Global Atlantic Financial Limited

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

Interim consolidated financial statements (unaudited)

As of June 30, 2022 (Successor) and December 31, 2021 (Successor)

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Global Atlantic Financial Limited and subsidiaries

Consolidated balance sheets

($ in millions, except share data)	June 30, 2022 (unaudited)	December 31, 2021
	Successor	*Successor*
Assets		
Investments:		
Fixed maturity securities, available-for-sale, at fair value (amortized cost: $71,016 and $71,172, respectively; variable interest entities: $7,699 and $6,265, respectively; net of allowances: $103 and $88, respectively; and related party: $2,068 and $1,679, respectively)	$ 61,842	$ 70,523
Fixed maturity securities, trading, at fair value (amortized cost: $13,389 and $14,168, respectively; related party: $553 and $295, respectively)	11,242	14,049
Equity securities at fair value (cost: $27 and $277, respectively)	21	289
Mortgage and other loan receivables (portion at fair value: $906 and $833, respectively; variable interest entities: $5,975 and $6,008, respectively; net of allowances: $412 and $374, respectively; and related party: $33 and $27, respectively)	34,701	28,877
Funds withheld receivable at interest (portion at fair value: $(25) and $32, respectively)	2,911	2,999
Other investments (portion at fair value: $4,157 and $1,713, respectively; variable interest entities: $10,106 and $7,770, respectively; and related party: $1 and $1, respectively)	11,413	8,975
Total investments	**122,130**	**125,712**
Cash and cash equivalents (variable interest entities: $1,411 and $1,407, respectively)	5,130	3,392
Restricted cash and cash equivalents	351	300
Accrued investment income (variable interest entities: $183 and $101, respectively)	949	839
Reinsurance recoverable (portion at fair value: $1,104 and $1,294, respectively; net of allowances: $79 and $8, respectively)	26,225	25,062
Insurance intangibles	1,549	1,407
Other assets (variable interest entities: $1,754 and $507, respectively)	6,621	4,254
Separate account assets	4,363	5,586
Total assets	**$ 167,318**	**$ 166,552**
Liabilities		
Policy liabilities	$ 133,747	$ 126,520
Debt	1,975	1,908
Funds withheld payable at interest (portion at fair value: $(2,583) and $(49), respectively)	22,090	23,460
Other liabilities (portion at fair value: $664 and $145, respectively; variable interest entities: $1,227 and $595, respectively; and related party: $75 and $53, respectively)	5,631	3,332
Reinsurance liabilities	456	379
Separate account liabilities	4,363	5,586
Total liabilities	**$ 168,262**	**$ 161,185**

Global Atlantic Financial Limited and subsidiaries

Consolidated balance sheets

($ in millions, except share data)	June 30, 2022 (unaudited)	December 31, 2021
	Successor	*Successor*
Commitments and contingencies (Note 13)		
Redeemable non-controlling interests (Note 10)	$ 81	$ 82
Equity		
Common stock, $1 par value, 100,000,000 shares authorized, 304 shares issued and outstanding, respectively	$ —	$ —
Additional paid-in capital	5,011	5,005
Retained earnings	876	452
Accumulated other comprehensive loss	(7,148)	(387)
Total shareholder's equity	**(1,261)**	**5,070**
Non-controlling interests	236	215
Total equity	**(1,025)**	**5,285**
Total liabilities, redeemable non-controlling interests and equity	**$ 167,318**	**$ 166,552**

See accompanying notes to unaudited consolidated financial statements.

Global Atlantic Financial Limited and subsidiaries

Consolidated statements of income

($ in millions)	Three months ended June 30, 2022 (unaudited)	Three months ended June 30, 2021 (unaudited)	Six months ended June 30, 2022 (unaudited)	Five months ended June 30, 2021 (unaudited)	One month ended January 31, 2021
	Successor	*Successor*	*Successor*	*Successor*	*Predecessor*
Revenues					
Premiums (related party: $– and $6 for the three months, $– for the six months, $9 for the five months, and $3 for the one month, respectively)	$ (225)	$ (452)	$ 147	$ 724	$ 77
Policy fees (related party: $– and $4 for the three months, $– for the six months, $6 for the five months, and $2 for the one month, respectively)	326	312	644	514	98
Net investment income (related party investment income: $36 and $25 for the three months, $61 for the six months, $35 for the five months, and $5 for the one month, respectively; related party investment expense: $72 and $39 for the three months, $133 for the six months, $62 for the five months, and $2 for the one month, respectively)	895	679	1,672	1,101	266
Net investment-related (losses) gains (related party: $(2) and $– for the three months, $(4) for the six months, $– for the five months, and $(2) for the one month, respectively)	(426)	327	(795)	(129)	(56)
Other income	32	32	67	50	8
Total revenues	**602**	**898**	**1,735**	**2,260**	**393**
Benefits and expenses					
Policy benefits and claims (related party: $– and $53 for the three months, $– for the six months, $76 for the five months, and $20 for the one month, respectively)	(45)	412	681	1,897	226
Amortization of policy acquisition costs	13	(21)	5	(41)	44
Interest expense	19	11	32	22	4
Insurance expenses (related party: $– and $3 for the three months, $– for the six months, $4 for the five months, and $1 for the one month, respectively)	131	102	248	154	24
General, administrative and other expenses (related party: $3 and $– for the three months, $5 for the six months, $– for the five months, and $– for the one month, respectively)	173	128	343	208	20
Total benefits and expenses	**291**	**632**	**1,309**	**2,240**	**318**
Income before income taxes	**311**	**266**	**426**	**20**	**75**
Income tax expense (benefit)	63	4	83	(38)	17
Net income	**248**	**262**	**343**	**58**	**58**
Less: net (loss) income attributable to non-controlling interests and redeemable non-controlling interests	(54)	7	(81)	(59)	1
Net income attributable to Global Atlantic Financial Limited shareholder	**$ 302**	**$ 255**	**$ 424**	**$ 117**	**$ 57**

See accompanying notes to unaudited consolidated financial statements.

Global Atlantic Financial Limited and subsidiaries

Consolidated statements of comprehensive (loss) income

($ in millions)	Three months ended June 30, 2022 (unaudited)	Three months ended June 30, 2021 (unaudited)	Six months ended June 30, 2022 (unaudited)	Five months ended June 30, 2021 (unaudited)	One month ended January 31, 2021
	Successor	*Successor*	*Successor*	*Successor*	*Predecessor*
Net income	**$ 248**	**$ 262**	**$ 343**	**$ 58**	**$ 58**
Other comprehensive (loss) income, before tax:					
Unrealized (losses) gains on securities and other investments for the period	(4,498)	1,619	(9,071)	(301)	(372)
Reclassification adjustment for (losses) gains on hedging instruments reclassified to available-for-sale securities and other instruments	(61)	—	11	—	—
Less: reclassification adjustment for (losses) gains included in net income	(294)	20	(548)	(47)	1
Unrealized (losses) gains on available-for-sale securities and other investments	**(4,265)**	**1,599**	**(8,512)**	**(254)**	**(373)**
Unrealized losses on hedging instruments	(16)	—	(152)	—	—
Less: reclassification adjustment for gains on hedging instruments reclassified to available-for-sale securities and other instruments	61	—	(11)	—	—
Unrealized losses on hedging instruments	**(77)**	**—**	**(141)**	**—**	**—**
Net effect of unrealized gains (losses) on policy balances	153	11	371	8	75
Unrealized gains (losses) on pension plans	—	—	—	1	(1)
Other comprehensive (loss) income, before taxes	**(4,189)**	**1,610**	**(8,282)**	**(245)**	**(299)**
Income tax benefit (expense) related to:					
Net unrealized (losses) gains on available-for-sale securities and other investments	781	(314)	1,563	51	84
Unrealized losses on hedging instruments	14	—	26	—	—
Net effect of unrealized gains (losses) on policy balances	(28)	(2)	(68)	(2)	(17)
Income tax benefit (expense) related to other comprehensive (loss) income	**767**	**(316)**	**1,521**	**49**	**67**
Other comprehensive (loss) income before non-controlling interests and redeemable non-controlling interests, net of tax	**(3,422)**	**1,294**	**(6,761)**	**(196)**	**(232)**
Comprehensive (loss) income	**(3,174)**	**1,556**	**(6,418)**	**(138)**	**(174)**
Less: total comprehensive (loss) income attributable to non-controlling interests and redeemable non-controlling interests:					
Net (loss) income	(54)	7	(81)	(59)	1
Total comprehensive (loss) income attributable to non-controlling interests and redeemable non-controlling interests	**(54)**	**7**	**(81)**	**(59)**	**1**
Comprehensive (loss) income attributable to Global Atlantic Financial Limited shareholder	**$ (3,120)**	**$ 1,549**	**$ (6,337)**	**$ (79)**	**$ (175)**

See accompanying notes to unaudited consolidated financial statements.

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

For the three months ended June 30, 2022 (Successor) and June 30, 2021 (Successor)	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
($ in millions)								
Balance as of March 31, 2021, Successor	**$ 92**	**$ —**	**$ 4,877**	**$ (138)**	**$ (1,490)**	**$ 3,249**	**$ 131**	**$ 3,380**
Net income	1	—	—	255	—	255	6	261
Other comprehensive income	—	—	—	—	1,294	1,294	—	1,294
Equity-based compensation	—	—	(2)	—	—	(2)	—	(2)
Capital contributions	—	—	116	—	—	116	—	116
Distribution to non-controlling interests and redeemable non-controlling interests	(1)	—	—	—	—	—	(3)	(3)
Balance as of June 30, 2021, Successor	**$ 92**	**$ —**	**$ 4,991**	**$ 117**	**$ (196)**	**$ 4,912**	**$ 134**	**$ 5,046**
Balance as of March 31, 2022, Successor	**$ 82**	**$ —**	**$ 5,007**	**$ 574**	**$ (3,726)**	**$ 1,855**	**$ 296**	**$ 2,151**
Net income	—	—	—	302	—	302	(54)	248
Other comprehensive loss	—	—	—	—	(3,422)	(3,422)	—	(3,422)
Equity-based compensation	—	—	4	—	—	4	—	4
Capital contributions from non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	(1)	(1)
Distribution to non-controlling interests and redeemable non-controlling interests	(1)	—	—	—	—	—	(5)	(5)
Balance as of June 30, 2022, Successor	**$ 81**	**$ —**	**$ 5,011**	**$ 876**	**$ (7,148)**	**$ (1,261)**	**$ 236**	**$ (1,025)**

Global Atlantic Financial Limited and subsidiaries

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

For the five months ended June 30, 2021 (Successor) and the one month ended January 31, 2021 (Predecessor)	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
($ in millions)								
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**
Balance as of February 1, 2021, Successor	**$ 92**	**$ —**	**$ 4,653**	**$ —**	**$ —**	**$ 4,653**	**$ 190**	**$ 4,843**
Net income	1	—	—	117	—	117	(60)	57
Other comprehensive loss	—	—	—	—	(196)	(196)	—	(196)
Equity-based compensation	—	—	7	—	—	7	—	7
Capital contributions	—	—	331	—	—	331	—	331
Capital contributions from non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	7	7
Distribution to non-controlling interests and redeemable non-controlling interests	(1)	—	—	—	—	—	(3)	(3)
Balance as of June 30, 2021, Successor	**$ 92**	**$ —**	**$ 4,991**	**$ 117**	**$ (196)**	**$ 4,912**	**$ 134**	**$ 5,046**

Global Atlantic Financial Limited and subsidiaries

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

For the six months ended June 30, 2022 (Successor)	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
($ in millions)								
Balance as of December 31, 2021, Successor	**$ 82**	**$ —**	**$ 5,005**	**$ 452**	**$ (387)**	**$ 5,070**	**$ 215**	**$ 5,285**
Net income	—	—	—	424	—	424	(81)	343
Other comprehensive loss	—	—	—	—	(6,761)	(6,761)	—	(6,761)
Equity-based compensation	—	—	6	—	—	6	—	6
Capital contributions from non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	26	26
Non-cash contribution from non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	85	85
Distribution to non-controlling interests and redeemable non-controlling interests	(1)	—	—	—	—	—	(9)	(9)
Balance as of June 30, 2022, Successor	**$ 81**	**$ —**	**$ 5,011**	**$ 876**	**$ (7,148)**	**$ (1,261)**	**$ 236**	**$ (1,025)**

See accompanying notes to unaudited consolidated financial statements.

Global Atlantic Financial Limited and subsidiaries

Consolidated statements of cash flows

($ in millions)	Six months ended June 30, 2022 (unaudited)	Five months ended June 30, 2021 (unaudited)	One month ended January 31, 2021
	Successor	Successor	Predecessor
Cash flows from operating activities			
Net income	**$ 343**	**$ 58**	**$ 58**
Adjustments to reconcile net income to net cash provided by operating activities:			
Net investment (gains) losses	11	420	11
Net accretion and amortization (related party: $–, $2 and $5, respectively)	301	210	72
Interest credited to policy account balances less policy fees	779	710	140
Deferred income tax expense (benefit)	35	(118)	12
Changes in operating assets and liabilities:			
Reinsurance transactions and acquisitions, net of cash provided	124	909	137
Change in premiums, notes receivable and reinsurance recoverable, net of reinsurance premiums payable	567	143	(27)
Change in deferred policy acquisition costs	(240)	(200)	(42)
Change in policy liabilities and accruals, net	(374)	(386)	(259)
Other operating activities, net	(38)	35	(240)
Net cash provided by (used in) operating activities	**1,508**	**1,781**	**(138)**
Cash flows from investing activities			
Proceeds from disposals of available-for-sale fixed maturity securities (related party: $93, $– and $–, respectively)	8,981	4,239	817
Proceeds from maturities of available-for-sale fixed maturity securities (related party: $677, $– and $–, respectively)	3,170	3,543	—
Proceeds from disposals and maturities of trading fixed maturity securities (related party: $43, $– and $–, respectively)	5,279	4,317	1,693
Proceeds from disposals of equity securities	257	—	—
Proceeds from mortgage and other loan receivables sold, matured or collected (related party: $–, $12 and $9, respectively)	4,245	1,833	422
Proceeds from disposals of other investments	1,350	1,053	130
Purchase of available-for-sale fixed maturity securities (related party: $(1,192), $– and $–, respectively)	(11,005)	(7,336)	(1,934)
Purchase of trading fixed maturity securities (related party: $(304), $– and $–, respectively)	(2,906)	(2,450)	(1,540)
Purchase of equity securities	(41)	—	(1)
Purchase of mortgage and other loan receivables (related party: $(4), $48 and $20, respectively)	(10,773)	(5,680)	(586)
Purchase of other investments (related party: $–, $4 and $1, respectively)	(4,455)	(1,857)	(195)
Other investing activities, net	(38)	331	16
Net cash used in investing activities	**$ (5,936)**	**$ (2,007)**	**$ (1,178)**

(continued)

Global Atlantic Financial Limited and subsidiaries

Consolidated statements of cash flows

($ in millions)	Six months ended June 30, 2022 (unaudited)	Five months ended June 30, 2021 (unaudited)	One month ended January 31, 2021
	Successor	Successor	Predecessor
Cash flows from financing activities			
Settlement of repurchase agreements	$ (2,841)	$ (1,532)	$ (301)
Proceeds from issuance of repurchase agreements	3,344	1,533	300
Reinsurance transactions, net of cash provided	55	—	—
Additions to contractholder deposit funds	10,932	7,176	1,947
Withdrawals from contractholder deposit funds	(5,481)	(3,886)	(748)
Issuance of long-term debt	200	800	—
Payment of debt principal and origination fees	—	(802)	—
Capital contributions	—	273	—
Capital contributions from non-controlling interests and redeemable non-controlling interests	26	7	63
Distribution to non-controlling interests and redeemable non-controlling interests	(11)	—	
Other financing activity, net	(7)	(7)	(18)
Net cash provided by (used in) financing activities	**6,217**	**3,562**	**1,243**
Net change in cash, cash equivalents and restricted cash	**1,789**	**3,336**	**(73)**
Cash, cash equivalents and restricted cash, beginning of period	3,692	3,344	3,417
Cash, cash equivalents and restricted cash, end of period	**$ 5,481**	**$ 6,680**	**$ 3,344**
Supplemental cash flow information			
Cash and cash equivalents per consolidated balance sheets	$ 5,130	$ 6,492	$ 3,059
Restricted cash and cash equivalents per consolidated balance sheets	351	188	285
Total cash, cash equivalents and restricted cash	**$ 5,481**	**$ 6,680**	**$ 3,344**
Cash paid for interest	$ 44	$ 34	$ 4
Income taxes paid	132	92	—
Non-cash transactions			
Available-for-sale fixed maturity securities acquired through reinsurance agreements	$ 985	$ 134	$ —
Trading fixed maturity securities acquired through reinsurance agreements	1,713	252	—
Policy liabilities and accruals acquired through reinsurance agreements	359	1,622	137
Contractholder deposit funds acquired through reinsurance agreements	2,545	—	—

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, "Global Atlantic," 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, 2021 (Successor) 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 three and six months ended June 30, 2022 (Successor) are not necessarily indicative of the results for any subsequent periods or the entire fiscal year ending December 31, 2022 (Successor).

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.

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, referred to here-in as the "KKR Acquisition." The total purchase price for the transaction was $4.7 billion. Upon the conclusion of the acquisition, Magnolia was renamed to The Global Atlantic Financial Group LLC ("TGAFG").

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.

Coronavirus Disease 2019 and related matters

The novel strain of coronavirus ("COVID-19") has caused, and continues to cause in certain cases, 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 currencies, interest rates, and equity prices. Shutdowns in some locations have caused furloughs and layoffs. Furthermore, supply chain disruptions have caused wage, freight and material prices to rise, resulting in margin pressure in certain sectors. Although a number of vaccines for COVID-19 have been developed and have been 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 new mutated strains of the virus.

Given the ongoing nature of the pandemic, at this time Global Atlantic cannot reasonably predict the ultimate impact that COVID-19 will have on its 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” to our consolidated financial statements for additional information on regulations impacting the Company under the CARES Act.

2. Significant accounting policies

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 TGAFG in the acquisition. In addition, the Company conformed its accounting policies and procedures to those of its new ultimate parent, KKR. For additional information on the Company’s significant accounting policies, see Note 2—“Significant accounting policies and practices” in the Company’s audited consolidated financial statements as of December 31, 2021.

Adoption of new accounting pronouncements

Credit losses on financial instruments

In June 2016, the Financial Accounting Standards Board, or “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 net operating loss, or "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 (Predecessor) 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 January 1, 2022. The Company applied this guidance to loan forbearance requests that met the requirements The application of this guidance did not have a material impact on the financial statements.

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. 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. In the first quarter 2022, the Company elected to adopt the new guidance and, for the modifications that have occurred to date, the adoption of the guidance has not had a material impact on the Company's consolidated financial statements.

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* – The assumptions used to calculate the liability for future policy benefits on traditional and limited-payment contracts are required to be reviewed and updated periodically (versus set at inception and not changed under the current guidance). Cash flow assumptions are required to be reviewed at least annually with the impact recognized in net income. The standard also prescribes that the discount rate assumption should be based on a current upper-medium grade (i.e., low credit risk) fixed income instrument yield (e.g., a single A credit-rating) with the impact recognized in other comprehensive income ("OCI").

(2) *standardization and improvement in the accounting for certain market-based options or guarantees associated with deposit (or account balance) contracts* – The new guidance creates a new category of benefits referred to as market risk benefits, which are contracts or contract features that provide both protection to the policyholder from capital market risk and expose the insurer to other-than-nominal capital market risk. Market risk benefits are required to be measured at fair value with the change in fair value recognized in net income, except for changes in the entity's non-performance risk, which is recognized in OCI.

(3) *simplification of the amortization of deferred acquisition costs* - Deferred policy acquisition costs ("DAC") and other similar actuarial balances (e.g., deferred sales inducements) for life and annuity contracts are required to be amortized on a constant basis over the term of the related contracts.

(4) *enhanced disclosures* – Additional disclosures are required including disaggregated roll-forwards of significant insurance liabilities as well as disclosures about significant inputs, judgments, assumptions and methods used in measurement.

The guidance is effective 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, planning and build phases of its implementation effort and is performing end-to-end testing activities. The Company has established a governance framework to manage the implementation activities and support timely application of the guidance. The Company has made progress in the following areas:

- High level impact assessment;
- Identification of key accounting policy decisions;
- Evaluation and selection of actuarial system solutions;
- Development of detailed business requirements document inclusive of roll-forward disclosures;
- Infrastructure build and data mapping;
- Actuarial model development for the liability for future policy benefits, deferred acquisition costs and rollforwards; and
- Modeling of market risk benefits.

The Company continues to evaluate the impact of this guidance but anticipates that the new standard will have a material impact on the 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 recognized in OCI. In addition, the new guidance is expected to have a significant impact on the Company’s systems, processes and controls.

Troubled debt restructurings and vintage disclosures

In March 2022, the FASB issued new guidance regarding the modification of receivables, which affects their recognition and measurement. The guidance eliminates the concept of troubled debt restructurings and instead requires all modifications to be analyzed to determine whether they result in a new receivable or a continuation of an existing receivable. The guidance also makes related updates to the measurement of expected credit losses for receivables. The new guidance requires additional disclosures for receivable modifications involving borrowers experiencing financial difficulty as well as disclosure of loan charge-offs by origination year (vintage). For entities that have already adopted ASC 326 (addressing credit losses on financial instruments), the guidance is effective for fiscal years beginning after December 15, 2022, including interim period within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on its consolidated financial statements.

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 June 30, 2022 (Successor)	Cost or amortized cost	Allowance for credit losses[(4)(5)]	Gross unrealized gains	Gross unrealized losses	Fair value
($ in millions)					
AFS fixed maturity securities portfolio by type:					
U.S. government and agencies	$ 509	$ —	$ —	$ (54)	$ 455
U.S. state, municipal and political subdivisions	5,267	—	2	(926)	4,343
Corporate[(1)]	41,705	(8)	29	(6,614)	35,112
Residential mortgage-backed securities, or "RMBS"	7,528	(71)	27	(505)	6,979
Commercial mortgage-backed securities, or "CMBS"	7,295	(8)	2	(579)	6,710
Collateralized loan obligations, or "CLOs"[(2)]	2,785	(7)	—	(150)	2,628
Collateralized bond obligations, or "CBOs"	3,086	—	—	(156)	2,930
All other structured securities[(3)]	2,841	(9)	6	(153)	2,685
Total AFS fixed maturity securities	**$ 71,016**	**$ (103)**	**$ 66**	**$ (9,137)**	**$ 61,842**

(1) Includes related party KKR corporate debt securities with amortized cost, gross unrealized gains, gross unrealized losses and fair value of $2.0 billion, $2 million, $(9) million and $2.0 billion, respectively.

(2) Includes related party KKR collateralized debt obligations with amortized cost, gross unrealized gains, gross unrealized losses and fair value of $92 million, $0 million, $(4) million and $88 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.

(5) Includes credit loss allowances on purchase-credit deteriorated fixed-maturity securities of $(41) million.

As of December 31, 2021 (Successor)	Cost or amortized cost	Allowance for credit losses(4)(5)	Gross unrealized gains	Gross unrealized losses	Fair value
($ in millions)					
AFS fixed maturity securities portfolio by type:					
U.S. government and agencies	$ 785	$ —	$ 4	$ (5)	$ 784
U.S. state, municipal and political subdivisions	5,123	—	42	(55)	5,110
Corporate(1)	42,979	(3)	191	(689)	42,478
RMBS	7,703	(51)	126	(113)	7,665
CMBS	5,953	—	16	(57)	5,912
CLOs(2)	3,091	(1)	7	(6)	3,091
CBOs	3,112	(22)	7	(27)	3,070
All other structured securities(3)	2,426	(11)	20	(22)	2,413
Total AFS fixed maturity securities	**$ 71,172**	**$ (88)**	**$ 413**	**$ (974)**	**$ 70,523**

(1) Includes related party corporate AFS fixed maturity securities with amortized cost, gross unrealized gains, gross unrealized losses and fair value of $1.6 billion, $1 million, $(1) million and $1.6 billion, respectively.

(2) Includes related party KKR-issued investments with amortized cost, gross unrealized gains, gross unrealized losses and fair value of $109 million, $0 million, $0 million and $109 million, respectively.

(3) Includes primarily 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.

(5) Includes credit loss allowances on purchase-credit deteriorated fixed-maturity securities of $(46) million.

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

As of June 30, 2022 (Successor)	Cost or amortized cost	Fair value
($ in millions)		
Due in one year or less	$ 690	$ 684
Due after one year through five years	8,091	7,675
Due after five years through ten years	11,415	10,643
Due after ten years	27,277	20,908
Subtotal(1)	**47,473**	**39,910**
RMBS	7,457	6,979
CMBS	7,287	6,710
CLOs(2)	2,778	2,628
CBOs	3,086	2,930
All other structured securities	2,832	2,685
Total AFS fixed maturity securities	**$ 70,913**	**$ 61,842**

(1) Includes related party KKR corporate debt securities with amortized cost and fair value of $2.0 billion and $2.0 billion, respectively.

(2) Includes related party KKR collateralized loan obligations with amortized cost and fair value of $92 million and $88 million, respectively.

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 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:

	Six months ended June 30, 2022	Five months ended June 30, 2021
($ in millions)	***Successor***	***Successor***
Purchase price of PCD securities acquired during the current period	$ 16	$ 1,669
Allowance for credit losses at acquisition	1	127
Discount (premium) attributable to other factors	1	301
Par value	**$ 18**	**$ 2,097**

Purchased credit impaired securities

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

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

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:

	Less than 12 months		12 months or more		Total	
As of June 30, 2022 (Successor)	**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	$ 224	$ (44)	$ 90	$ (10)	$ 314	$ (54)
U.S. state, municipal and political subdivisions	3,990	(879)	218	(47)	4,208	(926)
Corporate	26,916	(5,722)	4,424	(892)	31,340	(6,614)
RMBS	4,840	(343)	1,279	(162)	6,119	(505)
CMBS	6,292	(557)	216	(22)	6,508	(579)
CLOs	2,492	(145)	85	(5)	2,577	(150)
CBOs	2,156	(112)	774	(44)	2,930	(156)
All other structured securities	2,135	(131)	215	(22)	2,350	(153)
Total AFS fixed maturity securities in a continuous loss position	**$ 49,045**	**$ (7,933)**	**$ 7,301**	**$ (1,204)**	**$ 56,346**	**$ (9,137)**

	Less than 12 months		12 months or more		Total	
As of December 31, 2021 (Successor)	**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	$ 311	$ (5)	$ —	$ —	$ 311	$ (5)
U.S. state, municipal and political subdivisions	2,802	(55)	—	—	2,802	(55)
Corporate	30,386	(689)	—	—	30,386	(689)
RMBS	3,197	(113)	—	—	3,197	(113)
CMBS	3,406	(57)	—	—	3,406	(57)
CLOs	1,172	(6)	—	—	1,172	(6)
CBOs	2,153	(27)	—	—	2,153	(27)
All other structured securities	1,348	(22)	—	—	1,348	(22)
Total AFS fixed maturity securities in a continuous loss position	**$ 44,775**	**$ (974)**	**$ —**	**$ —**	**$ 44,775**	**$ (974)**

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 $538 million and $77 million as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively. The single largest unrealized loss on AFS fixed maturity securities was $47 million and $7 million as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively. The Company had 5,799 and 4,370 securities in an unrealized loss position as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively.

As of June 30, 2022 (Successor), AFS fixed maturity securities in an unrealized loss position for 12 months or more consisted of 898 debt securities. These debt securities primarily relate to Corporate, RMBS, and U.S. state, municipal and political subdivisions 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:

	Three months ended June 30, 2022 (Successor)			Six months ended June 30, 2022 (Successor)		
	Corporate	Structured	Total	Corporate	Structured	Total
($ in millions)						
Balance, as of beginning of period[(1)]	**$ 5**	**$ 92**	**$ 97**	**$ 3**	**$ 85**	**$ 88**
Initial impairments for credit losses recognized on securities not previously impaired	—	20	20	—	36	36
Initial credit loss allowance recognized on PCD securities	—	1	1	—	1	1
Accretion of initial credit loss allowance on PCD securities	—	1	1	—	1	1
Reductions due to sales (or maturities, pay downs or prepayments) during the period of securities previously identified as credit impaired	—	(2)	(2)	—	(4)	(4)
Net additions / reductions for securities previously impaired	3	(17)	(14)	5	(24)	(19)
Balance, as of end of period	**$ 8**	**$ 95**	**$ 103**	**$ 8**	**$ 95**	**$ 103**

(1) Includes securities designated as purchased credit deteriorated as of the time of the KKR Acquisition.

	Three months ended June 30, 2021 (Successor)			Five months ended June 30, 2021 (Successor)		
	Corporate	Structured	Total	Corporate	Structured	Total
($ in millions)						
Balance, as of beginning of period[1]	**$ —**	**$ 140**	**$ 140**	**$ —**	**$ 121**	**$ 121**
Initial impairments for credit losses recognized on securities not previously impaired	—	1	1	—	28	28
Initial credit loss allowance recognized on PCD securities	—	6	6	—	6	6
Reductions due to sales (or maturities, pay downs or prepayments) during the period of securities previously identified as credit impaired	—	(8)	(8)	—	(10)	(10)
Net additions / reductions for securities previously impaired	—	(47)	(47)	—	(53)	(53)
Balance, as of end of period	**$ —**	**$ 92**	**$ 92**	**$ —**	**$ 92**	**$ 92**

(1) Includes securities designated as purchased credit deteriorated 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-related (losses) gains in the consolidated statements of income on AFS fixed maturity securities still held by the Company for the one month ended January 31, 2021 (Predecessor):

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

Mortgage and other loan receivables

Mortgage and other loan receivables consist of the following:

($ in millions)	June 30, 2022 Successor		December 31, 2021 Successor	
Commercial mortgage loans[1]	$	18,237	$	13,825
Residential mortgage loans[1]		10,350		8,725
Consumer loans		5,780		5,618
Other loan receivables[2][3]		746		1,083
Total mortgage and other loan receivables	**$**	**35,113**	**$**	**29,251**
Allowance for loan losses[4]		(412)		(374)
Total mortgage and other loan receivables, net of allowance for loan losses	**$**	**34,701**	**$**	**28,877**

(1) Includes $873 million and $805 million of loans carried at fair value using the fair value option as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively. The fair value option was elected for these loans for asset-liability matching purposes. These loans had unpaid principal balances of $912 million and $794 million as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively.

(2) As of June 30, 2022 (Successor) and December 31, 2021 (Successor), other loan receivables consisted primarily of loans collateralized by aircraft of $373 million and $850 million, respectively.

(3) Includes $33 million and $27 million of related party loans carried at fair value using the fair value option as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively. These loans had unpaid principal balances of $33 million and $27 million as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively.

(4) Includes credit loss allowances on purchase-credit deteriorated mortgage and other loan receivables of $(80) million and $(78) million as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively.

The maturity distribution for residential and commercial mortgage loans was as follows as of June 30, 2022 (Successor):

Years ($ in millions)	Residential		Commercial		Total mortgage loans	
Remainder of 2022	$	188	$	494	$	682
2023		169		1,421		1,590
2024		506		2,283		2,789
2025		17		3,085		3,102
2026		1,034		3,267		4,301
2027		610		2,866		3,476
2028 and thereafter		7,826		4,821		12,647
Total	**$**	**10,350**	**$**	**18,237**	**$**	**28,587**

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	June 30, 2022	December 31, 2021
($ in millions)	**Successor**	**Successor**
Pacific	$ 7,341	$ 6,675
West South Central	3,385	2,676
South Atlantic	7,748	4,996
Middle Atlantic	3,633	3,143
East North Central	1,205	591
Mountain	2,858	1,957
New England	1,298	1,099
East South Central	700	1,036
West North Central	353	351
Other regions	66	26
Total by geographic region	**$ 28,587**	**$ 22,550**

Mortgage loans - carrying value by property type	June 30, 2022	December 31, 2021
($ in millions)	**Successor**	**Successor**
Residential	$ 10,350	$ 8,725
Office building	4,665	4,185
Apartment	9,151	6,195
Industrial	2,808	1,982
Retail	671	780
Other property types	634	484
Warehouse	308	199
Total by property type	**$ 28,587**	**$ 22,550**

Allowance for credit losses

Changes in the allowance for credit losses are summarized below:

	Three months ended June 30, 2022 (Successor)			
	Commercial mortgage loans	Residential mortgage loans	Consumer and other loan receivables	Total
($ in millions)				
Balance, at beginning of period	**$ 82**	**$ 88**	**$ 230**	**$ 400**
Net provision (release)	23	8	(18)	13
Charge-offs	—	—	(1)	(1)
Balance, as of end of period	**$ 105**	**$ 96**	**$ 211**	**$ 412**

	Six months ended June 30, 2022 (Successor)			
	Commercial mortgage loans	Residential mortgage loans	Consumer and other loan receivables	Total
($ in millions)				
Balance, at beginning of period	$ 66	$ 72	$ 236	$ 374
Net provision (release)	39	24	(24)	39
Charge-offs	—	—	(1)	(1)
Balance, as of end of period	$ 105	$ 96	$ 211	$ 412

	Three months ended June 30, 2021 (Successor)			
	Commercial mortgage loans	Residential mortgage loans	Consumer and other loan receivables	Total
($ in millions)				
Balance, at beginning of period[1]	$ 80	$ 79	$ 145	$ 304
Net provision (release)	(22)	(3)	22	(3)
Loans purchased with credit deterioration	—	1	1	2
Charge-offs	—	—	(5)	(5)
Balance, as of end of period	$ 58	$ 77	$ 163	$ 298

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

	Five months ended June 30, 2021 (Successor)			
	Commercial mortgage loans	Residential mortgage loans	Consumer and other loan receivables	Total
($ in millions)				
Balance, at beginning of period[1]	$ 58	$ 62	$ —	$ 120
Net provision	—	14	167	181
Loans purchased with credit deterioration	—	1	1	2
Charge-offs	—	—	(5)	(5)
Balance, as of end of period	$ 58	$ 77	$ 163	$ 298

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

	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	—	—	—	—
Balance, as of end of period	$ 61	$ 31	$ 45	$ 137

As of June 30, 2022 (Successor) and December 31, 2021 (Successor), the Company had $200 million and $203 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 June 30, 2022 (Successor) and December 31, 2021 (Successor), there were $200 million and $203 million, respectively, of mortgage loans that were non-income producing.

As of both June 30, 2022 (Successor) and December 31, 2021 (Successor), 1% of residential mortgage 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 three and six months ended June 30, 2022 (Successor), three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor). Interest continues to accrue on loans in temporary forbearance. Please refer to Note 2—"Significant accounting policies" to our consolidated financial statements for additional information on regulations impacting the Company under the CARES Act.

As of June 30, 2022 (Successor) and December 31, 2021 (Successor), the Company had $9 million and $5 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:

	Five months ended June 30, 2021
($ in millions)	***Successor***
Purchase price of PCD loans acquired during the current period	$ 4,231
Allowance for credit losses at acquisition	122
Discount (premium) attributable to other factors	(136)
Par value	**$ 4,217**

Credit quality indicators

Mortgage and loan receivable performance status

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

	As of June 30, 2022 (Successor)						
Performance status	**2022**	**2021**	**2020**	**2019**	**2018**	**Prior**	**Total**
($ in millions)							
Commercial mortgage loans							
Current	$ 5,236	$ 6,695	$ 933	$ 1,524	$ 1,302	$ 2,547	$ 18,237
30 to 59 days past due	—	—	—	—	—	—	—
60 to 89 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—
Total commercial mortgage loans	**$ 5,236**	**$ 6,695**	**$ 933**	**$ 1,524**	**$ 1,302**	**$ 2,547**	**$ 18,237**
Residential mortgage loans							
Current	$ 1,229	$ 5,122	$ 1,732	$ 289	$ 18	$ 1,577	$ 9,967
30 to 59 days past due	17	45	4	5	—	72	143
60 to 89 days past due	—	11	1	1	1	28	42
Over 90 days past due	—	19	16	12	3	148	198
Total residential mortgage loans	**$ 1,246**	**$ 5,197**	**$ 1,753**	**$ 307**	**$ 22**	**$ 1,825**	**$ 10,350**

Notes to the interim consolidated financial statements (unaudited)

Performance status	2021	2020	2019	2018	2017	Prior	Total
	As of December 31, 2021 (Successor)						
($ in millions)							
Commercial mortgage loans							
Current	$ 6,832	$ 976	$ 1,884	$ 1,374	$ 818	$ 1,941	$ 13,825
30 to 59 days past due	—	—	—	—	—	—	—
60 to 89 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—
Total commercial mortgage loans	**$ 6,832**	**$ 976**	**$ 1,884**	**$ 1,374**	**$ 818**	**$ 1,941**	**$ 13,825**
Residential mortgage loans							
Current	$ 4,507	$ 1,576	$ 393	$ 124	$ 65	$ 1,711	$ 8,376
30 to 59 days past due	25	6	6	1	1	75	114
60 to 89 days past due	4	1	1	—	—	27	33
Over 90 days past due	5	14	22	3	—	158	202
Total residential mortgage loans	**$ 4,541**	**$ 1,597**	**$ 422**	**$ 128**	**$ 66**	**$ 1,971**	**$ 8,725**

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

	June 30, 2022	December 31, 2021
($ in millions)	***Successor***	***Successor***
Consumer loans		
Current	$ 5,688	$ 5,557
30 to 59 days past due	52	34
60 to 89 days past due	23	17
Over 90 days past due	17	10
Total consumer loans	**$ 5,780**	**$ 5,618**

Loan-to-value ratio on 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 June 30, 2022 (Successor) and December 31, 2021 (Successor):

Loan-to-value as of June 30, 2022 (Successor), 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)				
2022	$ 4,871	$ 365	$ —	$ 5,236
2021	4,779	1,916	—	6,695
2020	776	122	35	933
2019	1,350	174	—	1,524
2018	1,253	49	—	1,302
2017	749	45	—	794
Prior	1,753	—	—	1,753
Total commercial mortgage loans	**$ 15,531**	**$ 2,671**	**$ 35**	**$ 18,237**

Loan-to-value as of December 31, 2021 (Successor), 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	$ 4,911	$ 1,921	$ —	$ 6,832
2020	819	122	35	976
2019	1,748	136	—	1,884
2018	1,325	49	—	1,374
2017	773	45	—	818
2016	426	2	—	428
Prior	1,498	15	—	1,513
Total commercial mortgage loans	**$ 11,500**	**$ 2,290**	**$ 35**	**$ 13,825**

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 63% and 68% as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively.

Other investments

Other investments consist of the following:

($ in millions)	June 30, 2022 Successor	December 31, 2021 Successor
Investments in real estate[(1)]	$ 3,956	$ 1,565
Investments in renewable energy[(2)]	3,485	3,574
Investments in transportation and other leased assets[(3)]	2,699	2,664
Policy loans	821	765
Other investment partnerships[(4)]	257	235
Federal Home Loan Bank, or "FHLB," common stock and other investments	195	172
Total other investments	**$ 11,413**	**$ 8,975**

(1) Investments in real estate are held in consolidated investment companies that use fair value accounting.

(2) Net of accumulated depreciation attributed to consolidated renewable energy assets of $199 million and $157 million as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively.

(3) Net of accumulated depreciation of $168 million and $105 million as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively.

(4) Includes related party balance of $1 million as of both June 30, 2022 (Successor) and December 31, 2021 (Successor).

The total amount of other investments accounted for using the equity method of accounting was $1.2 billion as of both June 30, 2022 (Successor) and December 31, 2021 (Successor). 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 $21 million and $22 million as of June 30, 2022 (Successor) and December 31, 2021 (Successor), 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 $184 million and $148 million as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively.

Variable interest entities

The Company has created certain VIEs to hold investments, including investments in transportation, renewable energy, consumer and other loans and fixed maturity securities. 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)	June 30, 2022 Successor		December 31, 2021 Successor	
Assets of consolidated variable interest entities:				
Investments:				
AFS fixed maturity securities, at fair value	$	7,699	$	6,265
Mortgage and other loan receivables		5,975		6,008
Other investments:				
Investments in renewable energy		3,455		3,543
Investments in transportation and other leased assets		2,697		2,663
Investments in real estate		3,954		1,564
Total other investments		**10,106**		**7,770**
Total investments		**23,780**		**20,043**
Cash and cash equivalents		1,411		1,407
Accrued investment income		183		101
Other assets		1,754		507
Total assets of consolidated variable interest entities	**$**	**27,128**	**$**	**22,058**
Liabilities of consolidated variable interest entities:				
Accrued expenses and other liabilities	$	1,227	$	595
Total liabilities of consolidated variable interest entities		**1,227**		**595**
Redeemable non-controlling interests		81		82
Non-controlling interests of consolidated variable interest entities		236		215
Total liabilities, redeemable non-controlling interests and non-controlling interests of consolidated variable interest entities	**$**	**1,544**	**$**	**892**

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:

($ in millions)	June 30, 2022 (Successor)				December 31, 2021 (Successor)			
	Carrying amount		Maximum exposure to loss(1)		Carrying amount		Maximum exposure to loss(1)	
Other investment partnerships	$	212	$	212	$	190	$	190
Investments in renewable energy partnerships		30		30		31		31
Total	**$**	**242**	**$**	**242**	**$**	**221**	**$**	**221**

(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 $25 million and $26 million as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively.

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 policy liabilities in the consolidated balance sheets. Information related to the FHLB investment and funding agreements as of June 30, 2022 (Successor) and December 31, 2021 (Successor) is as follows:

FHLB	Investment in common stock		Funding agreements issued to FHLB member banks		Collateral	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
($ in millions)	***Successor***	***Successor***	***Successor***	***Successor***	***Successor***	***Successor***
Indianapolis	$ 81	$ 81	$ 1,613	$ 1,620	$ 2,423	$ 2,578
Des Moines	35	35	620	620	902	1,005
Boston	22	22	323	326	468	553
Total	**$ 138**	**$ 138**	**$ 2,556**	**$ 2,566**	**$ 3,793**	**$ 4,136**

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, 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 June 30, 2022 (Successor) and December 31, 2021 (Successor), the Company had $5.5 billion and $3.5 billion of such funding agreements outstanding, with $4.5 billion and $6.5 billion of remaining capacity under that program, respectively.

Repurchase agreement transactions

As of June 30, 2022 (Successor) and December 31, 2021 (Successor), the Company participated in third-party repurchase agreements with a notional value of $804 million and $300 million, respectively. As collateral for these transactions, as of June 30, 2022 (Successor) and December 31, 2021 (Successor), the Company posted fixed maturity securities with a fair value and amortized cost of $836 million and $1.0 billion, and $313 million and $317 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 fair value of securities pledged for repurchase agreements by class of collateral and remaining contractual maturity as of June 30, 2022 (Successor) and December 31, 2021 (Successor) is presented in the following tables:

As of June 30, 2022 (Successor)	Overnight	<30 Days	30 - 90 Days	>90 Days	Total
($ in millions)					
Corporate Securities	$ —	$ —	$ 535	$ 301	$ 836
Total borrowing	**$ —**	**$ —**	**$ 535**	**$ 301**	**$ 836**

As of December 31, 2021 (Successor)	Overnight	<30 Days	30 - 90 Days	>90 Days	Total
($ in millions)					
Corporate Securities	$ —	$ —	$ —	$ 313	$ 313
Total borrowing	**$ —**	**$ —**	**$ —**	**$ 313**	**$ 313**

Other

As of June 30, 2022 (Successor) and December 31, 2021 (Successor), the cost or amortized cost and fair value of the assets on deposit with various state and governmental authorities were $184 million and $150 million, and $183 million and $181 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)	Three months ended June 30, 2022 Successor	Three months ended June 30, 2021 Successor	Six months ended June 30, 2022 Successor	Five months ended June 30, 2021 Successor	One month ended January 31, 2021 Predecessor
Fixed maturity securities - interest and other income	$ 780	$ 528	$ 1,497	$ 880	$ 224
Equity securities - dividends and other income	—	(1)	—	(1)	—
Mortgage and other loan receivables	374	247	698	369	74
Income assumed from funds withheld receivable at interest	23	20	43	33	9
Income ceded to funds withheld payable at interest	(238)	(84)	(418)	(113)	(27)
Policy loans	7	17	15	19	1
Investments in transportation and other leased assets	66	53	134	90	18
Investments in renewable energy	45	33	70	34	10
Investments in real estate	30	5	34	6	2
Short-term and other investment income	30	15	50	20	4
Gross investment income[1]	**$ 1,117**	**$ 833**	**$ 2,123**	**$ 1,337**	**$ 315**
Less investment expenses:					
Investment management and administration[2][3]	168	107	342	164	28
Transportation and renewable energy asset depreciation and maintenance	49	46	103	70	21
Interest expense on derivative collateral and repurchase agreements	5	1	6	2	—
Net investment income	**$ 895**	**$ 679**	**$ 1,672**	**$ 1,101**	**$ 266**

(1) Includes income from related parties of $36 million, $61 million, $25 million, $35 million and $5 million for the three and six months ended June 30, 2022 (Successor), three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor), 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 the one month ended January 31, 2021 (Predecessor).

(3) Includes investment management fees paid to KKR, a related party, of $72 million, $133 million, $39 million and $62 million for the three and six months ended June 30, 2022 (Successor) and three and five months ended June 30, 2021 (Successor), respectively.

Net investment-related (losses) gains

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

	Three months ended		Six months ended	Five months ended	One month ended
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	January 31, 2021
($ in millions)	***Successor***	***Successor***	***Successor***	***Successor***	***Predecessor***
Realized gains (losses) on equity investments[1]	$ —	$ 23	$ —	$ 25	$ —
Realized gains (losses) on available-for-sale fixed maturity debt securities	(288)	(27)	(531)	(73)	1
Credit loss allowances on available-for-sale securities	(6)	46	(17)	25	—
Credit loss allowances on mortgage and other loan receivables	(13)	3	(39)	(181)	—
Allowances on unfunded commitments	(10)	3	(3)	(12)	—
OTTI on available-for-sale fixed maturity securities	—	—	—	—	(4)
Unrealized gains (losses) on fixed maturity securities classified as trading[2]	(989)	320	(2,028)	3	(77)
Unrealized gains (losses) on investments recognized under the fair-value option	(39)	59	(41)	47	29
Unrealized gains (losses) on real estate investments recognized under investment company accounting	45	10	123	10	(2)
Net gains (losses) on derivative instruments	855	(120)	1,715	29	3
Realized gains (losses) on funds withheld at interest, payable	29	(12)	2	(19)	(5)
Realized gains (losses) on funds withheld at interest, receivable	(23)	8	3	8	—
Other realized gains (losses)	13	14	21	9	(1)
Net investment-related (losses) gains	**$ (426)**	**$ 327**	**$ (795)**	**$ (129)**	**$ (56)**

(1) Includes gains (losses) from related parties of $— million, $— million, $— million, $— million and $(2) million for the three and six months ended June 30, 2022 (Successor) and three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor), respectively.

(2) Includes gains (losses) from related parties of $(2) million and $(4) million for the three and six months ended June 30, 2022 (Successor), 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 available-for-sale ("AFS") fixed maturity securities were as follows:

	Three months ended		Six months ended	Five months ended	One month ended
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	January 31, 2021
($ in millions)	***Successor***	***Successor***	***Successor***	***Successor***	***Predecessor***
AFS fixed maturity securities:					
Proceeds from voluntary sales	$ 3,934	$ 3,423	$ 10,077	$ 5,326	$ 375
Gross gains	1	16	10	21	3
Gross losses	(286)	(22)	(532)	(73)	(1)

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 $289 million and $151 million as of June 30, 2022 (Successor) and December 31, 2021 (Successor), 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 interest rate swaps to hedge the interest rate risk associated with the $500 million senior unsecured notes due 2029, $650 million senior unsecured notes due 2031, FHLB and FABN funding agreement liabilities in fair value hedges. The 2029 Senior Notes and 2031 Senior Notes are reported in debt and FHLB and FABN funding agreement liabilities are reported in policy liabilities in the consolidated balance sheets and are hedged through their respective maturities. These hedges qualify for the shortcut method of assessing hedge effectiveness.

The following table represents the gains (losses) recognized on derivative instruments and related hedged items in fair value hedging relationship:

Three months ended June 30, 2022 (Successor)	Derivatives	Hedged items	Net
($ in millions)			
2029 Senior Notes	$ (17)	$ 17	$ —
2031 Senior Notes	(30)	30	—
FHLB funding agreement liabilities	(21)	21	—
FABN liabilities	(127)	127	—

Six months ended June 30, 2022 (Successor)	Derivatives	Hedged items	Net
($ in millions)			
2029 Senior Notes	$ (46)	$ 46	$ —
2031 Senior Notes	(71)	71	—
FHLB funding agreement liabilities	(40)	40	—
FABN liabilities	(229)	229	—

Three months ended June 30, 2021 (Successor)	Derivatives	Hedged items	Net
($ in millions)			
2029 Senior Notes	$ 14	$ (14)	$ —
2031 Senior Notes	(3)	3	—
FHLB funding agreement liabilities	(2)	2	—

Five months ended June 30, 2021 (Successor)	Derivatives	Hedged items	Net
($ in millions)			
2029 Senior Notes	$ (12)	$ 12	$ —
2031 Senior Notes	(3)	3	—
FHLB funding agreement liabilities	(7)	7	—

One month ended January 31, 2021 (Predecessor)	Derivatives	Hedged items	Net
($ in millions)			
2029 Senior Notes	$ (10)	$ 10	$ —
FHLB funding agreement liabilities	(2)	2	—

The following table represents the carrying values and fair value adjustments for the hedged items:

	As of June 30, 2022 (Successor)		As of December 31, 2021 (Successor)	
	Carrying value	Fair value of hedge adjustments	Carrying value	Fair value of hedge adjustments
($ in millions)				
2029 Senior Notes	$ 425	$ (68)	$ 474	$ (19)
2031 Senior Notes	567	(83)	644	(6)
FHLB funding agreement liabilities	1,188	(56)	1,071	(16)
FABN liabilities	4,748	(235)	—	—

The Company has designated bond forwards to hedge the interest rate risk associated with the planned purchase of AFS debt securities in cash flow hedges. Regression analysis is used to assess the effectiveness of these hedges. As of June 30, 2022 (Successor) and December 31, 2021 (Successor), there was a cumulative (loss) gain of $(125) million and $9 million on the bond forwards recorded in accumulated other comprehensive loss, respectively. Amounts deferred in accumulated other comprehensive loss 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 July 2021 through December 2027 and are expected to affect earnings until 2052. There were $132 million and $135 million of securities purchased for the three and six months ended June 30, 2022 (Successor), respectively. The Company estimates that the amount of gains/losses in accumulated other comprehensive loss to be reclassified into net income in the next 12 months will not be material.

The Company has designated foreign exchange forward purchase contracts ("FX forwards") 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 AFS fixed maturity securities. Changes in the fair value of the hedged AFS fixed maturity securities due to changes in spot exchange rates are reclassified from AOCI to earnings, which offsets the earnings impact of the spot changes of the FX forwards. The effectiveness of these hedges is assessed using the spot method. Changes in the fair value of the FX forwards related to changes in the spot-forward difference are excluded from the assessment of hedge effectiveness and are deferred in AOCI and recognized in earnings using a systematic and rational method over the life of the FX forwards.

The following table represents the gains (losses) related to the FX forwards hedging instruments:

	Three months ended		Six months ended	Five months ended	One month ended
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	January 31, 2021
($ in millions)	Successor	Successor	Successor	Successor	Predecessor
Net investment-related gains (losses)	$ 77	$ (1)	$ 118	$ 2	$ (1)
AOCI	1	—	19	1	—
Amortization - excluded component	2	—	6	—	—

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

As of June 30, 2022 (Successor)	Notional value	Derivative assets	Derivative liabilities
($ in millions)			
Equity market contracts	$ 33,044	$ 422	$ 108
Interest rate contracts	20,904	276	751
Foreign currency contracts	2,566	156	29
Credit risk contracts	108	—	1
Impact of netting[1]		(225)	(225)
Fair value included within other assets and other liabilities		**629**	**664**
Embedded derivative – indexed universal life products		—	342
Embedded derivative – annuity products		—	1,429
Fair value included within policy liabilities		**—**	**1,771**
Embedded derivative – funds withheld at interest		(25)	(2,583)
Fair value included within total assets and liabilities		**$ 604**	**$ (148)**

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

As of December 31, 2021 (Successor)	Notional value	Derivative assets	Derivative liabilities
($ in millions)			
Equity market contracts	$ 31,294	$ 1,217	$ 186
Interest rate contracts	16,692	199	101
Foreign currency contracts	1,517	32	8
Credit risk contracts	108	—	2
Impact of netting[1]		(152)	(152)
Fair value included within other assets and other liabilities		**1,296**	**145**
Embedded derivative – indexed universal life products		—	557
Embedded derivative – annuity products		—	1,984
Fair value included within policy liabilities		**—**	**2,541**
Embedded derivative – funds withheld at interest		32	(49)
Fair value included within total assets and liabilities		**$ 1,328**	**$ 2,637**

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

Notes to the interim consolidated financial statements (unaudited)

The amounts of derivative gains and losses recognized for the three and six months ended June 30, 2022 (Successor), three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor) are reported in the consolidated statements of income as follows:

Derivative contracts not designated as hedges	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Five months ended June 30, 2021	One month ended January 31, 2021
($ in millions)	***Successor***	***Successor***	***Successor***	***Successor***	***Predecessor***
Net investment-related gains (losses):					
Funds withheld receivable embedded derivatives	$ (33)	$ 22	$ (67)	$ 78	$ 4
Funds withheld payable embedded derivatives	1,364	(368)	2,544	(55)	73
Equity index options	(505)	197	(728)	301	(32)
Equity future contracts	82	(105)	162	(174)	5
Interest rate contracts and other	(74)	132	(224)	(125)	(48)
Credit risk contracts	2	—	—	—	—
Total included in net investment-related gains (losses)	**$ 836**	**$ (122)**	**$ 1,687**	**$ 25**	**$ 2**

Derivative contracts designated as hedges	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Five months ended June 30, 2021	One month ended January 31, 2021
($ in millions)	Successor	Successor	Successor	Successor	Predecessor
Revenues					
Net investment-related gains (losses):					
Foreign currency forwards	$ 19	$ 2	$ 28	$ 4	$ 1
Total included in net investment-related gains	**$ 19**	**$ 2**	**$ 28**	**$ 4**	**$ 1**
Benefits and expenses					
Policy benefits and claims:					
Interest rate swap	$ (125)	$ 1	$ (255)	$ (7)	$ (1)
Total included in policy benefits and claims	**$ (125)**	**$ 1**	**$ (255)**	**$ (7)**	**$ (1)**
Interest expense:					
Interest rate swap	$ (47)	$ 18	$ (118)	$ (7)	$ (8)
Total included in interest expense	**$ (47)**	**$ 18**	**$ (118)**	**$ (7)**	**$ (8)**

As of June 30, 2022 (Successor)	Gross amount recognized	Gross amounts offset in the consolidated balance sheets(1)	Net amounts presented in the consolidated balance sheets	Collateral (received) / pledged	Net amount after collateral
($ in millions)					
Derivative assets (excluding embedded derivatives)	$ 854	$ (225)	$ 629	$ (336)	$ 293
Derivative liabilities (excluding embedded derivatives)	$ 889	$ (225)	$ 664	$ 253	$ 411

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

As of December 31, 2021 (Successor)	Gross amount recognized	Gross amounts offset in the consolidated balance sheets(1)	Net amounts presented in the consolidated balance sheets	Collateral (received) / pledged	Net amount after collateral
($ in millions)					
Derivative assets (excluding embedded derivatives)	$ 1,448	$ (152)	$ 1,296	$ (1,086)	$ 210
Derivative liabilities (excluding embedded derivatives)	$ 297	$ (152)	$ 145	$ 50	$ 95

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

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 June 30, 2022 (Successor)	Level 1	Level 2	Level 3	Total
($ in millions)				
Assets:				
AFS fixed maturity securities:				
U.S. government and agencies	$ 361	$ 94	$ —	$ 455
U.S. state, municipal and political subdivisions	—	4,343	—	4,343
Corporate	—	25,109	10,003	35,112
Structured securities	—	20,641	1,291	21,932
Total AFS fixed maturity securities	**361**	**50,187**	**11,294**	**61,842**
Trading fixed maturity securities:				
U.S. government and agencies	283	65	—	348
U.S. state, municipal and political subdivisions	—	547	—	547
Corporate	—	5,656	1,153	6,809
Structured securities	—	2,904	634	3,538
Total trading fixed maturity securities	**283**	**9,172**	**1,787**	**11,242**
Equity securities	4	—	17	21

As of June 30, 2022 (Successor)	Level 1	Level 2	Level 3	Total
($ in millions)				
Mortgage and other loan receivables[1]	—	—	906	906
Other investments[2]	—	—	4,012	4,012
Funds withheld receivable at interest	—	—	(25)	(25)
Reinsurance recoverable	—	—	1,104	1,104
Derivative assets:				
Equity market contracts	79	343	—	422
Interest rate contracts	14	262	—	276
Foreign currency contracts	—	156	—	156
Impact of netting[3]	(39)	(186)	—	(225)
Total derivative assets	**54**	**575**	**—**	**629**
Separate account assets	4,363	—	—	4,363
Total assets at fair value	**$ 5,065**	**$ 59,934**	**$ 19,095**	**$ 84,094**
Liabilities:				
Policy liabilities	$ —	$ —	$ 454	$ 454
Closed block policy liabilities	—	—	1,136	1,136
Funds withheld payable at interest	—	—	(2,583)	(2,583)
Derivative instruments payable:				
Equity market contracts	26	82	—	108
Interest rate contracts	31	720	—	751
Credit contracts	—	1	—	1
Foreign currency contracts	—	29	—	29
Impact of netting[3]	(39)	(186)	—	(225)
Total derivative instruments payable	**18**	**646**	**—**	**664**
Embedded derivative – indexed universal life products	—	—	342	342
Embedded derivative – annuity products	—	—	1,429	1,429
Total liabilities at fair value	**$ 18**	**$ 646**	**$ 778**	**$ 1,442**

(1) Includes related party balance of $33 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 June 30, 2022 (Successor), the fair value of these investments was $145 million.

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

As of December 31, 2021 (Successor)	Level 1	Level 2	Level 3	Total
($ in millions)				
Assets:				
AFS fixed maturity securities:				
U.S. government and agencies	$ 500	$ 284	$ —	$ 784
U.S. state, municipal and political subdivisions	—	5,110	—	5,110
Corporate	—	33,308	9,170	42,478
Structured securities	—	21,316	835	22,151
Total AFS fixed maturity securities	**500**	**60,018**	**10,005**	**70,523**
Trading fixed maturity securities:				
U.S. government and agencies	371	252	—	623
U.S. state, municipal and political subdivisions	—	879	—	879
Corporate	—	8,504	789	9,293
Structured securities	—	2,781	473	3,254

As of December 31, 2021 (Successor)	Level 1	Level 2	Level 3	Total
($ in millions)				
Total trading fixed maturity securities	**371**	**12,416**	**1,262**	**14,049**
Equity securities	256	—	33	289
Mortgage and other loan receivables(1)	—	—	833	833
Other investments(2)	—	—	1,604	1,604
Funds withheld receivable at interest	—	—	32	32
Reinsurance recoverable	—	—	1,294	1,294
Derivative assets:				
Equity market contracts	67	1,150	—	1,217
Interest rate contracts	44	155	—	199
Foreign currency contracts	—	32	—	32
Impact of netting(3)	(26)	(126)	—	(152)
Total derivative assets	**85**	**1,211**	**—**	**1,296**
Separate account assets	5,586	—	—	5,586
Total assets at fair value	**$ 6,798**	**$ 73,645**	**$ 15,063**	**$ 95,506**
Liabilities:				
Policy liabilities	$ —	$ —	$ 519	$ 519
Closed block policy liabilities	—	—	1,350	1,350
Funds withheld payable at interest	—	—	(49)	(49)
Derivative instruments payable:				
Equity market contracts	34	152	—	186
Interest rate contracts	14	87	—	101
Foreign currency contracts	—	8	—	8
Credit contracts	—	2	—	2
Impact of netting(3)	(26)	(126)	—	(152)
Total derivative instruments payable	**22**	**123**	**—**	**145**
Embedded derivative – indexed universal life products	—	—	557	557
Embedded derivative – annuity products	—	—	1,984	1,984
Total liabilities at fair value	**$ 22**	**$ 123**	**$ 4,361**	**$ 4,506**

(1) Includes related party balance of $27 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 December 31, 2021 (Successor), the fair value of these investments was $109 million.

(3) 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 June 30, 2022 (Successor) and December 31, 2021 (Successor):

As of June 30, 2022 (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	$ 2,086	Discounted cash flows - discount spread	0.00% - 5.73% (WA 2.77%)	Decrease
Structured securities	115	Discounted cash flows - discount spread	3.00% - 6.30% (WA 3.52%)	Decrease
		Discounted cash flows - constant prepayment rate	5.00% - 15.00% (WA 7.31%)	Increase/ Decrease
		Discounted cash flows - constant default rate	1.00% - 2.50% (WA 1.19%)	Decrease
		Discounted cash flows - loss severity	100%	Decrease
Other investments	1,576	Direct capitalization - capitalization rate	5.45%	Decrease
		Direct capitalization - vacancy rate	3.00%	Decrease
		Discounted cash flows - discount yield	8.00%	Decrease
		Discounted cash flow - discount rate	5.00% - 5.25% (WA 5.12%)	Decrease

As of June 30, 2022 (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**
		Discounted cash flow - terminal capitalization rate	3.70% - 4.25% (WA 3.97%)	Decrease
Funds withheld receivable at interest	(25)	Discounted cash flow - duration/ weighted average life	0 - 21.24 years (WA 8.94 years)	Increase
		Discounted cash flow - contractholder persistency	4.5% - 17.5% (WA 7.33%)	Increase
		Nonperformance risk	0.94% - 1.99%	Decrease
Reinsurance recoverable	1,104	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 $5.26 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% - 13.85%.	Increase
		Discounted cash flow - mortality rate	5.46%	Increase
		Discounted cash flow - surrender rate	2.01%	Increase

As of December 31, 2021 (Successor)				
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	$ 1,751	Discounted cash flows - discount spread	0.00% - 4.73% (WA 2.01%)	Decrease
Structured securities	139	Discounted cash flows - discount spread	2.15% - 5.80% (WA 3.01%)	Decrease
		Discounted cash flows - constant prepayment rate	5.00% - 15.00% (WA 7.3%)	Increase/ Decrease
		Discounted cash flows - constant default rate	1.00% - 2.50% (WA 1.17%)	Decrease
		Discounted cash flows - loss severity	100.00%	Decrease
Other investments (single-family rental real estate property)	1,448	Discounted cash flows-capitalization rate	4.95% - 6.05% (WA 5.54%)	Decrease
		Discounted cash flows-vacancy rate	5.00%	Decrease
		Discounted cash flows — discount rate	8.00%	Decrease
Funds withheld receivable at interest	32	Discounted cash flow - duration/weighted average life	0 - 23.2 years (WA 9.88 years)	Increase
		Discounted cash flow - contractholder persistency	3.3% - 17.1% (WA 6.03%)	Increase

As of December 31, 2021 (Successor)				
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% - 1.1%	Decrease
Reinsurance recoverable	1,294	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 $5.26 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% - 13.85%.	Increase
		Discounted cash flow - mortality rate	2.55%	Increase
		Discounted cash flow - surrender rate	5.33%	Increase

As of June 30, 2022 (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	$ 454	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 variability of the cash flows.	Risk margin rate: 0.94% - 2.37%	Decrease
		Policyholder behavior is also a significant unobservable input, including surrender and mortality.	Surrender rate: 3.67% - 5.99%	Decrease
			Mortality rate: 3.64% - 8.67%	Increase
Closed block policy liabilities	1,136	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 $5.26 and $78 per policy, increased by inflation.	Increase
		Nonperformance risk	0.94% - 1.99%	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% - 13.85%.	Increase
		Discounted cash flow - mortality rate	5.46%	Increase
		Discounted cash flow - surrender rate	2.01%	Increase

As of June 30, 2022 (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**
Funds withheld payable at interest	(2,583)	Discounted cash flow - duration/ weighted average life	0 - 18.89 years (WA 8.98 years)	Decrease
		Discounted cash flow - contractholder persistency	4.5% - 17.5% (WA 7.33%)	Decrease
		Nonperformance risk	0.94% - 1.99%	Decrease
Embedded derivative – indexed universal life products	342	Policy persistency is a significant unobservable input.	Lapse rate: 3.95%	Decrease
			Mortality rate: 0.73%	Decrease
		Future costs for options used to hedge the contract obligations	Option budget assumption: 3.65%	Increase
		Nonperformance risk	0.94% - 1.99%	Decrease
Embedded derivative – annuity products	1,429	Policyholder behavior is a significant unobservable input, including utilization and lapse.	Utilization: Fixed-indexed annuity WA 4.04%; Variable annuity: 2.38% - 34.71% (WA 4.24%)	Decrease
			Surrender rate: Fixed-indexed annuity WA 11.05%; Variable annuity: 3.52% - 39.96%	Decrease
			Mortality rate: Fixed-indexed annuity WA 2.02%; Variable annuity: 1.40% - 7.43%	Decrease
		Future costs for options used to hedge the contract obligations	Option budget assumption: Retail FIA WA 1.54%; Institutional FIA WA 2.14%; Variable annuity: n/a	Increase
		Nonperformance risk	0.94% - 1.99%	Decrease

As of December 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	$ 519	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: 0.37% - 1.25%	Decrease
		Policyholder behavior is also a significant unobservable input, including lapse, surrender and mortality.	Surrender rate: 3.1% - 7.09%	Decrease
			Mortality rate: 3.73% - 8.34%	Increase

As of December 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**
Closed block policy liabilities	1,350	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 $5.26 and $78 per policy, increased by inflation.	Increase
		Nonperformance risk	0.37% - 1.1%	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% - 13.85%.	Increase
		Discounted cash flow - mortality rate	2.55%	Increase
		Discounted cash flow - surrender rate	5.33%	Increase
Funds withheld payable at interest	(49)	Discounted cash flow - duration/ weighted average life	0 - 20.3 years (WA 9.87 years)	Decrease
		Discounted cash flow - contractholder persistency	3.3% - 17.1% (WA 6.03%)	Decrease
		Nonperformance risk	0.37% - 1.1%	Decrease
Embedded derivative – indexed universal life products	557	Policy persistency is a significant unobservable input.	Lapse rate: 3.71%	Decrease
			Mortality rate: 0.68%	Decrease
		Future costs for options used to hedge the contract obligations	Option budget assumption: 3.6%	Increase
		Nonperformance risk	0.37% - 1.1%	Decrease
Embedded derivative – annuity products	1,984	Policyholder behavior is a significant unobservable input, including utilization and lapse.	Utilization: Fixed-indexed annuity WA 3.69%; Variable annuity: 2.3% - 33.23% (WA 4.23%)	Decrease
			Surrender rate: Fixed-indexed annuity WA 10.13%; Variable annuity: 3.86% - 41.56%	Decrease
			Mortality rate: Fixed-indexed annuity WA 1.97%; Variable annuity: 1.36% - 7.44%	Decrease
		Future costs for options used to hedge the contract obligations	Option budget assumption: Retail FIA WA 1.61%; Institutional FIA WA 2.03%; Variable annuity: n/a	Increase
		Nonperformance risk	0.37% - 1.1%	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 three and six months ended June 30, 2022 (Successor), three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor), respectively. The tables reflect gains and losses for all assets and liabilities categorized as Level 3 for the three and six months ended June 30, 2022 (Successor), three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor):

Three months ended June 30, 2022 (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	$ 9,482	$ (64)	$ (153)	$ 803	$ (65)	$ 10,003	$ —	$ (154)
Structured securities	1,389	(6)	(50)	(43)	1	1,291	—	(50)
Total AFS fixed maturity securities	**10,871**	**(70)**	**(203)**	**760**	**(64)**	**11,294**	**—**	**(204)**
Trading fixed maturity securities:								
Corporate fixed maturity securities	1,074	(37)	—	129	(13)	1,153	(37)	—
Structured securities	685	(33)	—	(22)	4	634	(33)	—
Total trading fixed maturity securities	**1,759**	**(70)**	**—**	**107**	**(9)**	**1,787**	**(70)**	**—**
Equity securities	33	(16)	—	—	—	17	(16)	—
Mortgage and other loan receivables	1,008	(27)	—	(75)	—	906	(26)	—
Other investments	3,621	24	—	367	—	4,012	29	—
Funds withheld receivable at interest	8	(33)	—	—	—	(25)	—	—
Reinsurance recoverable	1,232	(129)	—	1	—	1,104	—	—
Total assets	**$ 18,532**	**$ (321)**	**$ (203)**	**$ 1,160**	**$ (73)**	**$ 19,095**	**$ (83)**	**$ (204)**

Liabilities:								
Policy liabilities	$ 466	$ (12)	$ —	$ —	$ —	$ 454	$ —	$ —
Closed block policy liabilities	1,270	(136)	2	—	—	1,136	—	—
Funds withheld payable at interest	(1,219)	(1,364)	—	—	—	(2,583)	—	—
Embedded derivative – indexed universal life products	512	(170)	—	—	—	342	—	—
Embedded derivative – annuity products	1,778	(508)	—	159	—	1,429	—	—
Total liabilities	**$ 2,807**	**$ (2,190)**	**$ 2**	**$ 159**	**$ —**	**$ 778**	**$ —**	**$ —**

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

($ in millions)	Three months ended June 30, 2021 (Successor)							
		Net realized and unrealized gains / losses included in					Total unrealized gains / losses included in	
	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	$ 3,725	$ —	$ 7	$ 267	$ 19	$ 4,018	$ —	$ 8
Structured securities	193	—	1	(18)	—	176	—	—
Total AFS fixed maturity securities	**3,918**	**—**	**8**	**249**	**19**	**4,194**	**—**	**8**
Trading fixed maturity securities:								
Corporate fixed maturity securities	728	—	—	281	—	1,009	3	—
Structured securities	23	—	—	(2)	—	21	—	—
Total trading fixed maturity securities	**751**	**—**	**—**	**279**	**—**	**1,030**	**3**	**—**
Equity securities	70	27	—	—	—	97	27	—
Mortgage and other loan receivables	1,182	1	—	42	—	1,225	—	—
Other investments	438	36	—	13	5	492	35	—
Funds withheld receivable at interest	56	22	—	—	—	78	—	—
Reinsurance recoverable	1,318	(30)	—	—	—	1,288	—	—
Total assets	**$ 7,733**	**$ 56**	**$ 8**	**$ 583**	**$ 24**	**$ 8,404**	**$ 65**	**$ 8**
Liabilities:								
Policy liabilities	$ 566	$ (18)	$ —	$ —	$ —	$ 548	$ —	$ —
Closed block policy liabilities	1,367	(29)	4	—	—	1,342	—	—
Funds withheld payable at interest	(313)	368	—	—	—	55	—	—
Embedded derivative – indexed universal life products	434	61	—	—	—	495	—	—
Embedded derivative – annuity products	985	456	—	80	—	1,521	—	—
Total liabilities	**$ 3,039**	**$ 838**	**$ 4**	**$ 80**	**$ —**	**$ 3,961**	**$ —**	**$ —**

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

	Six months ended June 30, 2022 (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	$ 9,170	$ (61)	$ (226)	$ 1,185	$ (65)	$ 10,003	$ —	$ (206)
Structured securities	835	(9)	(65)	186	344	1,291	—	(75)
Total AFS fixed maturity securities	**10,005**	**(70)**	**(291)**	**1,371**	**279**	**11,294**	**—**	**(281)**
Trading fixed maturity securities:								
Corporate fixed maturity securities	789	(47)	—	455	(44)	1,153	(47)	—
Structured securities	473	(42)	—	122	81	634	(43)	—
Total trading fixed maturity securities	**1,262**	**(89)**	**—**	**577**	**37**	**1,787**	**(90)**	**—**
Equity securities	33	(16)	—	—	—	17	(16)	—
Mortgage and other loan receivables	833	(55)	—	128	—	906	(41)	—
Other investments	1,604	120	—	2,288	—	4,012	94	—
Funds withheld receivable at interest	32	(67)	—	10	—	(25)	—	—
Reinsurance recoverable	1,294	(177)	—	(13)	—	1,104	—	—
Total assets	**$ 15,063**	**$ (354)**	**$ (291)**	**$ 4,361**	**$ 316**	**$ 19,095**	**$ (53)**	**$ (281)**
Liabilities:								
Policy liabilities	$ 519	$ (65)	$ —	$ —	$ —	$ 454	$ —	$ —
Closed block policy liabilities	1,350	(207)	6	(13)	—	1,136	—	—
Funds withheld payable at interest	(49)	(2,544)	—	10	—	(2,583)	—	—
Embedded derivative – indexed universal life products	557	(218)	—	3	—	342	—	—
Embedded derivative – annuity products	1,984	(821)	—	266	—	1,429	—	—
Total liabilities	**$ 4,361**	**$ (3,855)**	**$ 6**	**$ 266**	**$ —**	**$ 778**	**$ —**	**$ —**

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

($ in millions)	Five months ended June 30, 2021 (Successor)							
		Net realized and unrealized gains / losses included in					Total unrealized gains / losses included in	
	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	$ 3,505	$ —	$ (18)	$ 512	$ 19	$ 4,018	$ —	$ (11)
Structured securities	198	—	(2)	(20)	—	176	—	—
Total AFS fixed maturity securities	**3,703**	**—**	**(20)**	**492**	**19**	**4,194**	**—**	**(11)**
Trading fixed maturity securities:								
Corporate fixed maturity securities	677	(4)	—	336	—	1,009	(4)	—
Structured securities	15	—	—	6	—	21	—	—
Total trading fixed maturity securities	**692**	**(4)**	**—**	**342**	**—**	**1,030**	**(4)**	**—**
Equity securities	67	30	—	—	—	97	30	—
Mortgage and other loan receivables	929	6	—	290	—	1,225	8	—
Other investments	437	37	—	13	5	492	36	—
Funds withheld receivable at interest	—	77	—	1	—	78	—	—
Reinsurance recoverable	—	1,288	—	—	—	1,288	—	—
Total assets	**$ 5,828**	**$ 1,434**	**$ (20)**	**$ 1,138**	**$ 24**	**$ 8,404**	**$ 70**	**$ (11)**
Liabilities:								
Policy liabilities	$ 638	$ (90)	$ —	$ —	$ —	$ 548	$ —	$ —
Closed block policy liabilities	1,396	(55)	1	—	—	1,342	—	—
Funds withheld payable at interest	59	(4)	—	—	—	55	—	—
Embedded derivative – indexed universal life products	387	109	—	(1)	—	495	—	—
Embedded derivative – annuity products	1,025	371	—	125	—	1,521	—	—
Total liabilities	**$ 3,505**	**$ 331**	**$ 1**	**$ 124**	**$ —**	**$ 3,961**	**$ —**	**$ —**

(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 June 30, 2022 (Successor)	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
($ in millions)					
Assets:					
AFS fixed maturity securities:					
Corporate fixed maturity securities	$ 1,196	$ —	$ (148)	$ (245)	$ 803
Structured securities	122	—	—	(165)	(43)
Total AFS fixed maturity securities	**1,318**	**—**	**(148)**	**(410)**	**760**
Trading fixed maturity securities:					
Corporate fixed maturity securities	170	—	(23)	(18)	129
Structured securities	41	—	—	(63)	(22)
Total trading fixed maturity securities	**211**	**—**	**(23)**	**(81)**	**107**
Mortgage and other loan receivables	13	—	(7)	(81)	(75)
Other investments	641	—	(274)	—	367
Reinsurance recoverable	—	—	—	1	1
Total assets	**$ 2,183**	**$ —**	**$ (452)**	**$ (571)**	**$ 1,160**
Liabilities:					
Embedded derivative – indexed universal life products	$ —	$ 3	$ —	$ (3)	$ —
Embedded derivative – annuity products	—	159	—	—	159
Total liabilities	**$ —**	**$ 162**	**$ —**	**$ (3)**	**$ 159**

Three months ended June 30, 2021 (Successor)	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
($ in millions)					
Assets:					
AFS fixed maturity securities:					
Corporate fixed maturity securities	$ 1,629	$ —	$ (31)	$ (1,331)	$ 267
Structured securities	—	—	—	(18)	(18)
Total AFS fixed maturity securities	**1,629**	**—**	**(31)**	**(1,349)**	**249**
Trading fixed maturity securities:					
Corporate fixed maturity securities	283	—	—	(2)	281
Structured securities	—	—	—	(2)	(2)
Total trading fixed maturity securities	**283**	**—**	**—**	**(4)**	**279**
Mortgage and other loan receivables	61	—	(11)	(8)	42
Other investments	13	—	—	—	13
Total assets	**$ 1,986**	**$ —**	**$ (42)**	**$ (1,361)**	**$ 583**
Liabilities:					
Embedded derivative – indexed universal life products	$ —	$ 4	$ —	$ (4)	$ —
Embedded derivative – annuity products	—	80	—	—	80
Total liabilities	**$ —**	**$ 84**	**$ —**	**$ (4)**	**$ 80**

Six months ended June 30, 2022 (Successor)	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
($ in millions)					
Assets:					
AFS fixed maturity securities:					
Corporate fixed maturity securities	$ 2,788	$ —	$ (206)	$ (1,397)	$ 1,185
Structured securities	354	—	—	(168)	186
Total AFS fixed maturity securities	**3,142**	**—**	**(206)**	**(1,565)**	**1,371**
Trading fixed maturity securities:					
Corporate fixed maturity securities	523	—	(23)	(45)	455
Structured securities	196	—	—	(74)	122
Total trading fixed maturity securities	**719**	**—**	**(23)**	**(119)**	**577**
Mortgage and other loan receivables	233	—	(7)	(98)	128
Other investments	2,562	—	(274)	—	2,288
Funds withheld receivable at interest	—	10	—	—	10
Reinsurance recoverable	—	—	—	(13)	(13)
Total assets	**$ 6,656**	**$ 10**	**$ (510)**	**$ (1,795)**	**$ 4,361**
Liabilities:					
Closed block policy liabilities	$ —	$ —	$ —	$ (13)	$ (13)
Funds withheld payable at interest	—	10	—	—	10
Embedded derivative – indexed universal life products	—	12	—	(9)	3
Embedded derivative – annuity products	—	266	—	—	266
Total liabilities	**$ —**	**$ 288**	**$ —**	**$ (22)**	**$ 266**

Five months ended June 30, 2021 (Successor)	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
($ in millions)					
Assets:					
AFS fixed maturity securities:					
Corporate fixed maturity securities	$ 1,917	$ —	$ (34)	$ (1,371)	$ 512
Structured securities	—	—	—	(20)	(20)
Total AFS fixed maturity securities	**1,917**	**—**	**(34)**	**(1,391)**	**492**
Trading fixed maturity securities:					
Corporate fixed maturity securities	340	—	—	(4)	336
Structured securities	8	—	—	(2)	6
Total trading fixed maturity securities	**348**	**—**	**—**	**(6)**	**342**
Mortgage and other loan receivables	316	—	(16)	(10)	290
Other investments	13	—	—	—	13
Funds withheld receivable at interest	—	1	—	—	1
Total assets	**$ 2,594**	**$ 1**	**$ (50)**	**$ (1,407)**	**$ 1,138**
Liabilities:					
Embedded derivative – indexed universal life products	$ —	$ 10	$ —	$ (11)	$ (1)
Embedded derivative – annuity products	—	125	—	—	125
Total liabilities	**$ —**	**$ 135**	**$ —**	**$ (11)**	**$ 124**

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:					
Policyholder liabilities	$ —	$ —	$ —	$ (1)	$ (1)
Embedded derivative – indexed universal life products	—	13	—	(15)	(2)
Embedded derivative – annuity products	—	16	—	—	16
Total liabilities	**$ —**	**$ 29**	**$ —**	**$ (16)**	**$ 13**

Fair-value option

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

($ in millions)	June 30, 2022 Successor	December 31, 2021 Successor
Assets		
Mortgage and other loan receivables	$ 906	$ 833
Other investments	184	148
Reinsurance recoverable	1,104	1,294
Total assets	**$ 2,194**	**$ 2,275**
Liabilities		
Policy liabilities	$ 1,590	$ 1,870
Total liabilities	**$ 1,590**	**$ 1,870**

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:

	Three months ended		Six months ended	Five months ended	One month ended
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	January 31, 2021
($ in millions)	Successor	Successor	Successor	Successor	Predecessor
Assets					
Mortgage and other loan receivables	$ (27)	$ (2)	$ (54)	$ 6	$ (2)
Funds withheld receivable at interest	—	—	—	—	(6)
Other investments	10	32	38	36	—
Total assets	**$ (17)**	**$ 30**	**$ (16)**	**$ 42**	**$ (8)**
Liabilities					
Policy liabilities	$ 2	$ (20)	$ 44	$ (86)	$ 4
Total liabilities	**$ 2**	**$ (20)**	**$ 44**	**$ (86)**	**$ 4**

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)	Six months ended June 30, 2022 Successor	Five months ended June 30, 2021 Successor	One month ended January 31, 2021 Predecessor
Balance, as of beginning of period	**$ 448**	**$ —**	**$ 1,567**
Acquisition/reinsurance	—	1	(3)
Deferrals	244	201	42
Amortized to expense during the period(1)	(41)	(5)	(40)
Adjustment for unrealized investment-related (gains) losses during the period	(27)	2	26
Balance, as of end of period	**$ 624**	**$ 199**	**$ 1,592**

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

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

($ in millions)	Six months ended June 30, 2022 Successor	Five months ended June 30, 2021 Successor	One month ended January 31, 2021 Predecessor
Balance, as of beginning of period	**$ 959**	**$ 1,025**	**$ 280**
Amortized to expense during the period(1)	(34)	(30)	(4)
Adjustment for unrealized investment losses (gains) during the period	—	—	4
Balance, as of end of period	**$ 925**	**$ 995**	**$ 280**

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

The following reflects the changes to the negative VOBA liability:

($ in millions)	Six months ended June 30, 2022 Successor	Five months ended June 30, 2021 Successor
Balance, as of beginning of period	**$ 1,119**	**$ 1,273**
Amortized to expense during the period(1)	(70)	(76)
Balance, as of end of period	**$ 1,049**	**$ 1,197**

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

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

($ in millions)	Six months ended June 30, 2022 Successor	Five months ended June 30, 2021 Successor	One month ended January 31, 2021 Predecessor
Balance, as of beginning of period	**$ 34**	**$ —**	**$ 79**
Deferrals	35	25	12
Amortized to revenue during the period[(1)]	(14)	(2)	(6)
Adjustment for unrealized investment (gains) losses during the period	(55)	—	5
Balance, as of end of period	**$ —**	**$ 23**	**$ 90**

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

7. Debt

Debt was comprised of the following:

($ in millions, except interest rates)	June 30, 2022 (Successor) Amount	June 30, 2022 (Successor) Rate	December 31, 2021 (Successor) Amount	December 31, 2021 (Successor) Rate
Revolving credit facility, due August 2026[(1)]	$ 200	2.56 %	$ —	— %
Senior notes, due October 2029[(1)]	500	4.40 %	500	4.40 %
Senior notes, due June 2031	650	3.13 %	650	3.13 %
Subordinated debentures, due October 2051	750	4.70 %	750	4.70 %
Total debt – principal	**2,100**		**1,900**	
Purchase accounting adjustments[(1)]	45		51	
Debt issuance costs, net of accumulated amortization[(2)]	(18)		(19)	
Fair value gain of hedged senior notes, recognized in net income	(152)		(24)	
Total debt	**$ 1,975**		**$ 1,908**	

(1) The amortization of the purchase accounting adjustment related to the acquired senior notes was less than $1 million, $6 million, $1 million, $3 million and less than $1 million for the three and six months ended June 30, 2022 (Successor), three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor), respectively.

(2) The amortization of the debt issuance costs was less than $1 million for the three and six months ended June 30, 2022 (Successor), three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor).

Debt Covenants

Borrowings of the Company contain various debt covenants. These covenants do not, in management's opinion, materially restrict the Company's operating business or investment strategies as of June 30, 2022 (Successor). The Company was in compliance with such debt covenants in all material respects as of June 30, 2022 (Successor).

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

Other assets consist of the following:

($ in millions)	June 30, 2022 Successor	December 31, 2021 Successor
Unsettled investment sales[(1)]	$ 2,321	$ 941
Deferred tax asset[(2)]	2,242	756
Derivative assets	629	1,296
Goodwill[(3)]	501	501
Intangible assets and deferred sales inducements	285	294
Operating lease right-to-use assets[(4)]	194	178
Current income tax recoverable	188	104
Miscellaneous assets	137	97
Premiums and other account receivables	124	87
Total other assets	**$ 6,621**	**$ 4,254**

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

(2) Deferred tax assets of $756 million reflect the step-up in basis of assets and liabilities at GA Acquisition Date fair value recognized under purchase accounting as of December 31, 2021 (Successor).

(3) The Company reported a negative equity carrying amount as of June 30, 2022 primarily due to unrealized losses on available-for-sale fixed maturity investment portfolio. The Company does not expect these unrealized losses to be realized as it intends to hold these investments to maturity as part of its asset liability cash-flow matching strategy. The Company evaluated qualitative factors, including market and economic conditions, industry-specific events and company-specific financial results, and determined that it was not more likely than not that goodwill was impaired.

(4) 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 $6 million, $12 million, $4 million, $7 million and $1 million for the three and six months ended June 30, 2022 (Successor), three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor), respectively.

The definite life intangible assets are amortized by using the straight-line method over the useful life of the assets which is 16. The indefinite life intangible assets are not subject to amortization. The amortization expense of definite life intangible assets was $5 million, $9 million, $5 million, $7 million and less than $1 million for the three and six months ended June 30, 2022 (Successor), three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor), respectively.

Other liabilities consist of the following:

($ in millions)	June 30, 2022 Successor	December 31, 2021 Successor
Unsettled investment purchases[(1)]	$ 2,298	$ 396
Accrued expenses[(2)]	1,011	840
Securities sold under agreements to repurchase	805	300
Derivative liabilities	664	145
Collateral on derivative instruments	336	1,086
Operating lease liabilities[(3)]	217	201
Accrued employee related expenses	205	237
Tax payable to former parent company	66	74
Interest payable	13	13
Accounts and commissions payables	9	26
Other tax related liabilities	7	14
Total other liabilities	**$ 5,631**	**$ 3,332**

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

(2) Includes related party balances of $75 million and $53 million as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively.

(3) Operating leases for office space have remaining lease terms that range from approximately 1 year to 11 years, some of which include options to extend the leases for up to 10 years. The weighted average remaining lease terms was 6.7 years and 7.8 years as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively. The weighted average discount rate was 3.1% and 2.9% as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively.

Other income consists of the following:

	Three months ended		Six months ended	Five months ended	One month ended
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	January 31, 2021
($ in millions)	Successor	Successor	Successor	Successor	Predecessor
Administrative, marketing and distribution fees	$ 16	$ 15	$ 33	$ 24	$ 5
Miscellaneous income	—	—	1	—	—
Reinsurance expense allowance	16	17	33	26	3
Total other income	**$ 32**	**$ 32**	**$ 67**	**$ 50**	**$ 8**

Insurance expenses consist of the following:

	Three months ended		Six months ended	Five months ended	One month ended
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	January 31, 2021
($ in millions)	Successor	Successor	Successor	Successor	Predecessor
Commission expense	$ 93	$ 57	$ 165	$ 88	$ 15
Reinsurance expense allowance	23	22	47	34	4
Premium taxes	5	5	10	8	2
Other insurance expenses[(1)]	10	18	26	24	3
Total insurance expenses	**$ 131**	**$ 102**	**$ 248**	**$ 154**	**$ 24**

(1) Includes related party balances of $— million, $0 million, $3 million, $4 million and $1 million for the three and six months ended June 30, 2022 (Successor), three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor), respectively.

General, administrative and other expenses consist of the following:

	Three months ended		Six months ended	Five months ended	One month ended
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	January 31, 2021
($ in millions)	Successor	Successor	Successor	Successor	Predecessor
Employee-related expenses	$ 127	$ 85	$ 253	$ 137	$ 47
Administrative and professional services	46	47	90	74	(32)
Miscellaneous operating expenses[(1)]	—	(4)	—	(3)	5
Total general, administrative, and other expenses	**$ 173**	**$ 128**	**$ 343**	**$ 208**	**$ 20**

(1) Includes related party balances of $3 million, $5 million, $— million, $— million and $— million for the three and six months ended June 30, 2022 (Successor), three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor), respectively.

9. Accumulated other comprehensive income

Information regarding amounts reclassified out of each component of accumulated other comprehensive loss for the three and six months ended June 30, 2022 (Successor), three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor) were as follows:

Components of accumulated other comprehensive income (loss)	Consolidated statements of income and consolidated statements of comprehensive income (loss) location	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Five months ended June 30, 2021	One month ended January 31, 2021
($ in millions)		***Successor***	***Successor***	***Successor***	***Successor***	***Predecessor***
Net unrealized investment gains (losses) on AFS fixed maturity securities and other investments:						
Net unrealized investment gains (losses)	Net investment-related (losses) gains					
Net unrealized investment gains (losses), before income tax		$ (294)	$ 20	$ (548)	$ (47)	$ 1
Income tax expense (benefit)		(58)	2	(107)	(11)	—
Net unrealized investment gains (losses), net of income tax, reclassified		**$ (236)**	**$ 18**	**$ (441)**	**$ (36)**	**$ 1**

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 $81 million and $82 million as of June 30, 2022 (Successor) and December 31, 2021 (Successor), 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 June 30, 2022 (Successor) and December 31, 2021 (Successor), the estimated redemption value that would be due at the respective redemption dates is $5 million.

11. Equity-based compensation plans

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

	Three months ended		Six months ended	Five months ended	One month ended
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	January 31, 2021
($ in millions)	***Successor***	***Successor***	***Successor***	***Successor***	***Predecessor***
Book-value awards	$ 13	$ 10	$ 31	$ 17	$ —
KKR restricted stock units	2	1	4	1	—
Service-based restricted share awards, or "RSAs"	—	—	—	—	2
Stock appreciation rights awards, or "SARs"	—	—	—	—	5
Carried incentive unit awards	1	1	2	2	14
Total equity-based compensation expense	**$ 16**	**$ 12**	**$ 37**	**$ 20**	**$ 21**
Management equity plan awards	$ 10	$ —	$ 27	$ —	$ —
Total deferred compensation expense	**$ 10**	**$ —**	**$ 27**	**$ —**	**$ —**
Deferred tax asset	$ —	$ —	$ —	$ 1	$ —

No equity-based compensation costs were capitalized during the three and six months ended June 30, 2022 (Successor), three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor).

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 June 30, 2022 (Successor) and December 31, 2021 (Successor):

	June 30, 2022 (Successor)		December 31, 2021 (Successor)	
	Expense	Weighted average period (years)	Expense	Weighted average period (years)
($ in millions, except weighted average)				
Book-value awards	$ 97	2.48	$ 100	2.67
KKR restricted stock unit awards	43	2.49	7	2.76
Carried incentive unit awards	2	0.59	4	1.09
Unrecognized compensation expense, as of end of period	**$ 142**		**$ 111**	

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 (Predecessor):

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 KKR 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.

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."

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.

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

On February 1, 2021, immediately following the close of the KKR 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 Life and Annuity Incentive Interest Merger Consideration minus the Life and Annuity Incentive Interest Escrow Amount, each as defined in the Merger Agreement.

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. On June 28, 2021, the SARs Value Holdback Amount was released to the holders, net of all applicable withholding taxes deducted.

As of both June 30, 2022 (Successor) and December 31, 2021 (Successor), there were no SARs or Carried Interest units outstanding.

Post-combination service expense of $8 million, related to the cash proceeds in escrow of certain Carried Interest units for which continuing service through the second anniversary of the Acquisition Date is required, is being recognized over the two-year service period commencing February 1, 2021. As of June 30, 2022 (Successor) and December 31, 2021 (Successor), there was approximately $2 million and $4 million of unamortized compensation expense related to the carried interest settlement proceeds under escrow, respectively.

KKR equity incentive plans

Service-vesting awards

Employees of Global Atlantic may become eligible for the grant of KKR restricted stock units, or "RSUs," under the terms of KKR's 2019 Equity Incentive Plan. Awards are generally subject to service-based vesting, typically over a five-year vesting period. Expense associated with these RSUs 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 six and five months ended June 30, 2022 (Successor) and 2021 (Successor):

	Six months ended June 30, 2022 (Successor)		Five months ended June 30, 2021 (Successor)	
	RSUs (shares)	Weighted average grant date fair value per share	RSUs (shares)	Weighted average grant date fair value per share
Outstanding balance, as of beginning of period	**281,160**	**$ 38.03**	**—**	**$ —**
Granted	641,061	68.72	324,323	38.03
Forfeited	(21,332)	39.72	(24,014)	38.03
Vested	(764)	40.12	(302)	38.03
Transfers in (out)	(502)	41.67	—	—
Outstanding balance, as of end of period	**899,623**	**$ 59.86**	**300,007**	**$ 38.03**

Market condition awards

Under the terms of KKR's 2019 Equity Incentive Plan, on July 1, 2021 KKR issued 208,482 unvested profits interests (the "units") in the KKR Group Partnership (exchangeable for KKR & Co. Inc common stock) to certain Global Atlantic employees, with the number of such awards that may potentially vest depending upon the market price of KKR common stock reaching and maintaining a 20-day average closing price of $60, $65, and $70 (the "market conditions"), respectively, on or prior to May 1, 2026. The units are equity-classified and will be settled in shares exchangeable on a 1:1 basis with KKR & Co. Inc. common stock, based on a fixed number of units. Employees are not required to remain employed through the time each market condition is achieved in order to vest in the units, however, for any market conditions not achieved, that portion of the unvested units will be automatically canceled and forfeited. Irrespective of whether market conditions are achieved prior to May 1, 2026, the units do not vest and become exercisable until May 1, 2026.

The weighted-average grant date fair value of the units was $50.52 per unit, as determined using a Monte Carlo simulation, for a total fair value of $11 million, which was fully expensed in the period ended December 31, 2021. As of June 30, 2022, no new awards of this kind have been granted.

Below is a summary of the significant assumptions used to estimate the grant date fair value of these market condition awards:

Significant assumptions	Rate
Closing KKR share price as of valuation date	$ 59.75
Risk free rate	0.86 %
Volatility	30.00 %
Dividend yield	0.97 %
Expected cost of capital	9.25 %

As of June 30, 2022 (Successor) and December 31, 2021 (Successor), all 208,482 of these units have met their market conditions for vesting. As of June 30, 2022 (Successor), no additional market-condition awards have been granted.

Liability-classified awards

Book-value awards

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

The Book Value Plan authorizes the grant of cash-settled awards, or "BVAs," representing the right to receive one or more payments 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 BVA 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 expected 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 are expressed in dollars and 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. Expense for outstanding BVAs is remeasured at each reporting period until the awards are settled or forfeited, net of an estimated forfeiture rate of 4%.

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

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 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%.

The Company generally grants BVAs on an annual basis in connection with its Book Value Plan and periodically as approved by the Plan Administrator. Such awards 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 records expense over the life of the awards, with remeasurement of expense at each reporting period, until the awards are settled or forfeited. Expense related to forfeited awards is reversed in the period of forfeiture.

On February 28, 2022, BVAs having an aggregate value of approximately $38 million vested as set forth in the original GAFG grant agreements and resulted in a cash payment of an aggregate $26 million to participants, net of applicable tax withholdings.

On February 29, 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.

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 six and five months ended June 30, 2022 (Successor) and 2021 (Successor):

($ in millions)	Six months ended June 30, 2022 Successor	Five months ended June 30, 2021 Successor
Outstanding amount, as of beginning of period	**$ 145**	**$ —**
RSAs converted to book-value awards on February 1, 2021	—	89
Granted	22	56
Forfeited	(4)	(4)
Vested and cash-settled	(49)	(31)
Outstanding amount, as of end of period	**$ 114**	**$ 110**

Other deferred compensation plans

Management equity incentive plan awards

On June 24, 2021, TGAFG issued 1,000 non-voting incentive shares to a Bermuda exempted partnership owned by certain Global Atlantic employees, who are eligible to receive incentive units under Global Atlantic's Senior Management Equity Incentive Plan ("GA Equity Incentive Plan"). These incentive units represent an interest in the receipt of certain amounts based on Global Atlantic's book value, market value, and AUM, in each case as derived in part from the value of TGAFG's fully-diluted equity shares.

On June 24, 2021, Global Atlantic granted approximately 808 incentive units under the GA Equity Incentive Plan. The book value component of the incentive units vests 20% per year on the anniversary of the GA Acquisition Date, as long as the grantee remains then employed, and will be settled in cash. The market value and AUM components of the incentive units cliff vest upon the earlier to occur of (i) the fifth (5th) anniversary of the GA Acquisition Date, or (ii) a change of control, and will be settled in a variable number of TGAFG's non-voting common shares. TGAFG shares issued under the AUM component of the Plan are exchangeable for shares of KKR. Except in the event of termination due to death or disability, generally, unvested market value and AUM amounts are forfeited upon a termination of employment.

The GA Equity Incentive Plan is accounted for as a hybrid compensation plan, consisting of one component most closely aligned with a profit-sharing plan under ASC 710, Compensation - General, as well as other components within scope of ASC 718, Compensation - Stock Compensation, in all cases with obligations liability-classified. Accordingly, with regard to awards within scope of ASC 710, Global Atlantic records expense based on payouts deemed to be probable and reasonably estimable based on the book value growth of Global Atlantic at the grant date and at each reporting period. For award components subject to liability-classification under ASC 718, Global Atlantic records expense, net of a 0% estimated forfeiture rate, based on the fair value of awards granted, with periodic adjustments to expense for changes in fair value, over the requisite 5-year service period.

The aggregate value of the GA Equity Incentive Plan awards at the initial date of grant was $197 million, based on the intrinsic value of the book value component at the date of grant ($5 million) and the fair value of the market value and assets under management, or

"AUM," components at the date of grant ($192 million, collectively), based on management's best estimate of ultimate book value growth and projected AUM and book value growth, respectively, over the 5-year vesting schedule. A forfeiture rate of 0% is applied for each component. Expense is remeasured accordingly at each reporting period and adjusted as needed until the awards are forfeited or settled.

During both the three and six months ended June 30, 2022 (Successor), no incentive units were granted to employees and approximately 8 incentive units were forfeited. As of June 30, 2022 (Successor) and December 31, 2021 (Successor), there were approximately 823 and 831 incentive units outstanding under the Plan, respectively.

The Company recorded compensation expense of $10 million and $27 million for the three and six months ended June 30, 2022 (Successor), respectively, related to periodic change in expense for Units granted under the MEP, with a corresponding offset to other liabilities, respectively. As of June 30, 2022 (Successor) and December 31, 2021 (Successor), there was approximately $92 million and $104 million of unrecognized expense related to the GA Units granted under the GA Equity Incentive Plan with a weighted average service period remaining of 3.59 and 4.09 years, respectively.

12. Income taxes

The provision for income taxes represents federal and state income taxes. The effective tax rate for the three and six months ended June 30, 2022 (Successor), three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor) was 20.2%, 19.5%, 1.2%, (187.2)% and 22.2%, respectively. The effective tax rate on income before income taxes for the three and six months ended June 30, 2022 (Successor), three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor) differs from the U.S. federal statutory rate primarily due to certain Bermuda-based earnings, separate account dividends-received deductions and investment tax credits. Investment tax credits decreased the rates in 2021, however, are not applicable in 2022.

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.

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 0.5% to 5.0% depending on the term. As of June 30, 2022 (Successor), the Company has a right-to-use asset of $195 million (net of $22 million in deferred rent and lease incentives) and a corresponding lease liability of $217 million. As of December 31, 2021 (Successor), the Company has a right-to-use asset of $178 million (net of $23 million in deferred rent and lease incentives) and a corresponding lease liability of $201 million.

The Company has commitments to purchase or fund investments of $2.4 billion and $2.0 billion as of June 30, 2022 (Successor) and December 31, 2021 (Successor), 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 $25 million for current expected credit losses as of June 30, 2022 (Successor).

In addition, the Company has entered into certain forward flow agreements 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 $750 million Subordinated Debentures due 2051 issued by FinCo, the Company has agreed to fully and unconditionally guarantee the notes on a subordinated, unsecured basis.

In connection with the $650 million Senior Notes due 2031 issued by FinCo, the Company has agreed to fully and unconditionally guarantee the notes on a senior unsecured basis.

In connection with the $500 million Senior Notes due 2029 issued by FinCo, the Company has agreed to fully and unconditionally guarantee the notes on a senior unsecured basis.

In connection with the 5-year $1.0 billion RCF entered into by FinCo on August 4, 2021, 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. As of June 30, 2022 (Successor), the Company was the only guarantor under the RCF.

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 third party borrowers in cash, the Company has arranged or participated in letters of credit issued by third-party banks on behalf of the borrowers in the amount of $33 million, as of June 30, 2022 (Successor), with expiration dates between October 2022 to December 2024. The Company has available lines of credit that would allow for additional letters of credit to be issued on behalf of certain borrowers, up to $232 million, as of June 30, 2022 (Successor). For accounting purposes, these letters of credit are considered guarantees of certain obligations of the borrowers. If a letter of credit were to be 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 the balance sheet. The Company monitors the likelihood of these letters of credit being drawn, and any related contingent obligation. As of both June 30, 2022 (Successor) and December 31, 2021 (Successor), the expected credit loss on the contingent liability associated with these letters of credit was not material. 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 $12 million and $14 million as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively.

Financing arrangements

The Company has financing arrangements with unaffiliated third parties to support the reserves of its affiliated special purpose reinsurers. Total fees expensed associated with these financing arrangements were $6 million, $10 million, $4 million, $8 million and $2 million for the three and six months ended June 30, 2022 (Successor), three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor), respectively, and are included in insurance expenses in the consolidated statements of income. As of June 30, 2022 (Successor) and December 31, 2021 (Successor), the total capacity of the financing arrangements with third parties was $2.1 billion and $2.0 billion, respectively.

Other than the matters disclosed above, there were no outstanding or unpaid balances from the financing arrangements with unaffiliated third parties as of both June 30, 2022 (Successor) and December 31, 2021 (Successor).

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:

	June 30, 2022	December 31, 2021
($ in millions)	***Successor***	***Successor***
Policy liabilities:		
Direct	$ 69,934	$ 67,132
Assumed	63,813	59,388
Total policy liabilities	**133,747**	**126,520**
Ceded[(1)]	(26,253)	(25,035)
Net policy liabilities	**$ 107,494**	**$ 101,485**

(1) 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 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 June 30, 2022 (Successor)			As of December 31, 2021 (Successor)		
A.M. Best Rating[(1)]	**Reinsurance recoverable and funds withheld receivable at interest[(2)]**	**Credit enhancements[(3)]**	**Net reinsurance credit exposure[(4)]**	**Reinsurance recoverable and funds withheld receivable at interest[(2)]**	**Credit enhancements[(3)]**	**Net reinsurance credit exposure[(4)]**
($ in millions)						
A++	$ 22	$ —	$ 22	$ 8	$ —	$ 8
A+	1,961	—	1,961	1,989	—	1,989
A	2,414	—	2,414	2,652	—	2,652
A-	5,528	4,542	986	5,646	5,167	479
B++	40	—	40	33	—	33
B+	1	—	1	1	—	1
B	8	—	8	9	—	9
B-	2	—	2	1	—	1
Not rated[(5)]	19,265	17,527	1,738	17,699	18,324	—
Total	**$ 29,241**	**$ 22,069**	**$ 7,172**	**$ 28,038**	**$ 23,491**	**$ 5,172**

(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 credit loss allowance of $79 million and $8 million as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively, held against reinsurance recoverable.

(5) Includes $19.2 billion and $17.7 billion as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively, associated with cessions to Ivy Re Limited and Ivy Re II Limited, wholly owned subsidiaries of Ivy Co-Invest Vehicle LLC and Ivy Co-Invest Vehicle II LLC, and collectively the "Ivy Vehicles", are unaffiliated co-investment vehicles that participate in qualifying reinsurance transactions sourced by Global Atlantic.

As of June 30, 2022 (Successor) and December 31, 2021 (Successor), the Company had $2.9 billion and $3.0 billion of funds withheld receivable at interest with six counterparties related to modified coinsurance and funds withheld contracts, respectively. 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 income were as follows:

	Three months ended		Six months ended	Five months ended	One month ended
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	January 31, 2021
($ in millions)	***Successor***	***Successor***	***Successor***	***Successor***	***Predecessor***
Premiums:					
Direct	$ 28	$ 32	$ 65	$ 46	$ 13
Assumed[1]	302	589	704	1,870	144
Ceded	(555)	(1,073)	(622)	(1,192)	(80)
Net premiums	**$ (225)**	**$ (452)**	**$ 147**	**$ 724**	**$ 77**

(1) Includes related party balances of $6 million, $9 million and $3 million for the three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor), respectively.

	Three months ended		Six months ended	Five months ended	One month ended
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	January 31, 2021
($ in millions)	***Successor***	***Successor***	***Successor***	***Successor***	***Predecessor***
Policy fees:					
Direct	$ 245	$ 233	$ 486	$ 382	$ 72
Assumed[1]	92	80	169	133	26
Ceded	(11)	(1)	(11)	(1)	—
Net policy fees	**$ 326**	**$ 312**	**$ 644**	**$ 514**	**$ 98**

(1) Includes related party balances of $4 million, $6 million and $2 million for the three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor), respectively.

	Three months ended		Six months ended	Five months ended	One month ended
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	January 31, 2021
($ in millions)	***Successor***	***Successor***	***Successor***	***Successor***	***Predecessor***
Policy benefits and claims:					
Direct	$ 30	$ 1,260	$ 266	$ 1,443	$ 114
Assumed[1]	430	266	1,034	1,733	210
Ceded	(505)	(1,114)	(619)	(1,279)	(98)
Net policy benefits and claims	**$ (45)**	**$ 412**	**$ 681**	**$ 1,897**	**$ 226**

(1) Includes related party balances of $53 million, $76 million and $20 million for the three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor), respectively.

The Company holds collateral for and provides collateral to our reinsurance clients. The Company held $24.5 billion and $23.4 billion of collateral in the form of funds withheld payable on behalf of our reinsurers as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively. As of June 30, 2022 (Successor) and December 31, 2021 (Successor) , reinsurers held collateral of $1.4 billion and $1.3 billion on behalf of the Company, respectively. 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 June 30, 2022 (Successor) and December 31, 2021 (Successor), these trusts held in excess of the $60.0 billion and $55.2 billion of assets it is required to hold in order to support reserves of $60.2 billion and $55.8 billion, respectively. Of the cash held in trust, the Company classified $64 million and $149 million as restricted as of June 30, 2022 (Successor) and December 31, 2021 (Successor), 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 $72 million, $133 million, $39 million and $62 million for the three and six months ended June 30, 2022 (Successor) and three and five months ended June 30, 2021 (Successor), respectively, and had $72 million and $50 million payable due to KKR as of June 30, 2022 (Successor) and December 31, 2021 (Successor), respectively.

The Company has agreements to lease office space from KKR. The Company recorded expenses for these agreements of $3 million and $5 million for the three and six months ended June 30, 2022 (Successor), respectively, and had $3 million payable due to KKR as of both June 30, 2022 (Successor) and December 31, 2021 (Successor).

On February 15, 2022, the Company acquired controlling interests in a $1.6 billion portfolio of commercial real estate, a portion of which had previously been held by KKR owned fund investments.

On December 13, 2021, the Company acquired a 12% equity interest in Avenue One LP ("Avenue One"). Avenue One provides services related to certain real estate investments held by the Company, including sourcing, renovating and managing properties. The Company paid $15 million and $32 million in service fees to Avenue One during the three and six months ended June 30, 2022 (Successor), respectively. As of June 30, 2022 (Successor), there were no amounts payable outstanding to Avenue One under the related services agreement.

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. In 2021, the Company sold its equity investment in Origis and received proceeds of $471 million.

During 2019, the Company also purchased controlling interests from Origis in projects that were consolidated. The amount of purchases of controlling interests totaled $4 million and less than $1 million for the five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor), respectively. 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. In June 2021, the sale was completed and transactions with Talcott Resolution will no longer be considered related party transactions.

The Company recorded assumed premiums of $6 million, $9 million and $3 million for the three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor), respectively. The Company reported assumed policy benefits and claims of $53 million, $76 million and $20 million for the three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor), respectively.

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 June 30, 2022 (Successor) and December 31, 2021 (Successor), loans funding projects under this facility had a carrying value of $33 million and $27 million, respectively. The Company reported an equity investment of $34 million and $34 million as of June 30, 2022 (Successor) and December 31, 2021 (Successor), 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 for the one month ended January 31, 2021 (Predecessor).

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 on April 30, 2013. The Company recognized less than $1 million for the one month ended January 31, 2021 (Predecessor) in related interest expense in the consolidated statements of income. The Company made principal payments of $12 million as of January 31, 2021 (Predecessor).

The Company recorded $18 million of intercompany expenses related to certain pre-acquisition employee compensation plans for the one month ended January 31, 2021 (Predecessor).

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 June 30, 2022 (Successor) and December 31, 2021 (Successor) as follows:

		As of June 30, 2022 (Successor)		
Type	Balance sheet classification	Asset carrying value	Accrued interest	Total balance sheet amount
($ in millions)				
KKR-issued investments	AFS fixed maturity securities	$ 2,068	$ 31	$ 2,099
KKR-issued investments	Trading fixed maturity securities	553	8	561
KKR-issued investments	Other investments	1	—	1
Parasol Renewable Energy loan receivables	Mortgage and other loan receivables	33	—	33
Total related party investments		**$ 2,655**	**$ 39**	**$ 2,694**

		As of December 31, 2021 (Successor)		
Type	Balance sheet classification	Asset carrying value	Accrued interest	Total balance sheet amount
($ in millions)				
KKR-issued investments	AFS fixed maturity securities	$ 1,679	$ 22	$ 1,701
KKR-issued investments	Trading fixed maturity securities	295	4	299
KKR-issued investments	Other investments	1	—	1
Parasol Renewable Energy loan receivables	Mortgage and other loan receivables	27	1	28
Total related party investments		**$ 2,002**	**$ 27**	**$ 2,029**

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

	Three months ended		Six months ended	Five months ended	One month ended
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	January 31, 2021
($ in millions)	***Successor***	***Successor***	***Successor***	***Successor***	***Predecessor***
Net investment income					
Investments in renewable energy entities managed by an affiliate of Centaurus†	$ —	$ —	$ —	$ —	$ (2)
Origis loan receivable	—	25	—	35	5
Goldman Sachs Group bonds†	—	—	—	—	1
GSAM	—	—	—	—	(1)
Parasol Renewable Energy loan receivables	1	—	1	—	—
KKR investment management fee	(72)	(39)	(133)	(62)	—
KKR debt securities	35	—	60	—	—
Total net investment income	**$ (36)**	**$ (14)**	**$ (72)**	**$ (27)**	**$ 3**
Net investment-related (losses) gains					
Origis loan receivable	$ —	$ —	$ —	$ —	$ (2)
KKR securities	(2)	—	(4)	—	—
Total net investment-related (losses) gains	**$ (2)**	**$ —**	**$ (4)**	**$ —**	**$ (2)**

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

16. Subsequent events

The Company evaluated all events and transactions through August 9, 2022, 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.