2022** **June 30, 2022**:

		Three months ended				Three months ended				Six months ended			
		March 31, 2023	March 31, 2022			June 30, 2023	June 30, 2022			June 30, 2023	June 30, 2022		
Life-contingent pension risk transfer premiums	Life-contingent pension risk transfer premiums	\$ 263	\$ 525	Life-contingent pension risk transfer premiums		\$ 474	\$ (5)			\$ 737	\$ 520		
Traditional life insurance premiums	Traditional life insurance premiums	6	5	Traditional life insurance premiums		5	2			11	7		
Life-contingent immediate annuity premiums	Life-contingent immediate annuity premiums	6	5	Life-contingent immediate annuity premiums		5	7			11	12		
Surrender charges	Surrender charges	23	10	Surrender charges		16	13			39	23		
Policyholder fees and other income	Policyholder fees and other income	67	51	Policyholder fees and other income		76	54			143	105		
<b>Life insurance premiums and other fees</b>	<b>Life insurance premiums and other fees</b>	<b>\$ 365</b>	<b>\$ 596</b>	<b>Life insurance premiums and other fees</b>		<b>\$ 576</b>	<b>\$ 71</b>			<b>\$ 941</b>	<b>\$ 667</b>		

- Life insurance premiums and other fees for the three and six months ended **March 31, 2023** **decreased** **June 30, 2023** **increased** compared to the three and six months ended **March 31, 2022** **June 30, 2022** reflecting **lower** **higher** PRT premiums. As noted above, PRT premiums are subject to fluctuation period to period.
- Surrender charges increased for the three and six months ended **March 31, 2023** **June 30, 2023** compared to **March 31, 2022** **the three and six months ended June 30, 2022**, primarily reflecting **an increase in market value adjustments ("MVA") assessed on certain surrendered FIA policies. A market value adjustment ("MVA") will apply in most states to any withdrawal that incurs a surrender charge, subject to certain exceptions. The MVA is based on a formula that takes into account changes in interest rates since contract issuance. Generally, if interest rates have risen, the MVA will decrease surrender value, whereas if rates have fallen, it will increase surrender value. In addition, surrender charges increases as a result of increased** amounts assessed against policy withdrawals in excess of the policyholder's allowable penalty-free amounts primarily on our FIA policies.
- Policyholder fees and other income increased for the three and six months ended **March 31, 2023** **June 30, 2023** compared to **March 31, 2022** **the three and six months ended June 30, 2022**, primarily due to increased GMWB rider fees, cost of insurance charges on IUL policies and IUL premium loads. GMWB rider fees are based on the policyholder's benefit base and are collected at the end of the policy year.

## Interest and investment income

Below is a summary of interest and investment income (in millions):

		Three months ended				Three months ended				Six months ended			
		March 31, 2023	March 31, 2022			June 30, 2023	June 30, 2022			June 30, 2023	June 30, 2022		
Fixed maturity securities, available-for-sale	Fixed maturity securities, available-for-sale	\$ 432	\$ 319	Fixed maturity securities, available-for-sale		\$ 448	\$ 336			\$ 880	\$ 655		
Equity securities	Equity securities	5	4	Equity securities		4	4			9	8		
Preferred securities	Preferred securities	10	11	Preferred securities		12	15			22	26		
Mortgage loans	Mortgage loans	51	39	Mortgage loans		57	49			108	88		
Invested cash and short-term investments	Invested cash and short-term investments	16	4	Invested cash and short-term investments		17	9			33	13		
Limited partnerships	Limited partnerships	57	113	Limited partnerships		44	58			101	171		

Other investments	Other investments	9	6	Other investments	5	1		14	7
Gross investment income	Gross investment income	\$ 580	\$ 496	Gross investment income	\$ 587	\$ 472		\$ 1,167	\$ 968
Investment expense	Investment expense	(61)	(45)	Investment expense	(62)	(47)		(123)	(92)
Net investment income		\$ 519	\$ 451						
Interest and investment income				Interest and investment income				\$ 525	\$ 425
								\$ 1,044	\$ 876

Interest and investment income is shown net of amounts attributable to certain funds withheld reinsurance agreements which is passed along to the reinsurer in accordance with the terms of these agreements. Interest and investment income attributable to these agreements, and thus excluded from the totals in the table above, was \$(58) million \$76 million and \$(18) million \$134 million for the three and six months ended March 31, 2023 June 30, 2023, respectively, and March 31, 2022 \$20 million and \$38 million for the three and six months ended June 30, 2022, respectively.

Our AAUM and yield on AAUM are summarized as follows (annualized) (dollars in millions) (see "Non-GAAP Financial Measures"):

	Three months ended					Three months ended					Six months ended			
	March 31, 2023		March 31, 2022			June 30, 2023		June 30, 2022			June 30, 2023		June 30, 2022	
AAUM	AAUM	\$	44,393	\$	37,459	AAUM	\$	45,622	\$	39,306	\$	44,948	\$	38,351
Yield on	Yield on					Yield on								
AAUM (at	AAUM (at					AAUM (at								
amortized	amortized					amortized								
cost)	cost)	4.68	%	4.82	%	cost)	4.57	%	4.33	%	4.63	%	4.57	%

- AAUM was higher for the three and six months ended March 31, 2023 June 30, 2023, compared to the three and six months ended March 31, 2022 June 30, 2022, reflecting net new business asset flows, stable inforce retention and, for the six months ended June 30, 2023, net debt proceeds.
- Interest and investment income was higher for the three months ended March 31, 2023 June 30, 2023 compared to the three months ended March 31, 2022 June 30, 2022 primarily due to \$84 million \$68 million from invested asset growth and \$7 million \$31 million of all other rate impacts and \$1 million from returns on alternative investments.
- Interest and investment income was higher for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 primarily due to \$152 million from invested asset growth and \$38 million of all other rate impacts, partially offset by \$23 million \$22 million from lower returns on alternative investments.

#### Recognized gains and (losses), net

Below is a summary of the major components included in recognized gains and (losses), net (in millions):

		Three months ended			Three months ended			Six months ended	
		March 31, 2023	March 31, 2022		June 30, 2023	June 30, 2022		June 30, 2023	June 30, 2022
Net realized and unrealized (losses) gains on fixed maturity available-for-sale securities, equity securities and other invested assets	Net realized and unrealized (losses) gains on fixed maturity available-for-sale securities, equity securities and other invested assets	\$ (48)	\$ (107)	Net realized and unrealized (losses) gains on fixed maturity available-for-sale securities, equity securities and other invested assets	\$ (29)	\$ (162)	\$ (77)	\$ (269)	
Change in allowance for expected credit losses	Change in allowance for expected credit losses	(8)	(1)	Change in allowance for expected credit losses	(21)	(6)	(29)	(7)	
Net realized and unrealized (losses) gains on certain derivatives instruments	Net realized and unrealized (losses) gains on certain derivatives instruments	58	(308)	Net realized and unrealized (losses) gains on certain derivatives instruments	99	(394)	157	(702)	
Change in fair value of reinsurance related embedded derivatives	Change in fair value of reinsurance related embedded derivatives	(19)	122	Change in fair value of reinsurance related embedded derivatives	17	141	(2)	263	

Change in fair value of other derivatives and embedded derivatives	Change in fair value of other derivatives and embedded derivatives	Change in fair value of other derivatives and embedded derivatives	Change in fair value of other derivatives and embedded derivatives	Change in fair value of other derivatives and embedded derivatives	Change in fair value of other derivatives and embedded derivatives	Change in fair value of other derivatives and embedded derivatives	Change in fair value of other derivatives and embedded derivatives
		2	(3)	1	(5)	3	(8)
Recognized gains and (losses), net	Recognized gains and (losses), net	\$ (15)	\$ (297)	\$ 67	\$ (426)	\$ 52	\$ (723)

Recognized gains and (losses), net is shown net of amounts attributable to certain funds withheld reinsurance agreements which is passed along to the reinsurer in accordance with the terms of these agreements. Recognized gains and (losses) attributable to these agreements, and thus excluded from the totals in the table above, was \$(22) \$21 million and \$(1) million and \$128 million for the three and six months ended March 31, 2023 June 30, 2023, respectively, and March 31, 2022 \$151 million and \$279 million for the three and six month periods ended June 30, 2022, respectively.

- For the three and six months ended March 31, 2023 June 30, 2023, net realized and unrealized gains (losses) on fixed maturity available-for-sale securities, equity securities and other invested assets is primarily the result of realized losses on fixed maturity available-for-sale securities, partially offset by and mark-to-market losses gains on our equity securities, securities and realized gains on other invested assets.
- For the three and six months ended March 31, 2022 June 30, 2022, net realized and unrealized gains (losses) on fixed maturity available-for-sale securities, equity securities and other invested assets is primarily the result of mark-to-market losses on our equity securities and realized losses on fixed maturity available-for-sale securities.
- For all periods, net realized and unrealized gains (losses) on certain derivative instruments primarily relate to the net realized and unrealized gains (losses) on options and futures used to hedge FIA and IUL products, including gains on option and futures expiration. See the table below for primary drivers of gains (losses) on certain derivatives.
- The fair value of reinsurance related embedded derivative is based on the change in fair value of the underlying assets held in the funds withheld ("FWH") portfolio.

We utilize a combination of static (call options) and dynamic (long futures contracts) instruments in our hedging strategy. A substantial portion of the call options and futures contracts are based upon the S&P 500 Index with the remainder based upon other equity, bond and gold market indices.

The components of the realized and unrealized gains (losses) on certain derivative instruments hedging our indexed annuity and universal life products are summarized in the table below (dollars in millions):

		Three months ended		Three months ended		Six months ended	
		March 31, 2023	March 31, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Call options:	Call options:						
Realized (losses) gains	Realized (losses) gains	\$ (91)	\$ 45	\$ (68)	\$ (41)	\$ (159)	\$ 4
Change in unrealized (losses) gains	Change in unrealized (losses) gains	146	(359)	166	(354)	312	(713)
Futures contracts:	Futures contracts:						
(Losses) gains on futures contracts expiration	(Losses) gains on futures contracts expiration	3	2	3	(4)	6	(2)
Change in unrealized gains (losses)	Change in unrealized gains (losses)	1	1	(2)	(4)	(1)	(3)
Foreign currency forward:	Foreign currency forward:						
Gains on foreign currency forward	Gains on foreign currency forward	(1)	3	—	9	(1)	12
<b>Total net change in fair value</b>	<b>Total net change in fair value</b>	<b>\$ 58</b>	<b>\$ (308)</b>	<b>\$ 99</b>	<b>\$ (394)</b>	<b>\$ 157</b>	<b>\$ (702)</b>
Annual Point-to-Point Change in S&P 500 Index during the periods	Annual Point-to-Point Change in S&P 500 Index during the periods	(9) %	14 %	8 %	(16) %	16 %	(21) %

- Realized gains and losses on certain derivative instruments are directly correlated to the performance of the indices upon which the call options and futures contracts are based and the value of the derivatives at the time of expiration compared to the value at the time of purchase. Gains (losses) on option expiration reflect the movement

during each period on options settled during the respective period.

- The change in unrealized gains (losses) due to fair value of call options is primarily driven by the underlying performance of the S&P 500 Index during each respective period relative to the S&P 500 Index on the policyholder buy dates.
- The net change in fair value of the call options and futures contracts was primarily driven by movements in the S&P 500 Index relative to the policyholder buy dates.

The average index credits to policyholders are as follows:

		Three months ended					Three months ended					Six months ended			
		March 31, 2023		March 31, 2022			June 30, 2023		June 30, 2022			June 30, 2023		June 30, 2022	
Average Crediting Rate	Average Crediting Rate	—	%	3	%	Average Crediting Rate	1	%	1	%		1	%	2	%
S&P 500 Index:	S&P 500 Index:					S&P 500 Index:									
Point-to-point strategy	Point-to-point strategy	—	%	3	%	Point-to-point strategy	1	%	1	%		1	%	2	%
Monthly average strategy	Monthly average strategy	—	%	3	%	Monthly average strategy	1	%	3	%		—	%	3	%
Monthly point-to-point strategy	Monthly point-to-point strategy	—	%	2	%	Monthly point-to-point strategy	—	%	—	%		—	%	1	%
3 year high water mark	3 year high water mark	13	%	15	%	3 year high water mark	7	%	9	%		10	%	12	%

- Actual amounts credited to contractholder fund balances may differ from the index appreciation due to contractual features in the FIA contracts and certain IUL contracts (caps, spreads and participation rates), which allow us to manage the cost of the options purchased to fund the annual index credits.
- The credits for the periods presented were based on comparing the S&P 500 Index on each issue date in the period to the same issue date in the respective prior year periods.

## Benefits and expenses

### Benefits and other changes in policy reserves

Below is a summary of the major components included in Benefits and other changes in policy reserves (in millions):

		Three months ended			Three months ended			Six months ended	
		March 31, 2023	March 31, 2022		June 30, 2023	June 30, 2022		June 30, 2023	June 30, 2022
PRT agreements	PRT agreements	\$ 266	\$ 532	PRT agreements	\$ 488	\$ —	\$ 754	\$ 532	
FIA/IUL market related liability movements	FIA/IUL market related liability movements	369	(559)	FIA/IUL market related liability movements	119	(555)	488	(1,114)	
Index credits, interest credited & bonuses	Index credits, interest credited & bonuses	134	206	Index credits, interest credited & bonuses	170	148	304	354	
Other changes in policy reserves	Other changes in policy reserves	43	24	Other changes in policy reserves	40	30	83	54	
Total benefits and other changes in policy reserves	Total benefits and other changes in policy reserves	\$ 812	\$ 203	Total benefits and other changes in policy reserves	\$ 817	\$ (377)	\$ 1,629	\$ (174)	

- PRT agreements decreased increased for the three and six months ended March 31, 2023 June 30, 2023 compared to the three and six months ended March 31, 2022 June 30, 2022, reflecting lower higher PRT transactions during the periods and are subject to fluctuation period to period.
- The FIA/IUL market related liability movements during the three and six months ended March 31, 2023 June 30, 2023 and March 31, 2022 June 30, 2022, respectively, are mainly driven by changes in the equity markets, non-performance spreads, and risk free rates during the periods. The change in risk free rates and non-performance spreads (decreased) increased the FIA market related liability by \$65 million \$(59) million and \$306 million \$(253) million during the three months ended March 31, 2023 June 30, 2023 and March 31, 2022 June 30, 2022, respectively. The change in risk free rates and non-performance spreads (decreased) increased the FIA market related liability by \$6 million and \$(559) million during the six months ended June 30, 2023 and June 30, 2022, respectively. The remaining changes in market value of the market related liability movements for all periods was driven by equity market impacts. See "Revenues — Recognized gains and (losses), net" above for summary and discussion of net unrealized gains (losses) on certain derivative instruments.

- Annually, typically in the third quarter, we review assumptions associated with reserves for policy benefits and product guarantees. During the first quarter of 2023, based on increases in interest rates and pricing changes, we updated certain FIA assumptions used to calculate the fair value of the embedded derivative component within ~~contractholder~~ **Contractholder** funds. These changes resulted in an increase in ~~contractholder~~ **Contractholder** funds of \$102 million.
- Index credits, interest credited & bonuses for the three months ended ~~March 31, 2023~~ **June 30, 2023**, were ~~lower~~ **higher** compared to the three months ended ~~March 31, 2022~~ **June 30, 2022**, and primarily reflected higher amounts for PRT, based the growth in the portfolio, and fixed rate annuities, partially offset by lower index credits on FIA policies as a result of market movement during the respective periods. Index credits, interest credited & bonuses for the six months ended June 30, 2023, were lower compared to the six months ended June 30, 2022, and primarily reflected lower index credits on FIA policies as a result of market movement during the respective periods, periods partially offset by higher amounts for PRT and fixed rate annuities. Refer to average policyholder index discussion above for details on drivers.

#### Market risk benefit (gains) losses

Below is a summary of market risk benefit (gains) losses (in millions):

Market risk benefits (gains) losses	Three months ended	
	March 31, 2023	March 31, 2022
	\$ 59	\$ 70

Market risk benefits (gains) losses	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	\$ (30)	\$ (189)	\$ 29	\$ (119)

- Market risk ~~benefit~~ **benefits** (gains) losses ~~are is~~ primarily driven by attributed fees collected, effects of market related movements (including changes in equity markets and ~~risk free~~ **risk-free** rates), actual policyholder behavior as compared with expected and changes in assumptions during the periods. ~~Market~~ **Changes in market** risk benefit (gains) losses for the three and six months ended ~~March 31, 2023~~ **June 30, 2023**, compared to the three and ~~March 31, 2022~~ **June 30, 2022** were impacted by attributed fees collected and ~~unfavorable~~ **favorable** six months

~~ended June 30, 2022, primarily reflect a favorable GMWB utilization assumption change in 2022, less favorable market related movements in both periods, and higher attributed fees. In addition, actual policyholder behavior for the three and six months ended March 31, 2023 June 30, 2023 was more in line with expected, as compared to March 31, 2022 the three and six months ended June 30, 2022, resulting in a decrease favorable change to the market risk benefit (gains) losses. There were no significant changes in assumptions during either period.~~

#### Depreciation and amortization

Below is a summary of the major components included in depreciation and amortization (in millions):

Amortization of VOBA, DAC and DSI	Amortization of VOBA, DAC and DSI	Three months ended		Amortization of VOBA, DAC and DSI	Amortization of VOBA, DAC and DSI	Three months ended		Amortization of VOBA, DAC and DSI	Amortization of VOBA, DAC and DSI	Six months ended	
		March 31, 2023	March 31, 2022			June 30, 2023	June 30, 2022			June 30, 2023	June 30, 2022
		\$ 82	\$ 69			\$ 97	\$ 70			\$ 179	\$ 139
Amortization of other intangible assets and other depreciation	Amortization of other intangible assets and other depreciation	Three months ended		Amortization of other intangible assets and other depreciation	Amortization of other intangible assets and other depreciation	Three months ended		Amortization of other intangible assets and other depreciation	Amortization of other intangible assets and other depreciation	Six months ended	
		March 31, 2023	March 31, 2022			June 30, 2023	June 30, 2022			June 30, 2023	June 30, 2022
		8	7			7	10			15	17
Total depreciation and amortization	Total depreciation and amortization	Three months ended		Total depreciation and amortization	Total depreciation and amortization	Three months ended		Total depreciation and amortization	Total depreciation and amortization	Six months ended	
		March 31, 2023	March 31, 2022			June 30, 2023	June 30, 2022			June 30, 2023	June 30, 2022
		\$ 90	\$ 76			\$ 104	\$ 80			\$ 194	\$ 156

- DAC, VOBA and DSI are amortized on a constant level basis for the grouped contracts over the expected term of the related contracts to approximate straight-line amortization.

- Depreciation and amortization increased for the three and six months ended ~~March 31, 2023~~ **June 30, 2023** compared to the three and six months ended ~~March 31, 2022~~ **June 30, 2022** and primarily reflected increased DAC and DSI associated with the growth in business.

#### Personnel costs and other operating expenses

Below is a summary of personnel costs and other operating expenses (in millions):

Personnel costs	Personnel costs	Three months ended		Personnel costs	Personnel costs	Three months ended		Personnel costs	Personnel costs	Six months ended	
		March 31, 2023	March 31, 2022			June 30, 2023	June 30, 2022			June 30, 2023	June 30, 2022
		\$ 53	\$ 30			\$ 56	\$ 34			\$ 109	\$ 64

Other operating expenses	Other operating expenses	36	18	Other operating expenses	33	31	69	49
<b>Total personnel costs and other operating costs</b>	<b>Total personnel costs and other operating costs</b>	<b>\$ 89</b>	<b>\$ 48</b>	<b>Total personnel costs and other operating costs</b>	<b>\$ 89</b>	<b>\$ 65</b>	<b>\$ 178</b>	<b>\$ 113</b>

- Personnel costs and other operating expenses for the three and six months ended **March 31, 2023** June 30, 2023 were higher compared to the three and six months ended **March 31, 2022** June 30, 2022, and primarily reflect headcount growth to support higher volumes and strategic growth capabilities.

#### Other items affecting net earnings

##### Income tax expense (benefit)

Below is a summary of the major components included in income tax expense (benefit) (dollars in millions):

		Three months ended		Three months ended		Six months ended	
		March 31, 2023	March 31, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Earnings (loss) from continuing operations before taxes		\$ (203)	\$ 345				
Earnings (loss) before taxes						Earnings (loss) before taxes	
						\$ 163	\$ 482
Income tax expense (benefit) before valuation allowance	Income tax expense (benefit) before valuation allowance	(45)	68	31	97	(14)	165
Change in valuation allowance	Change in valuation allowance	37	38	2	—	39	38
<b>Federal income tax expense (benefit)</b>	<b>Federal income tax expense (benefit)</b>	<b>\$ (8)</b>	<b>\$ 106</b>	<b>\$ 33</b>	<b>\$ 97</b>	<b>\$ 25</b>	<b>\$ 203</b>
Effective rate	Effective rate	4 %	31 %	20 %	20 %	(63) %	25 %

- Income tax **benefit expense** for the three months ended **March 31, 2023** June 30, 2023 was **\$8 million** \$33 million, compared to income tax expense of **\$106 million** \$97 million for the three months ended **March 31, 2022** June 30, 2022. The effective tax rate was **4% and 31%** 20% for the three months ended March 31, 2023 and March 31, 2022, respectively, both periods. The decrease in income tax expense quarter over quarter is primarily related to the decrease in pre-tax income.
- Income tax expense for the six months ended June 30, 2023 was \$25 million, compared to income tax expense of \$203 million for the six months ended June 30, 2022. The effective tax rate was (63)% and 25%

for the six months ended June 30, 2023 and June 30, 2022, respectively. The decrease in income tax expense period over period is primarily related to the decrease in pre-tax income.

#### Adjusted Net Earnings (See “—Non-GAAP Financial Measures”)

The table below shows the adjustments made to reconcile Net earnings **from continuing operations (loss)** to Adjusted net earnings (in millions):

		Three months ended		Three months ended		Six months ended	
		March 31, 2023	March 31, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net earnings (loss) from continuing operations		\$ (195)	\$ 239				
Net earnings (loss)	Net earnings (loss)					(loss)	
						\$ 130	\$ 385
						\$ (65)	\$ 624

Non-GAAP adjustments:	Non-GAAP adjustments:		Non-GAAP adjustments:			
Recognized (gains) and losses, net	Recognized (gains) and losses, net		Recognized (gains) and losses, net			
Net realized and unrealized (gains) losses on fixed maturity available-for-sale securities, equity securities and other invested assets	Net realized and unrealized (gains) losses on fixed maturity available-for-sale securities, equity securities and other invested assets		Net realized and unrealized (gains) losses on fixed maturity available-for-sale securities, equity securities and other invested assets			
	48	105	27	161	75	266
Change in allowance for expected credit losses	Change in allowance for expected credit losses		Change in allowance for expected credit losses			
	8	—	20	7	28	7
Change in fair value of reinsurance related embedded derivatives	Change in fair value of reinsurance related embedded derivatives		Change in fair value of reinsurance related embedded derivatives			
	19	(122)	(17)	(141)	2	(263)
Change in fair value of other derivatives and embedded derivatives	Change in fair value of other derivatives and embedded derivatives		Change in fair value of other derivatives and embedded derivatives			
	(1)	—	—	(4)	(1)	(4)
Recognized (gains) losses, net	Recognized (gains) losses, net		Recognized (gains) losses, net			
	74	(17)	30	23	104	6
Market related liability adjustments	Market related liability adjustments		Market related liability adjustments			
	229	(190)	(102)	(324)	142	(514)
Purchase price amortization	Purchase price amortization		Purchase price amortization			
	5	6	6	5	11	11
Transaction costs and other non-recurring items	Transaction costs and other non-recurring items		Transaction costs and other non-recurring items			
	2	—	—	4	2	4
Income taxes on non-GAAP adjustments	Income taxes on non-GAAP adjustments		Income taxes on non-GAAP adjustments			
	(66)	42	15	62	(54)	104
Adjusted net earnings	Adjusted net earnings		Adjusted net earnings			
	\$ 49	\$ 80	\$ 79	\$ 155	\$ 140	\$ 235

The commentary below is intended to provide additional information on the significant income and expense items that help explain the trends in our ANE for each time period, as we believe these items provide further clarity to the financial performance of the business.

- Adjusted net earnings of \$49 million \$79 million for the three months ended March 31, 2023 includes June 30, 2023 included \$82 million of investment income from alternative investments investment income and \$5 million of \$99 million. bond prepay income. Alternative investments investment income based on management's long-term expected return of approximately 10% was \$132 million \$137 million. Actual investment income was lower due to decreases in fair value of these investments. Other significant income and expense items included in adjusted net earnings was a \$37 million tax valuation allowance expense.
- Adjusted net earnings of \$80 million \$155 million for the three months ended March 31, 2022 includes June 30, 2022 included \$70 million of investment income from alternative investments, investment income \$66 million gain from actuarial assumption updates, and \$6 million of \$102 million. CLO redemption gains and other income. Alternative investments investment income based on management's long-term expected return of approximately 10% was \$100 million. Actual investment income was higher lower due to increases decreases in fair value of these investments. Other significant
- Adjusted net earnings of \$140 million for the six months ended June 30, 2023 included \$181 million of investment income from alternative investments and expense items \$5 million of bond prepay income, offset by \$37 million tax valuation allowance expense. Alternative investments investment income based on management's long-



term expected return of approximately 10% was \$269 million. Actual investment income was lower due to decreases in fair value of these investments.

- Adjusted net earnings of \$235 million for the six months ended June 30, 2022 included \$18 million \$172 million of investment income from alternative investments, \$66 million gain from actuarial assumption updates, \$24 million income of CLO redemption gains and other income; investment income, partially offset by \$38 million tax valuation allowance expense. Alternative investments investment income based on management's long-term expected return of approximately 10% was \$200 million. Actual investment income was lower due to decreases in fair value of these investments.

### Investment Portfolio

The types of assets in which we may invest are influenced by various state laws, which prescribe qualified investment assets applicable to insurance companies. Within the parameters of these laws, we invest in assets giving consideration to four primary investment objectives: (i) maintain robust absolute returns; (ii) provide reliable yield and investment income; (iii) preserve capital; and (iv) provide liquidity to meet policyholder and other corporate obligations.

Our investment portfolio is designed to contribute stable earnings, excluding short term mark to market effects, and balance risk across diverse asset classes and is primarily invested in high quality fixed income securities.

As of March 31, 2023 June 30, 2023 and December 31, 2022, the fair value of our investment portfolio was approximately \$44 billion \$46 billion and \$41 billion, respectively, and was divided among the following asset classes and sectors (dollars in millions):

		March 31, 2023			December 31, 2022			June 30, 2023			December 31, 2022		
		Fair Value	Percent		Fair Value	Percent		Fair Value	Percent		Fair Value	Percent	
Fixed maturity securities, available for sale:	Fixed maturity securities, available for sale:												
United States Government full faith and credit	United States Government full faith and credit	\$ 71	— %		\$ 32	— %		\$ 211	— %		\$ 32	— %	
United States Government sponsored entities	United States Government sponsored entities	40	— %		42	— %		37	— %		42	— %	
United States municipalities, states and territories	United States municipalities, states and territories	1,581	3 %		1,410	3 %		1,558	3 %		1,410	3 %	
Foreign Governments	Foreign Governments	172	— %		148	— %		170	— %		148	— %	
Corporate securities:	Corporate securities:												
Finance, insurance and real estate	Finance, insurance and real estate	5,960	14 %		5,085	12 %		6,222	14 %		5,085	12 %	
Manufacturing, construction and mining	Manufacturing, construction and mining	931	2 %		737	2 %		893	2 %		737	2 %	
Utilities, energy and related sectors	Utilities, energy and related sectors	2,185	5 %		2,275	6 %		2,180	5 %		2,275	6 %	
Wholesale/retail trade	Wholesale/retail trade	2,064	5 %		2,008	5 %		2,065	5 %		2,008	5 %	
Services, media and other	Services, media and other	3,251	7 %		2,794	7 %		3,406	7 %		2,794	7 %	
Hybrid securities	Hybrid securities	754	2 %		705	2 %		677	1 %		705	2 %	
Non-agency residential mortgage-backed securities	Non-agency residential mortgage-backed securities	1,624	4 %		1,479	4 %		1,974	4 %		1,479	4 %	
Commercial mortgage-backed securities	Commercial mortgage-backed securities	3,672	8 %		3,036	7 %		3,949	9 %		3,036	7 %	

Asset-backed securities	Asset-backed securities	7,631	17 %	7,245	18 %	Asset-backed securities	8,057	18 %	7,245	18 %
Collateral loan obligations ("CLO")	Collateral loan obligations ("CLO")	4,261	10 %	4,222	10 %	Collateral loan obligations ("CLO")	4,783	10 %	4,222	10 %
<b>Total fixed maturity available for sale securities</b>	<b>Total fixed maturity available for sale securities</b>	<b>\$ 34,197</b>	<b>77 %</b>	<b>\$ 31,218</b>	<b>76 %</b>	<b>Total fixed maturity available for sale securities</b>	<b>\$ 36,182</b>	<b>78 %</b>	<b>\$ 31,218</b>	<b>76 %</b>
Equity securities (a)	Equity securities (a)	797	2 %	823	2 %	Equity securities (a)	756	2 %	823	2 %
Limited partnerships:	Limited partnerships:					Limited partnerships:				
Private equity	Private equity	1,161	3 %	1,129	3 %	Private equity	1,175	3 %	1,129	3 %
Real assets	Real assets	433	1 %	431	1 %	Real assets	435	1 %	431	1 %
Credit	Credit	964	2 %	867	2 %	Credit	988	2 %	867	2 %
<b>Limited partnerships</b>		<b>\$ 2,558</b>	<b>6 %</b>	<b>\$ 2,427</b>	<b>6 %</b>					
<b>Limited Partnerships</b>						<b>Limited Partnerships</b>			<b>2,598</b>	<b>6 %</b>
Commercial mortgage loans	Commercial mortgage loans	2,178	5 %	2,083	5 %	Commercial mortgage loans	2,144	5 %	2,083	5 %
Residential mortgage loans	Residential mortgage loans	2,323	5 %	1,892	5 %	Residential mortgage loans	2,377	5 %	1,892	5 %
Other (primarily derivatives and company owned life insurance)	Other (primarily derivatives and company owned life insurance)	1,108	3 %	809	2 %	Other (primarily derivatives and company owned life insurance)	1,419	3 %	809	2 %
Short term investments	Short term investments	776	2 %	1,556	4 %	Short term investments	347	1 %	1,556	4 %
<b>Total investments</b>	<b>Total investments</b>	<b>\$ 43,937</b>	<b>100 %</b>	<b>\$ 40,808</b>	<b>100 %</b>	<b>Total investments</b>	<b>\$ 45,823</b>	<b>100 %</b>	<b>\$ 40,808</b>	<b>100 %</b>

(a) Includes investment grade non-redeemable preferred stocks (\$550.607 million and \$672 million at March 31, 2023 June 30, 2023 and December 31, 2022, respectively).

Insurance statutes regulate the type of investments that our life insurance subsidiaries are permitted to make and limit the amount of funds that may be used for any one type of investment. In light of these statutes and regulations, and our business and investment strategy, we generally seek to invest in (i) corporate securities rated investment grade by established nationally recognized statistical rating organizations (each, an "NRSRO"), (ii) U.S. Government and government-sponsored agency securities, or (iii) securities of comparable investment quality, if not rated.

The NAIC's Securities Valuation Office ("SVO") is responsible for the day-to-day credit quality assessment and valuation of securities owned by state regulated insurance companies. Insurance companies report ownership of securities to the SVO when such securities are eligible for regulatory filings. The SVO conducts credit analysis on these securities for the purpose of assigning an NAIC designation or unit price. Typically, if a security has been rated by an NRSRO, the SVO utilizes that rating and assigns an NAIC designation based upon the NAIC published comparison of NRSRO ratings to NAIC designations.

The NAIC determines ratings for non-agency Residential Mortgage Backed Securities ("RMBS") and CMBS using modeling that estimates security level expected losses under a variety of economic scenarios. For such assets issued prior to January 1, 2013, an insurer's amortized cost basis in applicable assets can impact the assigned rating. In the tables below, we present the rating of structured securities based on ratings from the NAIC rating methodologies described above (which in some cases do not correspond to rating agency designations). All NAIC designations (e.g., NAIC 1-6) are based on the NAIC methodologies.

The following table summarizes the credit quality by NRSRO rating, or NAIC designation equivalent, of our fixed income portfolio (dollars in millions) at March 31, 2023 June 30, 2023 and December 31, 2022:

	March 31, 2023					December 31, 2022				June 30, 2023				December 31, 2022	
NRSRO Rating	NRSRO Rating	NAIC Designation	Amortized		Fair Value Percent	Amortized		Fair Value Percent	NRSRO Rating	NAIC Designation	Fair Value Percent		Fair Value Percent		
			Cost	Fair Value		Cost	Fair Value				Fair Value	Percent	Fair Value	Percent	
AAA/AA/A	AAA/AA/A	1	\$ 23,436	\$ 21,164	62 %	\$ 21,294	\$ 18,681	60 %	AAA/AA/A	1	\$ 23,055	64 %	\$ 18,681	60 %	
BBB	BBB	2	12,713	11,204	33 %	12,422	10,737	34 %	BBB	2	11,261	31 %	10,737	34 %	
BB	BB	3	1,647	1,477	4 %	1,588	1,425	5 %	BB	3	1,531	4 %	1,425	5 %	
B	B	4	226	184	1 %	259	236	1 %	B	4	187	1 %	236	1 %	
CCC	CCC	5	114	88	— %	87	67	— %	CCC	5	69	— %	67	— %	
In or near default		6	90	80	— %	73	72	— %							

CC and lower								CC and lower								6	79	—	%	72	—	%
Total	Total	\$	38,226	\$	34,197	100	%	\$	35,723	\$	31,218	100	%	Total	\$	36,182	100	%	\$	31,218	100	%

## Investment Industry Concentration

The tables below present the top ten industry categories of our fixed maturity and equity securities including the fair value and percent of total fixed maturity and equity securities fair value as of **March 31, 2023** **June 30, 2023** and December 31, 2022 (dollars in millions). Effective January 1, 2023, we updated our industry classifications as a result of a change in our investment accounting software and related service providers. Our investment strategy has remained consistent and our portfolio mix has not materially changed. The December 31, 2022 table was updated to reflect a consistent presentation with the **March 31, 2023** **June 30, 2023** classifications:

		March 31, 2023					June 30, 2023		
Top 10 Industry Concentration	Top 10 Industry Concentration	Fair Value	Percent of Total Fair Value		Top 10 Industry Concentration		Fair Value	Percent of Total Fair Value	
ABS Other	ABS Other	\$ 7,631	22	%	ABS Other	\$ 8,057	22	%	
CLO securities	CLO securities	4,261	12	%	CLO securities	4,783	13	%	
Commercial mortgage-backed securities	Commercial mortgage-backed securities	3,672	11	%	Commercial mortgage-backed securities	3,949	11	%	
Diversified financial services	Diversified financial services	2,919	8	%	Diversified financial services	2,906	8	%	
Banks		2,224	6	%					
Banking					Banking	2,116	6	%	
Whole loan collateralized mortgage obligations					Whole loan collateralized mortgage obligations	1,685	5	%	
Municipal	Municipal	1,598	5	%	Municipal	1,558	4	%	
Insurance	Insurance	1,567	4	%	Insurance	1,555	4	%	
Whole loan collateralized mortgage obligations ("CMO")		1,375	4	%					
Electric	Electric	1,058	3	%	Electric	1,067	3	%	
Telecommunications	Telecommunications	600	2	%	Telecommunications	598	2	%	
Total	Total	\$ 26,905	77	%	Total	\$ 28,274	78	%	

  

		December 31, 2022					December 31, 2022		
Top 10 Industry Concentration	Top 10 Industry Concentration	Fair Value	Percent of Total Fair Value		Top 10 Industry Concentration		Fair Value	Percent of Total Fair Value	
ABS Other	ABS Other	\$ 7,359	23	%	ABS Other	\$ 7,245	23	%	
CLO securities	CLO securities	3,856	12	%	CLO securities	4,222	13	%	
Commercial mortgage-backed securities		3,399	11	%					
Diversified financial services		2,620	8	%					
Banks		1,850	6	%					
Insurance		1,545	5	%					
Whole loan collateralized mortgage backed obligation ("CMO")					Whole loan collateralized mortgage backed obligation ("CMO")	3,655	12	%	
Banking					Banking	2,855	9	%	
Municipal	Municipal	1,428	4	%	Municipal	1,410	4	%	
Whole loan collateralized mortgage obligations		1,278	4	%					
Electric	Electric	1,014	3	%	Electric	1,379	4	%	
Telecommunications		547	2	%					
Life Insurance					Life Insurance	1,376	4	%	
Technology					Technology	855	3	%	
Healthcare					Healthcare	659	2	%	
Commercial MBS					Commercial MBS	571	2	%	
Total	Total	\$ 24,896	78	%	Total	\$ 24,227	76	%	

The amortized cost and fair value of fixed maturity AFS securities by contractual maturities as of **March 31, 2023** **June 30, 2023** and December 31, 2022 (dollars in millions), are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations.

		March 31, 2023		December 31, 2022			June 30, 2023		December 31, 2022	
		Amortized Cost	Fair Value	Amortized Cost	Fair Value		Amortized Cost	Fair Value	Amortized Cost	Fair Value
<b>Corporate, Non-structured Hybrids, Municipal and U.S. Government securities:</b>	<b>Corporate, Non-structured Hybrids, Municipal and U.S. Government securities:</b>					<b>Corporate, Non-structured Hybrids, Municipal and U.S. Government securities:</b>				
Due in one year or less	Due in one year or less	\$ 170	\$ 166	\$ 124	\$ 123	Due in one year or less	\$ 227	\$ 222	\$ 124	\$ 123
Due after one year through five years	Due after one year through five years	2,853	2,724	2,193	2,059	Due after one year through five years	3,116	2,968	2,193	2,059
Due after five years through ten years	Due after five years through ten years	1,922	1,750	1,840	1,633	Due after five years through ten years	2,065	1,862	1,840	1,633
Due after ten years	Due after ten years	14,893	12,329	14,417	11,379	Due after ten years	15,046	12,330	14,417	11,379
Subtotal	Subtotal	\$ 19,838	\$ 16,969	\$ 18,574	\$ 15,194	Subtotal	\$ 20,454	\$ 17,382	\$ 18,574	\$ 15,194
<b>Other securities, which provide for periodic payments:</b>	<b>Other securities, which provide for periodic payments:</b>					<b>Other securities, which provide for periodic payments:</b>				
Asset-backed securities	Asset-backed securities	\$ 12,620	\$ 11,892	\$ 12,209	\$ 11,467	Asset-backed securities	13,492	12,840	12,209	11,467
Commercial-mortgage-backed securities	Commercial-mortgage-backed securities	4,004	3,672	3,309	3,036	Commercial-mortgage-backed securities	4,307	3,949	3,309	3,036
Residential mortgage-backed securities	Residential mortgage-backed securities	1,764	1,664	1,631	1,521	Residential mortgage-backed securities	2,121	2,011	1,631	1,521
Subtotal	Subtotal	\$ 18,388	\$ 17,228	\$ 17,149	\$ 16,024	Subtotal	\$ 19,920	\$ 18,800	\$ 17,149	\$ 16,024
<b>Total fixed maturity available-for-sale securities</b>	<b>Total fixed maturity available-for-sale securities</b>	<b>\$ 38,226</b>	<b>\$ 34,197</b>	<b>\$ 35,723</b>	<b>\$ 31,218</b>	<b>Total fixed maturity available-for-sale securities</b>	<b>\$ 40,374</b>	<b>\$ 36,182</b>	<b>\$ 35,723</b>	<b>\$ 31,218</b>

#### Non-Agency RMBS Exposure

Our investment in non-agency RMBS securities is predicated on the conservative and adequate cushion between purchase price and NAIC 1 rating, general lack of sensitivity to interest rates, positive convexity to prepayment rates and correlation between the price of the securities and the unfolding recovery of the housing market.

The fair value of our investments in subprime securities and Alt-A RMBS securities were **\$38 million** **\$36 million** and **\$52 million** **\$53 million** as of **March 31, 2023** **June 30, 2023**, respectively, and \$40 million and \$54 million as of December 31, 2022, respectively. As of **March 31, 2023** **June 30, 2023** and December 31, 2022 approximately 94% and 91%, respectively, of the subprime and Alt-A RMBS exposures were rated NAIC 2 or higher.

#### ABS and CLO Exposures

Our ABS exposures are largely diversified by underlying collateral and issuer type. Our CLO exposures are generally senior tranches of CLOs which have leveraged loans as their underlying collateral.

As of **March 31, 2023** **June 30, 2023**, the CLO and ABS positions were trading at a net unrealized loss position of **\$190 million** **\$130 million** and **\$529 million** **\$515 million**, respectively. As of December 31, 2022, the CLO and ABS positions were trading at a net unrealized loss position of \$236 million and \$499 million, respectively.

The following table summarizes the credit quality by NRSRO rating, or NAIC designation equivalent, of our AFS ABS portfolio (dollars in millions) at June 30, 2023 and December 31, 2022.

NRSRO Rating	NAIC Designation	June 30, 2023		December 31, 2022	
		Fair Value	Percent	Fair Value	Percent
AAA/AA/A	1	\$ 6,247	77%	\$ 5,570	77%
BBB	2	1,365	17%	1,232	17%
BB	3	366	5%	344	5%
B	4	47	1%	72	1%
CCC	5	8	—%	9	—%
CC and lower	6	24	—%	18	—%
<b>Total</b>		<b>\$ 8,057</b>	<b>100%</b>	<b>\$ 7,245</b>	<b>100%</b>

The following table summarizes the credit quality by NRSRO rating, or NAIC designation equivalent, of our AFS CLO portfolio (dollars in millions) at June 30, 2023 and December 31, 2022.

NRSRO Rating	NAIC Designation	June 30, 2023		December 31, 2022	
		Fair Value	Percent	Fair Value	Percent
AAA/AA/A	1	\$ 2,968	62%	\$ 2,678	64%
BBB	2	1,374	29%	1,225	29%
BB	3	384	8%	256	6%
B	4	19	—%	19	—%
CCC	5	—	—%	9	—%
CC and lower	6	38	1%	35	1%
<b>Total</b>		<b>\$ 4,783</b>	<b>100%</b>	<b>\$ 4,222</b>	<b>100%</b>

## Municipal Bond Exposure

Our municipal bond exposure is a combination of general obligation bonds (fair value of \$212 million \$232 million and \$188 million and an amortized cost of \$246 million \$269 million and \$231 million as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively) and special revenue bonds (fair value of \$1,196 million \$1,324 million and \$1,017 million and an amortized cost of \$1,375 million \$1,522 million and \$1,248 million as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively).

Across all municipal bonds, the largest issuer represented 5% and 6% of the category as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively, with less than 1% of the entire portfolio and is rated NAIC 1. Our focus within municipal bonds is on NAIC 1 rated instruments, and 97% of our municipal bond exposure is rated NAIC 1 as of March 31, 2023 June 30, 2023.

## Mortgage Loans

### Commercial Mortgage Loans

We diversify our commercial mortgage loans ("CMLs") portfolio by geographic region and property type to attempt to reduce concentration risk. We continuously evaluate CMLs based on relevant current information to ensure properties are performing at a level to secure the related debt. LTV and DSC ratios are utilized to assess the risk and quality of CMLs. As of March 31, 2023 June 30, 2023 and December 31, 2022, our mortgage loans on real estate portfolio had a weighted average DSC ratio of 2.3 times and 2.3 times, respectively, and a weighted average LTV ratio of 55% and 57%, respectively.

We consider a CML delinquent when a loan payment is greater than 30 days past due. For mortgage loans that are determined to require foreclosure, the carrying value is reduced to the fair value of the underlying collateral, net of estimated costs to obtain and sell at the point of foreclosure. At March 31, 2023 we had one CML that was delinquent in principal or interest payments As of June 30, 2023 and none in the process of foreclosure. At December 31, 2022 we had one CML that was delinquent in principal or interest payments or in process of foreclosure. See Note C - Investments to the Condensed Financial Statements included in this report for additional information on our CMLs, including our distribution by property type, geographic region, LTV and DSC ratios.

### Residential Mortgage Loans

Our residential mortgage loans ("RML") are closed end, amortizing loans, and 100% of the properties are in the United States. We diversify our RML portfolio by state to attempt to reduce concentration risk. RMLs have a primary credit quality indicator of either a performing or nonperforming loan. We define nonperforming RMLs as those that are 90 or more days past due and/or in nonaccrual status.

Loans are placed on nonaccrual status when they are over 90 days delinquent. If a loan becomes over 90 days delinquent, it is our general policy to initiate foreclosure proceedings unless a workout arrangement to bring the loan current can be put in place. See Note C — Investments to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional information on our RMLs.

## Unrealized Losses

The amortized cost and fair value of the fixed maturity securities and the equity securities that were in an unrealized loss position as of **March 31, 2023**, **June 30, 2023** and December 31, 2022, were as follows (in dollars in millions):

		March 31, 2023								June 30, 2023						
		Allowance for Expected						Allowance for Expected								
		Number of Securities	Amortized Cost	Credit Losses	Unrealized Losses	Fair Value	Number of Securities	Amortized Cost		Credit Losses	Unrealized Losses	Fair Value				
Fixed maturity securities, available for sale:	Fixed maturity securities, available for sale:								Fixed maturity securities, available for sale:							
United States Government full faith and credit	United States Government full faith and credit	4	\$ 27	\$ —	\$ (1)	\$ 26			United States Government full faith and credit	12	\$ 67	\$ —	\$ (2)	\$ 65		
United States Government sponsored agencies	United States Government sponsored agencies	57	36	—	(3)	33			United States Government sponsored agencies	57	34	—	(4)	30		
United States municipalities, states and territories	United States municipalities, states and territories	192	1,576	—	(229)	1,347			United States municipalities, states and territories	193	1,588	—	(246)	1,342		
Foreign Governments	Foreign Governments	64	200	—	(40)	160			Foreign Governments	64	202	—	(41)	161		
Corporate securities:	Corporate securities:								Corporate securities:							
Finance, insurance and real estate	Finance, insurance and real estate	714	6,058	—	(788)	5,270			Finance, insurance and real estate	805	6,591	—	(858)	5,733		
Manufacturing, construction and mining	Manufacturing, construction and mining	136	1,038	—	(164)	874			Manufacturing, construction and mining	129	1,002	—	(163)	839		
Utilities, energy and related sectors	Utilities, energy and related sectors	341	2,495	—	(503)	1,991			Utilities, energy and related sectors	356	2,558	—	(532)	2,026		
Wholesale/retail trade	Wholesale/retail trade	444	2,222	—	(416)	1,806			Wholesale/retail trade	388	2,311	—	(444)	1,867		
Services, media and other	Services, media and other	348	3,505	—	(728)	2,777			Services, media and other	497	3,787	—	(770)	3,017		
Hybrid securities	Hybrid securities	47	745	—	(83)	662			Hybrid securities	44	725	—	(74)	651		
Non-agency residential mortgage-backed securities	Non-agency residential mortgage-backed securities	252	1,351	(5)	(104)	1,242			Non-agency residential mortgage-backed securities	316	1,759	(5)	(110)	1,644		
Commercial mortgage-backed securities	Commercial mortgage-backed securities	532	3,802	—	(336)	3,466			Commercial mortgage-backed securities	527	3,617	(15)	(345)	3,257		
Asset-backed securities	Asset-backed securities	1,182	10,651	(9)	(762)	9,880			Asset-backed securities	1,133	11,202	(6)	(710)	10,486		
Total fixed maturity available for sale securities	Total fixed maturity available for sale securities	4,313	33,706	(14)	(4,157)	29,534			Total fixed maturity available for sale securities	4,521	35,443	(26)	(4,299)	31,118		
Equity securities	Equity securities	58	844	—	(144)	700			Equity securities	49	729	—	(130)	599		
Total investments	Total investments	4,371	\$ 34,550	\$ (14)	\$ (4,301)	\$ 30,234			Total investments	4,570	\$ 36,172	\$ (26)	\$ (4,429)	\$ 31,717		

December 31, 2022

Allowance for Expected				
Number of Securities	Amortized Cost	Credit Losses	Unrealized Losses	Fair Value

Fixed maturity securities, available for sale:									
United States Government full faith and credit	6	\$	34	\$	—	\$	(2)	\$	32
United States Government sponsored agencies	58		39		—		(4)		35
United States municipalities, states and territories	167		1,590		—		(289)		1,301
Foreign Governments	44		169		—		(37)		132
Corporate securities:									
Finance, insurance and real estate	526		5,586		(15)		(876)		4,695
Manufacturing, construction and mining	120		850		—		(160)		690
Utilities, energy and related sectors	333		2,825		—		(644)		2,181
Wholesale/retail trade	316		2,418		—		(532)		1,886
Services, media and other	360		3,354		—		(783)		2,571
Hybrid securities	43		706		—		(84)		622
Non-agency residential mortgage-backed securities	241		1,353		(5)		(105)		1,243
Commercial mortgage-backed securities	365		2,850		—		(284)		2,566
Asset-backed securities	1,147		11,511		(1)		(770)		10,740
Total fixed maturity available for sale securities	3,726		33,285		(21)		(4,570)		28,694
Equity securities	59		879		—		(174)		705
Total investments	3,785	\$	34,164	\$	(21)	\$	(4,744)	\$	29,399

The gross unrealized loss position on the fixed maturity available-for-sale fixed and equity portfolio was \$4,301 million \$4,429 million and \$4,744 million as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively. Most components of the portfolio exhibited price depreciation caused by lower treasury rates and credit spread compression. The total amortized cost of all securities in an unrealized loss position was \$34,550 million \$36,172 million and \$34,164 million as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively. The average market value/book value of the investment category with the largest unrealized loss position was 87% for Finance, insurance and real estate as of March 31, 2023 June 30, 2023. In the aggregate, Finance, insurance and real estate represented 18% 19% of the total unrealized loss position as of March 31, 2023 June 30, 2023. The average market value/book value of the investment category with the largest unrealized loss position was 84% for finance, insurance and real estate as of December 31, 2022. In aggregate, finance, insurance and real estate represented 18% of the total unrealized loss position as of December 31, 2022.

The amortized cost and fair value of fixed maturity available for sale securities under watch list analysis and the number of months in a loss position with investment grade securities (NRSRO rating of BBB/Baa or higher) as of March 31, 2023 June 30, 2023 and December 31, 2022, were as follows (dollars in millions):

		March 31, 2023						June 30, 2023					
		Number of securities	Amortized Cost	Fair Value	Allowance for Credit Loss	Gross Unrealized Losses		Number of securities	Amortized Cost	Fair Value	Allowance for Credit Loss	Gross Unrealized Losses	
<b>Investment grade:</b>	<b>Investment grade:</b>							<b>Investment grade:</b>					
Less than six months	Less than six months	6	\$ 13	\$ 10	\$ —	\$ (2)		Less than six months	—	\$ —	\$ —	\$ —	—
Six months or more and less than twelve months	Six months or more and less than twelve months	—	—	—	—	—		Six months or more and less than twelve months	5	12	11	—	(1)
Twelve months or greater	Twelve months or greater	69	691	465	—	(226)		Twelve months or greater	78	858	573	—	(285)
<b>Total investment grade</b>	<b>Total investment grade</b>	<b>75</b>	<b>703</b>	<b>475</b>	<b>—</b>	<b>(228)</b>		<b>Total investment grade</b>	<b>83</b>	<b>870</b>	<b>584</b>	<b>—</b>	<b>(286)</b>
<b>Below investment grade:</b>	<b>Below investment grade:</b>							<b>Below investment grade:</b>					
Less than six months	Less than six months	3	20	18	—	(2)		Less than six months	2	10	9	—	(1)

Six months or more and less than twelve months	Six months or more and less than twelve months	5	52	42	—	(10)	Six months or more and less than twelve months	—	—	—	—	—
Twelve months or greater	Twelve months or greater	7	45	38	—	(7)	Twelve months or greater	9	67	55	—	(12)
Total below investment grade	Total below investment grade	15	117	98	—	(19)	Total below investment grade	11	77	64	—	(13)
<b>Total</b>	<b>Total</b>	<b>90</b>	<b>\$ 820</b>	<b>\$ 573</b>	<b>\$ —</b>	<b>\$ (247)</b>	<b>Total</b>	<b>94</b>	<b>\$ 947</b>	<b>\$ 648</b>	<b>\$ —</b>	<b>\$ (299)</b>

December 31, 2022					
	Number of Securities	Amortized Cost	Fair Value	Allowance for Credit Loss	Gross Unrealized Losses
<b>Investment grade:</b>					
Less than six months	6	\$ 5	\$ 3	—	\$ (2)
Six months or more and less than twelve months	49	299	200	—	(99)
Twelve months or greater	76	969	634	—	(335)
Total investment grade	131	1,273	837	—	(436)
<b>Below investment grade:</b>					
Less than six months	1	32	13	15	(4)
Six months or more and less than twelve months	12	124	94	—	(30)
Twelve months or greater	2	6	4	—	(2)
Total below investment grade	15	162	111	15	(36)
<b>Total</b>	<b>146</b>	<b>\$ 1,435</b>	<b>\$ 948</b>	<b>\$ 15</b>	<b>\$ (472)</b>

#### Expected Credit Losses and Watch List

We prepare a watch list to identify securities to evaluate for expected credit losses. Factors used in preparing the watch list include fair values relative to amortized cost, ratings and negative ratings actions and other factors. Detailed analysis is performed for each security on the watch list to further assess the presence of credit impairment loss indicators and, where present, calculate an allowance for expected credit loss or direct write-down of a security's amortized cost.

At March 31, 2023 June 30, 2023, our watch list included 90 88 securities in an unrealized loss position with an amortized cost of \$820 million \$947 million, no allowance for credit losses, unrealized losses of \$(247) \$(298) million and a fair value of \$573 million \$648 million.

At December 31, 2022, our watch list included 146 securities in an unrealized loss position with an amortized cost of \$1,435 million, allowance for credit losses of \$15 million, unrealized losses of \$472 million and a fair value of \$948 million.

The watch list excludes structured securities as we have separate processes to evaluate the credit quality on the structured securities.

There were 39 59 and 64 structured securities with a fair value of \$70 million \$254 million and \$162 million to which we had potential credit exposure as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively. Our analysis of these structured securities, which included cash flow testing, resulted in allowances for expected credit losses of \$32 million and \$16 million as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively.

#### Exposure to Sovereign Debt and Certain Other Exposures

Our investment portfolio had an immaterial amount of direct exposure to European sovereign debt as of March 31, 2023 June 30, 2023 and December 31, 2022, respectively. We have no exposure to investments in Russia or Ukraine and de minimis investments in peripheral countries in the region.

#### Interest and Investment Income

For discussion regarding our net investment income and net investment gains (losses) refer to Note C - Investments to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q.

#### AFS Securities

For additional information regarding our AFS securities, including the amortized cost, gross unrealized gains (losses), and fair value as well as the amortized cost and fair value of fixed maturity AFS securities by contractual



maturities, as of **March 31, 2023** **June 30, 2023** and December 31, 2022, refer to Note C - *Investments* to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q.

### Concentrations of Financial Instruments

For certain information regarding our concentrations of financial instruments, refer to Note C - *Investments* to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q.

### Derivatives

We are exposed to credit loss in the event of nonperformance by our counterparties on call options. We attempt to reduce this credit risk by purchasing such options from large, well-established financial institutions.

We also hold cash and cash equivalents received from counterparties for call option collateral, as well as U.S. Government securities pledged as call option collateral, if our counterparty's net exposures exceed pre-determined thresholds.

We are required to pay counterparties the effective federal funds rate each day for cash collateral posted to F&G for daily mark-to-market margin changes. We reduce the negative interest cost associated with cash collateral posted from counterparties under various ISDA agreements by reinvesting derivative cash collateral. This program permits collateral cash received to be invested in short term Treasury securities, bank deposits and commercial paper rated A1/P1, which are included in Cash and cash equivalents in the accompanying Condensed Consolidated Balance Sheets.

See Note D - *Derivatives* to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q for additional information regarding our derivatives and our exposure to credit loss on call options.

### Liquidity and Capital Resources

Liquidity refers to the ability of an enterprise to generate adequate amounts of cash from its normal operations to meet cash requirements with a prudent margin of safety. Our principal sources of cash flow from operating activities are annuity considerations, insurance premiums, and fees and investment income. We also generate cash inflows from investing activities resulting from maturities and sales of invested assets and from financing activities including inflows on our investment-type products and proceeds from borrowing activities. Our operating activities provided cash of **\$1,437 million** **\$2,817 million** and **\$423 million** **\$728 million** for the **three six** months ended **March 31, 2023** **June 30, 2023** and **March 31, 2022** **June 30, 2022**, respectively. When considering our liquidity and cash flow, it is important to distinguish between the needs of our insurance subsidiaries and the needs of the holding company, F&G Annuities & Life, Inc. ("FGAL"). As a holding company with no operations of its own, FGAL derives its cash primarily from its insurance subsidiaries and CF Bermuda Holdings Ltd. ("CF Bermuda"), a Bermuda exempted limited liability company and a wholly owned direct subsidiary of the Company, a downstream holding company that provides additional sources of liquidity. Dividends from our insurance subsidiaries flow through CF Bermuda to FGAL. F&G Cayman Re, a licensed class D insurer in the Cayman Islands and a wholly owned direct subsidiary of the Company, could also provide dividends directly to FGAL.

The sources of liquidity of the holding company are principally comprised of dividends from subsidiaries, lines of credit and borrowings (at the FGAL level), existing surplus notes, investment income on holding company assets and the ability to raise long-term public financing under an SEC-filed registration statement or private placement offering. These sources of liquidity and cash flow support the general corporate needs of the holding company, interest and debt service, funding acquisitions and investment in core businesses.

Our cash flows associated with collateral received from and posted with counterparties change as the market value of the underlying derivative contract changes. As the value of a derivative asset declines (or increases), the collateral required to be posted by our counterparties would also decline (or increase). Likewise, when the value of a derivative liability declines (or increases), the collateral we are required to post to our counterparties would also decline (or increase).

**Cash Requirements.** Our current cash requirements include personnel costs, operating expenses, benefit payments, funding agreement payments, taxes, payments of interest and principal on our debt, capital expenditures, business acquisitions, stock repurchases and dividends on our common stock. We paid dividends of \$0.20 per share of common stock in the first **quarter and second quarters** of 2023, or approximately **\$25 million** **\$50 million**, to our common shareholders. On **May 3, 2023** **August 8, 2023**, we announced that our Board of Directors declared a quarterly cash dividends dividend of \$0.20 per share, payable on **June 30, 2023** **September 29, 2023**, to F&G common shareholders of record as of **June 16, 2023** **September 15, 2023**. There are no restrictions on our retained earnings regarding our ability to pay dividends to our shareholders, although there are limits on the ability of certain subsidiaries to pay dividends to us, as described below. The declaration of any future dividends is at the discretion of our Board of Directors.

On **March 21, 2023**, F&G's Board of Directors approved a new three-year stock repurchase program, effective **March 21, 2023**, under which the Company may repurchase up to **\$25 million** of F&G common stock. The Company believes its shares are undervalued and the share repurchase program is an efficient means of returning cash to shareholders. Purchases may be made from time to time by the Company in the open market at prevailing market prices or in privately negotiated transactions through **March 21, 2026** and all purchases are currently planned to be held as Treasury Stock. The extent to which the Company repurchases its shares, and the timing of such purchases, will depend upon a variety of factors, including market conditions, regulatory requirements and other considerations, as determined by the Company. During the **three and six months ended June 30, 2023**, the Company purchased 790 thousand shares, for a total cost of **\$16 million** with an average cost per share of **\$20.79**. Approximately **\$9 million** of F&G common stock may yet be purchased under the program.

On **January 13, 2023**, F&G completed its issuance and sale of \$500 million aggregate principal amount of its 7.40% Senior Notes due 2028 (the "7.40% F&G Notes"). F&G intends to use the net proceeds from the offering for general corporate purposes, including to support the growth of assets under management and for F&G's future liquidity requirements.

On **November 22, 2022**, we entered into a Credit Agreement (the "Credit Agreement") with certain lenders (the "Lenders") and Bank of America, N.A. as administrative agent (in such capacity, the "Administrative Agent"), swing line lender and an issuing bank, pursuant to which the Lenders have made available an unsecured revolving credit facility in an aggregate principal amount of \$550 million to be used for working capital and general corporate purposes. As of **December 31, 2022**, the revolving credit facility was fully drawn with \$550 million outstanding. A net partial revolver paydown of \$35 million was made on **January 6, 2023**, and on **February 21, 2023**, we entered into an amendment with the Lenders to increase the available aggregate principal amount of the Credit Agreement by \$115 million to \$665 million. As of **March 31, 2023** **June 30, 2023**, we had \$515 million drawn on the revolving credit facility with \$150 million of remaining borrowing availability.

As of **March 31, 2023** **June 30, 2023** and December 31, 2022, we had cash and cash equivalents of **\$1,584 million** **\$1,688 million** and \$960 million, respectively, short term investments of **\$776 million** **\$347 million** and \$1,556 million, respectively, and available

capacity under our revolving credit facility with FNF of \$200 million (the "FNF Credit Facility"). No amounts were outstanding under this revolving note agreement as of **March 31, 2023** **June 30, 2023** or December 31, 2022. We continually assess our capital allocation strategy, including decisions relating to the amount of our dividend, if any, reducing debt, investing in growth of our subsidiaries, making acquisitions and/or conserving cash. We believe that all anticipated cash requirements for current operations will be met from internally generated funds, through cash dividends from subsidiaries, cash generated by investment securities, potential sales of non-strategic assets, **our borrowing availability and** potential issuances of additional debt or equity **securities, and borrowings on the FNF Credit Facility, securities**. Our short-term and long-term liquidity requirements are monitored regularly to ensure that we can meet our cash requirements. We forecast the needs of all of our subsidiaries and periodically review their short-term and long-term projected sources and uses of funds, as well as the asset, liability, investment and cash flow assumptions underlying such forecasts.

Our two significant sources of internally generated funds are dividends and other payments from our subsidiaries. As a holding company, we receive cash from our subsidiaries in the form of dividends and as reimbursement for operating and other administrative expenses we incur. The reimbursements are paid within the guidelines of management agreements among us and our subsidiaries. As discussed below, our insurance subsidiaries are restricted by state regulation and other laws in their ability to pay dividends and make distributions. As of December 31, 2022, approximately \$2.4 billion of our net assets were restricted from dividend payments without prior approval from the relevant departments of insurance.

The maximum dividend permitted by law is not necessarily indicative of an insurer's actual ability to pay dividends, which may be constrained by business and regulatory considerations, such as the impact of dividends on surplus, which could affect an insurer's ratings or competitive position, the amount of premiums that can be written and the ability to pay future dividends.

#### **Dividend and Other Distribution Payment Limitations**

The insurance laws of Iowa and New York regulate the amount of dividends that may be paid in any year by FGL Insurance and FGL NY Insurance, respectively. Likewise, the insurance laws of Bermuda limit the maximum amount of annual dividends and distributions that may be paid or distributed by F&G Life Re without prior regulatory approval and those of the Cayman Islands require that, among other things, F&G Cayman Re maintain minimum levels of statutory capital, surplus and liquidity, meet solvency standards, submit to periodic examinations of its financial condition and restrict payments of dividends and reductions of capital. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2022 and *Note O - F&G Insurance Subsidiary Financial Information and Regulatory Matters* included in Item 1 of Part I of this Quarterly Report on Form 10-Q for additional details on dividends from insurance subsidiaries, statutory capital and risk-based capital.

#### **Cash flow from our operations**

Cash flow from our operations will be used for general corporate purposes including to reinvest in operations, repay debt, pay dividends, repurchase stock, pursue other strategic initiatives and/or conserve cash.

**Operating Cash Flow.** Our cash flows provided by operations for the **three six** months ended **March 31, 2023** **June 30, 2023** and **March 31, 2022** **June 30, 2022**, were **\$1,437 million** **\$2,817 million** and **\$423 million** **\$728 million**, respectively. The primary cash inflows from operating activities include net investment income and insurance premiums. The primary cash outflows from operating activities are comprised of benefit payments and operating expenses. Cash provided by operations for the **three six** months ended **March 31, 2023** **June 30, 2023** and **March 31, 2022** **June 30, 2022** included approximately **\$300 million** **\$500 million** and \$500 million of cash received for PRT transactions, respectively, included in the change in **future policy benefits, FPBs**.

**Investing Cash Flows.** Our cash used in investing activities for the **three six** months ended **March 31, 2023** **June 30, 2023** and **March 31, 2022** **June 30, 2022**, were **\$(2,408)** **\$(4,246)** million and, **\$(2,188)** **\$(4,037)** million, respectively. The primary cash inflows from investing activities are the proceeds from sales, calls, maturities and redemptions of investments, including those resulting from the Company's portfolio repositioning. The primary cash outflows from investing activities are the purchases of fixed maturity securities and other investments. Cash used in investing activities for the **three six** months ended **March 31, 2023** **June 30, 2023** and **March 31, 2022** **June 30, 2022** included purchases of fixed maturity securities and other investments associated with investing the cash received from **FABN transactions, generating investment-type products, generated** from financing cash flows, **and** PRT transactions, generated from operating activities, as well as cash received from borrowings generated from financing activities.

**Financing Cash Flows.** Our cash flows provided by financing activities for the **three six** months ended **March 31, 2023** **June 30, 2023** and **March 31, 2022** **June 30, 2022**, were **\$1,595 million** **\$2,157 million** and **\$1,400 million** **\$2,768 million**, respectively. The primary cash inflows from financing activities are inflows on our investment-type products and proceeds from borrowing activities. The primary cash outflows from financing activities are withdrawals on our investment-type products, repayments of outstanding borrowings, **dividend payments and dividend payments, stock repurchases**. Cash provided by financing activities for the **three six** months ended **March 31, 2023** **June 30, 2023** included proceeds of \$500 million aggregate principal amount from the issuance and sale of the 7.40% F&G Notes. Cash used by financing activities for the **three six** months ended **March 31, 2023** **June 30, 2023** included the net partial revolver paydown of \$35 million, **the dividend payments of \$50 million and the dividend payment stock repurchases of \$25 million, \$16 million**. Cash provided by financing activities for the **three six** months ended **March 31, 2023** **June 30, 2023** and the **three six** months ended **March 31, 2022** **June 30, 2022** included approximately \$0 million and \$400 million, respectively, of net cash received for FABN transactions.

**Financing Arrangements.** For a description of our financing arrangements see Note L - *Notes Payable* to the Condensed Consolidated Financial **Statements, Statements** included in Item 1 of Part I of this Quarterly Report on Form 10-Q for additional information on our financing arrangements.

**Equity and Preferred Security Investments.** Our equity and preferred security investments may be subject to significant volatility. Currently prevailing accounting standards require us to record the change in fair value of equity and preferred security investments held as of any given period end within earnings. Our results of operations in future periods are anticipated to be subject to such volatility.

**Off-Balance Sheet Arrangements.** Throughout our history, we have entered **in to into** indemnifications in the ordinary course of business with our customers, suppliers, service providers, business partners and in certain instances, when we sold businesses. Additionally, we have indemnified our directors and officers who are, or were, serving at our request

in such capacities. Although the specific terms or number of such arrangements is not precisely known due to the extensive history of our past operations, costs incurred to settle claims related to these indemnifications have not been material to our financial statements. We have no reason to believe that future costs to settle claims related to our former operations will have a material impact on our financial position, results of operations or cash flows.

We have unfunded investment commitments as of **March 31, 2023**, **June 30, 2023** and December 31, 2022, based upon the timing of when investments are executed compared to when the actual investments are funded, as some investments require that funding occur over a period of months or years. Please refer to Note C - *Investments* and Note N - *Commitments and Contingencies* to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q for additional details on unfunded investment commitments.

**FHLB Collateral.** We are currently a member of the FHLB and are required to maintain a collateral deposit that backs any funding agreements issued. We use these funding agreements as part of a spread enhancement strategy. We have the ability to obtain funding from the FHLB based on a percentage of the value of our assets, subject to the availability of eligible collateral. Collateral is pledged based on the outstanding balances of FHLB funding agreements. The amount of funding varies based on the type, rating and maturity of the collateral posted to the FHLB. Generally, U.S. government agency notes, mortgage-backed securities, municipal bonds, and commercial and residential whole loans are pledged to the FHLB as collateral. Market value fluctuations resulting from changes in interest rates, spreads and other risk factors for each type of asset are monitored and additional collateral is either pledged or released as needed.

Our borrowing capacity under these credit facilities does not have an expiration date as long as we maintain a satisfactory level of creditworthiness based on the FHLB's credit assessment. As of **March 31, 2023**, **June 30, 2023** and December 31, 2022, we had **\$2,139 million**, **\$2,136 million** and \$1,983 million, respectively, in FHLB non-putable funding agreements included under Contractholder **Funds** funds on our Condensed Consolidated Balance Sheet. As of **March 31, 2023**, **June 30, 2023** and December 31, 2022, we had assets with a fair value of approximately **\$3,830 million**, **\$3,543 million** and \$3,387 million, respectively, which collateralized the FHLB funding agreements. Assets pledged to the FHLB are included in fixed maturities, AFS, on our Condensed Consolidated Balance Sheets.

**Collateral-Derivative Contracts.** Under the terms of our ISDA agreements, we may receive from, or deliver to, counterparties collateral to assure that all terms of the ISDA agreements will be met with regard to the Credit Support Annex ("CSA"). The terms of the CSA call for us to pay interest on any cash received equal to the federal funds rate. As of **March 31, 2023**, **June 30, 2023** and December 31, 2022, **\$351 million**, **\$579 million**, and \$219 million, respectively, of collateral was posted by our counterparties as they did not meet the net exposure thresholds. Collateral requirements are monitored on a daily basis and incorporate changes in market values of both the derivatives contract as well as the collateral pledged. Market value fluctuations are due to changes in interest rates, spreads and other risk factors.

**Other.** As reported in our Form 8-K dated June 30, 2023, one of the Company's third-party vendors was a victim of the security incident associated with the MOVEit file transfer system. As a result of this vendor incident, an unauthorized party obtained information in the vendor's possession for approximately 783,000 of the Company's policyholders or customers, including social security numbers and account numbers. We are in the process of evaluating the impact of the vendor incident, however we do not expect it to have a material impact to the Company's business, operations, or financial results. We remain subject to risks and uncertainties as a result of the incident, including litigation and additional regulatory scrutiny.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are routinely subject to a variety of risks, as described in "Part I - Item 1A. *Risk Factors*" included in our **2022 Annual Report on Form 10-K for the year ended December 31, 2022** and Part II - Item 1A. *Risk Factors* included in this **Report**, **Quarterly Report on Form 10-Q**.

The risks related to our business also include certain market risks that may affect our debt and other financial instruments. At present, we face the market risks associated with our marketable equity securities, liability for **contractholder** **Contractholder** funds, and balances for **market risk benefits** **MRBs** which are subject to equity price volatility and with interest rate movements on our fixed income investments and liabilities for **future policy benefits**, **market risk benefits**, **FPBs**, **MRBs**, and **contractholder** **Contractholder** funds.

We regularly assess these market risks and have established policies and business practices designed to protect against the adverse effects of these exposures.

At **March 31, June 30, 2023**, we had a short-term revolving credit facility with an aggregate principal amount of **\$515 million**, **\$515 million** outstanding which bears interest at a floating rate. Accordingly, depending on the amounts drawn during 2023, fluctuations in market interest rates will have an impact on our resulting interest expense. For example, a 100bps shift in interest rates will increase or decrease floating interest expense by approximately \$10 million per year.

Our fixed maturity investments, certain preferred securities, floating rate debt and liabilities for **future policy benefits**, **market risk benefits**, **FPBs**, **MRBs**, and **contractholder** **Contractholder** funds are subject to an element of market risk from changes in interest rates. Increases and decreases in prevailing interest rates generally translate into decreases and increases in fair values of those instruments. Additionally, fair values of interest rate sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument and other general market conditions. We manage interest rate risk through a variety of measures. We monitor our interest rate risk and make investment decisions to manage the perceived risk.

Equity price risk is the risk that we will incur economic losses due to adverse changes in equity prices. In the past, our exposure to changes in equity prices primarily resulted from our holdings of equity securities. At **March 31, June 30, 2023** we held **\$106 million**, **\$109 million** in marketable equity securities (not including our investments in preferred securities of **\$691 million**, **\$647 million** and our investments in unconsolidated affiliates of **\$2,669 million**, **\$2,803 million**). Refer to Note B - *Fair Value of Financial Instruments* to the Condensed Consolidated Financial Statements included in this Part I - Item 1 of this Quarterly Report on Form 10-Q for additional details on how the carrying values of these investments are determined as of the balance sheet date. Carrying values are subject to fluctuation and, consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported carrying value. Fluctuation in the carrying value of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amounts realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

Financial instruments, which potentially subject us to concentrations of credit risk, consist primarily of cash equivalents and short-term investments. We require placement of cash in financial institutions evaluated as highly creditworthy.

#### Enterprise Risk Management

For information about our enterprise risk management see "Part II - Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*" included in our **2022 Annual Report on Form 10-K**, **10-K for the year ended December 31, 2022**.

## Interest Rate Risk

Interest rate risk is our primary market risk exposure. We define interest rate risk as the risk of an economic loss due to adverse changes in interest rates. This risk arises from investing life insurance premiums and fixed annuity deposits received in interest-sensitive assets and carrying these funds as interest-sensitive liabilities. Substantial and sustained increases or decreases in market interest rates can affect the profitability of the insurance products and the fair value of our investments, as the majority of our insurance liabilities are backed by fixed maturity securities.

The profitability of most of our products depends on the spreads between interest yield on investments and rates credited on insurance liabilities. We have the ability to adjust the rates credited, primarily caps and credit rates, on the majority of the annuity liabilities at least annually, subject to minimum guaranteed values. In addition, the majority of the annuity products have surrender and withdrawal penalty provisions designed to encourage persistency and to help ensure targeted spreads are earned. However, competitive factors, including the impact of the level of surrenders and withdrawals, may limit our ability to adjust or maintain crediting rates at the levels necessary to avoid a narrowing of spreads under certain market conditions.

In order to meet our policy and contractual obligations, we must earn a sufficient return on invested assets. Significant changes in interest rates expose us to the risk of not earning the anticipated spreads between the interest rate earned on its investments and the credited interest rates paid on outstanding policies and contracts. Both rising and declining interest rates can negatively affect interest earnings, spread income and the attractiveness of certain products.

During periods of increasing interest rates, we may offer higher crediting rates on interest-sensitive products, such as IUL insurance and fixed annuities, and may increase crediting rates on in-force products to keep these products competitive. A rise in interest rates, in the absence of other countervailing changes, will result in a decline in the market value of our investment portfolio, partially offset by gains related to the fair value of MRBs.

As part of our **ALM asset liability management ("ALM")** program, we have made a significant effort to identify the assets appropriate to different product lines and ensure investing strategies match the profile of these liabilities. The ALM strategy is designed to align the expected cash flows from the investment portfolio with the expected liability cash flows. As such, a major component of our effort to manage interest rate risk has been to structure the investment portfolio with cash flow characteristics that are consistent with the cash flow characteristics of the insurance liabilities. We use actuarial models to simulate the cash flows expected from the existing business under various interest rate scenarios. These simulations enable us to measure the potential gain or loss in the fair value of interest rate-sensitive financial instruments, to evaluate the adequacy of expected cash flows from assets to meet the expected cash requirements of the liabilities and to determine if it is necessary to lengthen or shorten the average life and duration of our investment portfolio. Duration measures the price sensitivity of a security to a small change in interest rates. When the durations of assets and liabilities are similar, exposure to interest rate risk is minimized because a change in the value of assets could be expected to be largely offset by a change in the value of liabilities.

The duration of the investment portfolio, excluding cash and cash equivalents, derivatives, policy loans, and common stocks as of **March 31, 2023** **June 30, 2023** is summarized as follows: **follows (dollars in millions):**

(Dollars in millions) <b>March 31, 2023</b>							
				<b>June 30, 2023</b>			
<b>Duration (years)</b>	<b>Duration (years)</b>	<b>Amortized Cost</b>	<b>% of Total</b>	<b>Duration (years)</b>	<b>Amortized Cost</b>	<b>% of Total</b>	
0-4	0-4	\$ 22,607	50	% 0-4	\$ 23,002	52	%
5-9	5-9	10,229	23	% 5-9	10,314	23	%
10-14	10-14	8,901	21	% 10-14	9,129	20	%
15-19	15-19	2,768	6	% 15-19	2,405	5	%
20-30	20-30	79	—	% 20-30	77	—	%
<b>Total</b>	<b>Total</b>	<b>\$ 44,584</b>	<b>100</b>	<b>% Total</b>	<b>\$ 44,927</b>	<b>100</b>	<b>%</b>

## Equity Price Risk

We are also exposed to equity price risk through certain insurance products. We offer a variety of FIA/ IUL contracts with crediting strategies linked to the performance of indices such as the S&P 500 Index, Dow Jones Industrials or the NASDAQ 100 Index, and target volatility indices. Additionally, the estimated cost of providing GMWB on FIA products incorporates various assumptions about the overall performance of equity markets over certain time periods. Periods of significant and sustained downturns in equity markets or increased equity volatility could result in an increase in the valuation of the **market risk benefit** MRB liabilities and decrease in the valuation of **policyholder account balance** **Contractholder funds** liabilities associated with such products.

To economically hedge the equity returns on these products, we purchase derivatives to hedge the FIA and IUL equity exposures. The primary way we hedge FIA/ IUL equity exposure is to purchase over the counter equity index call options from broker-dealer derivative counterparties approved by F&G. The second way to hedge **FIA FIA/ IUL** equity exposure is by purchasing exchange traded equity index futures contracts. This hedging strategy enables us to reduce the overall hedging costs and achieve a high correlation of returns on the call options purchased relative to the index credits earned by the FIA/ IUL contractholders. The majority of the call options are one-year options purchased to match the funding requirements underlying the FIA/ IUL contracts. These hedge programs are limited to the current policy term of the FIA/ IUL contracts. Future returns, which may be reflected in FIA/ IUL contracts' credited rates beyond the current policy term, are not hedged. We attempt to manage the costs of these purchases through the terms of the FIA/ IUL contracts, which permit us to change cap, spread or participation rates, subject to certain guaranteed minimums that must be maintained.

The derivatives are used to fund the FIA/ IUL contract index credits and the cost of the call options purchased is treated as a component of spread earnings. While the FIA/ IUL hedging program does not explicitly hedge GAAP income volatility, the FIA/ IUL hedging program tends to mitigate a significant portion of the GAAP reserve changes associated with movements in the equity market. This is due to the fact that a key component in the calculation of GAAP reserves is the market valuation of the current term embedded derivative. Due to the alignment of the embedded derivative reserve component with hedging of this same embedded derivative, there should be a reasonable match between changes in this component of the reserve and changes in the assets backing this component of the reserve. However, there may be an interim mismatch due to the fact that the

hedges, which are put in place are only intended to cover exposures expected to remain until the end of an indexing term. To the extent index credits earned by the contractholder exceed the proceeds from option expirations and futures income, we incur a raw hedging loss.

See Note D - *Derivative Financial Instruments* to the Condensed Consolidated Financial Statements included in Part I - Item 1 of this Quarterly Report on Form 10-Q for additional details on the derivatives portfolio.

Fair value changes associated with these investments are intended to, but do not always, substantially offset the increase or decrease in the amounts added to **policyholder account balances** **Contractholder funds** for indexed products. When index credits to policyholders exceed option proceeds received at expiration related to such credits, any shortfall is funded by our excess of net investment income earned over the sum of interest credited to policyholders and the cost of hedging our risk on indexed product policies and futures income. For the **three** **six** months ended **March 31, 2023** **June 30, 2023** and **March 31, 2022** **June 30, 2022**, the annual index credits to policyholders on their anniversaries were **\$7 million** **\$40 million** and **\$96 million** **\$140 million**, respectively. Proceeds received at expiration on options related to such credits were **\$3 million** **\$36 million** and **\$109 million** **\$151 million**, respectively.

Other market exposures are hedged periodically depending on market conditions and our risk tolerance. The FIA/ IUL hedging strategy economically hedges the equity returns and exposes us to the risk that unhedged market exposures result in divergence between changes in the fair value of the liabilities and the hedging assets. We use a variety of techniques, including direct estimation of market sensitivities, to monitor this risk daily. We intend to continue to adjust the hedging strategy as market conditions and risk tolerance change.

### Sensitivity Analysis

For purposes of this Quarterly Report on Form 10-Q, we perform a sensitivity analysis to determine the effects that market risk exposures may have on the fair values of our debt and other financial instruments.

The financial instruments that are included in the sensitivity analysis with respect to interest rate risk include fixed maturity investments, preferred securities and notes payable. The financial instruments that are included in the sensitivity analysis with respect to equity price risk include marketable equity securities. With the exception of our equity method investments, it is not anticipated that there would be a significant change in the fair value of other long-term investments or short-term investments if there were a change in market conditions, based on the nature and duration of the financial instruments involved.

To perform the sensitivity analysis, we assess the risk of loss in fair values from the effect of hypothetical changes in interest rates and equity prices on market-sensitive instruments. The changes in fair values for interest rate risks are determined by estimating the present value of future cash flows using various models, primarily duration modeling. The changes in fair values for equity price risk are determined by comparing the market price of investments against their reported values as of the balance sheet date.

Information provided by the sensitivity analysis does not necessarily represent the actual changes in fair value that we would incur under normal market conditions because, due to practical limitations, all variables other than the specific market risk factor are held constant.

#### Market Risk Factors

Market risk is the risk of the loss of fair value resulting from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates, commodity prices and equity prices. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying financial instruments are traded. We have significant holdings in financial instruments, which are naturally exposed to a variety of market risks. They are primarily exposed to interest rate risk, credit risk and equity price risk and have some exposure to counterparty risk, which affect the fair value of financial instruments subject to market risk.

We have no market risk sensitive instruments entered into for trading purposes; therefore, all of our market risk sensitive instruments were entered into for purposes other than trading. The results of the sensitivity analysis at **March 31, 2023** is as follows:

#### Interest Rate Risk

An increase in the levels of interest rates of 100 basis points, with all other variables held constant, would result in a decrease in the fair value of our fixed maturity securities and certain investments in preferred securities of approximately **\$2.5 billion** **\$2.1 billion** and a net decrease in the combined fair value of embedded derivatives and MRBs of approximately **\$0.4 billion** **\$0.4 billion** at **March 31, 2023** **June 30, 2023**.

The actuarial models used to estimate the impact of a one percentage point change in market interest rates incorporate numerous assumptions, require significant estimates and assume an immediate and parallel change in interest rates without any management of the investment portfolio in reaction to such change. Consequently, potential changes in value of financial instruments indicated by these simulations will likely be different from the actual changes experienced under given interest rate scenarios, and the differences may be material. Because we actively manage our investments and liabilities, the net exposure to interest rates can vary over time. However, any such decreases in the fair value of fixed maturity securities, unless related to credit concerns of the issuer requiring allowances for credit losses, would generally be realized only if we were required to sell such securities at losses prior to their maturity to meet liquidity needs. Our liquidity needs are managed using the surrender and withdrawal provisions of the annuity contracts and through other means.

#### Equity Price Risk

At **March 31, 2023**, a 10% decrease in market prices, with all other variables held constant, would result in a net decrease in the fair value of our equity securities portfolio of approximately **\$80 million** **\$76 million**.

#### Credit Risk and Counterparty Risk

We are exposed to the risk that a counterparty will default on its contractual obligation resulting in financial loss. Our major source of credit risk arises predominantly in our insurance operations' portfolios of debt and similar securities. The fair value of our fixed maturity portfolio totaled **\$34 billion** **\$36 billion** at **March 31, 2023** **June 30, 2023**. Our credit risk materializes primarily as impairment losses. We are exposed to occasional cyclical economic downturns, during which impairment losses may be significantly higher than the long-term historical average. This is offset by years where it expects the actual impairment losses to be substantially lower than the long-term average. Credit risk in the portfolio can also materialize as increased capital requirements as assets migrate into lower credit qualities over time. The effect of rating migration on our capital requirements is also dependent on the economic cycle and increased asset impairment levels may go hand in hand with increased asset related capital requirements.



We attempt to manage the risk of default and rating migration by applying disciplined credit evaluation and underwriting standards and limiting allocations to lower quality, higher risk investments. In addition, we diversify exposure by issuer and country, using rating-based issuer and country limits. We also set investment constraints that limit our exposure by industry segment. To limit the impact that credit risk can have on earnings and capital adequacy levels, we have portfolio-level credit risk constraints in place. Limit compliance is monitored on a monthly basis.

In connection with the use of call options, we are exposed to counterparty credit risk-the risk that a counterparty fails to perform under the terms of the derivative contract. We have adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral where appropriate, as a means of attempting to mitigate the financial loss from defaults. The exposure and credit rating of the counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst different approved counterparties to limit the concentration in one counterparty. This policy allows for the purchase of derivative instruments from counterparties and/or clearinghouses that meet the required qualifications under the insurance laws of Iowa. We review the ratings of all the counterparties periodically. Collateral support documents are negotiated to further reduce the exposure when deemed necessary. See Note D - *Derivative Financial Instruments* in the Condensed Consolidated Financial Statements included in [Item 1 of Part I](#) of this Quarterly Report on Form 10-Q for additional information regarding our exposure to credit loss.

We also have credit risk related to the ability of reinsurance counterparties to honor their obligations to pay the contract amounts under various agreements. To minimize the risk of credit loss on such contracts, we diversify exposures among many reinsurers and limit the amount of exposure to each based on credit rating. We also generally limit selection of counterparties with which to do new transactions to those with an "A-" credit rating or above from at least one of the major rating agencies and/or that are appropriately collateralized and provide credit for reinsurance. When exceptions are made to that principle, we ensure that collateral is obtained to mitigate risk of loss. The following tables present our reinsurance recoverable balances and financial strength ratings for our five largest reinsurance recoverable balances as of [March 31, 2023](#) [June 30, 2023](#):

(Dollars in millions)	<a href="#">March 31, 2023</a> <a href="#">June 30, 2023</a>				
	Financial Strength Rating				
	Reinsurance Recoverable	AM Best	S&P	Fitch	Moody's
Parent Company/Principal Reinsurers					
Aspida Life Re Ltd	\$ <a href="#">4,073</a> <a href="#">4,857</a>	A-	not rated	not rated	not rated
Wilton Re	<a href="#">1,184</a> <a href="#">1,157</a>	A+	not rated	A	not rated
Somerset Reinsurance Ltd	<a href="#">553</a> <a href="#">543</a>	A-	BBB+	not rated	not rated
London Life Reinsurance Co.	<a href="#">105</a> <a href="#">103</a>	A+	not rated	not rated	not rated
Security Life of Denver	<a href="#">93</a> <a href="#">88</a>	not rated	not rated	A-	Baa1

In the normal course of business, certain reinsurance recoverables are subject to reviews by the reinsurers. We are not aware of any material disputes arising from these reviews or other communications with the counterparties as of [March 31, 2023](#) [June 30, 2023](#) that would require an allowance for uncollectible amounts.

For information on concentrations of reinsurance risk, refer to Note E - *Reinsurance* in the Condensed Consolidated Financial Statements included in Part I - Item 1 of this Quarterly Report on Form 10-Q.

For further information on certain risk associated with our business, refer to Note N - *Commitments and Contingencies* in the Condensed Consolidated Financial Statements included in Part I - Item 1 of this Quarterly Report on Form 10-Q.

#### Use of Estimates and Assumptions

The preparation of our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions used.

#### Concentrations of Financial Instruments

Refer to *Management's Discussion and Analysis of Financial Condition and Results of Operations - Investment Portfolio - Investment Industry Concentrations* included in [Item 2 of Part I](#) of this Quarterly Report on Form 10-Q

regarding the top ten industry categories of our fixed maturity and equity securities including the fair value and percent of total fixed maturity and equity securities fair value as of [March 31, 2023](#) [June 30, 2023](#) and December 31, 2022.

Refer to Note C - *Investments* in the Condensed Consolidated Financial Statements included in Part I - Item 1 of this Quarterly Report on Form 10-Q for our underlying investment concentrations that exceed 10% of shareholders equity as of [March 31, 2023](#) [June 30, 2023](#).

#### Concentrations of Financial and Capital Markets Risk

We are exposed to financial and capital markets risk, including changes in interest rates and credit spreads, which can have an adverse effect on our results of operations, financial condition and liquidity. Exposure to such financial and capital markets risk relates primarily to the market price and cash flow variability associated with changes in interest rates. A rise in interest rates, in the absence of other countervailing changes, will increase the net unrealized loss position and, if long-term interest rates rise dramatically within a six- to twelve-month time period, certain of our products may be exposed to disintermediation risk. Disintermediation risk refers to the risk that policyholders surrender their contracts in a rising interest rate environment, requiring us to liquidate assets in an unrealized loss position. We attempt to mitigate the risk, including changes in interest rates by investing in less rate-sensitive investments, including senior tranches of collateralized loan obligations, non-agency residential mortgage-backed securities, and various types of asset-backed securities. Management believes this risk is also mitigated to some extent by surrender charge protection provided by our products. We expect to continue to face these challenges and uncertainties that could adversely affect our results of operations and financial condition.

#### Item 4. Controls and Procedures

## Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation was performed under the supervision and with participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this report. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that, as of **March 31, 2023** **June 30, 2023**, the Company's disclosure controls and procedures were effective to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the **Commissions's Commission's** rules and forms, and is accumulated and communicated to the Company's management, including the Company's CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Notwithstanding the foregoing, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable, not absolute, assurance of achieving their control objectives.

## Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended **March 31, 2023** **June 30, 2023** that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## Limitations on the Effectiveness of Controls

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

## Part II - Other Information

### Item 1. Legal Proceedings

See discussion of legal proceedings in Note N - *Commitment and Contingencies* to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q, which is incorporated by reference into this Item 1 of Part II.

### Item 1A. Risk Factors

In addition to the information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the "Risk Factors" disclosed under "Item 1A. Risk Factors" in our Annual Report on Form 10-K **which was filed with** the **SEC on February 27, 2023** **year ended December 31, 2022**. You should be aware that these risk factors and other information may not describe every risk facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

We adopted Accounting Standards Update ("ASU") 2018-12, Financial Services-Insurance (Topic 944), Targeted Improvements to the Accounting for Long-Duration Contracts ("ASU 2018-12") on January 1, 2023, with a transition date of January 1, 2021, or the beginning of the earliest period that will be presented in the annual December 31, 2023 Consolidated Financial Statements. We elected to adopt ASU 2018-12 using the full retrospective transition method and balances for liability for future policy benefits ("FPB"), deferred acquisition costs ("DAC") and balances amortized on a basis consistent with DAC (value of business acquired ("VOBA"), deferred sales inducements ("DSI"), and unearned revenue liabilities ("URL"), and market risk benefits ("MRBs") were adjusted to conform to ASU 2018-12 starting as of the FNF **acquisition date**, **Acquisition Date**, June 1, 2020 (the "FNF Acquisition Date"). The following updates to Risk Factors relate to the adoption of ASU 2018-12. There have been no other material changes from the Risk Factors previously disclosed in "Item 1A. Risk Factors" in our Annual Report filed with the SEC on February 27, 2023 and hereby incorporated by reference.

ASU 2018-12 requires that VOBA, DAC and DSI be amortized on a constant level basis for the grouped contracts over the expected term of the related contracts to approximate straight-line amortization. Based on this change, we have removed the risk factor previously titled *"The pattern of amortizing our VOBA, DAC and DSI balances relies on assumptions and estimates made by management. Changes in these assumptions and estimates could impact our results of operations and financial condition."*

### **Interest rate fluctuations could adversely affect our business, financial condition, liquidity and results of operations.**

Interest rate risk is a significant market risk for us, as our business involves issuing interest rate sensitive obligations backed primarily by investments in fixed income assets. As of December 31, 2022, we also maintained approximately 18% of the assets in our investment portfolio in floating rate instruments and had executed a variable interest rate Credit Agreement, which are both subject to an element of market risk from changes in interest rates.

Prior to 2022, interest rates had been at or near historical low levels over the preceding several years. A prolonged period of low rates exposes us to the risk of not achieving returns sufficient to meet our earnings targets and/or our contractual obligations. Furthermore, low or declining interest rates may reduce the rate of policyholder surrenders and withdrawals on our life insurance and annuity products, thus increasing the duration of the liabilities, creating asset and liability duration mismatches and increasing the risk of having to reinvest assets at yields below the amounts required to support our obligations. Lower interest rates may also result in decreased sales of certain insurance products, negatively impacting our profitability from new business.

During periods of increasing interest rates, we may offer higher crediting rates on interest-sensitive products, such as universal life insurance and fixed rate annuities, and we may increase crediting rates on in-force products to keep these products competitive. We may be required to accept lower spread income (the difference between the returns we earn on our investments and the amounts we credit to contract holders), thus reducing our profitability, as returns on our portfolio of invested assets may not increase as quickly as current interest rates. Rapidly rising interest rates may also expose us to the risk of financial disintermediation, which is an increase in policy surrenders, withdrawals and requests for policy loans as customers seek to achieve higher returns elsewhere, requiring us to liquidate assets in an unrealized loss position. If we experience unexpected withdrawal activity, we could exhaust our liquid assets and be forced to liquidate other less liquid assets such as limited partnership investments. We may have difficulty selling these investments in a timely manner and/or be forced to sell them for less than we otherwise would have been able to realize, which could have a material adverse effect on our business, financial condition or operating results. We have developed and maintain asset liability management ("ALM") programs and procedures that are, we believe, designed to

mitigate interest rate risk by matching asset cash flows to expected liability cash flows. In addition, we assess surrender charges on withdrawals in excess of allowable penalty-free amounts that occur during the surrender charge period. There can be no assurance that actual withdrawals, contract benefits, and maturities will match our estimates. Despite our efforts to reduce the impact of rising interest rates, we may be required to sell assets to raise the cash necessary to respond to an increase in surrenders, withdrawals and loans, thereby realizing capital losses on the assets sold.

Liabilities that are held on our balance sheet at fair value, including embedded derivatives on our FIA and IUL business and MRBs on our FIA and fixed rate annuity business, are sensitive to fluctuations in interest rates. Decreases in interest rates generally would have the impact of increasing the value of these liabilities, which will result in a reduction in our net income. Liabilities for **future policyholder benefits** **FPBs** are valued using locked-in discount rates, and any changes in interest rates since the inception of those contracts are reflected in OCI. Decreases in interest rates would result in a reduction in our OCI. In addition, certain statutory capital and reserve requirements are based on formulas or models that consider interest rates and a prolonged period of low interest rates may increase the statutory capital we are required to hold as well as the amount of assets we must maintain to support statutory reserves.

As of **March 31, 2023** **June 30, 2023**, current economic conditions, including higher interest rates, have not adversely affected our business, results of operations and financial condition. However, we cannot predict if it will impact our business, results of operations and financial condition in the future for the forgoing reasons. Higher interest rates have decreased the fair value of our investment security portfolio as of **March 31, 2023** **June 30, 2023** and December 31, 2022, primarily our fixed maturity securities, resulting in our AOCI being a loss of **\$2.5 billion** **\$2.6 billion** and \$2.8 billion, respectively. See "Quantitative and Qualitative Disclosure about Market Risk" in this Quarterly Report on Form 10-Q for a more detailed discussion of interest rate risk.

#### Equity market volatility could negatively impact our business.

The estimated cost of providing **GMWB guaranteed minimum withdrawal benefit** riders associated with our annuity products incorporates various assumptions about the overall performance of equity markets over certain time periods. Periods of significant and sustained downturns in equity markets or increased equity volatility could result in an increase in the valuation of the MRB or **policyholder account balance** **Contractholder funds** liabilities associated with such products, resulting in a reduction in our revenues and net income.

#### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

**None.** On March 21, 2023, F&G's Board of Directors approved a new three-year stock repurchase program, effective March 21, 2023, under which the Company may repurchase up to \$25 million of F&G common stock. Purchases may be made from time to time by the Company in the open market at prevailing market prices or in privately negotiated transactions through March 21, 2026 and all purchases are currently planned to be held as Treasury Stock. The extent to which the Company repurchases its shares, and the timing of such purchases, will depend upon a variety of factors, including market conditions, regulatory requirements and other considerations, as determined by the Company.

The following table summarizes repurchases of equity securities by F&G during the three months ended June 30, 2023:

Period	Total Number of Shares		Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
	Purchased	Average Price Paid per Share		
04/1/2023 - 04/30/2023	—	\$ —	—	\$ 25
05/1/2023 - 05/31/2023	221,089	18.03	221,089	21
06/1/2023 - 6/30/2023	566,275	21.87	566,275	9
Total	787,364	\$ 20.79	787,364	\$ 9

(1) On March 21, 2023, F&G's Board of Directors approved a new three-year stock repurchase program, effective March 21, 2023, under which the Company may repurchase up to \$25 million of FG common stock.

(2) As of the last day of the applicable month, in millions.

#### Item 3. Defaults Upon Senior Securities

None.

#### Item 4. Mine Safety Disclosures

Not applicable.

#### Item 5. Other Information

**None.** During the three months ended June 30, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

#### Item 6. Exhibits

The following is a list of exhibits filed or incorporated by reference as a part of this Quarterly Report on Form 10-Q.



Exhibit No.	Description of Exhibits
4.1	<a href="#">Indenture relating to the 7.400% Senior Notes due 2028, dated as of January 13, 2023, among F&amp;G Annuities &amp; Life, Inc., the guarantors named therein and Citibank, N.A., as trustee (incorporated by reference to Exhibit No. 4.1 to the Company's Current Report on Form 8-K, filed with the Commission on January 13, 2023).</a>
4.2	<a href="#">First Supplemental Indenture relating to the 7.400% Senior Notes due 2028, dated as of January 13, 2023, among F&amp;G Annuities &amp; Life, Inc., the guarantors named therein and Citibank, N.A., as trustee (incorporated by reference to Exhibit No. 4.2 to the Company's Current Report on Form 8-K, filed with the Commission on January 13, 2023).</a>
4.3	<a href="#">Form of 7.400% Senior Notes due 2028 (included (included in Exhibit 4.2)).</a>
10.1	<a href="#">Registration Rights Agreement relating to the 7.400% Senior Notes due 2028, dated as of January 13, 2023, among F&amp;G Annuities &amp; Life, Inc., the guarantors named therein and BofA Securities, Inc., J.P. Morgan Securities LLC and RBC Capital Markets, LLC, as representatives of the initial purchasers (incorporated by reference to Exhibit No. 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on January 13, 2023).</a>
10.2	<a href="#">Amendment to the Amended and Restated Investment Management Agreements; IMA Omnibus Termination Side Letter and Existing SMA Fee Agreement, dated as of March 10, 2023, by and among F&amp;G Annuities &amp; Life Inc., Blackstone ISG-I Advisors L.L.C. and Fidelity National Financial, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on March 10, 2023)</a>
10.3	<a href="#">Letter regarding Blackstone Participation Fee in Respect of New Business, dated as of March 10, 2023, by and between F&amp;G Annuities &amp; Life Inc. and BilCar, LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on March 10, 2023).</a>
10.4	<a href="#">Retention Agreement between Fidelity &amp; Guaranty Life Business Services, Inc. and John Currier dated February 16, 2023 (incorporated by reference to Exhibit No. 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on February 21, 2023).</a>
31.1 *	<a href="#">Certification of Chief Executive Officer, pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2 *	<a href="#">Certification of Chief Financial Officer, pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1 *	<a href="#">Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2 *	<a href="#">Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101 *	The following financial information from the Company's Quarterly Report on Form 10-Q for the three-month period ended <b>March 31, 2023</b> <b>June 30, 2023</b> is formatted in Inline XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the unaudited Condensed Consolidated Statements of Operations, (iii) the unaudited Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) the unaudited Condensed Consolidated Statements of Equity, (v) the unaudited Condensed Consolidated Statements of Cash Flows, and (vi) notes to these unaudited condensed consolidated financial statements, and (vii) the Cover Page to the Company's Quarterly Report on Form 10-Q.
104 *	The cover page from the Company's Quarterly Report on Form 10-Q for the <b>three-month</b> <b>six-month</b> period ended <b>March 31, 2023</b> <b>June 30, 2023</b> is formatted in Inline XBRL (Extensible Business Reporting Language) and contained in Exhibit 101.

\* Filed herewith

† Indicates management contract or compensatory plan or agreement.

#### Signatures

Pursuant to the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

#### F&G Annuities & Life, Inc. (Registrant)

Date: **May** **August** 9, 2023

By: /s/ Wendy J.B. Young

Chief Financial Officer

(on behalf of the Registrant and as Principal Financial Officer)

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EXHIBIT 31.1

#### CERTIFICATIONS

I, Christopher Blunt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of F&G Annuities & Life, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2023 August 9, 2023

/s/ Christopher Blunt  
Christopher Blunt  
President and Chief Executive Officer  
(Principal Executive Officer)

EXHIBIT 31.2

#### CERTIFICATIONS

I, Wendy J.B. Young, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of F&G Annuities & Life, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2023 August 9, 2023

/s/ Wendy J.B. Young  
Wendy J.B. Young  
Chief Financial Officer  
(Principal Financial Officer)

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO  
 18 U.S.C. SECTION 1350,  
 AS ADOPTED PURSUANT TO  
 SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of F&G Annuities & Life, Inc. (the "Company") for the quarterly period ended March 31, 2023 June 30, 2023, as filed with the Securities and Exchange Commission (the "Report"), I, Christopher Blunt, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: May 9, 2023 August 9, 2023

/s/ Christopher Blunt  
Christopher Blunt  
President and Chief Executive Officer  
(Principal Executive Officer)

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of F&G Annuities & Life, Inc. (the "Company") for the quarterly period ended March 31, 2023 June 30, 2023, as filed with the Securities and Exchange Commission (the "Report"), I, Wendy J.B. Young, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: May 9, 2023 August 9, 2023

/s/ Wendy J.B. Young  
Wendy J.B. Young  
Chief Financial Officer  
*(Principal Financial Officer)*

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