Global Atlantic Financial Limited

(an indirect subsidiary of The Global Atlantic Financial Group LLC)

Interim consolidated financial statements (unaudited)

As of March 31, 2021 and December 31, 2020

Table of contents

	Page
Consolidated balance sheets as of March 31, 2021 (Successor) (unaudited) and December 31, 2020 (Predecessor)	2
Consolidated statements of (loss) income for the two months ended March 31, 2021 (Successor), the one month ended January 31, 2021 (Predecessor) and the three months ended March 31, 2020 (Predecessor) (unaudited)	4
Consolidated statements of comprehensive loss for the two months ended March 31, 2021 (Successor), the one month period ended January 31, 2021 (Predecessor) and the three months ended March 31, 2020 (Predecessor) (unaudited)	5
Consolidated statements of redeemable non-controlling interests and equity for the two months ended March 31, 2021 (Successor), the one month period ended January 31, 2021 (Predecessor) and the three months ended March 31, 2020 (Predecessor) (unaudited)	6
Consolidated statements of cash flows for the two months ended March 31, 2021 (Successor), the one month period ended January 31, 2021 (Predecessor) and the three months ended March 31, 2020 (Predecessor) (unaudited)	8
Notes to the interim consolidated financial statements (unaudited)	
1. Nature of business and basis of presentation	10
2. Significant accounting policies and practices	11
3. Investments	33
4. Derivative instruments	49
5. Fair value disclosure of financial instruments	52
6. Insurance intangibles, unearned revenue reserves and unearned front-end loads	66
7. Debt	69
8. Composition of other assets, liabilities, income, insurance expenses and general, administrative and other expenses	70
9. Accumulated other comprehensive income	73
10. Redeemable non-controlling interests	73
11. Equity-based compensation plans	74
12. Income taxes	78
13. Commitments and contingencies	79
14. Reinsurance	81
15. Related party transactions	83
16. Acquisition	87
17. Subsequent event	92

Global Atlantic Financial Limited and subsidiaries

Consolidated balance sheets

($ in millions, except share data)	March 31, 2021 (unaudited) Successor	December 31, 2020 Predecessor
Assets		
Investments:		
Fixed maturity securities, available-for-sale, at fair value (amortized cost: $62,288 and $55,576, respectively; variable interest entities: $2,466 and $2,316, respectively; net of allowances: $140 and $–, respectively; and related party: $56 and $368, respectively)	$ 60,310	$ 61,154
Fixed maturity securities, trading, at fair value (amortized cost: $10,958 and $11,025, respectively; variable interest entities: $513 and $–, respectively; and related party: $16 and $–, respectively)	10,641	11,193
Equity securities at fair value (cost: $136 and $51, respectively)	116	95
Mortgage and other loan receivables (portion at fair value: $1,183 and $842, respectively; variable interest entities: $3,527 and $2,894, respectively; net of allowances: $304 and $135, respectively; and related party: $576 and $558, respectively)	16,808	15,479
Policy loans	831	696
Funds withheld receivable at interest (portion at fair value: $56 and $407, respectively; related party: $36 and $35, respectively)	3,095	2,446
Other investments (portion at fair value: $558 and $558, respectively; variable interest entities: $5,912 and $5,732, respectively; and related party: $– and $140, respectively)	6,530	6,478
Total investments	**98,331**	**97,541**
Cash and cash equivalents (variable interest entities: $754 and $417, respectively)	5,409	3,177
Restricted cash and cash equivalents	400	240
Accrued investment income (variable interest entities: $44 and $58, respectively)	770	709
Reinsurance recoverable (portion at fair value: $1,318 and $1,355, respectively; net of allowances: $9 and $–, respectively; related party: $– and $11, respectively)	15,682	15,140
Insurance intangibles	1,090	1,847
Other assets (variable interest entities: $802 and $201, respectively; related party: $– and $35, respectively)	4,201	1,647
Separate account assets	5,470	5,459
Total assets	**$ 131,353**	**$ 125,760**

(continued)

Global Atlantic Financial Limited and subsidiaries

Consolidated balance sheets

($ in millions, except share data)	March 31, 2021 (unaudited) Successor	December 31, 2020 Predecessor
Liabilities		
Policy liabilities:		
Future policy benefits (portion at fair value: $1,254 and $1,300, respectively; related party: $2,891 and $2,397, respectively)	$ 15,802	$ 13,858
Outstanding claims (portion at fair value: $22 and $20, respectively)	304	266
Contractholder deposit funds and other policy liabilities (portion at fair value: $2,076 and $3,275, respectively; related party: $4,670 and $4,485, respectively)	86,502	79,817
Total policy liabilities	**102,608**	**93,941**
Debt	1,400	1,421
Funds withheld payable at interest (portion at fair value: $(313) and $132, respectively)	13,446	13,636
Other liabilities (portion at fair value: $203 and $85, respectively; variable interest entities: $1,082 and $345, respectively; and related party: $23 and $17, respectively)	4,535	2,873
Reinsurance liabilities (portion at fair value: $– and $–, respectively; related party: $11 and $49, respectively)	422	260
Separate account liabilities	5,470	5,459
Total liabilities	**$ 127,881**	**$ 117,590**
Commitments and contingencies (Note 13)		
Redeemable non-controlling interests (Note 10)	$ 92	$ 91
Equity		
Common stock, $1 par value, 100,000,000 shares authorized, 304 shares issued and outstanding, respectively	$ —	$ —
Additional paid-in capital	4,877	1,668
Retained earnings	(138)	2,961
Accumulated other comprehensive (loss) income	(1,490)	3,317
Total shareholder's equity	**3,249**	**7,946**
Non-controlling interests	131	133
Total equity	**3,380**	**8,079**
Total liabilities, redeemable non-controlling interests and equity	**$ 131,353**	**$ 125,760**

See accompanying notes to unaudited consolidated financial statements.

Global Atlantic Financial Limited and subsidiaries

Consolidated statements of (loss) income

($ in millions)	Two months ended March 31, 2021 (unaudited) Successor	One month ended January 31, 2021 (unaudited) Predecessor	Three months ended March 31, 2020 (unaudited) Predecessor
Revenues			
Premiums (related party: $3, $3 and $7, respectively)	$ 1,176	$ 77	$ 210
Policy fees (related party: $2, $2 and $4, respectively)	202	98	305
Net investment income (related party investment income: $10, $5 and $10, respectively; related party investment expense: $23, $2 and $2, respectively)	422	266	746
Net investment losses (related party: $–, $(2) and $–, respectively)	(456)	(56)	(101)
Other income	18	8	14
Total revenues	**1,362**	**393**	**1,174**
Benefits and expenses			
Policy benefits and claims (related party: $23, $20 and $76, respectively)	1,485	226	707
Amortization of policy acquisition costs	(20)	44	86
Interest expense	11	4	21
Insurance expenses (related party: $1, $1 and $1, respectively)	52	24	41
General, administrative and other expenses (related party: $–, $– and $2, respectively)	80	20	111
Total benefits and expenses	**1,608**	**318**	**966**
(Loss) income before income taxes	**(246)**	**75**	**208**
Income tax(benefit) expense	(42)	17	(1)
Net (loss) income	**(204)**	**58**	**209**
Less: net loss attributable to non-controlling interests and redeemable non-controlling interests	(66)	1	(44)
Net (loss) income attributable to Global Atlantic Financial Limited shareholder	**$ (138)**	**$ 57**	**$ 253**

See accompanying notes to unaudited consolidated financial statements.

Global Atlantic Financial Limited and subsidiaries

Consolidated statements of comprehensive loss

($ in millions)	Two months ended March 31, 2021 (unaudited) Successor	One month ended January 31, 2021 (unaudited) Predecessor	Three months ended March 31, 2020 (unaudited) Predecessor
Net (loss) income	**$ (204)**	**$ 58**	**$ 209**
Other comprehensive loss, before taxes:			
Unrealized losses on securities and other investments for the period	(1,920)	(372)	(3,499)
Reclassification adjustment for (losses) gains on hedging instruments reclassified to available-for-sale securities and other instruments	—	—	11
Less: reclassification adjustment for (losses) gains included in net income	(67)	1	33
Unrealized losses on available-for-sale securities and other investments	**(1,853)**	**(373)**	**(3,521)**
Unrealized (losses) gains on hedging instruments	—	—	31
Less: reclassification adjustment for (losses) gains on hedging instruments reclassified to available-for-sale securities and other instruments	—	—	11
Unrealized (losses) gains on hedging instruments	**—**	**—**	**20**
Net effect of unrealized gains (losses) on policy balances	(3)	75	844
Unrealized gains (losses) on pension plans	1	(1)	(1)
Other comprehensive loss, before taxes	**(1,855)**	**(299)**	**(2,658)**
Income tax benefit related to other comprehensive income	365	67	431
Other comprehensive loss before non-controlling interests and redeemable non-controlling interests, net of tax	**(1,490)**	**(232)**	**(2,227)**
Comprehensive loss	**(1,694)**	**(174)**	**(2,018)**
Less: total comprehensive loss attributable to non-controlling interests and redeemable non-controlling interests:			
Net loss	(66)	1	(44)
Total comprehensive loss attributable to non-controlling interests and redeemable non-controlling interests	**(66)**	**1**	**(44)**
Comprehensive loss attributable to Global Atlantic Financial Limited shareholder	**$ (1,628)**	**$ (175)**	**$ (1,974)**

See accompanying notes to unaudited consolidated financial statements.

Global Atlantic Financial Limited and subsidiaries

Consolidated statements of redeemable non-controlling interests and equity (unaudited)

($ in millions)	Redeemable non-controlling interests	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholder's equity	Non-controlling interest	Total equity
Balance as of December 31, 2019, Predecessor	**$ 94**	**$ 1,662**	**$ 2,451**	**$ 1,912**	**$ 6,025**	**$ 135**	**$ 6,160**
Net income	(3)	—	253	—	253	(41)	212
Other comprehensive loss	—	—	—	(2,227)	(2,227)	—	(2,227)
Equity-based compensation	—	(12)	—	—	(12)	—	(12)
Change in equity of non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	27	27
Capital contributions from non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	49	49
Distribution to non-controlling interests and redeemable non-controlling interests	(1)	—	—	—	—	(2)	(2)
Balance as of March 31, 2020, Predecessor	**$ 90**	**$ 1,650**	**$ 2,704**	**$ (315)**	**$ 4,039**	**$ 168**	**$ 4,207**
Balance as of December 31, 2020, Predecessor	**$ 91**	**$ 1,668**	**$ 2,961**	**$ 3,317**	**$ 7,946**	**$ 133**	**$ 8,079**
Net income	(55)	—	57	—	57	56	113
Other comprehensive loss	—	—	—	(232)	(232)	—	(232)
Equity-based compensation	—	4	—	—	4	—	4
Change in equity of non-controlling interests and redeemable non-controlling interests	56	—	—	—	—	(56)	(56)
Capital contributions from non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	63	63
Distribution to non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	(5)	(5)
Balance as of January 31, 2021, Predecessor	**$ 92**	**$ 1,672**	**$ 3,018**	**$ 3,085**	**$ 7,775**	**$ 191**	**$ 7,966**

Consolidated statements of redeemable non-controlling interests and equity (unaudited)

($ in millions)	Redeemable non-controlling interests	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholder's equity	Non-controlling interest	Total equity
Balance as of February 1, 2021, Successor	**$ 92**	**$ —**	**$ 4,653**	**$ —**	**$ —**	**$ 4,653**	**$ 190**	**$ 4,843**
Net loss	—	—	—	(138)	—	(138)	(66)	(204)
Other comprehensive loss	—	—	—	—	(1,490)	(1,490)	—	(1,490)
Equity-based compensation	—	—	9	—	—	9	—	9
Capital contributions	—	—	215	—	—	215	—	215
Capital contributions from non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	7	7
Balance as of March 31, 2021, Successor	**$ 92**	**$ —**	**$ 4,877**	**$ (138)**	**$ (1,490)**	**$ 3,249**	**$ 131**	**$ 3,380**

See accompanying notes to unaudited consolidated financial statements.

Global Atlantic Financial Limited and subsidiaries

Consolidated statements of cash flows

($ in millions)	Two months ended March 31, 2021 (unaudited) Successor	One month ended January 31, 2021 (unaudited) Predecessor	Three months ended March 31, 2020 (unaudited) Predecessor
Cash flows from operating activities			
Net (loss) income	**$ (204)**	**$ 58**	**$ 209**
Adjustments to reconcile net income to net cash provided by operating activities:			
Net investment (gains) losses (related party: $–, $– and $1, respectively)	442	11	(273)
Net accretion and amortization (related party: $4, $5 and $–, respectively)	92	72	59
Interest credited to policy account balances less policy fees	423	140	391
Deferred income tax benefit	(45)	12	(1)
Changes in operating assets and liabilities:			
Reinsurance transactions and acquisitions, net of cash provided	416	137	33
Change in premiums, notes receivable and reinsurance recoverable, net of reinsurance premiums payable	295	(27)	(89)
Change in deferred policy acquisition costs	(73)	(42)	(112)
Change in policy liabilities and accruals, net	(189)	(259)	443
Other operating activities, net	25	(240)	68
Net cash provided by (used in) operating activities	**$ 1,182**	**$ (138)**	**$ 728**
Cash flows from investing activities			
Proceeds from disposals of available-for-sale fixed maturity securities	2,079	817	4,832
Proceeds from maturities of available-for-sale fixed maturity securities	461	—	130
Proceeds from disposals and maturities of trading fixed maturity securities	2,292	1,693	63
Proceeds from mortgage and other loan receivables sold, matured or collected (related party: $5, $9 and $2, respectively)	387	422	1,058
Proceeds from disposals of other investments	72	130	861
Purchase of available-for-sale fixed maturity securities	(2,049)	(1,934)	(5,206)
Purchase of trading fixed maturity securities	(1,432)	(1,540)	(101)
Purchase of equity securities	—	(1)	(1)
Purchase of mortgage and other loan receivables (related party: $16, $20 and $21, respectively)	(1,317)	(586)	(2,951)
Purchase of other investments (related party: $4, $1 and $88, respectively)	(502)	(195)	(967)
Other investing activities, net	112	16	(7)
Net cash provided by (used in) investing activities	**$ 103**	**$ (1,178)**	**$ (2,289)**

(continued)

Consolidated statements of cash flows

($ in millions)	Two months ended March 31, 2021 (unaudited) Successor	One month ended January 31, 2021 (unaudited) Predecessor	Three months ended March 31, 2020 (unaudited) Predecessor
Cash flows from financing activities			
Settlement of repurchase agreements	$ (601)	$ (301)	$ (5,774)
Proceeds from issuance of repurchase agreements	601	300	6,479
Additions to contractholder deposit funds	2,433	1,947	2,511
Withdrawals from contractholder deposit funds	(1,475)	(748)	(1,989)
Capital contributions	215	—	—
Capital contributions from non-controlling interests and redeemable non-controlling interests	7	63	49
Other financing activity, net	—	(18)	(13)
Net cash provided by financing activities	**1,180**	**1,243**	**1,263**
Net change in cash, cash equivalents and restricted cash	**2,465**	**(73)**	**(298)**
Cash, cash equivalents and restricted cash, beginning of period	3,344	3,417	2,639
Cash, cash equivalents and restricted cash, end of period	**$ 5,809**	**$ 3,344**	**$ 2,341**
Supplemental cash flow information			
Cash and cash equivalents per consolidated balance sheets	$ 5,409	$ 3,059	$ 2,187
Restricted cash and cash equivalents per consolidated balance sheets	400	285	154
Total cash, cash equivalents and restricted cash	**$ 5,809**	**$ 3,344**	**$ 2,341**
Cash paid for interest	$ 2	$ 4	$ 6
Income taxes refund (paid)	85	—	(1)
Non-cash transactions			
Available-for-sale fixed maturity securities acquired through reinsurance agreements	$ 120	$ —	$ 141
Trading fixed maturity securities acquired through reinsurance agreements	241	—	—
Policy liabilities and accruals acquired through reinsurance agreements	1,112	137	175

See accompanying notes to unaudited consolidated financial statements.

1. Nature of business and basis of presentation

Global Atlantic Financial Limited, a Bermuda company, (together with its subsidiaries, the "Company," we, our, or us) is a leading United States, or "U.S.," retirement and life insurance company focused on delivering meaningful long-term value for our customers and shareholders.

The Company is an insurance and reinsurance company that provides retirement and life insurance products, and reinsurance solutions through its subsidiaries. The Company's retirement products principally include fixed-rate annuities, fixed-indexed annuities and annuity block reinsurance. The Company's life products principally include indexed universal life, preneed life and life block reinsurance.

The unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or "U.S. GAAP," on a basis consistent with reporting interim financial information. The accompanying interim consolidated financial statements are unaudited and reflect all material adjustments necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods presented in conformity with U.S. GAAP. The December 31, 2020 consolidated balance sheet data was derived from audited consolidated financial statements, which include all disclosures required by U.S. GAAP. Therefore, these interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto. The results of operations for the one month ended January 31, 2021, and the two months ended March 31, 2021 are not necessarily indicative of the results for any subsequent periods or the entire fiscal year ending December 31, 2021.

The preparation of financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and accompanying notes. Amounts based on such estimates involve numerous assumptions subject to varying and potentially significant degrees of judgment and uncertainty, particularly related to the future performance of the underlying business. Actual experience could materially differ from these estimates and assumptions. The most significant estimates are those used in determining valuation of policy liabilities, valuation of embedded derivatives, valuation and impairment of investments, amortization of deferred revenues and expenses, and the annual effective tax rate.

Where applicable, prior year disclosures have been conformed to the current period presentation. In addition, the operating cash flows for the three months ended March 31, 2020 and the cash, cash equivalents and restricted cash opening, beginning balance, were each revised from the previously reported balances by $181 million, respectively, which is not material to the interim financial statements.

KKR acquisition of Global Atlantic Financial Group Limited

On February 1, 2021, KKR & Co. Inc., or together with its subsidiaries, "KKR," completed the acquisition of the Company's ultimate parent, Global Atlantic Financial Group Limited, or "GAFG," by Magnolia Parent LLC ("Magnolia"), a KKR subsidiary, as contemplated by the Agreement and Plan of Merger, dated July 7, 2020 (as amended, the "Merger Agreement"), by and among GAFG, Global Atlantic Financial Life Limited, or "GAFLL," Magnolia, Magnolia Merger Sub Limited ("Merger Sub"), LAMC LP, and Goldman Sachs & Co. LLC, solely in its capacity as the equity representative. The total purchase price for the transaction was $4.7 billion, subject to certain post-closing purchase price adjustments as provided in the Merger Agreement. See Note 15—"Acquisition" for additional information.

The accompanying financial statements are presented for Successor and Predecessor periods, which relate to the accounting periods starting on, and ending before, February 1, 2021, respectively, the date of the closing of the acquisition. Upon the acquisition, the Company established a new accounting basis, applying push-down accounting to reflect the Company's assets and liabilities at fair value as of the

acquisition date, and recognizing goodwill for any excess of the purchase price over the fair value of net assets assumed by Magnolia in the acquisition. In addition, the Company conformed its accounting policies and procedures to those of its new ultimate parent, KKR. See Note 2—“Significant accounting policies and practices” for additional information.

Coronavirus Disease 2019 and related matters

The novel strain of coronavirus ("COVID-19") has caused, and continues to cause, severe disruptions to the U.S. and global economies. The outbreak of COVID-19 and the actions taken in response have had far reaching impact on the U.S. and global economies, contributing to significant volatility in the financial markets, resulting in increased volatility in equity prices (including our common stock) and lower interest rates, and causing furloughs and layoffs in the labor market. Although a number of vaccines for COVID-19 have been developed and are in the process of being deployed in certain countries, including the United States, the timing for widespread vaccination and immunity is uncertain, and these vaccines may be less effective against any new mutated strains of the virus that have started to spread globally.

Given the ongoing nature of the pandemic, at this time Global Atlantic cannot reasonably predict the magnitude of the ultimate impact that COVID-19 will have on it’s business, financial performance and operating results. Global Atlantic believes COVID-19's adverse impact on its business, financial performance and operating results will be significantly driven by a number of factors that it is unable to predict or control, including, for example: the severity and duration of the pandemic; the pandemic's impact on the U.S. economy; the timing, scope and effectiveness of additional governmental responses to the pandemic; the timing and speed of economic recovery, including the availability and distribution of treatments and vaccines for COVID-19; and the negative impact on Global Atlantic’s policyholders, vendors and other business partners that may indirectly adversely affect Global Atlantic.

Federal, state, and local governments and governmental agencies have taken several actions attempting to cushion the economic fallout. One such measure was the Coronavirus Aid, Relief, and Economic Security Act, or “CARES Act,” signed into law at the end of March 2020. Please refer to Note 2—“Significant accounting policies and practices” to our consolidated financial statements for additional information on regulations impacting the Company under the CARES Act.

2. Significant accounting policies and practices

The following are the Company’s significant accounting policies and practices:

Investments

In the normal course of business, the Company enters into transactions involving various types of investments.

Investments include the following: U.S. government and agency obligations; commercial mortgage-backed securities, or “CMBS,” residential mortgage-backed securities, or “RMBS,” collateralized loan obligations, or “CLOs,” collateralized bond obligations, or “CBOs,” and all other structured securities (consisting primarily of asset-backed securities, or “ABS”) or together, “structured securities;” corporate bonds; state and political subdivision obligations; foreign government obligations; equity securities; mortgage and other loan receivables; policy loans; and other non-derivative investments. Investments are recorded on a trade-date basis.

Available-for-sale fixed maturity securities

The Company primarily accounts for its fixed maturity securities (including bonds, structured securities and redeemable preferred stock) as available-for-sale, or “AFS.” AFS fixed maturity securities are carried at fair value. Effective February 1, 2021, impairment associated with AFS fixed maturity securities is recognized as an allowance for credit losses. The allowance for credit losses is established either by a charge to net investment losses in the consolidated statements of (loss) income, for securities identified as credit impaired after purchase, or by a gross-up recognition of an initial allowance for purchased credit deteriorated, or “PCD,” securities.

PCD securities are those purchased by the Company that were assessed at acquisition as having experienced a more-than-insignificant deterioration in credit quality since their origination. The Company considers an AFS fixed maturity security to be PCD if there are indicators of a credit loss at the acquisition date or, in the case of structured securities, if there is a significant difference between contractual cash flows and expected cash flows at acquisition. PCD securities also include those AFS fixed maturity securities previously held by the Company that were similarly assessed at the time of the KKR acquisition. The initial amortized cost for a PCD security equals the purchase price plus the initial allowance for credit losses. The initial allowance for credit losses is determined using a discounted cash flow method based on the best estimate of the present value of cash flows expected to be collected. After purchase, the accounting for a PCD security is consistent with that applied to all other securities.

Unrealized gains and losses on AFS fixed maturity securities, net of tax and insurance intangible amortization, are reported in accumulated other comprehensive (loss) income in the consolidated balance sheets. Realized investment gains and losses are recognized on a first-in first-out basis and are reported in net investment losses in the consolidated statements of (loss) income. The amortized cost of fixed maturity securities is adjusted for impairment charge-offs, amortization of premiums and accretion of discounts. Such amortization and accretion is calculated using the effective yield method and included in net investment income in the consolidated statements of (loss) income.

For structured securities, the Company recognizes interest income using a constant effective yield based on estimated cash flows generated from internal models utilizing interest rate, default and prepayment assumptions. Effective yields for structured securities that are not of high credit quality are recalculated and adjusted prospectively based on changes in expected undiscounted future cash flows, after consideration of any appropriate recognition or release of an allowance for credit losses. For structured securities that are of high credit quality, effective yields are recalculated based on payments received and updated prepayment expectations, and amortized cost is adjusted to the amount that would have existed had the new effective yield been applied since acquisition with a corresponding charge or credit to net investment income. Prepayment fees are recorded when earned in net investment income in the consolidated statements of (loss) income.

The Company generally suspends accrual of interest for securities that are more than 90 days past due and reverses any related accrued interest to net investment income in the consolidated statements of (loss) income. When a security is in non-accrual status, coupon payments are recognized as interest income as cash is received, subject to consideration as to the overall collectibility of the security. A security is returned to accrual status when the Company determines that the collection of amounts due is probable. The allowance for credit losses excludes accrued interest from the amortized cost basis for which losses are estimated.

Trading fixed maturity securities

The Company accounts for certain fixed maturity securities as trading at acquisition, based on intent or via the election of the fair value option. Trading securities are carried at fair value, with realized and unrealized gains and losses reported in net investment gains (losses) in the consolidated statements of (loss) income. Interest income from these securities is reported in net investment income. These trading securities, for which investment results accrue to the benefit of either contractholders or reinsurance counterparties, are primarily used to match asset and liability accounting.

Equity securities

The Company accounts for its investments in equity securities (including common stock and non-redeemable preferred stock) that do not require equity method accounting or result in consolidation, at fair value. Realized and unrealized investment gains and losses are reported in net investment gains (losses) in the consolidated statements of income.

Mortgage and other loan receivables

The Company purchases and originates mortgage and other loan receivables, and these loans are carried at cost, less the allowance for credit losses and as adjusted for amortization/accretion of premiums/discounts. The allowance for credit losses is established either by a charge to net investment losses in the consolidated statements of (loss) income or, for PCD mortgage and other loan receivables, by a gross-up recognition of the initial allowance in the consolidated balance sheets.

PCD mortgage and other loan receivables are those purchased by the Company that were assessed at acquisition as having experienced a more-than-insignificant deterioration in credit quality since their origination. PCD mortgage and other loan receivables also include those mortgage and other loan receivables previously held by the Company that were similarly assessed at the time of the KKR acquisition. The initial amortized cost for a PCD mortgage or other loan receivable equals the purchase price plus the initial allowance for credit losses. The initial allowance for credit losses is determined using a method consistent with that used for other similar loans. See further discussion of allowance methods below. After purchase, the accounting for a PCD mortgage or other loan receivable is consistent with that applied to all other mortgage and other loan receivables.

Loan premiums or discounts are amortized or accreted using the effective yield method. Interest income is accrued on the principal balance of each loan based on its contractual interest rate. The accrual of interest is generally suspended when the collection of interest is no longer probable or the collection of any portion of principal is doubtful. The Company generally suspends accrual of interest for loans that are more than 90 days past due and reverses any related accrued interest to net investment income in the Consolidated Statements of Income. When a loan is in non-accrual status, coupon payments are generally recognized as interest income as cash is received, subject to consideration as to the overall collectibility of the loan. A loan is returned to accrual status when the Company determines that the collection of amounts due is probable. The allowance for credit losses excludes accrued interest from the amortized cost basis for which losses are estimated.

Policy loans

Policy loans are loans policyholders take out against their life insurance policies. Each policy loan is fully collateralized by the cash surrender value of the policyholder’s life insurance policy. Policy loans are carried at unpaid principal balances. Interest income on such loans is recognized as earned using the contractually agreed upon interest rate and reflected in net investment income in the consolidated statements of income. Generally, interest is capitalized on the associated policy’s anniversary date.

Other investments

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

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

The Company consolidates investment partnerships and other entities when it is deemed to control or is considered the primary beneficiary of a variable interest entity, or "VIE". The results of certain consolidated investment entities are reported on a one to three month lag and intervening events are evaluated for materiality and recognition by disclosure or otherwise, as appropriate.

Included in other investments are the Company's investments in renewable energy partnerships and limited liability corporations, or "LLCs." Respective investments are consolidated when the Company has control, or are accounted for using the equity method of accounting when the Company has the ability to exercise significant influence but not control. These investments involve tiered capital structures that facilitate a waterfall of returns and allocations to ensure the efficient use of tax credits. A conventional income statement oriented approach to the equity method of accounting, or to the recognition of non-controlling interests (when the Company is consolidating the investment), based on ownership percentages does not accurately reflect the proper allocation of income and cash flows for these investments. Instead, the Company uses the hypothetical liquidation at book value method, or "HLBV," which is a balance sheet oriented approach to the equity method of accounting and to the recognition of non-controlling interests that allocates income and cash flows based on changes to each investor's claim to net assets assuming a liquidation of the investee as of each reporting date and includes an assessment of the likelihood of liquidation in determining the contractual provisions to use when applying the HLBV method.

Investments in tangible assets included in other investments in the consolidated balance sheets relate to the Company's consolidated investments in renewable energy entities and investments in transportation assets. The income, as well as the depreciation and other expenses associated with these tangible assets is reported in net investment income in the consolidated statements of income.

Income on consolidated investments in renewable energy entities is earned from the sale of the energy generated under long-term contracts. Income on investments in transportation assets is earned from the lease of these assets. Tangible assets associated with renewable energy entities primarily comprise solar energy systems, which are depreciated on a straight-line basis over their estimated useful lives of generally 35 years. Transportation assets are primarily aircraft and railcars, which are depreciated to their estimated salvage value on a straight-line basis over their remaining useful lives. These useful lives generally range up to 25 years for aircraft and 45 years for railcars, as determined from the date of manufacture.

The Company has investments in real estate, some of which are accounted for at cost less depreciation. The useful lives for these real estate investments generally range up to 30 years. Other investments in real estate are held in consolidated investment companies that account for such real estate at fair value under investment company accounting. Net rental income on all investments in real estate is recognized in net investment income and changes in the fair value of real estate held in consolidated investment companies are recognized in net investment gains (losses) in the consolidated statements of income.

Investments in Federal Home Loan Bank, or “FHLB,” common stock are also included in other investments in the consolidated balance sheets and are accounted at cost.

Cash, cash equivalents and restricted cash

Cash and cash equivalents in the consolidated balance sheets include short-term highly liquid investments with a maturity of less than 90 days from the date of acquisition. Amounts included are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Restricted cash is recognized in restricted cash and cash equivalents in the consolidated balance sheets and includes cash and cash equivalents that are legally or contractually restricted with respect to withdrawal or use. The Company’s restricted cash principally includes certain cash and cash equivalents held in trusts related to ceded reinsurance transactions, where the Company is not the investment manager, or held in connection with open derivative transactions.

Accrued investment income

Accrued investment income is primarily comprised of accrued interest receivable on fixed maturity securities and mortgages and other loan receivables. Accrued interest receivable amounts are reversed, with an offsetting entry to net investment income, when deemed uncollectible

Derivative instruments

Derivatives are instruments that derive their values from underlying asset prices, indices, foreign exchange rates, reference rates and other inputs or a combination of these factors. Derivatives may be privately negotiated contracts, which are usually referred to as over-the-counter, or “OTC,” derivatives, or they may be listed and traded on an exchange, or “exchange-traded.” The Company’s derivative instruments are primarily used to hedge certain risks, including interest rate risk and equity market risk, and to a lesser extent foreign exchange and inflation risks. Where certain criteria are met, some of these hedging arrangements may achieve hedge accounting.

Derivative instruments are generally recognized at estimated fair value in either funds withheld receivable at interest, other assets, funds withheld payable at interest or other liabilities in the consolidated balance sheets, with changes in fair value recorded in net investment gains (losses) in the consolidated statements of income. Where certain qualifying criteria are met, some derivative instruments are designated as accounting hedges and are recognized at estimated fair value in other assets or other liabilities in the consolidated balance sheets. For derivative instruments designated as fair value hedges, changes in fair value are recognized in the consolidated statements of income, in the same line where the hedged item is reported. For derivative instruments designated as cash flow hedges, changes in fair value are initially recognized in accumulated other comprehensive income (loss) in the consolidated balance sheets and subsequently reclassified to the consolidated statements of income, in the same line item where the hedged item is reported.

Derivative receivables and payables with a counterparty that are subject to an International Swaps and Derivatives Association Master Agreement, or “ISDA,” or other similar agreement that provides a legal right of setoff, are presented at their net amounts. Where the legal right of setoff exists, the Company also offsets the fair value of cash collateral received or posted under an ISDA, or other similar agreement with a counterparty, against the related derivative balances as appropriate.

Investment credit losses and impairment

Available-for-sale fixed maturity securities

One of the significant estimates related to AFS securities is the evaluation of those investments for credit losses. The evaluation of investments for credit losses is a quantitative and qualitative quarterly process that is subject to risks and uncertainties and involves significant estimates and judgments by management. Changes in the estimates and judgments used in such analysis can have a significant impact on the Company’s consolidated statements of (loss) income.

The Company regularly reviews its AFS securities for declines in fair value below amortized cost that it determines to be due to credit losses. For fixed maturity securities, the Company first considers the intent to sell a security, or whether it is more-likely-than-not that it will be required to sell the security, before the recovery of its amortized cost. If the Company intends to sell an AFS fixed maturity security with an unrealized loss or it is more-likely-than-not that it will be required to sell an AFS fixed maturity security with an unrealized loss before recovery of its amortized cost basis, the amortized cost is written down to fair value and a corresponding charge is recognized to net investment losses.

For AFS fixed maturity securities in an unrealized loss position that the Company does not intend to sell, and will not be required to sell, the Company bifurcates the impairment into two components: credit impairment and non-credit impairment. Credit impairments are measured as the difference between the security’s cost or amortized cost and its estimated recoverable value, which is the present value of its expected future cash flows discounted at the current effective interest rate. The estimated recoverable value is subject to a floor equal to the fair value of the security. The remaining difference between the security’s fair value and the recoverable value, if any, is the non-credit impairment. Credit impairments are recognized in the allowance for credit losses on AFS fixed maturity securities, which is established via a charge to net investment losses in the consolidated statements of (loss) income, and non-credit impairments are charged to accumulated other comprehensive (loss) income in the consolidated balance sheets.

The review of each AFS fixed maturity in an unrealized loss position for credit losses includes an analysis of gross unrealized losses by severity. A severe unrealized loss position on a fixed maturity security may not impact the recoverability of all contractual cash flows or the ability to recover an amount at least equal to the investment’s amortized cost. The facts and circumstances available relevant to the severity of the loss position are analyzed, including changes in market interest rates,

credit issues, changes in business climate, management changes, litigation, government actions, and other similar factors that may impact the issuer's ability to meet current and future principal and interest obligations. Indicators of credit impairment may include changes in the issuers' credit ratings, the frequency of late payments, pricing levels and deterioration in any, or a combination of, key financial ratios, financial statements, revenue forecasts and cash flow projections.

In determining the estimated recoverable value, the review of expected future cash flows for structured securities includes assumptions about key systemic risks (e.g., unemployment rates, housing prices) and loan-specific information (e.g., delinquency rates, loan-to-value ratios). Estimating future cash flows is a quantitative and qualitative process that incorporates information received from third parties, along with assumptions and judgments about the future performance of the underlying collateral. For corporate and government bonds the recoverable value is determined using cash flow estimates that consider facts and circumstances relevant to the security and the issuer, including overall financial strength and secondary sources of repayment as well as pending restructuring or disposition of assets. Where information for such cash flow estimates is limited or deemed not reliable, fair value is considered the best estimate of the recoverable value.

Effective February 1, 2021, in periods subsequent to the initial recognition of an allowance for credit losses on a fixed maturity security, whether for a PCD security or a security impaired since purchase, the Company continues to monitor credit loss expectations. Deterioration in the estimated recoverable value of a credit impaired security is recognized as an addition to the allowance for credit losses, as limited by the amount by which the security's fair value is less than amortized cost. Improvements in the estimated recoverable value of a credit impaired security or improvements in the fair value of a credit impaired security that limit the amount of the allowance result in reductions in the allowance for credit losses, which are recognized as a credit to net investment gains in the consolidated statements of income.

Amounts are charged off against the allowance for credit losses when deemed uncollectible or when the Company determines that it intends to sell, or more likely than not will be required to sell, the security. Charge-offs are reflected as a decrease in the allowance and a direct write down in the amortized cost of the security. If the Company recovers all or a portion of an amount previously written off on a credit impaired security, the recovery is recognized as a realized investment gain.

Prior to February 1, 2021, in periods subsequent to the recognition of a credit related impairment on a fixed maturity investment, the Company accounted for the impaired security as if it had been purchased on the measurement date of the impairment. Accordingly, the discount (or reduced premium) based on the new cost basis was accreted into net investment income in the consolidated statements of income over the remaining term of the fixed maturity in a prospective manner based on the amount and timing of estimated future cash flows

Mortgage and other loan receivables

Effective February 1, 2021, the Company updates its estimate of the expected credit losses on its investments in mortgage and other loan receivables each quarter. For loans that share similar risk characteristics, expected credit losses are measured on a pool basis.

For commercial mortgage loans, the current expected credit losses are estimated using a model that evaluates the probability that each loan will default and estimates the amount of loss given the occurrence of such a default over the life of each loan in the portfolio. The model incorporates historical and current data on the relevant property market and projects potential future paths for each loan's collateral, considering both the net income to be generated by the collateral real estate and its market value. The model considers how macroeconomic forecasts (such as gross domestic product, unemployment, and interest rates) influence commercial real estate market factors (including vacancy

rates, rental and income growth rates, property value changes), and in turn how commercial real estate market conditions, in combination with loan specific information (including debt service coverage and loan to value), drive commercial mortgage loan credit risk.

For residential mortgage loans and consumer loans, the current expected credit losses are primarily estimated using a discounted cash flow model. The model considers loan-specific information as well as current, historical and forecasted data relevant to the respective loans, including home prices, interest rates and unemployment. Expected cash flows are projected for each loan and are discounted using the effective interest rate of the respective loan. Any shortfalls between the discounted cash flows and the amortized cost of each individual loan are aggregated to determine the total allowances on the residential mortgage loan and consumer loan portfolios. For certain residential mortgage loans secured by single-family rental properties, current expected credit losses are determined using a model consistent with that described above for commercial mortgage loans.

With regard to the use of forecasts in the determination of the Company’s current expected credit losses, the reversion of forecasts to historical data is based on reversion dynamics that depend on the specific variable and its interaction with the other parameters of the respective model; however, the forecasts generally tend to revert to a long-term equilibrium trend within two to three years from the forecast start date.

For the investment in other loan receivables, a variety of methodologies are used to estimate the respective current expected credit losses. These methodologies consider the terms specific to each loan, including the value of any collateral, and evaluate the risk of loss over the life of these loans.

The Company also assesses and measures an allowance for credit losses arising from off-balance sheet commitments, including loan commitments, that are not unconditionally cancellable by the Company. This allowance for credit losses for off-balance sheet commitments is determined using methods consistent with those used for the associated mortgage and other loan receivable class, as described above, and is recognized in other liabilities in the consolidated balance sheets, since there is no funded asset for the committed amount.

Prior to February 1, 2021, the Company evaluated its investments in mortgage and other loan receivables for impairment each quarter. Loans were deemed to be impaired when it was probable that the Company would be unable to collect all the contractual payments as scheduled in the loan agreement. The impairment assessment considered the borrower’s ability to pay and the value of the underlying collateral. When a loan was impaired, its impaired value was measured based on the present value of expected future cash flows discounted at the loan’s effective interest rate, except that as a practical expedient, the impaired value could be based on a loan’s observable market price (where available) or the fair value of the collateral if the loan were a collateral-dependent loan. An allowance was established for the difference between the loan’s impaired value and its current carrying value. Additional allowance amounts were established for incurred but not specifically identified impairments in the mortgage portfolio, based on analysis of market loss rate data, adjusted for specific characteristics of the Company’s portfolio and changes in economic conditions.

When all or a portion of a loan is deemed uncollectible, the uncollectible portion of the carrying amount of the loan is charged off against the allowance. If the Company recovers all or a portion of an amount previously written off on a credit impaired loan, the recovery is recognized as a realized investment gain.

Other investments

The determination of the amount of impairment on other classes of investments also requires significant judgment and is based upon a periodic evaluation and assessment of known and inherent

risks associated with the respective asset class. Such assessments are revised as conditions change and new information becomes available.

Impairment of consolidated renewable energy assets and transportation assets and investments in real estate carried at depreciated cost is assessed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When indicators of impairment are present, a recoverability test is performed to determine if the sum of the estimated undiscounted future cash flows attributable to the assets is greater than the carrying amount. If the undiscounted estimated future cash flows are less than the carrying amount, an impairment loss is recognized based on the amount by which the carrying amount exceeds its estimated fair value.

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

Variable interest entities

In the ordinary course of business, the Company invests in certain entities subject to analysis under the VIE consolidation model. An entity is a VIE if it has equity investors who lack the characteristics of a controlling financial interest or it does not have sufficient equity at risk. The Company analyzes each investment to determine whether it is a VIE or not, and if so, whether the Company is the primary beneficiary or a significant variable interest holder based on a qualitative and quantitative assessment. This assessment includes consideration as to whether or not the Company has the power to direct the activities of the VIE that most significantly impact its economic performance and whether or not the Company has either the obligation to absorb losses or the right to receive returns from the VIE that could be significant to the VIE. The Company evaluates the design of the entity, the risks to which the entity was designed to expose the variable interest holder and the extent of the Company’s control of and variable interest in the VIE. The Company consolidates VIEs for which it meets the requirements of a primary beneficiary.

Goodwill and other intangibles

Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is tested for impairment at least annually (in the third quarter), or more frequently if circumstances indicate an impairment may have occurred.

The impairment assessment involves assessing qualitative factors to determine whether events or circumstances exist that lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the qualitative assessment is not performed, or after assessing the totality of the events or circumstances, we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a quantitative assessment for potential impairment is performed.

If the qualitative test is not performed or if the test indicates a potential impairment is present, we estimate the fair value of each reporting unit and compare to the carrying amount of the reporting unit, including allocated goodwill. The estimate of a reporting unit’s fair value involves management judgment and is based on one or a combination of approaches including discounted expected future cash flows, market-based earnings multiples of the unit’s peer companies, external appraisals or, in the case of reporting units being considered for sale, third-party indications of fair value, if available. We consider one

or more of these estimates when determining the fair value of a reporting unit to be used in the impairment test.

If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill is not impaired. If the carrying value of an reporting unit exceeds its estimated fair value, goodwill associated with that reporting unit is potentially impaired. The amount of impairment, if any, is measured as the excess of a reporting unit's carrying amount over its fair value not to exceed the total amount of goodwill allocated to that reporting unit and recognized in net income.

Indefinite lived intangible assets primarily consist of state insurance licenses, and are not subject to amortization. Finite lived intangible assets primarily include distribution networks and trade names and are recorded net of accumulated amortization. The Company tests intangible assets for impairment on an annual basis or whenever events or circumstances suggest that the carrying value of an intangible asset may exceed the sum of the undiscounted cash flows expected to result from its use and eventual disposition. If this condition exists and the carrying value of an intangible asset exceeds its fair value, the excess is recognized as an impairment and is recorded as a charge against net income.

Goodwill and intangible assets are included in other assets in the consolidated balance sheets..

Deferral and amortization of certain revenues and expenses

Deferrals

Deferred policy acquisition costs, or "DAC," consist of commissions and other costs that are directly related to the successful acquisition of new or renewal life insurance or annuity contracts. Deferred sales inducements, or "DSI," are generated by annuities that offer enhanced crediting rates or bonus payments to policyholders and is included in other assets in the consolidated balance sheets. DAC is recorded in insurance intangibles in the consolidated balances sheets.

Value of business acquired, or "VOBA," represents the difference between the carrying value of the purchased in-force insurance contract liabilities at the time of the business combination and the estimated fair value of insurance and reinsurance contracts. VOBA can be either positive or negative. Positive VOBA is recorded in insurance intangibles. Negative VOBA is recorded in the same financial statement line in the consolidated balance sheets as the associated policy liabilities.

Revenues from certain universal life insurance products are deferred to future periods and an unearned revenue reserve, or "URR," liability is established. The amount deferred is equal to the excess of the revenue collected over an estimate of the ultimate future level of these revenues and included in contractholder deposit funds and other policy liabilities in the consolidated balance sheets.

Deferred revenue liability, or "DRL," represents the gross premium less the net premium on limited pay contracts (i.e., payout annuities.) DRL is included in contractholder deposit funds and other policy liabilities in the consolidated balance sheets.

For certain preneed contracts, the gross premium is in excess of the benefit reserve plus additional insurance liability. An unearned front-end load, or "UFEL," is established to defer the recognition of this front-end load. UFEL is included in contractholder deposit funds and other policy liabilities in the consolidated balance sheets.

Amortization

For interest-sensitive products (fixed-indexed annuities and variable annuities, most universal life including preneed contracts, and variable universal life), DAC and DSI assets are generally amortized in proportion to actual historical gross profits and estimated future gross profits over the estimated lives of the contracts. The amount of gross profit consists principally of investment returns (including hedge gains and losses) in excess of the amounts credited to policyholders, asset-based and other policy fees, and surrender charges reduced by death and other excess benefits and expenses. Numerous factors including mortality, benefit utilization, surrender activity, premium persistency, and the economic environment influence the level and timing of gross profits.

Estimated gross profits are updated each reporting period with actual gross profits as part of the amortization process for the interest-sensitive policies. When actual gross profits are higher in the period than had been previously estimated, more amortization is recognized than planned. When actual gross profits are lower than had been previously estimated, less amortization is recognized than planned. These relationships hold provided that future estimates of gross profits remain unchanged, which may not always be true.

VOBA is generally amortized on a constant level basis using policy count over the estimated lives of the contracts.

When a different basis of amortization is determined to be more representative of the economics, such as when negative estimated gross profits or margins occur, an alternative basis of amortization may be selected for DAC.

For most term and whole life products, DAC is amortized in proportion to premium revenue recognized.

DRL is amortized on a straight-line basis for whole life and term life insurance policies. For annuities, universal life and indexed universal life policies, DRL is amortized in proportion to the pattern of policyholder death benefits in-force. For payout annuities, DRL is recognized in income in a constant relationship with the amount of expected future payments.

URR is amortized consistent with the amortization of DAC on similar products. UFEL is amortized consistent with the method used in the amortization of DAC for preneed contracts.

The key assumptions used in the calculation of the amortization of DAC, VOBA and DSI are periodically updated as part of the assumptions review process, which results in revisions to the estimated future gross profits. The effects of changes in assumptions are recorded as unlocking in the period in which the changes are made. The following are types of changes to future assumptions that would generally result in a negative unlocking (i.e., an acceleration of amortization resulting in a reduction to net income): lower equity returns, lower investment returns, higher operating expenses, higher mortality, and unfavorable lapses.

The carrying amounts of DAC, DSI, URR and UFEL are adjusted for the effects of realized and unrealized gains and losses on debt securities classified as AFS and certain derivatives.

Internal replacements

An internal replacement is a modification in product benefits, features, rights, or coverages that occurs by the legal extinguishment of one contract and the issuance of another contract (a contract exchange), or by amendment, endorsement, or rider to a contract, or by the election of a benefit, feature, right, or coverage within a contract. If the modification does not substantially change the contract, the Company does not change the accounting and amortization of existing DAC and related actuarial balances (i.e., continuation of contract accounting). If an internal replacement represents a substantial change, the original contract is considered to be extinguished and any related DAC or other policy balances are charged or credited to income, and any new deferrable costs associated with the replacement contract are deferred (for example, contract termination and new contract accounting).

Separate accounts

Separate account assets and liabilities represent segregated funds administered and invested by the Company for the benefit of variable annuities and variable universal life insurance contractholders and certain pension funds. The Company reports separately, as assets and liabilities, investments held in the separate accounts and liabilities of separate accounts if: (1) such separate accounts are legally recognized; (2) assets supporting the contract liabilities are legally insulated from the Company's general account liabilities; (3) investments are directed by the contract owner or participant; and (4) all investment performance, net of contract fees and assessments, is passed through to the contract owner.

Separate account assets consist principally of mutual funds at fair value. The investment income and gains and losses of these accounts generally accrue to the contractholders and therefore, are not included in the Company's net income. However, the Company's net income reflects fees assessed and earned on fund values of these contracts which are presented as a component of policy fees in the consolidated statements of income. Realized investment gains and losses related to separate accounts that meet the conditions for separate account reporting accrue to and are borne by the contractholder.

Policy liabilities

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

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

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

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

Fixed-rate and fixed-indexed annuities

Contractholder deposits fund reserves for fixed-indexed annuities earning a fixed rate of interest and certain other fixed-rate annuity products are computed under a retrospective deposit method and represent policy account balances before applicable surrender charges. For certain fixed-rate annuity products, an additional reserve was established for above market interest rate guarantees upon acquisition. These reserves are amortized on a straight-line basis over the remaining guaranteed interest rate period.

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

Global Atlantic issues funding agreements to certain unaffiliated (and non-consolidated) special purpose entities that have issued debt securities for which payment of interest and principal is secured by such funding agreements. Global Atlantic's funding agreements are considered investment type contracts and liabilities are calculated as the present value of future payments. Global Atlantic's obligation is reported in contractholder deposit funds and other policy liabilities in the consolidated balance sheets. Interest expense is calculated using the effective interest method and recorded in policy benefits and claims in the consolidated statements of income.

Contractholder deposit funds reserves for certain assumed blocks of fixed-indexed and fixed-rate annuity products are accounted for as investment-type contracts. A net liability (consisting of the benefit reserve plus deferred revenue liability less DAC) is established at inception and amortized under the constant yield method.

Guaranteed benefits

Certain fixed-rate and fixed-indexed annuity contracts provide the contractholder with guaranteed minimum death benefits, or “GMDB,” and/or guaranteed minimum withdrawal benefits, or “GMWB.” The associated reserves for these benefits are calculated by estimating the present value of total expected (excess) benefit payments over the life of the contract divided by the present value of total expected assessments over the life of the contract, or the “benefit ratio,” and multiplying this ratio by the cumulative assessments recorded from the contract inception through the balance sheet date less cumulative benefit payments plus interest on the reserves. The liabilities are included in contractholder deposit funds and other policy liabilities in the consolidated balance sheets. The change in the reserve is included in policy benefits and claims in the consolidated statements of income.

Long-term care benefit riders

Certain fixed-rate contracts provide the policyholder with long-term care benefit riders. The long-term care benefit rider permits access to the policy’s account value, along with a supplemental rider benefit value, free of a surrender charge, to reimburse the policyholder for certain qualified long-term care expenses. Depending on the outcome of simplified underwriting, the rider benefit is capped at the return of account value plus one or two times the account value. The benefit rider paid to the policyholder is subject to a monthly maximum such that the benefit is typically paid out over a period of six years or longer. The liabilities for these benefits are calculated by using the benefit ratio multiplied by the cumulative assessments recorded from the contract inception through the balance sheet date less cumulative benefit payments plus interest on the reserves. The change in the reserve is included in policy benefits and claims in the consolidated statements of income.

Variable annuities

Variable annuity contracts offered and assumed by the Company provide the contractholder with GMDB and/or GMWB. The liabilities for these benefits are included in contractholder deposit funds and other policy liabilities in the consolidated balance sheets. The change in the liabilities for these benefits is included in policy benefits and claims in the consolidated statements of income.

The Company issued variable annuity contracts with GMDB features. The Company elected the fair value option to measure the liability for these variable annuity contracts. Fair value is calculated as the present value of the estimated death benefits less the present value of the GMDB fees, using 1,000 risk neutral scenarios. The Company discounts the cash flows using the U.S. Treasury rates plus an adjustment for own company credit risk.

The Company also issues variable annuity contracts with a GMWB. The GMWB feature represents an embedded derivative. The embedded derivative is required to be bifurcated and measured at fair value. This liability is calculated as the present value of the excess GMWB claims less the present value of GMWB fees, using 1,000 risk neutral scenarios. The Company discounts the cash flows using U.S. Treasury rates plus an adjustment for own company credit risk.

Payout annuities

Payout annuities include single premium immediate annuities, annuitizations of deferred annuities and structured settlements. These contracts subject the insurer to risks over a period that extends beyond the period or periods in which premiums are collected. These contracts may be either non-life contingent or life contingent. Non-life contingent annuities are accounted for as financial instruments. For life contingent annuities, the Company records a liability at the present value of future annuity payments and estimated future expenses calculated using expected mortality and costs, and interest assumptions. Any gross premiums received in excess of the net premium is the DRL and is recognized in income in a constant relationship with the amount of expected future payments. The liabilities are recorded in policy liabilities in the consolidated balance sheets.

Also included under payout annuities are liabilities for disability income benefits which pertain primarily to disability income policies that are already in claim payout status. Liabilities for disability income benefits are calculated as the present value of future disability payments and estimated future expenses using expected mortality and costs, and interest assumptions. The liabilities are recorded in future policy benefit liabilities in the consolidated balance sheets.

Universal life policies

For universal life policies, the base benefit reserves are deemed to be equal to the policy account value.

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

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

The Company holds additional liabilities for universal life products with secondary guarantees, sometimes referred to as no-lapse guarantees. For these products, the fair value of the embedded derivative is the present value of the best estimate minus the guaranteed surrender benefits over the life of the contract. The additional liabilities are measured using the benefit ratio approach where excess benefits are spread over the life of the contract based on assessments collected from the policyholder. Generally, total expected excess benefit payments are the aggregate of death claims after the policy account value is exhausted. The exception is when the cost of insurance charges are insufficient to produce consistently positive earnings in the future. In this case, all death benefits are deemed to be excess benefits.

Variable universal life policies

Certain assumed variable universal life policies include several forms of secondary guarantees. The Company holds additional liabilities for its secondary guarantees as discussed above.

Preneed policies

The Company's preneed life insurance contracts are accounted for as universal life-type contracts which require that the retrospective deposit method be used. That accounting method establishes a liability for policy benefits in an amount determined by the account or contract balance that accrues to the benefit of the policyholder. This account value is deemed to be equal to the contract's statutory cash surrender value. The majority of the Company's preneed insurance contracts feature death benefits with a discretionary death benefit growth rate. The Company has the discretion to adjust these rates up or down. The Company has established an additional reserve for expected future discretionary benefits which is reflected as contractholder deposit funds and other policy liabilities in the consolidated balance sheets. The Company has also issued preneed insurance contracts with crediting rates tied to inflation as measured by the Consumer Price Index.

Whole and term life

The Company has established liabilities for amounts payable under insurance policies, including whole life insurance and term life insurance policies. Generally, liabilities for these policies are calculated as the present value of future expected benefits to be paid reduced by the present value of future expected net premiums. Principal assumptions used in the establishment of liabilities for future policy benefits are mortality, policy lapse, renewal, investment returns, inflation, expenses and other contingent events as appropriate for the respective product. These assumptions, which include provisions for adverse deviations, are established at the time the policy is issued and are intended to estimate the experience for the period the policy benefits are payable. By utilizing these assumptions, liabilities are established on a block-of-business basis. For whole life and term long-duration insurance contracts, assumptions such as mortality, morbidity and interest rates are locked-in upon the issuance of new business. However, significant adverse changes in experience on such contracts may require the Company to establish premium deficiency reserves. Premium deficiency reserves are established, if necessary, when the liability for future policy benefits plus the present value of expected future gross premiums are determined to be insufficient to provide for expected future policy benefits and expenses. Such reserves are determined based on assumptions at the time the premium deficiency reserve is established and do not include a provision for adverse deviation.

Future policy benefit liabilities for participating whole life insurance policies are equal to the aggregate of: (1) net level premium reserves for death and endowment policy benefits (calculated based upon the non-forfeiture interest rate, and mortality rated guarantee in calculating the cash surrender values described in such contracts); and (2) the liability for terminal dividends.

Future policy benefit liabilities for non-participating whole life and term life insurance policies are equal to the aggregate of the present value of expected future policy benefit payments and related expenses less the present value of expected future net premiums. Assumptions as to the mortality and persistency are based upon the Company's experience when the basis of the liability is established, and are periodically updated. Interest rate assumptions for the aggregate future policy benefit liabilities are calculated based on the portfolio rate, net of investment expenses.

Outstanding claims

Outstanding claims include amounts payable relating to in course of settlement and incurred but not reported claim liabilities. In course of settlement claim liabilities are established for policies when the Company is notified of the death of the policyholder but the claim has not been paid as of the reporting date. Incurred but not reported claim liabilities are determined using studies of past experience and are estimated using actuarial assumptions of historical claims expense, adjusted for current trends and conditions. These estimates are continually reviewed and the ultimate liability may vary significantly from the amounts initially recognized, which are reflected in net income in the period in which they are determined. Changes in policy and contract claims are recorded in policy benefits and claims in the consolidated statements of income.

Closed blocks

Through its insurance subsidiaries, the Company has acquired several closed blocks of participating life insurance policies. The Company has elected to account for the closed block policy liabilities using the fair value option.

The assets and cash flow generated by the closed blocks inure solely to the benefit of the holders of policies included in the closed blocks. All closed block assets will ultimately be paid out as policy benefits and through policy dividends. In the event that the closed blocks' assets are insufficient to meet the benefits of the closed blocks' benefits, general assets of the Company would be used to meet the contractual benefits to the closed blocks' policyholders.

The closed block liabilities are measured at fair value, which comprises the fair value of the closed block assets plus the present value of projected expenses including commissions and the cost of capital charges associated with the closed blocks. In calculating the present value, the Company used a discount rate based on current U.S. Treasury rates, with a risk margin to reflect uncertainties in the closed block liability and a provision for the Company's nonperformance risk.

Reinsurance

Consistent with the overall business strategy, the Company assumes certain policy risks written by other insurance companies on a coinsurance, modified coinsurance or funds withheld coinsurance basis. Reinsurance accounting is applied for ceded and assumed transactions when risk transfer provisions have been met. To meet risk transfer requirements, a long-duration reinsurance contract must transfer mortality or morbidity risks, and subject the reinsurer to a reasonable possibility of a significant loss. Those contracts that do not meet risk transfer requirements are accounted for using deposit accounting. The Company seeks to diversify risk and limits its overall financial exposure through reinsurance.

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

The cost of reinsurance, which is the difference between the amount paid for a reinsurance contract and the amount of the liabilities for policy benefits relating to the underlying reinsured contracts, is deferred and amortized over the reinsurance contract period for short-duration contracts, or over the terms of the reinsured policies on a basis consistent with the reporting of those policies for long-duration contracts. Cost of reinsurance assets and liabilities are reported in deferred policy acquisition costs and contractholder deposit funds and other policy liabilities in the consolidated balance sheets, respectively and includes certain variable incentive compensation directly related to reinsurance contract acquisition. Reinsurance contracts do not relieve the Company from its obligations to policyholders, and failure of reinsurers to honor their obligations could result in losses to the Company; consequently, effective February 1, 2021 allowances are established for expected credit losses, via a charge to policy benefits and claims in the Consolidated Statements of Income. The Company's funds withheld receivable at interest and reinsurance recoverable assets are reviewed for expected credit losses by considering credit ratings for each reinsurer, historical insurance industry specific default rate factors, rights of offset, expected recovery rates upon default and the impact of other terms specific to the reinsurance arrangement. Prior to February 1, 2021, allowances were established for amounts deemed uncollectible.

Debt

In general, the Company recognizes a liability for debt equal to the proceeds received. When the proceeds received are not the same as the amount due at maturity, the debt has been issued at a discount or premium and is recorded as a deduction from the face amount of the note.

Debt is recognized on the date the proceeds are received, or settlement date, versus the trade date. Debt issuance costs are specific incremental costs, other than those paid to the lender, that are incurred by a borrower and directly attributable to issuing a debt instrument. Debt issuance costs are deferred and reported in the balance sheet as a deduction from the face amount of the liability. Costs associated with entering into a revolving line of credit or revolving-debt arrangement are costs incurred in exchange for access to capital. These costs are recorded as assets on the balance sheet and amortized to interest expense on a straight-line basis over the contractual term of the arrangement.

Leases

The Company enters into lease contracts, the most significant being leases of office space for its operations and land leases for its consolidated renewable energy investments. The Company reports these leases as right-to-use assets with a corresponding lease liability in other assets and accrued expenses and other liabilities in the consolidated balance sheets, respectively. The lease liability represents the present value of the lease payments to be made over the lease term and is calculated using a discount rate equal to the Company's incremental borrowing rate.

Loss contingencies

A loss contingency is an existing condition, situation or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. Loss contingencies include regulatory judgments, claims, assessments, guarantees, pending or threatened litigation, recourse reserves, fines, penalties and environmental remediation costs. Amounts related to loss contingencies are accrued and recorded in accrued expenses and other liabilities in the consolidated balance sheets if it is probable that a loss has been incurred and the amount can be reasonably estimated, based on the Company's best estimate of the ultimate outcome.

See Note 13 —"Commitments and contingencies" for additional information about loss contingencies.

Non-controlling interests and redeemable non-controlling interests

Non-controlling interests and redeemable non-controlling interests represent investors' interests in the net assets of certain renewable energy partnerships. The Company uses the HLBV method to allocate income and cash flows based on investors' claim to net assets, including those for the non-controlling interests and redeemable non-controlling interests.

The Company classifies certain non-controlling interests with redemption features that are not solely within the control of the Company outside of permanent equity on its consolidated balance sheets. These redeemable non-controlling interests are reported using the greater of the carrying value at each reporting date as determined by the HLBV method or the estimated redemption value in each reporting period.

Recognition of insurance revenue and related benefits

Premiums related to whole life and term life insurance contracts and payout contracts with life contingencies are recognized in premiums in the consolidated statements of income when due from the contractholders.

Amounts received as payment for universal life and investment-type contracts are reported as deposits to contractholder account balances and recorded in contractholder deposit funds and other policy liabilities in the consolidated balance sheets. Amounts received as payment for the Company's fixed fund variable annuities are reported as a component of contractholder deposit funds and other policy liabilities in the consolidated balance sheets. Revenues from these contracts consist primarily of fees assessed against the contractholder account balance for mortality, policy administration, separate account administration and surrender charges, and are reported in policy fees in the consolidated statements of income. Additionally, the Company earns investment income from the investment of contract deposits in the Company's general account portfolio, which is reported in net investment income in the consolidated statements of income.

Fees assessed that represent compensation to the Company for benefits to be provided in future periods and certain other fees are established as an unearned revenue reserve liability and amortized into revenue over the expected life of the related contracts in proportion to estimated gross profits in a manner consistent with DAC for these contracts. Unearned revenue reserves are reported in contractholder deposit funds and other policy liabilities in the consolidated balance sheets and amortized into policy fees in the consolidated statements of income. Benefits and expenses for these products include claims in excess of related account balances, expenses for contract administration and interest credited to contractholder account balances in the consolidated statements of income.

Other income

Other income is primarily comprised of administration, management fees and distribution fees.

Insurance expenses

Insurance expenses are primarily comprised of commissions expense, premium taxes, amortization of acquired distribution and trade name intangibles, and other expenses related to insurance products and reinsurance transactions.

General, administrative and other expenses

General, administrative and other expenses are primarily comprised of employee compensation and benefit expenses, administrative and professional services and other operating expenses.

Equity-based, incentive and other deferred compensation

The Company has established a long-term incentive plan to foster and promote its long-term financial success. Compensation expense for the Company's incentive awards is recognized only when vesting is deemed to be probable.

The Company measures compensation cost for service-based, equity-classified share-based payment awards at fair value as of the grant date and recognizes it in general, administrative and other expenses in the consolidated statements of income as compensation expense over the requisite service period for awards expected to vest. The Company recognizes the expense using the straight-line attribution method, with adjustments for estimated forfeitures. For awards with performance-based vesting, expense recognition is deferred until the performance factor occurs or becomes probable.

The Company measures compensation cost for liability-classified share-based payment awards or other deferred compensation plans using the fair value method, beginning on the grant date, and re-measures the fair value of the awards at each reporting period until the awards are settled. Accrued compensation expense is recognized, net of an estimated forfeiture rate, in general, administrative and other expenses in the consolidated statements of income and within accrued expenses and other liabilities in the consolidated balance sheet, respectively.

Income taxes

The Company operates certain subsidiaries in jurisdictions where they are subject to taxation. Income taxes are provided for using the asset and liability method under which deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax basis of assets and liabilities. Such temporary differences are primarily due to the tax basis of reserves, DAC, unrealized investment gains/losses, reinsurance balances, embedded derivatives, and net operating loss, or "NOL," carryforwards. Changes in deferred income tax assets and liabilities associated with components of other comprehensive (loss) income are recorded directly to accumulated other comprehensive income (loss) in the consolidated balance sheets.

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

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

The Company records the effect of changes in tax laws or rates at the date of enactment. In the U.S., the enactment date is considered to be the date that the President signs the legislation. The total effect of a tax law or rate change on the deferred tax balance is recorded as a component of tax expense related to continuing operations for the period in which the law is enacted.

Such tax changes can create disproportionate tax effects, or stranded amounts in other comprehensive income, or "OCI," for AFS debt securities. The Company's accounting policy for clearing disproportionate tax effects relating to AFS debt securities is the aggregate portfolio approach. Under the aggregate portfolio approach, the disproportionate tax effect remains intact as long as the investment portfolio remains.

The tax benefit from investment tax credits generated are recognized under the flow through method, with 50% tax basis adjustment as prescribed under Accounting Standards Codification 740.

The Company reports interest expense related to income tax matters in income tax (benefit) expense, and income tax penalties in general, administrative and other expenses in the consolidated statements of income.

Foreign currency

Assets and liabilities denominated in non-U.S. currencies are translated at rates of exchange prevailing on the date of the balance sheet and revenues and expenses are translated at average rates of exchange for the relevant period. Foreign currency re-measurement gains or losses on transactions in non-functional currencies are recognized in net investment gains (losses) in the consolidated statements of income.

Adoption of new accounting pronouncements

Credit losses on financial instruments

In June 2016, the FASB issued new guidance on the measurement of credit losses on financial instruments, including reinsurance recoverables. This guidance replaces the incurred loss impairment methodology with one that reflects expected credit losses. The measurement of expected credit losses should be based on historical loss information, current conditions, and reasonable and supportable forecasts. The new guidance also requires that a credit impairment on a debt security will be recognized as an allowance going forward, such that improvements in expected future cash flows after an impairment will no longer be reflected as a prospective yield adjustment through net investment income, but as a reversal of the previous impairment that is recognized immediately. In addition, the guidance requires enhanced disclosures.

Upon the close of the KKR acquisition on February 1, 2021, the Company became subject to its new parent's accounting policies, including the adoption of certain new accounting standards currently only applicable to public companies such as the aforementioned new guidance on the measurement of credit losses on financial instruments. The Company's allowances for credit losses on financial instruments measured at amortized cost including mortgage and other loan receivables and reinsurance recoverables have been determined based on current expected credit losses following the KKR acquisition.

The Coronavirus Aid, Relief, and Economic Security Act and related regulatory actions

On March 27, 2020, the CARES Act was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, permits NOL carryovers and carrybacks to offset 100% of taxable income for taxable years beginning before 2021. In addition, the CARES Act allows NOLs incurred in

2018, 2019 and 2020 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. The Company has recorded a rate differential benefit of $32 million for the tax year ended December 31, 2020 for 2018 NOLs which were allowed to be carried back to 2014 under the CARES Act.

The provisions of the CARES Act, as amended by the Consolidated Appropriations Act, also permit financial institutions to suspend requirements under U.S. GAAP for loan modifications that otherwise would be categorized as troubled debt restructurings, or "TDRs," if (1) the borrower was not more than 30 days past due as of December 31, 2019, and (2) the modifications are related to arrangements that defer or delay the payment of principal or interest, or change the interest rate on the loan, provided the modifications are made between March 1, 2020 and the earlier of 60 days after the end of the national emergency related to the COVID-19 pandemic or December 31, 2022. The Company has applied this guidance to loan forbearance requests that meet the requirements.

See Note 3—"Investments," and Note 12—"Income taxes," for additional information on the loan modification and NOL carryback impacts, respectively.

Simplifying the accounting for income taxes

In December 2019, the FASB issued new guidance to simplify the accounting for income taxes. This guidance eliminates the exceptions to the incremental approach, to accounting for basis differences when there are changes in ownership of foreign investments, and to interim period tax accounting for year-to-date losses that exceed anticipated losses. The guidance also simplifies the application of tax guidance related to franchise taxes, transactions with government entities, separate financial statements of legal entities that are not subject to tax, and enacted changes in tax laws in interim periods. The guidance is effective for public business entities that meet the definition of an SEC filer for fiscal years beginning after December 15, 2020, including interim period within those fiscal years. The Company adopted the standard effective January 1, 2021. The adoption of this new guidance did not have a significant impact on the Company's consolidated financial statements.

Reference rate reform

In March 2020, the FASB issued new guidance to ease the accounting implications of the transition away from the London Interbank Offering Rate, or "LIBOR," and other reference rates, which are scheduled to be discontinued in 2021 (other than for U.S. dollar LIBORs, which are expected to be extended until June 2023 except for the one-week and two-month tenors). The new guidance offers a variety of optional expedients and exceptions related to accounting for contract modifications and hedging relationships. These expedients and exceptions apply only to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The new guidance is effective for contract modifications made and hedging relationships existing or entered into from January 1, 2020 through December 31, 2022. For the period ended March 31, 2021, the Company has elected to not apply the temporary optional expedients and exceptions, subject to reevaluation for application each subsequent quarter within the effective period.

Future application of accounting standards

Targeted improvements to the accounting for long-duration contracts

In August 2018, the FASB issued new guidance for insurance and reinsurance companies that issue long-duration contracts such as life insurance and annuities. The objective of this guidance is to improve, simplify and enhance the financial reporting of long-duration contracts by providing financial statement users with useful information in a timely and transparent manner. The primary changes include: (1) more timely recognition of assumption changes in the liability for future policy benefits and use of a current rate

for the discounting of future cash flows; (2) standardization and improvement in the accounting for certain market-based options or guarantees associated with deposit (or account balance) contracts (referred to as market risk benefits); (3) simplification of the amortization of deferred acquisition costs; and (4) enhanced disclosures.

The guidance is effective for public business entities that meet the definition of a SEC filer for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. For changes related to the liability for future policy benefits and deferred acquisition costs, the new guidance requires adoption using a modified retrospective approach upon transition with an option to elect a retrospective approach. For changes related to market risk benefits, the new guidance requires a retrospective approach.

The Company intends to implement this standard using the retrospective approach for the liability for future policy benefits, deferred acquisition costs and market risk benefits with an adoption date of January 1, 2023. The Company has completed the design and planning phase of its implementation effort and has begun detailed implementation activities. The Company continues to evaluate the impact of this guidance but anticipates that the new standard will have a material impact on the Company's consolidated financial statements. The new guidance is expected to increase financial statement volatility primarily due to the requirement to measure market risk benefits at fair value, which is recorded in net income, except for changes in value attributable to changes in an entity's non-performance risk, which is recorded in other comprehensive income. In addition, the new guidance is expected to have a significant impact on the Company's systems, processes and controls.

3. Investments

Fixed maturity securities

The cost or amortized cost and fair value for available-for-sale, or "AFS," fixed maturity securities were as follows:

As of March 31, 2021 (Successor)	Cost or amortized cost	Allowance for credit losses[4]	Gross unrealized gains	Gross unrealized losses	Fair value
($ in millions)					
AFS fixed maturity securities portfolio by type:					
U.S. government and agencies	$ 1,348	$ —	$ —	$ (20)	$ 1,328
U.S. state, municipal and political subdivisions	4,818	—	4	(234)	4,588
Corporate[1]	35,554	—	40	(1,620)	33,974
RMBS	8,607	(118)	73	(54)	8,508
CMBS	3,373	(1)	6	(51)	3,327
CLOs[2]	2,556	(2)	6	(4)	2,556
CBOs	3,351	(13)	3	(10)	3,331
All other structured securities[3]	2,681	(6)	38	(15)	2,698
Total AFS fixed maturity securities	**$ 62,288**	**$ (140)**	**$ 170**	**$ (2,008)**	**$ 60,310**

(1) Includes related party KKR corporate debt securities with amortized cost, gross unrealized gains, gross unrealized losses and fair value of $29 million, $0 million, $1 million and $28 million, respectively.

(2) Includes related party KKR collateralized debt obligations with amortized cost, gross unrealized gains, gross unrealized losses and fair value of $28 million, $0 million, $0 million and $28 million, respectively.

(3) Includes primarily asset-backed securities, or "ABS."

(4) Represents the cumulative amount of credit impairments that have been recognized in the consolidated statements of income (as net investment (losses) gains) or that were recognized as a gross-up of the purchase price of PCD securities. Amount excludes unrealized losses related to non-credit impairment.

As of December 31, 2020 (Predecessor)	Cost or amortized cost	Gross unrealized		Fair value	OTTI in AOCI[3]
		gains	losses		
($ in millions)					
AFS fixed maturity securities portfolio by type:					
U.S. government and agencies	$ 654	$ 33	$ (8)	$ 679	$ —
U.S. state, municipal and political subdivisions	4,303	700	(2)	5,001	—
Corporate[1]	28,847	3,796	(38)	32,605	—
RMBS	7,989	705	(55)	8,639	2
CMBS	3,449	234	(33)	3,650	(2)
CLOs	3,026	22	(46)	3,002	5
CBOs	3,482	111	—	3,593	—
All other structured securities[2]	3,826	179	(20)	3,985	(4)
Total AFS fixed maturity securities	**$ 55,576**	**$ 5,780**	**$ (202)**	**$ 61,154**	**$ 1**

(1) Includes related party corporate AFS fixed maturity securities with amortized cost, gross unrealized gains, gross unrealized losses and fair value of $289 million, $79 million, $0 million and $368 million, respectively.

(2) Includes primarily ABS.

(3) Represents the amount of OTTI recognized in accumulated other comprehensive (loss) income. Amount includes unrealized gains and losses on impaired securities relating to changes in the fair value of such securities subsequent to the impairment measurement date.

The maturity distribution for AFS fixed maturity securities is as follows:

As of March 31, 2021 (Successor)	Cost or amortized cost	Fair value
($ in millions)		
Due in one year or less	$ 323	$ 321
Due after one year through five years	6,647	6,596
Due after five years through ten years	9,883	9,636
Due after ten years	24,867	23,337
Subtotal	**41,720**	**39,890**
RMBS	8,489	8,508
CMBS	3,372	3,327
CLOs	2,554	2,556
CBOs	3,338	3,331
All other structured securities	2,675	2,698
Total AFS fixed maturity securities	**$ 62,148**	**$ 60,310**

Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties, or the Company may have the right to put or sell the obligations back to the issuers.

Purchased credit deteriorated fixed maturity securities

Certain securities purchased by the Company were assessed at acquisition as having experienced a more-than-insignificant deterioration in credit quality since their origination. These securities are identified as PCD, and a reconciliation of the difference between the purchase price and the par value of these PCD securities is below:

	March 31, 2021
($ in millions)	*Successor*
Purchase price of PCD securities acquired during the current period	$ 1,591
Allowance for credit losses at acquisition	121
Discount (premium) attributable to other factors	277
Par value	**$ 1,989**

Purchased credit impaired securities

The following tables present information on our purchased credit impaired securities, which are included in AFS fixed maturity securities:

As of December 31, 2020 (Predecessor)	As of the date of acquisition
($ in millions)	
Contractually required payments (principal and interest)	$ 2,183
Cash flows expected to be collected[1]	2,007
Recorded investment in acquired securities	1,551

(1) Represents undiscounted expected cash flows, including both principal and interest

	December 31, 2020
($ in millions)	*Predecessor*
Outstanding principal balance	$ 1,960
Amortized cost	1,440
Fair value	1,539

The following table presents activities for the accretable yield on purchased credit impaired securities:

	January 31, 2021	December 31, 2020
($ in millions)	*Predecessor*	*Predecessor*
Balance, as of beginning of the period	**$ 372**	**$ —**
Newly purchased credit impaired securities	2	486
Disposals	—	(23)
Accretion	(6)	(53)
Effect of changes in interest rate indices	2	9
New reclassification from (to) non-accretable difference, including effects of prepayments	(4)	(47)
Balance, as of end of the period	**$ 366**	**$ 372**

Securities in a continuous unrealized loss position

The following tables provide information about the Company's AFS fixed maturity securities that have been continuously in an unrealized loss position:

As of March 31, 2021 (Successor)	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
($ in millions)						
AFS fixed maturity securities portfolio by type:						
U.S. government and agencies	$ 1,300	$ (20)	$ —	$ —	$ 1,300	$ (20)
U.S. state, municipal and political subdivisions	4,393	(234)	—	—	4,393	(234)
Corporate	31,609	(1,620)	—	—	31,609	(1,620)
RMBS	2,476	(54)	—	—	2,476	(54)
CMBS	2,696	(51)	—	—	2,696	(51)
CLOs	1,127	(4)	—	—	1,127	(4)
CBOs	2,298	(10)	—	—	2,298	(10)
All other structured securities	1,232	(15)	—	—	1,232	(15)
Total AFS fixed maturity securities in a continuous loss position	**$ 47,131**	**$ (2,008)**	**$ —**	**$ —**	**$ 47,131**	**$ (2,008)**

As of December 31, 2020 (Predecessor) ($ in millions)	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
AFS fixed maturity securities portfolio by type:						
U.S. government and agencies	$ 338	$ (8)	$ —	$ —	$ 338	$ (8)
U.S. state, municipal and political subdivisions	221	(2)	—	—	221	(2)
Corporate	2,386	(31)	340	(7)	2,726	(38)
RMBS	1,075	(33)	398	(22)	1,473	(55)
CMBS	550	(33)	3	—	553	(33)
CLOs	632	(7)	1,421	(39)	2,053	(46)
CBOs	24	—	—	—	24	—
All other structured securities	334	(10)	156	(10)	490	(20)
Total AFS fixed maturity securities in a continuous loss position	**$ 5,560**	**$ (124)**	**$ 2,318**	**$ (78)**	**$ 7,878**	**$ (202)**

Unrealized gains and losses can be created by changing interest rates or several other factors, including changing credit spreads. The Company had gross unrealized losses on below investment grade AFS fixed maturity securities of $33 million and $12 million as of March 31, 2021 and December 31, 2020, respectively. The single largest unrealized loss on AFS fixed maturity securities was $12 million and $7 million as of March 31, 2021 and December 31, 2020, respectively. The Company had 4,499 and 1,026 securities in an unrealized loss position as of March 31, 2021 and December 31, 2020, respectively.

As of March 31, 2021 and December 31, 2020, AFS fixed maturity securities in an unrealized loss position for 12 months or more consisted of 0 and 338 debt securities, respectively. These debt securities primarily relate to CLO, corporate and RMBS fixed maturity securities, which have depressed values due primarily to an increase in interest rates since the purchase of these securities. Unrealized losses were not recognized in net income on these debt securities since the Company neither intends to sell the securities nor does it believe that it is more likely than not that it will be required to sell these securities before recovery of their cost or amortized cost basis. For securities with significant declines in value, individual security level analysis was performed utilizing underlying collateral default expectations, market data and industry analyst reports.

Allowance for credit losses on fixed maturity securities

The table below presents a roll-forward of the allowance for credit losses recognized for fixed maturity securities held by the Company:

	Two months ended March 31, 2021 (Successor)		
	Corporate	Structured	Total
($ in millions)			
Balance, as of beginning of period[(1)]	**$ —**	**$ (121)**	**$ (121)**
Initial impairments for credit losses recognized on securities not previously impaired	—	(27)	(27)
Reductions due to sales (or maturities, pay downs or prepayments) during the period of securities previously identified as credit impaired	—	2	2
Net additions / reductions for securities previously impaired	—	6	6
Balance, as of end of period	**$ —**	**$ (140)**	**$ (140)**

(1) Includes securities designed as purchased credit impaired as of the time of the KKR acquisition.

The table below presents a roll-forward of the cumulative credit loss component of OTTI losses recognized in net investment losses in the consolidated statements of (loss) income on AFS fixed maturity securities still held by the Company as of January 31, 2021 and March 31, 2020:

	One month ended January 31, 2021	Three months ended March 31, 2020
($ in millions)		
	Predecessor	*Predecessor*
Balance, as of beginning of period	**$ 30**	**$ 1**
Additions:		
Initial impairments - credit loss OTTI recognized on securities not previously impaired	1	17
Balance, as of end of period	**$ 31**	**$ 18**

Mortgage and other loan receivables

Mortgage and other loan receivables consist of the following:

($ in millions)	March 31, 2021 Successor	December 31, 2020 Predecessor
Commercial mortgage loans[1]	$ 7,825	$ 7,286
Residential mortgage loans[1]	4,839	4,626
Consumer loans	3,668	2,894
Other loan receivables[2][3]	780	808
Total mortgage and other loan receivables	**$ 17,112**	**$ 15,614**
Allowance for credit losses	(304)	(135)
Total mortgage and other loan receivables, net of allowance for loan losses	**$ 16,808**	**$ 15,479**

(1) Includes $608 million and $283 million of loans carried at fair value using the fair value option as of March 31, 2021 and December 31, 2020, respectively. The fair value option was elected for these loans for asset-liability matching purposes. These loans had unpaid principal balances of $599 million and $276 million as of March 31, 2021 and December 31, 2020, respectively.

(2) As of March 31, 2021 and December 31, 2020, respectively, other loan receivables consisted primarily of warehouse facilities backed by residential and commercial real estate of $0 million and $55 million and renewable energy development loans of $725 million and $693 million.

(3) Includes $582 million and $558 million of related party loans carried at fair value using the fair value option as of March 31, 2021 and December 31, 2020, respectively. These loans had unpaid principal balances of $576 million and $552 million as of March 31, 2021 and December 31, 2020, respectively.

The maturity distribution by contractual maturity for residential and commercial mortgage loans is as follows as of March 31, 2021 (Successor):

Years ($ in millions)	Residential	Commercial	Total mortgage loans
Remainder of 2021	$ 206	$ 680	$ 886
2022	306	871	1,177
2023	391	1,046	1,437
2024	257	1,090	1,347
2025	18	372	390
2026	357	941	1,298
2027 and thereafter	3,304	2,825	6,129
Total	**$ 4,839**	**$ 7,825**	**$ 12,664**

Actual maturities could differ from contractual maturities, because borrowers may have the right to prepay (with or without prepayment penalties) and loans may be refinanced.

The Company diversifies its mortgage loan portfolio by both geographic region and property type to reduce concentration risk. The following tables present the Company's mortgage loans by geographic region and property type:

Mortgage loans - carrying value by geographic region	March 31, 2021	December 31, 2020
($ in millions)	*Successor*	*Predecessor*
Pacific	$ 3,402	$ 3,413
West South Central	2,266	2,191
South Atlantic	1,919	1,733
Middle Atlantic	1,383	1,251
East North Central	394	616
Mountain	630	606
New England	620	407
East South Central	586	299
West North Central	216	207
Other regions	1,248	1,189
Total by geographic region	**$ 12,664**	**$ 11,912**

Mortgage loans - carrying value by property type	March 31, 2021	December 31, 2020
($ in millions)	*Successor*	*Predecessor*
Residential	$ 4,860	$ 4,700
Office building	2,742	2,669
Apartment	1,847	1,755
Industrial	1,584	1,523
Retail	794	781
Other property types	694	293
Warehouse	143	191
Total by property type	**$ 12,664**	**$ 11,912**

Allowance for credit losses

Changes in the allowance for credit losses are summarized below:

	Two months ended March 31, 2021			
Successor	Commercial mortgage loans	Residential mortgage loans	Consumer and other loan receivables	Total
($ in millions)				
Balance, at beginning of period	**$ 58**	**$ 62**	**$ —**	**$ 120**
Net provision (release)	22	17	145	184
Balance, as of end of period	**$ 80**	**$ 79**	**$ 145**	**$ 304**

Predecessor	One month ended January 31, 2021 (Predecessor)			
	Commercial mortgage loans	Residential mortgage loans	Consumer and other loan receivables	Total
($ in millions)				
Balance, at beginning of period	**$ 61**	**$ 31**	**$ 45**	**$ 137**
Net provision (release)	—	—	—	—
Balance, as of end of period	**$ 61**	**$ 31**	**$ 45**	**$ 137**

Predecessor	Three months ended March 31, 2020 (Predecessor)			
	Commercial mortgage loans	Residential mortgage loans	Consumer and other loan receivables	Total
($ in millions)				
Balance, at beginning of period	**$ 5**	**$ 7**	**$ 10**	**$ 22**
Net provision (release)	6	7	21	34
Charge-offs	—	(1)	(2)	(3)
Balance, as of end of period	**$ 11**	**$ 13**	**$ 29**	**$ 53**

As of March 31, 2021 and December 31, 2020, the Company had $241 million and $260 million, respectively, of mortgage loans that were 90 days or more past due or in the process of foreclosure. The Company ceases accrual of interest on loans that are more than 90 days past due and recognizes income as cash is received. As of March 31, 2021 and December 31, 2020, there were $178 million and $68 million, respectively, of mortgage loans that were non-income producing.

As of March 31, 2021, 5% of residential mortgage loans and less than 1% of consumer loans have been granted forbearance due to COVID-19. This forbearance, which generally involves a 3-month period in which payments are not required (though must subsequently be made up), is not considered to result in troubled debt restructurings for the two months ended March 31, 2021 and one month ended January 31, 2021. Interest continues to accrue on loans in temporary forbearance. Please refer to Note 2—"Significant accounting policies and practices" to our consolidated financial statements for additional information on regulations impacting the Company under the CARES Act.

As of March 31, 2021 and December 31, 2020, the Company had $7 million and $9 million, respectively, of consumer loans that were delinquent by more than 120 days or in default.

Purchased credit deteriorated loans

Certain residential mortgage loans purchased by the Company were assessed at acquisition as having experienced a more-than-insignificant deterioration in credit quality since their origination. These loans are identified as PCD, and a reconciliation of the difference between the purchase price and the par value of these PCD loans is below:

	March 31, 2021
($ in millions)	*Successor*
Purchase price of PCD loans acquired during the current period	$ 3,695
Allowance for credit losses at acquisition	120
Discount (premium) attributable to other factors	(147)
Par value	**$ 3,668**

Credit quality indicators

Mortgage and loan receivable performance status

The following table represents our portfolio of commercial and residential mortgage loan receivables by origination year and performance status:

	March 31, 2021 (Successor)						
Performance status	**2021**	**2020**	**2019**	**2018**	**2017**	**Prior**	**Total**
($ in millions)							
Commercial mortgage loans							
Current	$ 472	$ 1,157	$ 2,115	$ 1,475	$ 839	$ 1,767	$ 7,825
30 to 59 days past due	—	—	—	—	—	—	—
60 to 89 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—
Total commercial mortgage loans	$ 472	$ 1,157	$ 2,115	$ 1,475	$ 839	$ 1,767	$ 7,825
Residential mortgage loans							
Current	$ 31	$ 1,326	$ 742	$ 426	$ 46	$ 1,841	$ 4,412
30 to 59 days past due	—	9	11	1	—	117	138
60 to 89 days past due	—	2	4	1	—	41	48
Over 90 days past due	—	14	18	2	—	208	242
Total residential mortgage loans	$ 31	$ 1,351	$ 775	$ 430	$ 46	$ 2,207	$ 4,840

The following table represents our portfolio of consumer loan receivables by performance status:

	March 31, 2021
($ in millions)	*Successor*
Consumer loans	
Current	$ 3,633
30 to 59 days past due	18
60 to 89 days past due	10
Over 90 days past due	7
Total consumer loans	$ 3,668

Loan-to-value ratio on commercial mortgage loans

The loan-to-value ratio is expressed as a percentage of the current amount of the loan relative to the value of the underlying collateral. The following table summarizes the Company's loan-to-value ratios for its commercial mortgage loans as of March 31, 2021 (Successor) and December 31, 2020 (Predecessor):

Loan-to-value as of March 31, 2021, by year of origination	Carrying value loan-to-value 70% and less	Carrying value loan-to-value 71% - 90%	Carrying value loan-to-value over 90%	Total carrying value
($ in millions)				
2021	$ 472	$ —	$ —	$ 472
2020	874	246	37	1,157
2019	1,914	202	—	2,116
2018	1,178	297	—	1,475
2017	765	74	—	839
2016	381	12	—	393
Prior	1,373	—	—	1,373
Total commercial mortgage loans	**$ 6,957**	**$ 831**	**$ 37**	**$ 7,825**

Loan-to-value	December 31, 2020	
	Carrying value	Percentage of commercial mortgage loans
($ in millions, except percentages)		
70% and less	$ 6,810	93 %
71% - 90%	439	6 %
Over 90%	37	1 %
Total commercial mortgage loans	$ 7,286	100 %

Changing economic conditions affect the Company's valuation of commercial mortgage loans. Changing vacancies and rents are incorporated into the discounted cash flow analysis that the Company performs for monitored loans and may contribute to the establishment of (or increase or decrease in) a commercial mortgage loan valuation allowance for credit losses. In addition, the Company continuously monitors its commercial mortgage loan portfolio to identify risk. Areas of emphasis are properties that have exposure to specific geographic events, or have deteriorating credit.

The weighted average loan-to-value ratio for the Company's residential mortgage loans was 73% and 71% as of March 31, 2021 (Successor) and December 31, 2020 (Predecessor), respectively.

Other investments

Other investments consist of the following:

($ in millions)	March 31, 2021 Successor	December 31, 2020 Predecessor
Investments in renewable energy[(1)(2)(3)]	$ 3,419	$ 3,443
Investments in transportation and other leased assets[(4)]	2,184	1,978
Other investment partnerships	365	487
Investments in real estate	424	395
Federal Home Loan Bank, or "FHLB," common stock and other investments	138	175
Total other investments	**$ 6,530**	**$ 6,478**

(1) Net of accumulated depreciation attributed to consolidated renewable energy assets of $100 million and $83 million as of March 31, 2021 and December 31, 2020, respectively.

(2) Includes related party balance of $140 million as of December 31, 2020.

(3) Includes an equity investment in Origis USA, LLC of $48 million carried at fair value using the fair value option as of both March 31, 2021 and December 31, 2020.

(4) Net of accumulated depreciation of $17 million and $232 million as of March 31, 2021 and December 31, 2020, respectively.

The total amount of other investments accounted for using the equity method of accounting was $1.4 billion and $1.5 billion as of March 31, 2021 and December 31, 2020, respectively. The Company's maximum exposure to loss related to these equity method investments is limited to the carrying value of these investments plus unfunded commitments of $26 million and $38 million as of March 31, 2021 and December 31, 2020, respectively.

In addition, the Company has investments that would otherwise require the equity method of accounting for which the fair value option has been elected. The carrying amount of these investments was $165 million and $166 million as of March 31, 2021 and December 31, 2020, respectively.

Variable interest entities

The Company has created certain VIEs to hold investments, including railcar, aviation and other transportation equipment, renewable energy projects, life settlement contracts and single premium immediate annuities, fixed maturity securities, residential rental properties and student loans. These VIEs issue beneficial interests primarily to the Company's insurance entities and the Company maintains the power to direct the activities of the VIEs that most significantly impact their economic performance and bears the obligation to absorb losses or receive benefits from the VIEs that could potentially be significant. Accordingly, the Company is the primary beneficiary of these VIEs, which are consolidated. Where these VIEs or entities consolidated by these VIEs issue beneficial interests to third-parties, they are reported as non-controlling interests by the Company.

The following table illustrates the Company's consolidated VIE positions:

($ in millions)	March 31, 2021 Successor	December 31, 2020 Predecessor
Assets of consolidated variable interest entities:		
Investments:		
AFS fixed maturity securities, at fair value	$ 2,466	$ 2,316
Trading fixed maturity securities, at fair value	513	—
Mortgage and other loan receivables	3,527	2,894
Other investments:		
Investments in renewable energy	3,335	3,359
Investments in transportation and other leased assets	2,184	1,978
Investments in real estate	393	395
Total other investments	**5,912**	**5,732**
Total investments	**12,418**	**10,942**
Cash and cash equivalents	754	417
Accrued investment income	44	58
Other assets	802	201
Total assets of consolidated variable interest entities	**$ 14,018**	**$ 11,618**
Liabilities of consolidated variable interest entities:		
Accrued expenses and other liabilities	$ 1,082	$ 345
Total liabilities of consolidated variable interest entities	**1,082**	**345**
Redeemable non-controlling interests	92	91
Non-controlling interests of consolidated variable interest entities	131	133
Total liabilities, redeemable non-controlling interests and non-controlling interests of consolidated variable interest entities	**$ 1,305**	**$ 569**

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

	March 31, 2021 (Successor)		December 31, 2020 (Predecessor)	
($ in millions)	Carrying amount	Maximum exposure to loss(1)	Carrying amount	Maximum exposure to loss(1)
Other investment partnerships	$ 349	$ 349	$ 474	$ 512
Investments in renewable energy partnerships	84	84	84	84
Total	**$ 433**	**$ 433**	**$ 558**	**$ 596**

(1) The maximum exposure to loss relating to other limited and renewable energy partnership interests is equal to the carrying amounts. The Company also has unfunded commitments of $28 million.

Funding agreements

Certain of the Company's subsidiaries are members of regional banks in the FHLB system. These subsidiaries have also entered into funding agreements with their respective FHLB. The funding agreements are issued in exchange for cash. The funding agreements require that the Company pledge eligible assets, such as commercial mortgage loans, as collateral. With respect to certain classes of eligible assets, the FHLB holds the pledged eligible assets in custody at the respective FHLB. The liabilities for the funding agreements are included in contractholder deposit funds and other policy liabilities in the consolidated balance sheets. Information related to the FHLB investment and funding agreements as of March 31, 2021 (Successor) and December 31, 2020 (Predecessor) is as follows:

	Investment in common stock		Funding agreements issued to FHLB member banks		Collateral	
FHLB	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
($ in millions)						
Indianapolis	$ 75	$ 75	$ 1,593	$ 1,593	$ 2,600	$ 2,603
Des Moines	24	34	615	615	978	951
Boston	10	18	313	313	544	520
Total	**$ 109**	**$ 127**	**$ 2,521**	**$ 2,521**	**$ 4,122**	**$ 4,074**

In addition, in January 2021, the Company launched an inaugural funding-agreement backed note, or "FABN," program, through which GA Global Funding Trust, a special purpose, unaffiliated statutory trust, was established to offer its senior secured medium-term notes. Net proceeds from each sale of the aforementioned notes are used to purchase one or more funding agreements from Forethought Life Insurance Company, an indirect insurance subsidiary of the Company. As of March 31, 2021, the Company had $650 million of such funding agreements outstanding, with $9.4 billion of remaining capacity under that program.

Repurchase agreement transactions

As of both March 31, 2021 and December 31, 2020, the Company participated in third-party repurchase agreements with a notional value of $301 million. As collateral for these transactions, as of March 31, 2021 and December 31, 2020, the Company posted fixed maturity securities with a fair value and amortized cost of $317 million and $319 million, and $316 million and $289 million, respectively, which are included in fixed maturity securities available for sale in the consolidated balance sheets.

The gross obligation for repurchase agreements is reported in other liabilities in the consolidated balance sheets. The gross obligations by class of collateral pledged for repurchase agreements accounted for as secured borrowings as of March 31, 2021 is presented in the following table:

As of March 31, 2021 (Successor)	Overnight	<30 Days	30 - 90 Days	>90 Days	Total
($ in millions)					
Corporate Securities	$ —	$ —	$ 159	$ 158	$ 317
Total borrowing	$ —	$ —	$ 159	$ 158	$ 317

Other

As of March 31, 2021 and December 31, 2020, the Company had exposure to 4 and 1 issuers, respectively, that exceeded 10% of equity.

The carrying value of the Company's 33% interest in SP Solar Holdings I, LP, a holding company for 26 operating renewable energy plants, was $1.0 billion and $1.1 billion as of March 31, 2021 and December 31, 2020, respectively.

As of March 31, 2021 and December 31, 2020, the cost or amortized cost and fair value of the assets on deposit with various state and governmental authorities were $185 million and $175 million, and $149 million and $189 million, respectively.

Net investment income

Net investment income is comprised primarily of interest income, including amortization of premiums and accretion of discounts, based on yields that change due to expectations in projected cash flows, dividend income from common and preferred stock, earnings from investments accounted for under equity method accounting, and lease income on other investments.

The components of net investment income were as follows:

($ in millions)	Two months ended March 31, 2021	One month ended January 31, 2021	Three months ended March 31, 2020
	Successor	*Predecessor*	*Predecessor*
Gross investment income:			
Fixed maturity securities - interest and other income	$ 352	$ 224	$ 550
Mortgage and other loan receivables	122	74	186
Income from funds withheld at interest	(16)	(18)	1
Policy loans	2	1	10
Investments in transportation and other leased assets	37	18	52
Investments in renewable energy	1	10	13
Investments in real estate	1	2	4
Short-term and other investment income	5	4	9
Gross investment income[1]	**$ 504**	**$ 315**	**$ 825**
Less investment expenses:			
Investment management and administration[2][3]	57	28	42
Transportation and renewable energy asset depreciation and maintenance	24	21	34
Interest expense on derivative collateral and repurchase agreements	1	—	3
Net investment income	**$ 422**	**$ 266**	**$ 746**

(1) Includes income from related parties of $10 million, $5 million and $10 million for the two months ended March 31, 2021, one month ended January 31, 2021 and three months ended March 31, 2020, respectively.

(2) Includes expenses from Goldman Sachs Asset Management LP, or "GSAM," an affiliate of Goldman Sachs, a related party, and Centaurus Renewable Energy, a related party, of $2 million for both the one month ended January 31, 2021 and three months ended March 31, 2020.

(3) Includes investment management fees paid to KKR, a related party, of $23 million for the two months ended March 31, 2021.

Net investment losses

Net investment losses were as follows:

($ in millions)	Two months ended March 31, 2021	One month ended January 31, 2021	Three months ended March 31, 2020
	Successor	*Predecessor*	*Predecessor*
AFS fixed maturity securities	$ (46)	$ 1	$ 31
Allowance losses for AFS fixed maturity securities	(21)	—	—
Trading fixed maturity securities	(355)	(77)	(106)
Derivatives	149	3	53
Funds withheld receivable at interest	31	(6)	(11)
Mortgage and other loans receivables	4	(3)	—
Other investments[(1)]	(19)	27	8
Impairments of life settlement contracts	—	—	(2)
Allowance for loan losses provision	(184)	—	(34)
Allowance for loan commitment losses provision	(15)	—	—
OTTI on AFS fixed maturity securities	—	(1)	(17)
Other investment impairments	—	—	(23)
Net investment loss	**$ (456)**	**$ (56)**	**$ (101)**

(1) Includes gains (losses) from related parties of $0 million, $(2) million and $0 million for the two months ended March 31, 2021, one month ended January 31, 2021 and three months ended March 31, 2020, respectively.

Proceeds and gross gains and losses from voluntary sales

The proceeds from voluntary sales and the gross gains and losses on those sales of AFS fixed maturity securities were as follows:

($ in millions)	Two months ended March 31, 2021	One month ended January 31, 2021	Three months ended March 31, 2020
	Successor	*Predecessor*	*Predecessor*
AFS fixed maturity securities:			
Proceeds from voluntary sales	$ 1,903	$ 375	$ 4,187
Gross gains	5	3	75
Gross losses	(51)	(1)	(47)

4. Derivative instruments

The Company holds derivative instruments that are primarily used in its hedge program. The Company has established a hedge program that seeks to mitigate economic impacts primarily from interest rate and equity price movements, while taking into consideration accounting and capital impacts.

For exchange traded derivatives, the Company offsets asset and liability positions in similar instruments executed with the same clearing member and the same clearing house where there is legal right of setoff. In addition, these exchange traded derivatives have daily settlement of margin.

The restricted cash which was held in connection with open derivative transactions with exchange brokers was $250 million and $147 million as of March 31, 2021 and December 31, 2020, respectively.

Derivatives designated as accounting hedges

Where the Company has derivative instruments that are designated and qualify as accounting hedges, these derivative instruments receive hedge accounting. Following the KKR acquisition of the Company, new derivative instruments were transacted and designated in the accounting hedges as described below.

The Company has designated an interest rate swap to hedge the interest rate risk associated with the 2029 Senior Notes in a fair value hedge. The 2029 Senior Notes are reported in debt in the consolidated balance sheets and are hedged through their maturity in October 2029. This hedge qualifies for the shortcut method of assessing hedge effectiveness. As of March 31, 2021 and December 31, 2020, the carrying amount of the hedged 2029 Senior Notes was $474 million and $527 million, respectively, which reflects a fair value hedge adjustment of $(26) million and $32 million, respectively. A loss of $26 million and $10 million, respectively, was recognized in interest expense in the consolidated statements of income due to changes in the fair value of the swap for the two months ended March 31, 2021 and one month ended January 31, 2021, fully offsetting the fair value change in the hedged 2029 Senior Notes for the respective time periods.

The Company has designated interest rate swaps to hedge the interest rate risk associated with its FHLB funding agreement liabilities in a fair value hedge. The FHLB funding agreement liabilities are reported in policy liabilities in the consolidated balance sheets and are hedged through their maturities that range from 2023 to 2025. This hedge qualifies for the shortcut method of assessing hedge effectiveness. As of March 31, 2021, the carrying amount of the hedged FHLB loan liabilities was $1,081 million, which reflects a fair value hedge adjustment of $(5) million. A gain due to changes in the fair value of the swaps of $5 million and $2 million was recognized in policy benefits and claims in the consolidated statements of (loss) income for the two months ended March 31, 2021 and one month ended January 31, 2021, respectively, fully offsetting the fair value change in the hedged FHLB funding agreement liabilities for the respective time periods.

In February and March 2021, the Company designated bond forwards to hedge the interest rate risk associated with the planned purchase of AFS debt securities in a cash flow hedge. Regression analysis is used to assess the effectiveness of this hedge. As of March 31, 2021, there was a cumulative loss of $17 million on the bond forwards recorded in accumulated other comprehensive (loss) income. Amounts deferred in accumulated other comprehensive (loss) income are reclassified to net investment income following the qualifying purchases of AFS securities, as an adjustment to the yield earned over the life of the purchased securities, using the effective interest method. These arrangements are hedging purchases from January 2022 through January 2027 and are expected to affect earnings until 2051. There were no securities purchased for the two months ended March 31, 2021. The Company estimates that the amount of gains/losses in accumulated other comprehensive (loss) income to be reclassified into net income in the next 12 months will not be material.

In December 2019 and August 2020, the Company designated an interest rate swap and a Treasury bond forward to hedge the interest rate risk associated with the planned purchase of AFS debt securities in a cash flow hedge. Regression analysis was used to assess the effectiveness of this hedge. As of December 31, 2020, there was a cumulative gain of $2 million on the interest rate swap recorded in accumulated other comprehensive (loss) income. There were no securities purchased for the one month ended January 31, 2021. There were $150 million securities purchased and $2 million reclassified to income for the three months ended March 31, 2020. These 2019 and 2020 hedges were discontinued and any associated amounts in accumulated other comprehensive (loss) income were eliminated concurrent with the KKR acquisition of the Company.

The Company has designated foreign exchange forward purchase contracts, or “FX forwards,” on a rolling basis to hedge the foreign currency risk associated with foreign currency-denominated bonds in fair value hedges. These foreign currency-denominated bonds are accounted for as available-for-sale fixed-maturity securities. The changes in the fair value of the available-for-sale foreign currency-denominated bonds due to changes in the spot exchange rate on their book values are recorded in net income, along with the entire change in the fair value of the FX forwards. These hedges qualify for the critical terms match method of assessing hedge effectiveness. The changes in the fair value of the FX forwards was $3 million, less than $1 million and $0 million which was recognized in net investment losses for the two months ended March 31, 2021, one month ended January 31, 2021 and three months ended March 31, 2020, respectively, fully offsetting the fair value changes in the hedged available-for-sale bonds.

The fair value and notional value of the derivative assets and liabilities were as follows:

As of March 31, 2021 (Successor)	Notional value	Derivative assets	Derivative liabilities
($ in millions)			
Equity market contracts	$ 25,650	$ 1,018	$ 151
Interest rate contracts	8,336	88	216
Foreign currency contracts	402	7	3
Credit risk contracts	60	—	2
Impact of netting[1]		(170)	(169)
Fair value included within other assets and accrued expense and other liabilities		**943**	**203**
Embedded derivative – indexed universal life products		—	434
Embedded derivative – annuity products		—	985
Fair value included within policy liabilities		**—**	**1,419**
Embedded derivative – funds withheld at interest		56	(313)
Fair value included within total assets and liabilities		**$ 999**	**$ 1,309**

(1) Represents netting of derivative exposures covered by qualifying master netting agreements.

As of December 31, 2020 (Predecessor)	Notional value	Derivative assets	Derivative liabilities
($ in millions)			
Equity market contracts	$ 19,602	$ 933	$ 172
Interest rate contracts	8,156	161	38
Foreign currency contracts	102	3	2
Credit contracts	60	—	2
Impact of netting[(1)]		(129)	(129)
Fair value included within other assets and accrued expense and other liabilities		**968**	**85**
Embedded derivative – indexed universal life products		—	832
Embedded derivative – annuity products		—	1,813
Fair value included within policy liabilities		**—**	**2,645**
Embedded derivative – funds withheld at interest		48	132
Fair value included within total assets and liabilities		**$ 1,016**	**$ 2,862**

(1) Represents netting of derivative exposures covered by qualifying master netting agreements.

The amounts of derivative gains and losses recognized for the two months ended March 31, 2021, one month ended January 31, 2021 and three months ended March 31, 2020, respectively, are reported in the consolidated statements of (loss) income as follows:

Derivative contracts not designated as hedges	Two months ended March 31, 2021	One month ended January 31, 2021	Three months ended March 31, 2020
($ in millions)			
	Successor	*Predecessor*	*Predecessor*
Net investment losses:			
Embedded derivatives	$ 369	$ 77	$ (30)
Equity index options	104	(32)	(458)
Equity future contracts	(69)	5	294
Interest rate contracts	(267)	(50)	248
Credit risk contracts	—	—	(1)
Other	10	2	—
Total included in net investment losses	**$ 147**	**$ 2**	**$ 53**

Derivative contracts designated as hedges	Two months ended March 31, 2021	One month ended January 31, 2021	Three months ended March 31, 2020
($ in millions)			
	Successor	*Predecessor*	*Predecessor*
Revenues:			
Foreign currency forwards	$ 2	$ 1	$ —
Total included in net investment gains	**$ 2**	**$ 1**	**$ —**
Policy benefits and claims:			
Interest rate swap	$ (8)	$ (1)	$ —
Total included in policy benefits and claims	**$ (8)**	**$ (1)**	**$ —**
Interest expense:			
Interest rate swap	$ (25)	$ (8)	$ 57
Total included in interest expense	**$ (25)**	**$ (8)**	**$ 57**

5. Fair value disclosure of financial instruments

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

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

Basis of fair value measurement

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

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

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

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

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

As of March 31, 2021 (Successor)	Level 1	Level 2	Level 3	Total
($ in millions)				
Assets:				
AFS fixed maturity securities:				
U.S. government and agencies	$ 1,252	$ 76	$ —	$ 1,328
U.S. state, municipal and political subdivisions	—	4,588	—	4,588
Corporate	—	30,235	3,739	33,974
Structured securities	—	20,227	193	20,420
Total AFS fixed maturity securities	1,252	55,126	3,932	60,310
Trading fixed maturity securities:				
U.S. government and agencies	160	78	—	238
U.S. state, municipal and political subdivisions	—	695	—	695
Corporate	—	7,489	725	8,214
Structured securities	—	1,471	23	1,494
Total trading fixed maturity securities	**160**	**9,733**	**748**	**10,641**
Equity securities	46	—	70	116
Mortgage and other loan receivables[(1)]	—	—	1,183	1,183
Other investments[(2)]	—	—	445	445
Funds withheld receivable at interest	—	—	56	56
Reinsurance recoverable	—	—	1,318	1,318
Derivative assets:				
Equity market contracts	66	952	—	1,018
Interest rate contracts	15	73	—	88
Foreign currency contracts	—	7	—	7
Impact of netting[(3)]	(32)	(138)	—	(170)
Total derivative assets	**49**	**894**	**—**	**943**
Separate account assets	5,470	—	—	5,470
Total assets at fair value	**$ 6,977**	**$ 65,753**	**$ 7,752**	**$ 80,482**
Liabilities:				
Policy liabilities	$ —	$ —	$ 566	$ 566
Closed block policy liabilities	—	—	1,367	1,367
Funds withheld payable at interest	—	—	(313)	(313)
Derivative instruments payable:				
Equity market contracts	17	134	—	151
Interest rate contracts	51	165	—	216
Credit contracts	—	2	—	2
Foreign currency contracts	—	3	—	3
Impact of netting[(3)]	(31)	(138)	—	(169)
Total derivative instruments payable	**37**	**166**	**—**	**203**
Embedded derivative – indexed universal life products	—	—	434	434
Embedded derivative – annuity products	—	—	985	985
Total liabilities at fair value	**$ 37**	**$ 166**	**$ 3,039**	**$ 3,242**

(1) Includes related party balance of $576 million in Level 3 for mortgage and other loan receivables.

(2) Other investments excluded from the fair value hierarchy include certain real estate and private equity funds for which fair value is measured at net asset value per share as a practical expedient. As of March 31, 2021, the fair value of these investments was $113 million.

(3) Represents netting of derivative exposures covered by qualifying master netting agreements.

As of December 31, 2020 (Predecessor)	Level 1	Level 2	Level 3	Total
($ in millions)				
Assets:				
AFS fixed maturity securities:				
U.S. government and agencies	$ 468	$ 211	$ —	$ 679
U.S. state, municipal and political subdivisions	—	5,001	—	5,001
Corporate[1]	—	29,946	2,659	32,605
Structured securities	—	21,389	1,480	22,869
Total AFS fixed maturity securities	**468**	**56,547**	**4,139**	**61,154**
Trading fixed maturity securities:				
U.S. government and agencies	416	338	—	754
U.S. state, municipal and political subdivisions	—	735	3	738
Corporate	—	8,346	127	8,473
Structured securities	—	1,188	40	1,228
Total trading fixed maturity securities	**416**	**10,607**	**170**	**11,193**
Equity securities	46	—	49	95
Mortgage and other loan receivables[2]	—	284	558	842
Other investments[3]	—	—	444	444
Funds withheld receivable at interest	—	359	48	407
Reinsurance recoverable	—	—	1,355	1,355
Derivative assets:				
Equity market contracts	31	902	—	933
Interest rate contracts	1	160	—	161
Foreign currency contracts	—	3	—	3
Impact of netting[4]	(14)	(115)	—	(129)
Total derivative assets	**18**	**950**	**—**	**968**
Separate account assets	5,459	—	—	5,459
Total assets at fair value	**$ 6,407**	**$ 68,747**	**$ 6,763**	**$ 81,917**
Liabilities:				
Policy liabilities	$ —	$ —	$ 541	$ 541
Closed block policy liabilities	—	—	1,409	1,409
Funds withheld payable at interest	—	—	132	132
Derivative instruments payable:				
Equity market contracts	47	125	—	172
Interest rate contracts	6	32	—	38
Foreign currency contracts	—	2	—	2
Credit contracts	—	2	—	2
Impact of netting[4]	(14)	(115)	—	(129)
Total derivative instruments payable	**39**	**46**	**—**	**85**
Embedded derivative – indexed universal life products	—	—	832	832
Embedded derivative – annuity products	—	—	1,813	1,813
Total liabilities at fair value	**$ 39**	**$ 46**	**$ 4,727**	**$ 4,812**

(1) Includes related party balance of $368 million in Level 2 for corporate AFS fixed maturity securities.

(2) Includes related party balance of $558 million in Level 3 for mortgage and other loan receivables.

(3) Other investments excluded from the fair value hierarchy include certain real estate and private equity funds for which fair value is measured at net asset value per share as a practical expedient. As of December 31, 2020, the fair value of these investments was $114 million.

(4) Represents netting of derivative exposures covered by qualifying master netting agreements.

Fair value techniques and inputs

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

Investments

Investments in U.S. Treasury, government and agency securities, foreign government securities, short-term money market securities and mutual funds held in separate accounts are valued using quoted market prices for identical unrestricted instruments in active markets. Investments such as fixed maturity securities for which quoted market prices from active markets are not available are priced using observable inputs, which can be verified to quoted prices, recent trading activity for identical or similar instruments, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. Consideration is given to the nature of the quotations and the relationship of recent market activity to the prices provided from alternative pricing sources. Other investments having one or more significant valuation inputs that are not observable are initially valued at transaction price, which is considered to be the best initial estimate of fair value. Subsequently, the Company uses other methodologies to determine fair value, which vary based on the type of investment.

Valuation inputs and assumptions are changed when corroborated by substantive observable evidence, including values realized on sales.

Derivative instruments

Derivative instruments such as exchange-traded futures and options are valued at their quoted market price. Most of the over the counter derivative instruments used by the Company are those for which all significant valuation inputs are corroborated by market evidence. These derivative instruments are principally valued using an income approach. The Company calculates the fair value of derivative assets by discounting future cash flows at a rate that incorporates counterparty credit spreads and the fair value of derivative liabilities by discounting future cash flows at a rate that incorporates the Company's own credit spreads. When appropriate, valuations are adjusted for various factors such as liquidity, bid/ offer spreads and credit considerations. Such adjustments are generally based on available market evidence.

Valuations for non-option based interest rate derivatives are based on present value techniques, which utilize significant inputs that may include the swap yield curve, LIBOR basis curves and repurchase rates. Valuations for option based interest rate derivatives are based on option pricing models, which utilize significant inputs that may include the swap yield curve, LIBOR basis curves and interest rate volatility.

Prices for foreign currency derivatives based on the exchange rates of leading industrialized nations, including those with longer tenors, are generally observable. The valuation of other derivative instruments including credit derivatives and equity market derivatives have significant unobservable inputs, such as equity volatility inputs for options that are very long dated, and are principally valued using an income approach.

Funds withheld at interest, reinsurance assets and insurance liabilities

The funds withheld receivable at interest carried at fair value is primarily valued based on the fair value of the underlying investments, which have quoted prices or other observable inputs to pricing. A portion of the funds withheld receivable at interest carried at fair value represents embedded derivatives

and is valued using present value techniques that consider inputs including contractholder persistency and contract duration. Reinsurance recoverables carried at fair value are valued using present value techniques that consider inputs including mortality and surrender rates for the associated policies, as well as estimates of policy expenses and the cost of capital held in support of the related closed block policy liabilities.

Policy liabilities carried at fair value are valued using present value techniques that discount estimated liability cash flows at a rate that reflects the riskiness of those cash flows and also consider policyholder behavior (lapse rates, surrender rates and mortality). Closed block policy liabilities carried at fair value are valued using present value techniques that consider inputs including mortality and surrender rates for the respective policies, as well as estimates of policy expenses and the cost of capital held in support of the liabilities. The funds withheld payable at interest carried at fair value represents embedded derivatives and is valued based on the change in the fair value of the assets supporting the payable. Other embedded derivative liabilities are related to our fixed-indexed annuity, variable annuity and indexed universal life products, which contain equity-indexed features. We calculate the embedded derivative liabilities as the present value of future projected benefits in excess of the projected guaranteed benefits, using an option budget as the indexed account value growth rate and considering an adjustment to reflect the risk of nonperformance on our obligation and inputs such as projected withdrawal and surrender activity, and mortality. We calculate nonperformance risk using a blend of observable peer holding company credit spreads, adjusted to reflect the claims paying ability of our insurance entities, as well as an adjustment to reflect the priority of policy claims. See details in the table below.

Fair value of assets and liabilities

Significant unobservable inputs

The tables below present the ranges of significant unobservable inputs used to value the Company's Level 3 financial assets and liabilities, and includes only those items for which information is reasonably available, such as data from internal determinations of fair value. These ranges represent the significant unobservable inputs that were used in the valuation of each type of financial asset and liability. Weighted averages in the tables below are calculated by weighting each input by the relative fair value of the respective financial instruments. The ranges and weighted averages of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one financial asset or liability. Accordingly, the ranges of inputs presented below do not represent uncertainty in, or possible ranges of, fair value measurements of the Company's Level 3 financial assets and liabilities as of March 31, 2021 and December 31, 2020:

As of March 31, 2021 (Successor)					
Level 3 assets	Level 3 assets ($ in millions)		Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (weighted average, or "WA")	Impact of an increase in the input on fair value
Corporate fixed maturity securities	$	1,824	Discounted cash flows - discount spread	0.04% to 4.97% (WA 2.16%)	Decrease
Structured securities		176	Discounted cash flows - discount spread	2.20% to 5.90% (WA 2.63%)	Decrease
			Discounted cash flows - constant prepayment rate	5.00% to 15.00% (WA 7.43%)	Increase/ Decrease
			Discounted cash flows - constant default rate	1.00% to 2.50% (WA 1.15%)	Decrease
			Discounted cash flows - loss severity	100%	Decrease
Equity securities		48	Discounted cash flows - discount yield	17.50%	Decrease

As of March 31, 2021 (Successor)				
Level 3 assets	Level 3 assets *($ in millions)*	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (weighted average, or "WA")	Impact of an increase in the input on fair value
Other investments	423	Direct capitalization - capitalization rate	5.27% to 5.77% (WA 5.52%)	Increase
		Direct capitalization - vacancy rate	5.00%	Decrease
Funds withheld receivable at interest	56	Discounted cash flow - duration/ weighted average life	0 to 22.3 years (WA 10.14 years)	Increase
		Discounted cash flow - contractholder persistency	3.7% to 16.5% (WA 6.38%)	Increase
		Nonperformance risk	0.40% to 1.14%	Decrease
Reinsurance recoverable	1,318	Present value of expenses paid from the open block plus the cost of capital held in support of the liabilities.	The average expense assumption is between $10.40 and $78 per policy, increased by inflation.	Increase
		Unobservable inputs are a market participant's view of the expenses, a risk margin on the uncertainty of the level of expenses and a cost of capital on the capital held in support of the liabilities.	Expense risk margin: 9.42%	Decrease
			Cost of capital: 3.69% to 9.88%	Increase
		Discounted cash flow - mortality rate	2.55%	Increase
		Discounted cash flow - surrender rate	5.33%	Increase

As of December 31, 2020 (Predecessor)				
Level 3 assets	Level 3 assets *($ in millions)*	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (WA)	Impact of an increase in the input on fair value
Corporate fixed maturity securities	$ 734	Discounted cash flows - discount spread	1.70% to 4.31% (WA 2.52%)	Decrease
Structured securities	1,442	Discounted cash flows - discount spread	1.58% to 5.53% (WA 2.77%)	Decrease
		Discounted cash flows - constant prepayment rate	5.00% to 15.00% (WA 5.06%)	Increase/ Decrease
		Discounted cash flows - constant default rate	0.75% to 15.00% (WA 1.98%)	Decrease
		Discounted cash flows - loss severity	90.00% to 100.00% (WA 98.47%)	Decrease
		Discounted cash flows - principal prepayment rate	7.00%	Increase/ Decrease
Equity securities	48	Discounted cash flows — discount rate	17.50%	Decrease
Other investments	395	Discounted cash flows- capitalization rate	5.08% to 6.10% (WA 5.57%)	Increase
		Discounted cash flows- vacancy rate	5.00%	Decrease
Funds withheld receivable at interest	48	Discounted cash flow - duration/ weighted average life	0 to 23.7 years (WA 10.81 years)	Increase
		Discounted cash flow - contractholder persistency	3.5% to 16% (WA 6%)	Increase

As of December 31, 2020 (Predecessor)				
Level 3 assets	Level 3 assets ($ in millions)	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (WA)	Impact of an increase in the input on fair value
		Nonperformance risk	0.37% to 1.12%	Decrease
Reinsurance recoverable	1,355	Present value of expenses paid from the open block plus the cost of capital held in support of the liabilities.	The average expense assumption is between $10.20 and $78 per policy, increased by inflation.	Increase
		Unobservable inputs are a market participant's view of the expenses, a risk margin on the uncertainty of the level of expenses and a cost of capital on the capital held in support of the liabilities.	Expense risk margin: 9.42%	Decrease
			Cost of capital: 3.69% to 9.86%	Increase
		Discounted cash flow - mortality rate	2.57%	Increase
		Discounted cash flow - surrender rate	5.25%	Increase

As of March 31, 2021 (Successor)				
Level 3 liabilities	Level 3 liabilities ($ in millions)	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (WA)	Impact of an increase in the input on fair value
Policy liabilities	$ 566	Present value of best estimate liability cash flows. Unobservable inputs include a market participant view of the risk margin included in the discount rate which reflects the riskiness of the cash flows.	Risk margin rate: 0.40% to 1.34%	Decrease
		Policyholder behavior is also a significant unobservable input, including surrender and mortality.	Surrender rate: 2.75% to 12.62%	Increase
			Mortality rate: 4.97% to 8.01%	Increase
Closed block policy liabilities	1,367	Present value of expenses paid from the open block plus the cost of capital held in support of the liabilities.	The average expense assumption is between $10.40 and $78 per policy, increased by inflation.	Increase
		Nonperformance risk	0.40% to 1.14%	Decrease
		Unobservable inputs are a market participant's view of the expenses, a risk margin on the uncertainty of the level of expenses and a cost of capital on the capital held in support of the liabilities.	Expense risk margin: 9.42%	Decrease
			Cost of capital: 3.69% to 9.88%	Increase
		Discounted cash flow - mortality rate	2.55%	Increase
		Discounted cash flow - surrender rate	5.33%	Increase
Funds withheld payable at interest	(313)	Discounted cash flow - duration/ weighted average life	0 to 19.4 years (WA 10.31 years)	Decrease

As of March 31, 2021 (Successor)					
Level 3 liabilities	Level 3 liabilities *($ in millions)*		Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (WA)	Impact of an increase in the input on fair value
			Discounted cash flow - contractholder persistency	3.7% to 16.5% (WA 6.38%)	Decrease
			Nonperformance risk	0.40% to 1.14%	Decrease
Embedded derivative – indexed universal life products		434	Policy persistency is a significant unobservable input.	Lapse rate: 3.57%	Decrease
				Mortality rate: 0.68%	Decrease
			Future costs for options used to hedge the contract obligations	Option budget assumption: 3.55%	Increase
			Nonperformance risk	0.40% to 1.14%	Decrease
Embedded derivative – annuity products		985	Policyholder behavior is a significant unobservable input, including utilization and lapse.	Utilization: Fixed-indexed annuity WA 3.92%; Variable annuity: 2.19% to 31.35% (WA 4.05%)	Decrease
				Surrender rate: Fixed-indexed annuity WA 10.21%; Variable annuity: 4.12% to 39.66%	Decrease
				Mortality rate: Fixed-indexed annuity WA 1.82%; Variable annuity: 1.27% to 7.51%	Decrease
			Future costs for options used to hedge the contract obligations	Option budget assumption: Fixed-indexed annuity WA 1.74%; Variable annuity: n/a	Increase
			Nonperformance risk	0.40% to 1.14%	Decrease

As of December 31, 2020 (Predecessor)					
Level 3 liabilities	Level 3 liabilities *($ in millions)*		Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (WA)	Impact of an increase in the input on fair value
Policy liabilities	$	541	Present value of best estimate liability cash flows. Unobservable inputs include a market participant view of the risk margin included in the discount rate which reflects the riskiness of the cash flows.	Risk margin rate: 0.09%	Decrease
			Policyholder behavior is also a significant unobservable input, including lapse, surrender and mortality.	Lapse rate: 0.7% to 1.4%	Decrease
				Surrender rate: 0.7% to 2.1%	Increase
				Mortality rate: 0.3% to 21.1%	Increase
Closed block policy liabilities		1,409	Present value of expenses paid from the open block plus the cost of capital held in support of the liabilities.	The average expense assumption is between $10.20 and $78 per policy, increased by inflation.	Increase
			Nonperformance risk	0.37% to 1.12%	Decrease

As of December 31, 2020 (Predecessor)				
Level 3 liabilities	Level 3 liabilities *($ in millions)*	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (WA)	Impact of an increase in the input on fair value
		Unobservable inputs are a market participant's view of the expenses, a risk margin on the uncertainty of the level of expenses and a cost of capital on the capital held in support of the liabilities.	Expense risk margin: 9.42%	Decrease
			Cost of capital: 3.69% to 9.86%	Increase
		Discounted cash flow - mortality rate	2.57%	Increase
		Discounted cash flow - surrender rate	5.25%	Increase
Funds withheld payable at interest	132	Discounted cash flow - duration/ weighted average life	0 to 20.3 years (WA 10.95 years)	Decrease
		Discounted cash flow - contractholder persistency	3.5% to 16% (WA 6%)	Decrease
		Nonperformance risk	0.37% to 1.12%	Decrease
Embedded derivative – indexed universal life products	832	Policy persistency is a significant unobservable input.	Lapse rate: 5.01%	Decrease
			Mortality rate: 0.13%	Decrease
		Future costs for options used to hedge the contract obligations	Option budget assumption: 3.66%	Increase
		Nonperformance risk	0.37% to 1.12%	Decrease
Embedded derivative – annuity products	1,813	Policyholder behavior is a significant unobservable input, including utilization and lapse.	Utilization: Fixed-indexed annuity WA 3.90%; Variable annuity: 2.12% to 32.42% (WA 4%)	Decrease
			Surrender rate: Fixed-indexed annuity WA 9.92%; Variable annuity: 3.40% to 28.33%	Decrease
			Mortality rate: Fixed-indexed annuity WA 1.80%; Variable annuity: 1.24% to 8.97%	Decrease
		Future costs for options used to hedge the contract obligations	Option budget assumption: Fixed-indexed annuity WA 1.74%; Variable annuity: n/a	Increase
		Nonperformance risk	0.37% to 1.12%	Decrease

Transfers between levels

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

The tables below set forth a summary of changes in the fair value of the Company's Level 3 assets and liabilities for the two months ended March 31, 2021, one month ended January 31, 2021 and three months ended March 31, 2020, respectively. The tables reflect gains and losses for all assets and

liabilities categorized as Level 3 for the two months ended March 31, 2021, one month ended January 31, 2021 and three months ended March 31, 2020:

Two months ended March 31, 2021 (Successor)								
		Net realized and unrealized gains / losses included in					Total unrealized gains / losses included in	
($ in millions)	Beginning balance	Income	OCI	Net settlements / purchases	Transfers into / (out) of Level 3	Ending balance	Income[(1)]	OCI[(1)]
Assets:								
AFS fixed maturity securities:								
Corporate fixed maturity securities	$ 3,519	$ —	$ (25)	$ 245	$ —	$ 3,739	$ —	$ (22)
Structured securities	198	—	(3)	(2)	—	193	—	—
Total AFS fixed maturity securities	**3,717**	**—**	**(28)**	**243**	**—**	**3,932**	**—**	**(22)**
Trading fixed maturity securities:								
Corporate fixed maturity securities	674	(4)	—	55	—	725	(4)	—
Structured securities	15	—	—	8	—	23	—	—
Total trading fixed maturity securities	**689**	**(4)**	**—**	**63**	**—**	**748**	**(4)**	**—**
Equity securities	67	3	—	—	—	70	3	—
Mortgage and other loan receivables	930	5	—	248	—	1,183	6	—
Other investments	444	1	—	—	—	445	6	—
Funds withheld receivable at interest	—	55	—	1	—	56	—	—
Reinsurance recoverable	—	1,318	—	—	—	1,318	—	—
Total assets	**$ 5,847**	**$ 1,378**	**$ (28)**	**$ 555**	**$ —**	**$ 7,752**	**$ 11**	**$ (22)**
Liabilities:								
Policy liabilities	$ 638	$ (72)	$ —	$ —	$ —	$ 566	$ —	$ —
Closed block policy liabilities	1,396	(26)	(3)	—	—	1,367	—	—
Funds withheld payable at interest	59	(372)	—	—	—	(313)	—	—
Embedded derivative – indexed universal life products	387	48	—	(1)	—	434	—	—
Embedded derivative – annuity products	1,025	(85)	—	45	—	985	—	—
Total liabilities	**$ 3,505**	**$ (507)**	**$ (3)**	**$ 44**	**$ —**	**$ 3,039**	**$ —**	**$ —**

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

One month ended January 31, 2021 (Predecessor)								
		Net realized and unrealized gains / losses included in					Total unrealized gains losses included in	
($ in millions)	Beginning balance	Income	OCI	Net settlements / purchases	Transfers into / (out) of Level 3	Ending balance	Income[1]	OCI[1]
Assets:								
AFS fixed maturity securities:								
Corporate fixed maturity securities	$ 2,659	$ —	$ (42)	$ 110	$ —	$ 2,727	$ —	$ 49
Structured securities	1,480	—	6	(13)	—	1,473	—	84
Total AFS fixed maturity securities	**4,139**	**—**	**(36)**	**97**	**—**	**4,200**	**—**	**133**
Trading fixed maturity securities:								
U.S. state, municipal and political subdivisions	3	—	—	—	—	3	—	—
Corporate fixed maturity securities	127	—	—	1	—	128	5	—
Structured securities	40	—	—	(1)	—	39	(2)	—
Total trading fixed maturity securities	**170**	**—**	**—**	**—**	**—**	**170**	**3**	**—**
Equity securities	49	7	—	—	—	56	18	—
Mortgage and other loan receivables	558	—	—	11	—	569	5	—
Other investments	444	—	—	—	—	444	7	—
Funds withheld receivable at interest	48	4	—	—	—	52	—	—
Reinsurance recoverable	1,355	(16)	—	—	—	1,339	—	—
Total assets	**$ 6,763**	**$ (5)**	**$ (36)**	**$ 108**	**$ —**	**$ 6,830**	**$ 33**	**$ 133**
Liabilities:								
Policy liabilities	$ 541	$ (25)	$ —	$ (1)	$ —	$ 515	$ —	$ —
Closed block policy liabilities	1,409	(11)	(2)	—	—	1,396	—	—
Funds withheld payable at interest	132	(73)	—	—	—	59	—	—
Embedded derivative – indexed universal life products	832	(9)	—	(2)	—	821	—	—
Embedded derivative – annuity products	1,813	(57)	—	16	—	1,772	—	—
Total liabilities	**$ 4,727**	**$ (175)**	**$ (2)**	**$ 13**	**$ —**	**$ 4,563**	**$ —**	**$ —**

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

	Three months ended March 31, 2020 (Predecessor)							
		Net realized and unrealized gains / losses included in					Total unrealized gains losses included in	
($ in millions)	Beginning balance	Income	OCI	Net settlements / purchases	Transfers into/out of Level 3	Ending balance	Income[(1)]	OCI[(1)]
Assets:								
AFS fixed maturity securities:								
U.S. government and agencies	$ 12	$ —	$ (12)	$ —	$ —	$ —	$ —	$ —
Corporate fixed maturity securities	2,256	—	(401)	84	—	1,939	—	—
Structured securities	1,852	—	(158)	153	(408)	1,439	—	—
Total AFS fixed maturity securities	**4,120**	**—**	**(571)**	**237**	**(408)**	**3,378**	**—**	**—**
Trading fixed maturity securities:								
U.S. government and agencies	3	(3)	—	—	—	—	—	—
Corporate fixed maturity securities	37	2	—	(1)	7	45	—	—
Structured securities	2	—	—	—	(2)	—	—	—
Total trading fixed maturity securities	**42**	**(1)**	**—**	**(1)**	**5**	**45**	**—**	**—**
Equity securities	58	—	2	—	—	60	—	—
Mortgage and other loan receivables	253	—	—	44	—	297	—	—
Other investments	424	—	—	(5)	—	419	—	—
Funds withheld receivable at interest	79	(357)	—	—	—	(278)	—	—
Reinsurance recoverable	1,316	43	—	—	—	1,359	—	—
Total assets	**$ 6,292**	**$ (315)**	**$ (569)**	**$ 275**	**$ (403)**	**$ 5,280**	**$ —**	**$ —**
Liabilities:								
Policy liabilities	$ 429	$ 116	$ —	$ (1)	$ —	$ 544	$ —	$ —
Closed block policy liabilities	1,368	9	18	—	—	1,395	—	—
Funds withheld payable at interest	61	(327)	—	—	—	(266)	—	—
Reinsurance liabilities	5	(5)	—	—	—	—	—	—
Embedded derivative – indexed universal life products	820	(281)	—	(16)	—	523	—	—
Embedded derivative – annuity products	1,426	(139)	—	55	—	1,342	—	—
Total liabilities	**$ 4,109**	**$ (627)**	**$ 18**	**$ 38**	**$ —**	**$ 3,538**	**$ —**	**$ —**

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

Two months ended March 31, 2021 (Successor)	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
($ in millions)					
Assets:					
AFS fixed maturity securities:					
Corporate fixed maturity securities	$ 288	$ —	$ (3)	$ (40)	$ 245
Structured securities	—	—	—	(2)	(2)
Total AFS fixed maturity securities	288	—	(3)	(42)	243
Trading fixed maturity securities:					
Corporate fixed maturity securities	57	—	—	(2)	55
Structured securities	8	—	—	—	8
Total trading fixed maturity securities	65	—	—	(2)	63
Mortgage and other loan receivables	255	—	(5)	(2)	248
Funds withheld receivable at interest	—	1	—	—	1
Total assets	$ 608	$ 1	$ (8)	$ (46)	$ 555
Liabilities:					
Embedded derivative – indexed universal life products	$ —	$ 6	$ —	$ (7)	$ (1)
Embedded derivative – annuity products	—	45	—	—	45
Total liabilities	$ —	$ 51	$ —	$ (7)	$ 44

One month ended January 31, 2021 (Predecessor)	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
($ in millions)					
Assets:					
AFS fixed maturity securities:					
Corporate fixed maturity securities	$ 114	$ —	$ —	$ (4)	$ 110
Structured securities	1	—	—	(14)	(13)
Total AFS fixed maturity securities	115	—	—	(18)	97
Trading fixed maturity securities:					
Corporate fixed maturity securities	2	—	—	(1)	1
Structured securities	1	—	—	(2)	(1)
Total trading fixed maturity securities	3	—	—	(3)	—
Mortgage and other loan receivables	20	—	(9)	—	11
Total assets	$ 138	$ —	$ (9)	$ (21)	$ 108
Liabilities:					
Policy liabilities	$ —	$ —	$ —	$ (1)	$ (1)
Embedded derivative – indexed universal life products	—	13	—	(15)	(2)
Embedded derivative – annuity products	—	16	—	—	16
Total liabilities	$ —	$ 29	$ —	$ (16)	$ 13

Three months ended March 31, 2020 (Predecessor)	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
($ in millions)					
Assets:					
AFS fixed maturity securities:					
Corporate fixed maturity securities	$ 269	$ —	$ (125)	$ (60)	$ 84
Structured securities	202	—	(19)	(30)	153
Total AFS fixed maturity securities	471	—	(144)	(90)	237
Trading fixed maturity securities:					
Corporate fixed maturity securities	—	—	—	(1)	(1)
Total trading fixed maturity securities	—	—	—	(1)	(1)
Mortgage and other loan receivables	44	—	—	—	44
Other investments	—	—	—	(5)	(5)
Total assets	$ 515	$ —	$ (144)	$ (96)	$ 275
Liabilities:					
Policy liabilities	—	—	—	(1)	(1)
Embedded derivative – indexed universal life products	—	30	—	(46)	(16)
Embedded derivative – annuity products	—	55	—	—	55
Total liabilities	$ —	$ 85	$ —	$ (47)	$ 38

Fair-value option

The following table summarizes financial instruments for which the fair value option has been elected:

	March 31, 2021	December 31, 2020
($ in millions)	*Successor*	*Predecessor*
Assets		
Mortgage and other loan receivables	$ 1,183	$ 842
Funds withheld receivable at interest	—	359
Other investments	165	166
Reinsurance recoverable	1,318	1,355
Total assets	$ 2,666	$ 2,722
Liabilities		
Policy liabilities	$ 1,933	$ 1,950
Total liabilities	$ 1,933	$ 1,950

The following table summarizes the net realized and unrealized gains and losses recognized on financial instruments for which the fair value option has been elected:

($ in millions)	Two months ended March 31, 2021	One month ended January 31, 2021	Three months ended March 31, 2020
	Successor	*Predecessor*	*Predecessor*
Assets			
Mortgage and other loan receivables	$ 8	$ (2)	$ 3
Funds withheld receivable at interest	—	(6)	(7)
Other investments	4	—	4
Total assets	$ 12	$ (8)	$ —
Liabilities			
Policy liabilities	$ (66)	$ (4)	$ 8
Total liabilities	$ (66)	$ (4)	$ 8

6. Insurance intangibles, unearned revenue reserves and unearned front-end loads

The following reflects the changes to the deferred policy acquisition costs, or “DAC,” asset:

($ in millions)	Two months ended March 31, 2021	One month ended January 31, 2021	Three months ended March 31, 2020
	Successor	*Predecessor*	*Predecessor*
Balance, as of beginning of period	**$ —**	**$ 1,567**	**$ 1,704**
Acquisition/reinsurance	—	(3)	—
Deferrals	76	42	112
Amortized to expense during the period[(1)]	1	(40)	(36)
Adjustment for unrealized investment losses during the period	—	26	684
Balance, as of end of period	**$ 77**	**$ 1,592**	**$ 2,464**

(1) These amounts are shown within amortization of policy acquisition costs in the consolidated statements of (loss) income.

The following reflects the changes to the value of business acquired, or “VOBA,” asset:

($ in millions)	Two months ended March 31, 2021	One month ended January 31, 2021	Three months ended March 31, 2020
	Successor	*Predecessor*	*Predecessor*
Balance, as of beginning of period	**$ 1,025**	**$ 280**	**$ 424**
Amortized to expense during the period[1]	(12)	(4)	(50)
Adjustment for unrealized investment losses during the period	—	4	137
Balance, as of end of period	**$ 1,013**	**$ 280**	**$ 511**

(1) These amounts are shown within amortization of policy acquisition costs in the consolidated statements of (loss) income.

The following reflects the changes to the negative VOBA liability:

($ in millions)	Two months ended March 31, 2021
	Successor
Balance, as of beginning of period	**$ 1,273**
Amortized to expense during the period[1]	(31)
Balance, as of end of period	**$ 1,242**

(1) These amounts are shown within amortization of policy acquisition costs in the consolidated statements of (loss) income.

Estimated future amortization of VOBA and Negative VOBA as of March 31, 2021(Successor) is as follows:

Years	VOBA	Negative VOBA	Total, net
($ in millions)			
Remainder of 2021	$ 54	$ (129)	$ (75)
2022	68	(146)	(78)
2023	64	(127)	(63)
2024	60	(100)	(40)
2025	56	(81)	(25)
2026	53	(66)	(13)
2027 and thereafter	658	(593)	65
Total	**$ 1,013**	**$ (1,242)**	**$ (229)**

The following reflects the changes to the unearned revenue reserve, or "URR," and unearned front-end load, or "UFEL":

	Two months ended March 31, 2021	One month ended January 31, 2021	Three months ended March 31, 2020
($ in millions)			
	Successor	*Predecessor*	*Predecessor*
Balance, as of beginning of period	**$ —**	**$ 79**	**$ 131**
Deferrals	10	12	36
Amortized to expense during the period[1]	(2)	(6)	(27)
Adjustment for unrealized investment losses during the period	—	5	226
Balance, as of end of period	**$ 8**	**$ 90**	**$ 366**

(1) These amounts are shown within policy fees in the consolidated statements of (loss) income.

7. Debt

Debt was comprised of the following:

	March 31, 2021 (Successor)		December 31, 2020 (Predecessor)	
	Amount	Rate	Amount	Rate
($ in millions, except interest rates)				
Senior notes assumed through acquisition, due April 2021[1]	$ 150	8.63 %	$ 150	8.63 %
Revolving credit facility, due May 2023[1]	270	1.61 %	270	1.65 %
Term loan, due December 2023	225	1.61 %	225	1.65 %
Senior notes, due October 2029	500	4.40 %	500	4.40 %
Subordinated debentures, due October 2046	250	9.50 %	250	9.50 %
Total debt – principal	**1,395**		**1,395**	
Purchase accounting adjustments[2]	31		1	
Debt issuance costs, net of accumulated amortization[3]	—		(7)	
Fair value loss (gain) of hedged senior notes due 2029, recognized in net income	(26)		32	
Total debt	**$ 1,400**		**$ 1,421**	

(1) On April 15, 2021, subsequent to the end of the quarter, the senior notes due April 2021 matured and were paid off. The pay-off of the maturing senior notes was facilitated by means of a $150 million draw on the revolving credit facility.

(2) The amortization of the purchase accounting adjustment related to the acquired senior notes was $2 million, less than $1 million and less than $1 million for the two months ended March 31, 2021, one month ended January 31, 2021 and three months ended March 31, 2020, respectively.

(3) The amortization of the debt issuance costs was $0 million, less than $1 million and less than $1 million for the two months ended March 31, 2021, one month ended January 31, 2021 and three months ended March 31, 2020, respectively.

8. Composition of other assets, liabilities, income, insurance expenses and general, administrative and other expenses

Other assets consist of the following:

	March 31, 2021	December 31, 2020
($ in millions)	*Successor*	*Predecessor*
Unsettled investment sales[1]	$ 1,139	$ 194
Deferred tax asset	1,052	—
Derivative assets	943	968
Goodwill	451	—
Intangible assets and deferred sales inducements	258	37
Operating lease right-to-use assets[2]	149	135
Miscellaneous assets[3]	119	129
Premiums and other account receivables	76	78
Current income tax recoverable	14	106
Total other assets	**$ 4,201**	**$ 1,647**

(1) Represents amounts due from third parties for investments sold for which cash settlement has not occurred.

(2) The non-cancelable operating leases consist of leases for office space and renewal energy forward power purchase agreements in North America. The operating lease costs were $3 million, $1 million, $4 million for the two months ended March 31, 2021, one month ended January 31, 2021 and three months ended March 31, 2020, respectively.

(3) Includes related party notes receivable of $0 million and $35 million as of March 31, 2021 and December 31, 2020, respectively.

The definite life intangible assets are amortized by using the straight-line method over the useful life of the assets which is 17. The indefinite life intangible assets are not subject to amortization. The amortization expense of definite life intangible assets was $2 million, less than $1 million and less than $1 million for the two months ended March 31, 2021, one month ended January 31, 2021 and three months ended March 31, 2020, respectively.

Other liabilities consist of the following:

($ in millions)	March 31, 2021 Successor	December 31, 2020 Predecessor
Unsettled investment purchases[(1)]	$ 2,036	$ 184
Collateral on derivative instruments	804	758
Accrued expenses[(2)]	727	681
Securities sold under agreements to repurchase	301	301
Derivative liabilities	203	85
Operating lease liabilities[(3)]	168	154
Accrued employee related expenses	167	204
Tax payable to former parent company	72	87
Interest payable	28	13
Accounts and commissions payables	21	27
Other tax related liabilities	8	10
Deferred tax liability	—	369
Total other liabilities	**$ 4,535**	**$ 2,873**

(1) Represents amounts owed to third parties for investment purchases for which cash settlement has not occurred.

(2) Includes related party balances of $23 million and $17 million as of March 31, 2021 and December 31, 2020, respectively.

(3) Operating leases have remaining lease terms that range from approximately one year to 13 years, some of which include options to extend the leases for up to ten years. The weighted average remaining lease terms was 9.9 years as of March 31, 2021. The weighted average discount rates was 3.3% as of March 31, 2021.

Other income consists of the following:

($ in millions)	Two months ended March 31, 2021 Successor	One month ended January 31, 2021 Predecessor	Three months ended March 31, 2020 Predecessor
Administrative, marketing and distribution fees	$ 9	$ 5	$ 8
Miscellaneous income	9	3	6
Total other income	$ 18	$ 8	$ 14

Insurance expenses consist of the following:

($ in millions)	Two months ended March 31, 2021 Successor	One month ended January 31, 2021 Predecessor	Three months ended March 31, 2020 Predecessor
Commission expense	$ 31	$ 15	$ 28
Reinsurance expense allowance	12	4	—
Other insurance expenses[(1)]	6	3	8
Premium taxes	3	2	5
Total insurance expenses	**$ 52**	**$ 24**	**$ 41**

(1) Includes related party balances of $1 million, $1 million and $1 million for the two months ended March 31, 2021, one month ended January 31, 2021 and three months ended March 31, 2020, respectively.

General, administrative and other expenses consist of the following:

($ in millions)	Two months ended March 31, 2021 Successor	One month ended January 31, 2021 Predecessor	Three months ended March 31, 2020 Predecessor
Employee-related expenses	$ 52	$ 47	$ 65
Administrative and professional services	27	(32)	45
Miscellaneous operating expenses[(1)]	1	5	1
Total general, administrative and other expenses	**$ 80**	**$ 20**	**$ 111**

(1) Includes related party balances of $0 million, $— million and $2 million for the two months ended March 31, 2021, one month ended January 31, 2021 and three months ended 2020, respectively.

9. Accumulated other comprehensive income

Information regarding amounts reclassified out of each component of accumulated other comprehensive (loss) income for the two months ended March 31, 2021, one month ended January 31, 2021 and three months ended March 31, 2020 were as follows:

Components of accumulated other comprehensive income (loss)	Consolidated statements of income and consolidated statements of comprehensive income (loss) location	Two months ended March 31, 2021	One month ended January 31, 2021	Three months ended March 31, 2020
($ in millions)				
		Successor	*Predecessor*	*Predecessor*
Net unrealized investment gains (losses) on AFS fixed maturity securities and other investments:				
Net unrealized investment gains (losses)	Net investment losses			
Net unrealized investment gains (losses), before income tax		$ (67)	$ 1	$ 31
Income tax expense (benefit)		(13)	—	6
Net unrealized investment gains (losses), net of income tax, reclassified		**$ (54)**	**$ 1**	**$ 25**

10. Redeemable non-controlling interests

During the first quarter of 2019, the Company acquired controlling interests in certain renewable energy partnerships in which the non-controlling shareholder can sell its ownership back to the Company after a specified date is reached. The Company has redeemable non-controlling interests related to these renewable energy partnerships of $92 million and $91 million as of March 31, 2021 (Successor) and December 31, 2020 (Predecessor), respectively, as determined by the HLBV method. The estimated redemption value of redeemable non-controlling interests is calculated as the discounted cash flows subsequent to the expected flip date of the respective renewable energy partnership. The flip date represents the date at which the allocation of income and cash flows among the investors in the partnership is adjusted, pursuant to the redeemable non-controlling interest investors having achieved an agreed-upon return. The flip date of the Company's renewable energy partnerships determines when the redeemable non-controlling interests are eligible to be redeemed. Eligible redemption dates range from 2022 to 2027. For the redeemable non-controlling interests outstanding as of both March 31, 2021 and December 31, 2020, the estimated redemption value that would be due at the respective redemption dates is $7 million.

11. Equity-based compensation plans

The components of long-term incentives expense were as follows:

($ in millions)	Two months ended March 31, 2021	One month ended January 31, 2021	Three months ended March 31, 2020
	Successor	*Predecessor*	*Predecessor*
Book-value awards	$ 7	$ —	$ —
Service-based restricted share awards, or "RSAs"	—	2	6
Performance-based RSAs	—	—	1
Stock appreciation rights awards, or "SARs"	—	5	—
Carried incentive unit awards	1	14	—
Total equity-based compensation expense	**$ 8**	**$ 21**	**$ 7**
Deferred tax asset	$ 1	$ —	$ 2

No equity-based compensation costs were capitalized during the two months ended March 31, 2021, one month ended January 31, 2021 and three months ended March 31, 2020, respectively.

The following table presents the Company's unrecognized compensation expense and the expected weighted average period over which these expenses will be recognized as of March 31, 2021 (Successor):

($ in millions)	March 31, 2021	
	Expense	Weighted average period (years)
Book-value awards	$ 91	2.85
KKR restricted stock unit awards	12	3.51
Unrecognized compensation expense, as of end of period	**$ 103**	

Equity-classified awards

GAFG restricted share awards

The table below presents the activity related to equity-classified RSAs, inclusive of both service-based and performance-based awards for the one month ended January 31, 2021:

One month ended January 31, 2021 (Predecessor)	Restricted shares	Weighted average grant date fair value per share
Outstanding balance, as of beginning of period	3,020,017	$ 23.02
Granted	—	—
Forfeited	—	—
Vested and issued	—	—
Vested and withheld for taxes	—	—
Outstanding balance, as of end of period[1]	**3,020,017**	**23.02**

(1) Refer to "—Liability-classified awards—Book-value awards" below for additional information on the post-acquisition modification of RSAs outstanding as of January 1, 2021.

Parent-company sponsored plans

Prior to the GA Acquisition, in addition to the Annual Incentive Plan of Global Atlantic Financial Company, certain Global Atlantic employees also participated in equity-based compensation awards under plans sponsored by the predecessor Company's parents, GAFLL and GAFG: the carried interest unit plan, or the "CI Plan," and the long-term incentive plan, or the "LTI Plan", under which stock appreciation rights ("SARs") were granted. The Company recorded allocated expenses related to these plans of less than $1 million, $18 million and less than $1 million for the two months ended March 31, 2021, one month ended January 31, 2021 and three months ended March 31, 2020, respectively.

Awards under the CI Plan represented interests, or "carried interest units," in a limited partnership which, prior to the Closing, held incentive shares of GAFLL. These carried interest units entitled the unit holders to a percentage of distributions from GAFLL once GAFG shareholders received their capital return plus a cumulative annualized internal rate of return of 8% on such capital contributions, or the "Preferred Return."

The Company recognized compensation expense related to the service-based vesting provisions of the CI Plan over the initial 5-year service period, which ended April 30, 2018, and began recognizing service-based expense as new carried interest units were granted or re-allocated. Unamortized performance-based expense of $14 million on awards granted under the CI Plan was deferred until the applicable performance criteria were deemed probable of having been met.

As of March 31, 2021, there were no carried interest units outstanding under the CI Plan. As of January 31, 2021 and December 31, 2020, there were 987 and 972 carried interest units allocated to employees with a weighted-average grant-date fair value of $24,956 and $16,622 per incentive unit, respectively.

SARs granted under the LTI Plan contained both service and performance-based vesting provisions. Half of each grant of SARs were subject to service-based vesting over four years beginning with the second anniversary of the grant date, and the remaining half vested only upon the occurrence of a change in control or an IPO of a certain size of GAFG or GAFLL or an IPO of the Company. Even if

vested, no SAR became exercisable until the GAFG shareholders have received their capital return plus a cumulative annualized internal rate of return of 8% on such capital contributions, or the "Performance Hurdle."

The Company recognized compensation expense related to the service-based vesting provisions of the SARs over the initial 5-year service period, which ended April 30, 2018. Unamortized performance-based SARs expense of $5 million was deferred until it was deemed probable that the Performance Hurdle had been met.

The GA Acquisition provided the required return of capital necessary for the initial GAFG investors to receive an 8% IRR on their initial investment. As a result, effective upon the January 29, 2021 confirmation of all regulatory approvals, and immediately prior to the consummation of the GA Acquisition, the performance hurdles upon which the vesting of certain carried interest units and SARs awards were based were deemed to have been met. Accordingly, the deferred performance-based expense on outstanding employee awards, both SARs and carried interest units, was recognized by the Company immediately.

The Company recognized $14 million of unamortized expense for the performance-based carried-interest units on January 31, 2021. Also on January 31, 2021, the Company recognized $5 million of unamortized performance-based expense for the SARs.

On February 1, 2021, immediately following the close of the GA Acquisition, pursuant to the terms of the Transaction, carried interest units issued and outstanding immediately prior to the liquidation of GAFLL were cancelled for cash consideration equal to the Estimated L&A Incentive Interest Merger Consideration minus the L&A Incentive Interest Escrow Amount, each as defined in the Merger Agreement. Included in the total Merger Consideration was approximately $8 million related to certain carried interest units held by employees which, although cancelled, remain subject to continuing service requirements through the second anniversary of the Acquisition Date. Such Merger Consideration shall be held in escrow accounts, with half of the consideration being released on the first anniversary of the Acquisition Date and the remaining half being released on the second anniversary of the Acquisition Date, unless the employee voluntarily resigns without Good Reason or is terminated for Cause within that period. Forfeited amounts in escrow, if any, will be released to the Company. This deferred settlement arrangement is consistent with the original award agreements between GAFG and the affected employees.

Post-combination service expense of $8 million will be recognized over the two-year service period commencing February 1, 2021. As of March 31, 2021, there was approximately $7 million of unamortized compensation expense related to the carried interest settlement proceeds under escrow.

On February 2, 2021, 24,167 SARs were cancelled for a cash payment equal to the Estimated SAR Value minus the SARs Value Holdback Amount (each as defined in the Merger Agreement), with all withholding Taxes being deducted from the amount of such cash amount by the surviving entity.

As of March 31, 2021, there were no SARs outstanding. As of both January 31, 2021 and December 31, 2020, there were 24,167 SARs outstanding, with a weighted average grant-date fair value of $316.99 per unit.

KKR restricted stock units

On February 1, 2021, upon the close of the acquisition of Global Atlantic by KKR, current employees of Global Atlantic were awarded an one-time grant of KKR restricted stock units, or "RSUs," under the terms of KKR's 2019 Equity Incentive Plan. Awards under the one-time grant are subject to service-based

vesting, typically over a five-year vesting period. Expense associated with the vesting of these restricted stock units is based on the 10-day average closing price of KKR & Co. Inc. common stock on the date of grant, discounted for the lack of participation rights in the expected dividends on unvested shares. Expense is recognized on a straight line basis over the life of the award and assumes a forfeiture rate of up to 4% annually based upon expected turnover by class of recipient.

The table below presents the activity related to equity-classified RSUs, for the for the two months ended March 31, 2021:

Two months ended March 31, 2021 (Successor)	Restricted shares	Weighted average grant date fair value per share
Outstanding balance, as of beginning of period	—	$ —
Granted	324,323	38.03
Forfeited	(5,576)	38.03
Outstanding balance, as of end of period	**318,747**	**38.03**

Liability-classified awards

Book-value awards

On February 1, 2021, the Company adopted the Global Atlantic Financial Company Book Value Award Plan, or the "BVA Plan," to enhance the ability of the Company to attract, motivate and retain the best available employees and to promote the success of the business of The Global Atlantic Financial Group LLC, or "TGAFG," and its subsidiaries.

The BVA Plan authorizes the grant of cash-settled awards, or "BVAs," representing the rights to receive one or more payment upon vesting equal to the product of the Initial Value multiplied by the BV Multiple as of each applicable vesting date, or the "BV Payment Amount." The "Initial Value" of each BV is expressed as a dollar amount determined by the Administrator and set forth in an Award Agreement. The "BVU Multiple" in respect of a BVA (which may be less than, equal to, or greater than one (1)) shall be equal to the quotient determined by dividing the Book Value of one Share of TGAFG (excluding incentive shares excepted to be issued to certain senior executives) on the applicable Vesting Date by the Book Value of a Share on the Grant Date applicable to such BVA. The BVAs generally vest in three equal, annual installments, on each of the first three anniversaries of the Grant Date, in each case, subject to the continued employment of the Participant on each such vesting date, with certain exceptions in the event of death, disability or retirement.

On February 1, 2021, under the terms of the Merger Agreement and in accordance with applicable plan documentation, GAFG restricted share awards unvested at closing of the KKR acquisition of GAFG converted into the right to receive a number of TGAFG book value units having the same value and the same vesting schedule as the GAFG restricted share award immediately prior to the closing. Such book value units were granted under the newly-authorized BVA Plan described above.

An aggregate 3,020,017 unvested restricted share awards having a fair value of $29.47 per share were converted to TGAFG BVAs having an aggregate grant-date value of approximately $89 million. Each BVA is expressed in dollars, rather than in units. On February 28, 2021, BVAs having an aggregate value of approximately $28 million vested as set forth in the original GAFG grant agreements and resulted in a cash payment of an aggregate $17 million to Participants, net of applicable tax withholdings.

Also in connection with the KKR acquisition of GAFG, on February 1, 2021, all active employees of TGAFG were issued a one-time grant of BVAs having an aggregate Initial Value of $23 million. These one-time BVAs vest over five (5) years, with the first 25% vesting on April 1, 2023 and the remainder vesting 25% annually on April 1 each subsequent year until fully vested, subject to continued employment, with exceptions in the event of death, disability or retirement. The Company is recording compensation expense over the vesting schedule of these awards, net of an estimated forfeiture rate of 4%.

On March 1, 2021, pursuant to the Company's Annual Incentive Plan, TGAFG granted BVAs having an aggregate Initial Value of $32 million. Such BVAs will generally vest annually over three (3) years in equal increments, subject to continued employment, with exceptions in the event of death, disability or retirement. The Company is recording compensation expense over the vesting schedule of the awards, net of an estimated forfeiture rate of 4%.

The Company began recognizing long-term incentive, or "LTI," expense for the BVAs described above at the grant dates, based on their Initial Value. The table below presents the activity related to BVAs for the two months ended March 31, 2021:

Two months ended March 31, 2021 (Successor)	Book value awards
($ in millions)	
Outstanding amount, as of beginning of period	$ —
RSAs converted to book-value awards on February 1, 2021	89
Granted	54
Forfeited	(1)
Vested and cash-settled	(30)
Outstanding amount, as of end of period	**$ 112**

12. Income taxes

The provision for income taxes represents federal and state income taxes. The effective tax rate for the two months ended March 31, 2021 (Successor) and one month ended January 31, 2021 (Predecessor) was 16.9% and 22.2%, respectively. The effective tax rate for the three months ended March 31, 2020 (Predecessor) was (0.5)%. The effective tax rate on income before income taxes for the two months ended March 31, 2021 and one month ended January 31, 2021 and three months ended March 31, 2020 differs from the U.S. federal statutory rate primarily due to certain Bermuda-based earnings, separate account dividends-received deductions and investment tax credits.

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. Any release of the valuation allowance will be recorded as a tax benefit increasing net income or other comprehensive income.

The Company's U.S. domiciled subsidiaries' federal income tax returns are routinely audited by the Internal Revenue Service, or "IRS," and when appropriate, provisions are made in the consolidated financial statements in anticipation of the results of these audits. The tax years under examination by the IRS vary by company; however the earliest tax year that remains open is 2011. In Q1 2021, the Company signed the Revenue Agent Report to close out the 2014 through 2016 IRS audit for CwA and its subsidiaries. There were no significant impacts to the financial statements. This audit is currently under Joint Committee Review.

In December 2019, the FASB issued new guidance to simplify the accounting for income taxes. This guidance eliminates the exceptions to the incremental approach, to accounting for basis differences when there are changes in ownership of foreign investments, and to interim period tax accounting for year-to-date losses that exceed anticipated losses. And included, among other provisions, tax guidance related to franchise taxes. The guidance is effective for public business entities that meet the definition of an SEC filer for fiscal years beginning after December 15, 2020, including interim period within those fiscal years. The Company has been reporting franchise taxes as provided by ASU 2019-12 and therefore no material impact to financial statements.

13. Commitments and contingencies

Commitments

The Company enters into lease contracts, the most significant being leases of office space for its operations and land leases for its consolidated solar subsidiaries. The Company reports these leases as right-to-use assets with a corresponding lease liability in other assets and accrued expenses and other liabilities in the consolidated balance sheets, respectively. The lease liability represents the present value of the lease payments to be made over the lease term and is calculated using a discount rate equal to the Company’s incremental borrowing rates, which range from 1.3% to 5.9% depending on the term. As of March 31, 2021 (Successor), the Company has a right-to-use asset of $149 million (net of $19 million in deferred rent and lease incentives) and a corresponding lease liability of $168 million. As of December 31, 2020 (Predecessor), the Company has a right-to-use asset of $135 million (net of $19 million in deferred rent and lease incentives) and a corresponding lease liability of $154 million.

The Company has commitments to purchase or fund investments of $884 million and $917 million as of March 31, 2021 and December 31, 2020, respectively. These commitments include those related to commercial mortgage loans, other lending facilities and investments in limited partnerships, joint ventures and LLCs. The commitment periods vary, with most extending for the next 3 years, but some extend longer. Some of these investment commitments may be subject to conditions that must be met prior to funding. For those commitments that represent a contractual obligation to extend credit, the Company has recorded a liability of $15 million for current expected credit losses as of March 31, 2021.

In addition, the Company has entered into certain forward flow agreements that allow us to purchase loans. These agreements, and our obligations under them, are subject to change, curtailment, and cancellation based on various provisions including repricing mechanics, due diligence reviews, and performance or pool quality, among other factors.

Contingencies

Guarantees

In connection with the $500 million Senior Notes due 2029 issued by Global Atlantic (Fin) Company, or “FinCo,” a Delaware corporation and an indirect subsidiary of the Company, the Company has agreed to fully and unconditionally guarantee the notes on a senior unsecured basis.

In connection with a 5-year $1 billion RCF entered into by FinCo, the Company has agreed to jointly and severally guarantee, together with any subsidiary guarantors, payment and performance of FinCo’s obligations under the RCF when due if not promptly paid by FinCo for the benefit of the lenders. The guarantees provided by the Company and any subsidiary guarantors are released when all commitments and obligations under the RCF have been paid in full or when the RCF commitments expire, or are terminated upon the merger of certain subsidiary guarantors with or into FinCo in accordance with the

terms set forth in the RCF. In November 2020, FinCo entered into an amendment of the Second Amended and Restated Credit Agreement, whereby the definition of Change of Control was amended to permit the KKR transaction. As of March 31, 2021, the Company was the only guarantor under the RCF.

In connection with a 3-year $225 million term loan entered into by FinCo in December 2018, the Company has agreed to jointly and severally guarantee payment and performance of FinCo's obligations under the Term Loan Credit Agreement when due if not promptly paid by FinCo for the benefit of the lenders. The guarantees provided by the Company are released when all obligations under the Term Loan Credit Agreement have been paid in full. In November 2020, FinCo entered into an amendment of the Term Loan Credit Agreement, whereby the definition of Change of Control was amended to permit the KKR transaction, and the definition of Maturity Date was amended to December 21, 2023. As of March 31, 2021, the Company was the only guarantor of the term loan.

In connection with the $250 million 9.5% fixed-to-fixed rate subordinated debentures due 2046 issued by FinCo, the Company agreed to unconditionally guarantee, on a subordinated, unsecured basis the payment in full of all payments due to and required to be paid to holders of the debentures under the relevant subordinated debentures agreements.

In connection with a Tax Benefit Payment Agreement entered into between FinCo, as payor, and Goldman Sachs, as payee, in 2013, GAFLL and GAFG have agreed to guarantee the payment and performance of FinCo, for the benefit of Goldman Sachs. In connection with the KKR transaction, effective February 1, 2021, GAFLL merged with and into GAFG and is no longer a party to the agreement. See Note 15—"Related party transactions" for additional information on the Tax Benefit Payment Agreement.

In lieu of funding certain investments in loan facilities to borrowers in cash, the Company has arranged for third-party banks to issue letters of credit on behalf of the borrowers in the amount of $20 million, with expiration dates between September 2021 to October 2022. The Company has available lines of credit that would allow for additional letters of credit to be issued on behalf of its borrowers, up to $270 million. For accounting purposes, these letters of credit are considered guarantees of certain obligations of the borrowers. If a letter of credit were drawn, the Company would be obligated to repay the issuing third-party bank, and the Company would recognize a loan receivable from the borrowers on its balance sheet. The Company monitors the likelihood of these letters of credit being drawn, and any related contingent obligation. As of March 31, 2021, the expected credit loss on the contingent liability associated with these letters of credit was not material. As of December 31, 2020, there was no liability recognized for a contingent obligation. See Note 15 —"Related party transactions" for additional information on the letters of credit.

Legal matters

The Company is involved in litigation and regulatory actions in the ordinary course of business. Litigation, including class actions, or regulatory actions could result in the payment of substantial settlements, increase costs, require changes to operations, divert management attention, cause reputational harm or make it more challenging to attract and retain customers, employees and agents at the Company. Given the inherent difficulty of predicting the outcome of the Company's litigation and regulatory matters, particularly in cases or proceedings in which substantial or indeterminate damages or fines are sought, the Company cannot estimate losses or ranges of losses for cases or proceedings where there is only a reasonable possibility that a loss may be incurred.

The Company settled two class actions and a number of regulatory matters stemming from the conversion of administration of certain life insurance policies to a third-party service provider, Alliance-One Services, Inc. Certain regulatory matters relating to the conversion remain ongoing.

On January 29, 2021 the Company entered into a settlement agreement with DXC and its subsidiary, Alliance-One Services, Inc., or "Alliance-One", related to the Conversion. This settlement agreement resolved the Company's claims against DXC and Alliance-One arising from the conversion and provides for payments to Global Atlantic. The Company and Alliance-One also agreed to amend an existing policyholder administration agreement between the two parties, adding additional services, increasing per-policy fees and extending the term to 2036.

Although the Company's ultimate legal and financial responsibility and our actual future expenditures to address regulatory, litigation and related matters cannot be estimated at this time and could prove to be materially different from the amount that we accrue or reserve for, the Company believes that certain liabilities are probable and can be reasonably estimated and accordingly has recorded a total reserve for all regulatory, litigation and related matters of approximately $31 million and $30 million as of March 31, 2021 and December 31, 2020, respectively.

Financing arrangements

The Company has financing arrangements with unaffiliated third parties to support the reserves of its affiliated captive reinsurers. Total fees expensed associated with these credit facilities were $4 million, $2 million and $5 million for the two months ended March 31, 2021, one month ended January 31, 2021 and three months ended March 31, 2020, respectively, and are included in insurance expenses in the consolidated statements of (loss) income. As of March 31, 2021 and December 31, 2020, the total capacity of the financing arrangements with third parties was $1.9 billion and $1.8 billion, respectively.

There were no outstanding or unpaid balances from the financing arrangements with unaffiliated third parties as of both March 31, 2021 and December 31, 2020.

14. Reinsurance

The Company maintains a number of reinsurance treaties with third parties whereby the Company assumes fixed annuity, variable annuity, payout annuity, universal life, variable universal life and term life insurance policies on a coinsurance, modified coinsurance and funds withheld basis. The Company also maintains other reinsurance treaties including the cession of certain fixed annuity, variable annuity, payout annuity, universal life policies, individual disability income policies and discontinued accident and health insurance.

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

	March 31, 2021	December 31, 2020
($ in millions)	*Successor*	*Predecessor*
Policy liabilities:		
Direct	$ 61,073	$ 54,904
Assumed[1]	41,535	39,037
Total policy liabilities	**102,608**	**93,941**
Ceded[2]	(15,658)	(15,131)
Net policy liabilities	**$ 86,950**	**$ 78,810**

(1) Includes related party balance of $7.6 billion and $6.9 billion as of March 31, 2021 and December 31, 2020, respectively.

(2) Reported within reinsurance recoverable within the consolidated balance sheets.

A key credit quality indicator is a counterparty's A.M. Best financial strength rating. A.M. Best financial strength ratings are an independent opinion of a reinsurer's ability to meet ongoing obligations to

policyholders. The Company mitigates counterparty credit risk by requiring collateral and credit enhancements in various forms including engaging in funds withheld at interest and modified coinsurance transactions. The following shows the amortized cost basis of the Company's reinsurance recoverable and funds withheld receivable at interest by credit quality indicator and any associated credit enhancements the Company has obtained to mitigate counterparty credit risk:

	As of March 31, 2021 (Successor)		
A.M. Best Rating[1]	Reinsurance recoverable and funds withheld receivable at interest[2]	Credit enhancements[3]	Net reinsurance credit exposure
($ in millions)			
A++	$ 10	$ —	$ 10
A+	2,056	—	2,056
A	2,849	—	2,849
A-	3,379	2,934	445
B++	35	—	35
B+	4	—	4
B	12	—	12
B-	3	—	3
Not rated[4]	10,438	10,512	—
Total	**$ 18,786**	**$ 13,446**	**$ 5,414**

(1) Ratings are periodically updated (at least annually) as A.M. Best issues new ratings.

(2) At amortized cost, excluding any associated embedded derivative assets and liabilities

(3) Includes funds withheld payable at interest and deferred intangible reinsurance assets and liabilities.

(4) Includes $10,420 million associated with cessions to Ivy Re Limited, a Bermuda insurance company, and a subsidiary of Ivy Co-Invest Vehicle LLC, an unaffiliated co-investment vehicle that participates in qualifying reinsurance transactions sourced by Global Atlantic.

As of March 31, 2021 and December 31, 2020, the Company had $3.1 billion and $2.4 billion of funds withheld receivable at interest, respectively, with six and five counterparties related to modified coinsurance and funds withheld contracts. The assets supporting these receivables were held in trusts and not part of the respective counterparty's general accounts.

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

	Two months ended March 31, 2021	One month ended January 31, 2021	Three months ended March 31, 2020
($ in millions)	*Successor*	*Predecessor*	*Predecessor*
Premiums:			
Direct	$ 14	$ 13	$ 41
Assumed[1]	1,281	144	194
Ceded	(119)	(80)	(25)
Net premiums	**$ 1,176**	**$ 77**	**$ 210**

(1) Includes related party balances of $3 million, $3 million and $7 million for the two months ended March 31, 2021, one month ended January 31, 2021 and three months ended March 31, 2020, respectively.

($ in millions)	Two months ended March 31, 2021	One month ended January 31, 2021	Three months ended March 31, 2020
	Successor	*Predecessor*	*Predecessor*
Policy fees:			
Direct	$ 149	$ 72	$ 225
Assumed(1)	53	26	80
Net policy fees	**$ 202**	**$ 98**	**$ 305**

(1) Includes related party balances of $2 million, $2 million and $4 million for the two months ended March 31, 2021, one month ended January 31, 2021 and three months ended March 31, 2020, respectively.

($ in millions)	Two months ended March 31, 2021	One month ended January 31, 2021	Three months ended March 31, 2020
	Successor	*Predecessor*	*Predecessor*
Policy benefits and claims:			
Direct	$ 183	$ 114	$ 300
Assumed(1)	1,467	210	528
Ceded	(165)	(98)	(121)
Net policy benefits and claims	**$ 1,485**	**$ 226**	**$ 707**

(1) Includes related party balances of $23 million, $20 million and $76 million for the two months ended March 31, 2021, one month ended January 31, 2021 and three months ended March 31, 2020, respectively.

The Company holds collateral for and provides collateral to our reinsurance clients. The Company held $13.2 billion of collateral on behalf of our reinsurers as of both March 31, 2021 and December 31, 2020. As of both March 31, 2021 and December 31, 2020, reinsurers held collateral of $1.2 billion on behalf of the Company. A significant portion of the collateral that the Company provides to its reinsurance clients is provided in the form of assets held in a trust for the benefit of the counterparty. As of March 31, 2021, these trusts were required to hold, and held in excess of, $35.2 billion of assets to support reserves of $38.3 billion. As of December 31, 2020, these trusts were required to hold, and held in excess of, $35.3 billion of assets to support reserves of $34.3 billion. Of the cash held in trust, the Company classified $52 million and $93 million as restricted as of March 31, 2021 and December 31, 2020, respectively.

15. Related party transactions

Upon the close of the acquisition of the Company's ultimate parent GAFG by KKR, the Company re-evaluated the parties that would be considered related or affiliated entities under the Company's policies subsequent to February 1, 2021. Based on the aforementioned re-evaluation, the Company determined that certain parties that had previously been considered related or affiliated were now considered non-affiliated entities given the sale of their equity interests in GAFG. Upon the close of the sale, Goldman Sachs, Pine Brook Capital Partners II (Cayman) AV, L.P., Safra Galileo Global Fund Ltd, and Centaurus Capital LP, or "Centaurus," are no longer considered affiliated or related parties. In addition, upon the close of the transaction, KKR and its affiliated entities are now considered related parties.

The Company has investment management service agreements with KKR. KKR provides investment management services across the Company. The Company recorded expenses for these agreements of

$23 million for the two months ended March 31, 2021, and had $23 million payable due to KKR as of March 31, 2021.

On September 24, 2018, the Company and Origis Energy, or "Origis," a utility-scale renewable energy developer, entered into a series of agreements whereby the Company invested in a minority equity position in Origis USA, LLC, or "Origis USA," the holding company for Origis, and agreed to provide development financing for renewable energy projects that the Company may purchase in the future subject to certain conditions. These agreements enable the Company to exercise significant influence over the operating and financial policies of Origis USA. The Company reported a loan receivable of $524 million and $507 million and an equity investment of $48 million and $48 million in Origis USA as of March 31, 2021 and December 31, 2020, respectively. In addition, in lieu of funding certain loans to Origis in cash, the Company has arranged for third-party banks to issue letters of credit on behalf of Origis in the amount of less than $1 million as of both March 31, 2021 and December 31, 2020. During 2019, the Company also purchased controlling interests from Origis in projects that we now consolidate. The amount of purchases of controlling interests totaled $4 million, less than $1 million and $9 million for the two months ended March 31, 2021, one month ended January 31, 2021, and three months ended March 31, 2020, respectively. As of March 31, 2021, none of the purchase price was unpaid. As of December 31, 2020, $2 million of the purchase price was unpaid. See Note 13—"Commitments and contingencies" for more information on the Company's arrangement of letters of credit.

Effective June 1, 2018, the Company entered into coinsurance agreements with Talcott Resolution Life Insurance Company and Talcott Resolution Life and Annuity Insurance Company (formerly Hartford Life Insurance Company and Hartford Life and Annuity Insurance Company,) subsidiaries of Talcott Resolution Life, Inc., whereby it assumed approximately $8.7 billion of fixed deferred annuities, payout annuities and structured settlement contracts. In addition, on May 31, 2018, the Company also purchased a $150 million limited partnership interest in the acquisition vehicle formed in connection with the sale of The Hartford's run-off life and annuity business, now referred to as Talcott Resolution. As a result of this ownership interest, the aforementioned reinsurance transaction is considered a transaction with an affiliate. On January 20, 2021 the Company, in concert with a consortium of other equity interest holders, agreed to the sale of its minority interest in Talcott Resolution. The close of the transaction is pending on the receipt of the requisite regulatory approvals and other customary closing conditions. Upon the close of the sale, transactions with Talcott Resolution will no longer be considered related party transactions.

The Company reported assumed policy liabilities in connection with the reinsurance agreement of $7.6 billion and $6.9 billion as of March 31, 2021 and December 31, 2020, respectively. The Company recorded assumed premiums of $3 million, $3 million and $7 million for the two months ended March 31, 2021, one month ended January 31, 2021, and three months ended March 31, 2020, respectively. The Company reported assumed policy benefits and claims of $23 million, $20 million and $76 million for the two months ended March 31, 2021, one month ended January 31, 2021, and three months ended March 31, 2020, respectively.

Affiliates of GAFG's former lead investors, Pine Brook Capital Partners II (Cayman) AV, L.P. and Safra Galileo Global Fund Ltd., also each purchased a $150 million limited partnership interest in Talcott Resolution. The Company, and the other investors in Talcott Resolution also entered into an agreement, the "Master Framework Agreement," that governs the rights among the investors in Talcott Resolution. Pursuant to the Master Framework Agreement, the Company's voting interest in Talcott Resolution is capped at 4.9%. The other investors in Talcott Resolution are each entitled to a pro rata share of the remaining voting interest in Talcott Resolution according to their economic interests. The Master Framework Agreement also allocates among the investors rights to designate members of the boards of directors of two indirect parent entities of Talcott Resolution, pursuant to which the Company, Pine Brook Capital Partners II (Cayman) AV, L.P. and Safra Galileo Global Fund Ltd. are each entitled to the right to designate one of the 11 directors of each board. One of the Company's directors has been designated to serve on the board of directors by Safra Galileo Global Fund Ltd. The Master Framework Agreement also

contains customary transfer restrictions and preemptive rights applicable to the Company’s investment in Talcott Resolution.

The Company has certain investments in renewable energy entities that are LLCs where an affiliate of Centaurus, a former shareholder of our ultimate parent GAFG, is the managing member. In connection with the acquisition of a renewable energy project from Centaurus Renewable Energy, or “CRE,” an affiliate of Centaurus, the Company has recorded $11 million payable to CRE as of December 31, 2020. The Company also purchased from Centaurus controlling interests in projects that we now consolidate, and co-invested in investments with Centaurus where we have an equity method investment. The amount of purchases of controlling interests totaled $— million and $80 million for the one month ended January 31, 2021 and three months ended March 31, 2020. The Company did not purchase any equity method investments in entities controlled by Centaurus for the one month ended January 31, 2021 and three months ended March 31, 2020.

The Company has provided financing to a related party, Parasol Renewable Energy Holdings, LLC, in which the Company owns a 20% equity share. The financing is used to fund the development of renewable energy projects. As of March 31, 2021 and December 31, 2020, loans funding projects under this facility had a carrying value of $51 million and $51 million, respectively.

During the one month ended January 31, 2021, the Company did not purchase structured securities and loans directly from Goldman Sachs. During the three months ended March 31, 2020, the Company purchased structured securities and loans directly from Goldman Sachs with a cost of $29 million and $177 million, respectively.

The Company until February 1, 2021, had investment management service agreements with GSAM. GSAM provides investment management services across the Company. The Company recorded expenses for these agreements of $1 million and $2 million for the one month ended January 31, 2021 and three months ended March 31, 2020, respectively, and had $6 million payable as of December 31, 2020.

On April 30, 2013, GAFG, GAFLL and FinCo entered into a Tax Benefit Payment Agreement with Goldman Sachs. In connection with the KKR transaction, effective February 1, 2021, GAFLL merged with and into GAFG and is no longer a party to the agreement. The agreement was the result of transactions entered into prior to the separation from Goldman Sachs that resulted in approximately a $234 million tax liability relating to the Company. Under this agreement, FinCo has agreed to pay Goldman Sachs $214 million over a 25-year period, subject to certain deferral conditions. This agreement represents payments to Goldman Sachs corresponding to taxes paid on the Company’s behalf prior to the separation from Goldman Sachs. This payable was established on the Company’s balance sheet at its present value of $140 million at April 30, 2013. As of December 31, 2020, the liability under this agreement was $87 million (and reported in other liabilities in the consolidated balance sheets.) The Company recognized less than $1 million and $1 million for the one month ended January 31, 2021 and three months ended March 31, 2020, respectively, in related interest expense in the consolidated statements of (loss) income. The Company made principal payments of $12 million and $3 million as of January 31, 2021 and March 31, 2020, respectively.

The Company recorded $18 million and less than $1 million of intercompany expenses related to certain employee compensation plans for the one month ended January 31, 2021 and three months ended March 31, 2020, respectively.

The Company had a payable of $0 million and less than $1 million to Global Atlantic Financial Life as of March 31, 2021 and December 31, 2020, respectively, related to potential IPO transaction costs incurred by the Company. The Company had a payable of $0 million and less than $1 million to GAFG as of March 31, 2021 and December 31, 2020, respectively, related to payables associated with equity-

based compensation awards the Company settled in GAFG ordinary shares. On October 18, 2019, the Company issued a $35 million intercompany loan to its ultimate parent, GAFG, in order to fund the repurchase of GAFG ordinary shares. The loan was repaid on February 1, 2021.

The Company held related party investments in its portfolio as of March 31, 2021 and December 31, 2020 as follows:

Type	Balance sheet classification	As of March 31, 2021 (Successor)		
		Asset carrying value	Accrued interest	Total balance sheet amount
($ in millions)				
KKR corporate debt securities	AFS fixed maturity securities - Corporates	$ 28	$ —	$ 28
KKR corporate debt securities	Trading fixed maturity securities	16	—	16
KKR collateralized debt obligations	AFS fixed maturity securities – CLOs	28	—	28
Origis loan receivable	Mortgage and other loan receivables	524	6	530
Parasol Renewable Energy loan receivables	Mortgage and other loan receivables	51	—	51
Total related party investments		**$ 647**	**$ 6**	**$ 653**

Type	Balance sheet classification	As of December 31, 2020 (Predecessor)		
		Asset carrying value	Accrued interest	Total balance sheet amount
($ in millions)				
Investments in renewable energy entities managed by an affiliate of Centaurus	Other investments	$ 140	$ —	$ 140
Goldman Sachs Group bonds	AFS fixed maturity securities	368	3	371
Origis loan receivable	Mortgage and other loan receivables	507	5	512
Parasol Renewable Energy loan receivables	Mortgage and other loan receivables	51	—	51
Total related party investments		**$ 1,066**	**$ 8**	**$ 1,074**

In addition to the foregoing related party investments, the Company also invested in funds managed by a related party as of December 31, 2020, as follows:

		As of December 31, 2020 (Predecessor)		
Type	Balance sheet classification	Asset carrying value	Accrued interest	Total balance sheet amount
($ in millions)				
Goldman Sachs money market funds†	Cash and cash equivalents	$ 697	$ —	$ 697
Total related party investments		**$ 697**	**$ —**	**$ 697**

† After February 1, 2021, no longer classified as a related-party transaction

The Company earned net investment income and net investment losses from related party investments, and from investments managed by related parties, as follows:

Type	Two months ended March 31, 2021	One month ended January 31, 2021	Three months ended March 31, 2020
($ in millions)			
	Successor	*Predecessor*	*Predecessor*
Net investment (loss) income:			
Investments in renewable energy entities managed by an affiliate of Centaurus†	$ —	$ (2)	$ —
Origis loan receivable	10	5	6
Goldman Sachs Group bonds†	—	1	2
Goldman Sachs money market funds†	—	—	2
GSAM	—	(1)	—
KKR investment management	(23)	—	—
Total net investment (loss) income	**$ (13)**	**$ 3**	**$ 10**
Net investment loss			
Origis loan receivable	$ —	$ (2)	$ —
Total net investment loss	**$ —**	**$ (2)**	**$ —**

† After February 1, 2021, no longer classified as a related-party transaction

16. Acquisition

On February 1, 2021, KKR completed the acquisition of the Company's ultimate parent GAFG by TGAFG (formerly, Magnolia Parent LLC), a KKR subsidiary, as contemplated by the Merger Agreement. The total purchase price for the transaction was $4.7 billion, subject to certain post-closing purchase price adjustments as provided in the Merger Agreement. The purchase price was financed by means of an equity contribution from the Company's parent of $3.0 billion, with remainder being contributed by the $0.8 billion of rollover equity interests and $0.9 billion of new equity.

At the closing of the transaction, or the "Closing," Merger Sub (a direct wholly-owned subsidiary of TGAFG) merged with and into GAFG, or the "GA Merger," with GAFG continuing as the surviving entity and as a direct wholly-owned subsidiary of Magnolia, and immediately thereafter, GAFLL merged with and into GAFG, or the "Life Merger" and, together with the GA Merger, the "Mergers."

In connection with the Closing, Magnolia Parent LLC changed its name to The Global Atlantic Financial Group LLC, or "TGAFG," and became the new holding company of Global Atlantic's business. Also in connection with the Closing, certain previous shareholders of GAFG and GAFLL elected to participate in an equity roll-over to become shareholders of TGAFG, and new co-investors agreed to fund in cash a portion of the purchase price to become shareholders of TGAFG. Following these roll-overs and co-investments, KKR owns 61.1% of TGAFG as of the Closing, which percentage is subject to change due to certain post-closing purchase price adjustments as provided in the Merger Agreement. In addition, the aforementioned equity contribution and roll-over syndication process was used to generate $250 million of additional equity capital to fund Global Atlantic's business needs.

The aggregate merger consideration was allocated among each of the GAFG's and GAFLL's outstanding ordinary shares, incentive shares and equity awards in accordance with their terms. Under the terms of the Merger Agreement and in accordance with the applicable plan documentation, unvested GAFG restricted share awards converted into the right to receive a number of TGAFG book value units having the same value as the GAFG restricted share award immediately prior to the closing.

Goodwill of $451 million has been recorded based on the amount that the purchase price exceeds the fair value of the net assets acquired. Goodwill consists primarily of intangible assets that do not qualify for separate recognition and it is primarily attributable to the scale, skill sets, operations, and synergies that can be achieved.

Pursuant to ASC Topic 805, the financial statements will not be retrospectively adjusted for any provisional amount changes that occur in subsequent periods. Rather, we will recognize any provisional adjustments as we obtain information not available as of the completion of this preliminary fair value calculation as determined within the measurement period. We will also be required to record, in the same period as the financial statements, the effect on net income of changes in depreciation, amortization, or other income effects, if any, as a result of any change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. We expect to finalize the purchase price allocation as soon as practicable, but no later than one year from the acquisition date.

($ in millions)	February 1, 2021
Consideration transferred	
Cash	$ 3,835
Rollover equity exchanged	846
Total consideration transferred	**$ 4,681**

($ in millions)		February 1, 2021
Recognized amounts of identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	$	3,074
Restricted cash and cash equivalents		285
Investments		99,579
Accrued investment income		715
Reinsurance recoverable		15,753
Insurance intangibles		1,025
Other assets[1]		2,545
Separate account assets		5,371
Policy liabilities		(100,312)
Debt		(1,451)
Funds withheld payable at interest		(13,801)
Accrued expenses and other liabilities		(2,719)
Reinsurance liabilities		(181)
Separate account liabilities		(5,371)
Total identifiable net assets		**4,512**
Redeemable non-controlling interests		(92)
Non-controlling interests		(190)
Goodwill attributable to Global Atlantic		451
Total consideration transferred	**$**	**4,681**

(1) Includes $1.1 billion of deferred tax assets recognized from the step-up in basis under purchase accounting.

The gross carrying value and weighted average estimated useful lives of value of business acquired and other intangible assets acquired in the Acquisition consist of the following:

As of February 1, 2021		Gross carrying value	Weighted average useful life
		($ in millions)	*(in years)*
Value of business acquired	$	1,025	28.6
Negative value of business acquired, included in policy liabilities		(1,273)	22.2
Value of distribution agreements acquired	$	200	16 to 19
Trade names		50	15 to 18
State insurance licenses		10	Indefinite
Total identifiable other intangible assets	**$**	**260**	

The Company performed a valuation of the acquired investments, policy liabilities, VOBA, other identifiable intangibles, and funds withheld at interest payables and receivables. The following is a summary of significant inputs to the valuation:

Investments

The Company's investment portfolio primarily consists of fixed maturity and equity securities, mortgage and other loan receivables, and investments in real assets, such as renewable energy and transportation assets. All of the assets included within the investment portfolio were measured and reported at their acquisition date fair value. As a result, the cost basis of each respective investment was reset to equal fair value.

The Company's fair value measurement for fixed maturity and equity securities was 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 a third-party pricing service, independent broker quotations, or pricing matrices. The Company uses observable and unobservable inputs in its valuation methodologies. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data.

The mortgage and other loan receivables fair value was established using a discounted cash flows method at interest rates appropriate for the credit rating of the borrower, tenor of the loan, maturity and future income, including uncertainty of cash flows. This yield-based approach is determined internally based on publicly available market data and indices sourced from a third-party vendor. The credit 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.

Investments in real assets fair value was established using valuations provided by independent third-party appraisers' valuations. Such valuations were determined by determining using the estimated future cash flows discounted to present value at a risk-adjusted discount rate and, for solar, an assessment of fair value using market multiples of comparable companies. The valuation of specific assets within the solar, rail and aviation portfolios relied upon income, market and cost-based approaches based on the nature of the specific assets.

Policy liabilities

Policy liabilities were remeasured based on generally accepted actuarial methods and reported at their acquisition date fair value. Assumptions for future mortality, persistency, policyholder behavior, expenses, investment return and other actuarial factors are based on an evaluation of the Company's recent experience, industry experience, and anticipated future trends. These assumptions are intended to be representative of market assumptions used by buyers and sellers in similar transactions. The approach employed to develop the projection assumptions is described below:

- Discount rates used to calculate fair value ranged from 11% to 15%, depending on product;
- Mortality and persistency assumptions are based on both Company and general industry experience;
- Expenses were projected reflecting the Company's unit expenses with an allocation of a portion of overhead expenses to in-force business;
- Future investment income reflects a runoff of the existing asset portfolios and reinvestment strategies based on the Company's assumptions for asset yield, quality, and maturity. The projections are based forward interest rates implied by the Treasury yield curve. Credited rates reflect the Company's target spreads;
- Separate account and index account growth rates are based on long-term return expectations for different fund types and on the underlying mix of funds; and

- Statutory reserves underlying the appraisal reflect the Company’s current reserving methodologies.

Value of business acquired

VOBA represents the estimated fair value of future net cash flows from in-force life insurance contracts acquired at the acquisition date.

Other identifiable intangible assets

Other intangibles represents distribution relationships, trade names and state licenses. The distribution relationships were valued using the excess earnings method, which derives value based on the present value of the cash flow attributable to the distribution relationships, less returns for contributory assets. The trade name intangible asset represents the Global Atlantic trade name, and was valued using the relief-from-royalty method giving consideration to publicly available third-party trade name royalty rates as well as expected premiums generated by the use of the trade name over its anticipated life. The licenses represent the Company’s insurance licenses in 52 jurisdictions, encompassing all 50 states, the District of Columbia, and the U.S. Virgin Islands. They were protected through registration and were valued using the market approach based on third-party market transactions from which the prices paid for state insurance licenses could be derived.

Funds withheld at interest receivables and payables

Funds withheld at interest receivables and payables were remeasured at fair value based on the fair value of assets held in the underlying portfolios supporting those receivables or payables.

Pro-forma financial information

Unaudited pro-forma financial information for the three months ended March 31, 2021 and 2020 is presented below. Pro-forma financial information presented does not include adjustments to reflect any potential revenue synergies or cost savings that may be achievable in connection with the Acquisition and assume the Acquisition occurred as of the beginning of the respective 2020 period. The unaudited pro-forma financial information is presented for informational purposes only, and is not necessarily indicative of future operations or results had the Acquisition been completed as of January 1, 2020.

	Three months ended	
	March 31, 2021	March 31, 2020
($ in millions)		
Total revenues	$ 1,899	$ 892
Net (loss) income attributable to Global Atlantic Financial Limited shareholder	$ 107	$ 188

Amounts reflect certain pro-forma adjustments that were directly attributable to the Acquisition. These adjustments include the following:

- adjustment to reflect the elimination of historical amortization of Global Atlantic’s insurance and other intangibles and the additional amortization of insurance and other intangibles measured at fair value as of the acquisition date;

- adjustment to reflect the prospective reclassification from accumulated other comprehensive income of the unrealized gains on available-for-sale securities to a premium which will be amortized into income based on the expected life of the investment securities; and

- adjustments to reflect the adoption of Current Expected Credit Losses “CECL” in 2020.

17. Subsequent event

The Company evaluated all events and transactions through May 13, 2021, the date the accompanying consolidated financial statements were available to be issued, that would merit recognition or disclosures in the consolidated financial statements, and determined there were none.