



Global Atlantic Financial Limited

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

Interim consolidated financial statements (unaudited)

As of September 30, 2023 and December 31, 2022

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Global Atlantic Financial Limited and subsidiaries

Consolidated balance sheets

	September 30, 2023	December 31, 2022
(\$ in millions, except share data)	(unaudited)	
Assets		
Investments:		
Fixed maturity securities, available-for-sale, at fair value (amortized cost: \$79,769 and \$75,805, respectively; variable interest entities: \$8,973 and \$8,644, respectively; net of allowances: \$201 and \$128, respectively; and related party: \$2,226 and \$1,920, respectively)	\$ 66,956	\$ 63,860
Fixed maturity securities, trading, at fair value (amortized cost: \$15,570 and \$15,347, respectively; related party: \$533 and \$514, respectively)	12,488	12,553
Mortgage and other loan receivables (portion at fair value: \$738 and \$788, respectively; variable interest entities: \$4,715 and \$5,342, respectively; net of allowances: \$569 and \$560, respectively; and related party: \$8 and \$-, respectively)	37,000	35,091
Funds withheld receivable at interest (portion at fair value: \$72 and \$13, respectively)	2,759	2,868
Other investments (portion at fair value: \$5,159 and \$5,033, respectively; variable interest entities: \$10,026 and \$10,746, respectively; and related party: \$1 and \$1, respectively)	11,478	12,263
Total investments	130,681	126,635
Cash and cash equivalents (variable interest entities: \$716 and \$619, respectively)	4,317	6,117
Restricted cash and cash equivalents	342	308
Accrued investment income (variable interest entities: \$247 and \$290, respectively)	1,164	1,174
Reinsurance recoverable (portion at fair value: \$964 and \$982, respectively; net of allowances: \$21 and \$41, respectively)	25,814	26,021
Insurance intangibles	2,507	2,331
Other assets (variable interest entities: \$903 and \$1,131, respectively)	5,329	4,994
Separate account assets	3,900	4,131
Total assets	\$ 174,054	\$ 171,711
Liabilities		
Policy liabilities (portion at fair value: \$1,125 and \$1,063, respectively; market risk benefit liabilities: \$775 and \$682, respectively)	\$ 140,983	\$ 137,780
Debt	2,315	2,128
Funds withheld payable at interest (portion at fair value: \$(3,757) and \$(3,488), respectively)	22,737	22,739
Other liabilities (portion at fair value: \$1,137 and \$934, respectively; variable interest entities: \$401 and \$462, respectively; and related party: \$116 and \$99, respectively)	4,214	4,700
Reinsurance liabilities	1,200	1,060
Separate account liabilities	3,900	4,131
Total liabilities	\$ 175,349	\$ 172,538

Global Atlantic Financial Limited and subsidiaries

Consolidated balance sheets

	September 30, 2023	December 31, 2022
<i>(\$ in millions, except share data)</i>	<i>(unaudited)</i>	
Commitments and contingencies (Note 14)		
Redeemable non-controlling interests (Note 11)	\$ 50	\$ 83
Equity		
Common stock, \$1 par value, 100,000,000 shares authorized, 304 shares issued and outstanding, respectively	\$ —	\$ —
Additional paid-in capital	5,517	5,516
Retained earnings	2,076	1,821
Accumulated other comprehensive loss	(9,061)	(8,435)
Total shareholder's equity	(1,468)	(1,098)
Non-controlling interests	123	188
Total equity	(1,345)	(910)
Total liabilities, redeemable non-controlling interests and equity	\$ 174,054	\$ 171,711

See accompanying notes to unaudited consolidated financial statements.

Global Atlantic Financial Limited and subsidiaries

Consolidated statements of operation

(\$ in millions)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues				
Premiums	\$ 220	\$ 480	\$ 1,320	\$ 627
Policy fees	314	318	943	951
Net investment income (related party investment income: \$50 and \$44 for the three months, \$140 and \$105 for the nine months, and related party investment expense: \$114 and \$83 for the three months, \$333 and \$216 for the nine months, respectively)	1,350	1,056	3,831	2,728
Net investment-related losses (related party: \$(20) and \$(2) for the three months, \$(54) and \$(6) for the nine months, respectively)	(347)	(174)	(583)	(969)
Other income	42	36	119	103
Total revenues	1,579	1,716	5,630	3,440
Benefits and expenses				
Policy benefits and claims (market risk benefit loss (gain): \$(118) and \$(238) for the three months, \$(47) and \$(632) for the nine months, respectively; remeasurement (gain) loss on policy liabilities: \$18 and \$(57) for the three months, \$18 and \$(57) for the nine months, respectively)	747	831	4,010	1,088
Amortization of policy acquisition costs	18	7	62	(5)
Interest expense	45	26	125	58
Insurance expenses	153	155	551	403
General, administrative and other expenses (related party: \$2 and \$2 for the three months, \$6 and \$7 for the nine months, respectively)	186	180	606	523
Total benefits and expenses	1,149	1,199	5,354	2,067
Income before income taxes	430	517	276	1,373
Income tax expense	24	112	6	286
Net income	406	405	270	1,087
Less: net (loss) income attributable to non-controlling interests and redeemable non-controlling interests	(3)	(8)	15	(89)
Net income attributable to Global Atlantic Financial Limited shareholder	\$ 409	\$ 413	\$ 255	\$ 1,176

See accompanying notes to unaudited consolidated financial statements.

Global Atlantic Financial Limited and subsidiaries

Consolidated statements of comprehensive loss

(\$ in millions)	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net income	\$ 406	\$ 405	\$ 270	\$ 1,087
Other comprehensive loss, before taxes:				
Unrealized losses on securities and other investments for the period	(1,822)	(2,862)	(953)	(11,933)
Reclassification adjustment for gains on hedging instruments reclassified to available-for-sale securities and other instruments	—	12	10	23
Less: reclassification adjustment for gains (losses) included in net income	10	(23)	(149)	(571)
Unrealized losses on available-for-sale securities and other investments	(1,832)	(2,827)	(794)	(11,339)
Unrealized losses on hedging instruments	(160)	(45)	(130)	(197)
Less: reclassification adjustment for losses on hedging instruments reclassified to available-for-sale securities and other instruments	—	(12)	(10)	(23)
Unrealized losses on hedging instruments	(160)	(33)	(120)	(174)
Unrealized losses on pension plans	—	(1)	—	(1)
Net effect of unrealized gains (losses) on policy balances	12	7	(14)	112
Effect of changes in the fair value of a market risk benefit attributable to a change in the instrument-specific credit risk	(63)	(57)	(157)	240
Effect of changes in the discount rates used to measure traditional and limited-payment long duration insurance contracts	336	399	306	1,593
Net effect on policyholder balances	285	348	135	1,944
Other comprehensive loss, before taxes	(1,707)	(2,512)	(779)	(9,569)
Income tax benefit related to:				
Net unrealized gains on available-for-sale securities and other investments	339	520	156	2,044
Net unrealized gains on hedging instruments	31	6	24	31
Net effect of unrealized losses on policy balances	(53)	(64)	(27)	(350)
Income tax benefit related to other comprehensive loss	317	462	153	1,725
Other comprehensive loss before non-controlling interests and redeemable non-controlling interests, net of tax	(1,390)	(2,050)	(626)	(7,844)
Comprehensive loss	(984)	(1,645)	(356)	(6,757)
Less: total comprehensive (loss) income attributable to non-controlling interests and redeemable non-controlling interests:				
Net (loss) income	(3)	(8)	15	(89)
Total comprehensive (loss) income attributable to non-controlling interests and redeemable non-controlling interests	(3)	(8)	15	(89)
Comprehensive loss attributable to Global Atlantic Financial Limited shareholder	\$ (981)	\$ (1,637)	\$ (371)	\$ (6,668)

See accompanying notes to unaudited consolidated financial statements.

Global Atlantic Financial Limited and subsidiaries

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

	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
<i>(\$ in millions)</i>								
Balance as of June 30, 2022	\$ 81	\$ —	\$ 5,011	\$ 876	\$ (7,148)	\$ (1,261)	\$ 236	\$ (1,025)
Cumulative effect adjustment from adoption of accounting changes (see Note 2, "Significant accounting policies and practices")	—	—	—	496	991	1,487	—	1,487
Balance as of June 30, 2022 (as revised)	81	—	5,011	1,372	(6,157)	226	236	462
Net (loss) income	2	—	—	413	—	413	(10)	403
Other comprehensive (loss) income	—	—	—	—	(2,050)	(2,050)	—	(2,050)
Equity-based compensation	—	—	3	—	—	3	—	3
Distribution to non-controlling interests and redeemable non-controlling interests	(1)	—	—	—	—	—	(10)	(10)
Balance as of September 30, 2022	\$ 82	\$ —	\$ 5,014	\$ 1,785	\$ (8,207)	\$ (1,408)	\$ 216	\$ (1,192)
Balance as of June 30, 2023	50	—	5,513	1,667	(7,671)	(491)	133	(358)
Net (loss) income	—	—	—	409	—	409	(3)	406
Other comprehensive (loss) income	—	—	—	—	(1,390)	(1,390)	—	(1,390)
Equity-based compensation	—	—	4	—	—	4	—	4
Distribution to non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	(3)	(3)
Non-cash distributions to non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	(4)	(4)
Balance as of September 30, 2023	\$ 50	\$ —	\$ 5,517	\$ 2,076	\$ (9,061)	\$ (1,468)	\$ 123	\$ (1,345)

Global Atlantic Financial Limited and subsidiaries

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

	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
<i>(\$ in millions)</i>								
Balance as of December 31, 2021 (as previously reported)	\$ 82	\$ —	\$ 5,005	\$ 452	\$ (387)	\$ 5,070	\$ 215	\$ 5,285
Cumulative effect adjustment from adoption of accounting changes (see Note 2, "Significant accounting policies and practices")	—	—	—	157	24	181	—	181
Balance as of December 31, 2021 (as revised)	82	—	5,005	609	(363)	5,251	215	5,466
Net (loss) income	2	—	—	1,176	—	1,176	(91)	1,085
Other comprehensive (loss) income	—	—	—	—	(7,844)	(7,844)	—	(7,844)
Equity-based compensation	—	—	9	—	—	9	—	9
Capital contributions from non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	26	26
Non-cash contributions from non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	85	85
Distribution to non-controlling interests and redeemable non-controlling interests	(2)	—	—	—	—	—	(19)	(19)
Balance as of September 30, 2022	\$ 82	\$ —	\$ 5,014	\$ 1,785	\$ (8,207)	\$ (1,408)	\$ 216	\$ (1,192)

Global Atlantic Financial Limited and subsidiaries

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

	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
<i>(\$ in millions)</i>								
Balance as of December 31, 2022 (as previously reported)	\$ 83	\$ —	\$ 5,516	\$ 1,059	\$ (9,385)	\$ (2,810)	\$ 188	\$ (2,622)
Cumulative effect adjustment from adoption of accounting changes (see Note 2, "Significant accounting policies and practices")	—	—	—	762	950	1,712	—	1,712
Balance as of December 31, 2022 (as revised)	\$ 83	\$ —	\$ 5,516	\$ 1,821	\$ (8,435)	\$ (1,098)	\$ 188	\$ (910)
Net (loss) income	(3)	—	—	255	—	255	18	273
Other comprehensive (loss) income	—	—	—	—	(626)	(626)	—	(626)
Equity-based compensation	—	—	1	—	—	1	—	1
Distribution to non-controlling interests and redeemable non-controlling interests	(29)	—	—	—	—	—	(81)	(81)
Non-cash distribution from non-controlling interests and redeemable non-controlling interests	(1)	—	—	—	—	—	(2)	(2)
Balance as of September 30, 2023	\$ 50	\$ —	\$ 5,517	\$ 2,076	\$ (9,061)	\$ (1,468)	\$ 123	\$ (1,345)

See accompanying notes to unaudited consolidated financial statements.

Global Atlantic Financial Limited and subsidiaries

Consolidated statements of cash flows (unaudited)

(\$ in millions)	Nine months ended	
	September 30,	September 30,
	2023	2022
	(unaudited)	(unaudited)
Cash flows from operating activities		
Net income	\$ 270	\$ 1,087
Adjustments to reconcile net income to net cash provided by operating activities:		
Net investment and policy liability related gains (losses)	1,710	(396)
Net accretion and amortization (related party: \$5 and \$-, respectively)	314	505
Interest credited to policy account balances less policy fees	2,014	1,010
Deferred income tax (benefit) expense	(209)	238
Changes in operating assets and liabilities:		
Reinsurance transactions and acquisitions, net of cash provided	355	716
Change in premiums, notes receivable and reinsurance recoverable, net of reinsurance premiums payable	571	795
Change in deferred policy acquisition costs	(374)	(368)
Change in policy liabilities and accruals, net	(691)	(365)
Other operating activities, net	(130)	(394)
Net cash provided by operating activities	3,830	2,828
Cash flows from investing activities		
Proceeds from disposals of available-for-sale fixed maturity securities (related party: \$34 and \$93, respectively)	4,667	10,237
Proceeds from maturities of available-for-sale fixed maturity securities (related party: \$46 and \$751, respectively)	2,957	4,398
Proceeds from disposals and maturities of trading fixed maturity securities (related party: \$14 and \$61, respectively)	2,529	6,225
Proceeds from disposals of equity securities	—	257
Proceeds from mortgage and other loan receivables sold, matured or collected (related party: \$- and \$3, respectively)	3,327	5,747
Proceeds from disposals of other investments	1,594	2,127
Purchase of available-for-sale fixed maturity securities (related party: \$(446) and \$(1,273), respectively)	(10,783)	(15,530)
Purchase of trading fixed maturity securities (related party: \$(35) and \$(323), respectively)	(2,376)	(4,147)
Purchase of equity securities	—	(41)
Purchase of mortgage and other loan receivables (related party: \$- and \$(6), respectively)	(5,220)	(12,947)
Purchase of other investments	(1,750)	(5,801)
Other investing activities, net	12	(26)
Net cash used in investing activities	\$ (5,043)	\$ (9,501)

Global Atlantic Financial Limited and subsidiaries

Consolidated statements of cash flows (unaudited)

(\$ in millions)	Nine months ended	
	September 30,	September 30,
	2023	2022
	(unaudited)	(unaudited)
Cash flows from financing activities		
Settlement of repurchase agreements	\$ (3,979)	\$ (4,597)
Proceeds from issuance of repurchase agreements	3,499	5,075
Reinsurance transactions, net of cash provided	80	55
Additions to contractholder deposit funds	11,756	16,630
Withdrawals from contractholder deposit funds	(12,113)	(9,863)
Issuance of long-term debt	629	200
Payment of debt principal and origination fees	(400)	—
Return of capital to parent	(5)	—
Capital contributions from non-controlling interests and redeemable non-controlling interests	—	26
Distribution to non-controlling interests and redeemable non-controlling interests	(17)	(21)
Other financing activity, net	(8)	(7)
Net cash (used in) provided by financing activities	(558)	7,498
Effect of exchange rate changes on cash, cash equivalents and restricted cash	5	—
Net change in cash, cash equivalents and restricted cash	(1,766)	825
Cash, cash equivalents and restricted cash, beginning of period	6,425	3,692
Cash, cash equivalents and restricted cash, end of period	\$ 4,659	\$ 4,517
Supplemental cash flow information		
Cash and cash equivalents per consolidated balance sheets	\$ 4,317	\$ 4,147
Restricted cash and cash equivalents per consolidated balance sheets	342	370
Total cash, cash equivalents and restricted cash	\$ 4,659	\$ 4,517
Cash paid for interest	\$ 55	\$ 47
Income tax (receipts) payments	231	133
Non-cash transactions		
Available-for-sale fixed maturity securities acquired through reinsurance agreements	\$ 394	\$ 985
Trading fixed maturity securities acquired through reinsurance agreements	394	1,713
Contractholder deposit funds acquired through reinsurance agreements	44	2,545
Derecognition in non-controlling interest	94	—

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 a leading insurance company meeting the retirement and life insurance needs of individuals and institutions. The Company primarily offers individuals fixed-rate annuities, fixed-indexed annuities, and targeted life products through a network of banks, broker-dealers, and independent marketing organizations.

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. Except for balances affected by the adoption of Accounting Standards Update (“ASU”) 2018-12 noted in Note 2—“Significant accounting policies and practices”, the December 31, 2022 consolidated balance sheet data was derived from audited consolidated financial statements for the year ended December 31, 2022, which include all disclosures required by GAAP. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the 2022 consolidated financial statements of the Company. The results of operations for the three and nine months ended September 30, 2023 are not necessarily indicative of the results for any subsequent periods or the entire fiscal year ending December 31, 2023.

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”).

2. Significant accounting policies

In addition to the new or revised accounting policies detailed below, for additional information on the Company's other significant accounting policies, see Note 2—"Basis of presentation and significant accounting policies and practices" in the Company's audited consolidated financial statements as of December 31, 2022.

Significant accounting policies

Deferral and amortization of certain revenues and expenses

Deferrals

Deferred policy acquisition costs ("DAC") consist of commissions and other costs that are directly related to the successful acquisition of new or renewal life insurance or annuity contracts. DAC is estimated using a group approach, instead of on an individual contract level. DAC groups, or cohorts, are by product type and issue year and consistent with the groups used in estimating the associated insurance liability. DAC is recorded in insurance intangibles in the consolidated balance sheets.

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

For limited-payment products (e.g., payout annuities), gross premiums received in excess of net premiums are deferred at initial recognition as a deferred profit liability ("DPL"). DPL is measured using assumptions consistent with those used in the measurement of the liability for future policy benefits, including discount rate, mortality, lapses, and expenses. DPL is recorded in policy liabilities in the consolidated balance sheets.

For certain preneed contracts, the gross premium is in excess of the benefit reserve plus additional insurance liability. An unearned front-end load ("UFEL") is established to defer the recognition of this front-end load. UFEL is recorded in policy liabilities in the consolidated balance sheets.

Amortization

DAC is amortized on a constant level basis for the grouped contracts over the expected economic life of the related contracts. The Company amortizes DAC for all products on a constant level basis based on policy count, except for DAC for traditional life products that are amortized on a constant level basis based on face amount. The constant level bases used for amortization are projected using mortality and lapse assumptions that are based on the Company's experience, industry data, and other factors and are consistent with those used for the liability for future policy benefits. If those projected assumptions change in future periods, they will be reflected in the cohort level amortization basis at that time. Unexpected lapses, due to higher mortality and lapse experience than expected, are recognized in the current period as a reduction of the capitalized balances.

Notes to the interim consolidated financial statements (unaudited)

Amortization of DAC is included in amortization of policyholder acquisition costs in the consolidated statements of income.

VOBA is generally amortized using the same methodology and assumptions used to amortize DAC.

DPL is amortized and recognized in proportion to insurance in force for life insurance contracts and expected future benefit payments for annuity contracts. Interest is accreted on the balance of the DPL using the discount rate determined at contract issuance. The Company reviews and updates its estimates of cash flows for the DPL at the same time as the estimates of cash flows for the liability for future policy benefits. When cash flows are updated, the updated estimates are used to recalculate the DPL at contract issuance. The recalculated DPL as of the beginning of the current reporting period is compared to the carrying amount of the DPL as of the beginning of the current reporting period, and any difference is recognized as either a charge or credit to net policy benefits and claims.

UFEL is amortized consistent with the amortization of DAC on preneed contracts.

The key assumptions used in the calculation of the amortization of these balances are reviewed quarterly and updated if actual experience or other evidence suggests that current assumptions should be revised. In addition, the Company formally reviews assumptions annually as part of the assumptions review process. The effects of changes in assumptions are recorded in net income in the period in which the changes are made.

Internal replacements

An internal replacement is a modification in product benefits, features, rights, or coverages that occurs by the legal extinguishment of one contract and the issuance of another contract (a contract exchange), or by amendment, endorsement, or rider to a contract, or by the election of a benefit, feature, right, or coverage within a contract. If the modification does not substantially change the contract, the unchanged contract is viewed as a prospective revision and the unamortized DAC is adjusted prospectively. As such, unamortized DAC and other associated balances from the unchanged contract are retained and acquisition costs incurred to modify the contract are not deferred but expensed as incurred. Other balances associated with the unchanged contract, such as any liability for future policyholder benefit or market risk benefits, should similarly be accounted for as if the unchanged contract is a continuation of the original contract. If an internal replacement represents a substantial change, the original contract is considered to be extinguished and any related DAC or other policy balances are charged or credited to income, and any new deferrable costs associated with the replacement contract are deferred.

Separate accounts

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

Notes to the interim consolidated financial statements (unaudited)

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

Policy liabilities

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

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

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

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

Annuity contracts

Fixed-indexed annuities ("FIA")

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

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

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

The Company issues registered index-linked annuity (RILA) contracts, which are similar to FIAs in offering the policyholder the opportunity to participate in the performance of a market index, subject to a cap or adjusted for a participation rate. In contrast to the FIA, the RILA enables policyholders to earn higher returns but with the risk of loss to principal and related earnings. In particular, if performance of the market indices is negative, the policyholder may potentially absorb losses, subject to downside protection in the form of either a "buffer" or a "floor" specified in the contract. A "buffer" is protection from downside performance up to a certain percentage, typically 10 percent, with uncapped losses thereafter. A "floor" is protection from downside performance in excess of the "floor," e.g., if the floor is 10% then the policyholder absorbs losses up to 10% but not in excess.

The RILA is accounted for similar to the FIA. The RILA host contract is calculated at the inception of the contract as the value of the initial premium minus the value of the index option, which is an embedded derivative. That initial host value is then accreted to the guaranteed surrender value at the end of the surrender charge period. The RILA index option, which is an embedded derivative, is required to be measured at fair value. Fair value represents the policyholders' expected participation in future increases in the relevant index and is calculated as the excess cash flows from the indexed crediting feature above the guaranteed cash flows. The excess cash flows are based on the option budget methodology whereby the indexed account is projected to grow by the option budget. A key difference from a standard FIA product is that the RILA policyholder can lose principal on this investment. Therefore, it is possible that the embedded derivative can become negative. The option budget will be calculated depending on the product type and strategy. The growth in the indexed account will be projected based on the value of the options dependent upon the strategy and associated hedge construction. The fair value of this embedded derivative

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component includes assumptions, including those about future interest rates and investment yields, future costs for options used to hedge the contract obligations, projected withdrawal and surrender activity, benefit utilization and the level and limits on contract participation in any future increases in the respective index option. The account value liability and embedded derivative are recorded in policy liabilities in the consolidated balance sheets, with changes in value of the liabilities recorded in policy benefits and claims in the consolidated statements of income.

Variable annuities

The Company issues and assumes variable annuity contracts for which the liabilities are included in policy liabilities in the consolidated balance sheets. The change in the liabilities for these benefits is included in policy benefits and claims in the consolidated statements of income. Variable annuity contracts may have certain guarantees that are accounted for as market risk benefits, which are discussed in more detail below.

Funding agreements

The Company issues funding agreements to certain unaffiliated special purpose entities that have issued debt securities for which payment of interest and principal is secured by such funding agreements. The Company also has similar obligations to federal home loan banks. The Company's funding agreements are considered investment type contracts and liabilities are net deposits plus accrued and unpaid interest. The Company's obligation is reported in policy liabilities in the consolidated balance sheets. Interest expense is calculated using the effective interest method and recorded in policy benefits and claims in the consolidated statements of income.

Interest-sensitive life products

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

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

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

Preneed policies

The Company's preneed life insurance contracts are accounted for as universal life-type contracts which require that the retrospective deposit method be used. That accounting

Notes to the interim consolidated financial statements (unaudited)

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

Traditional life and limited payment contracts

Liability for future policy benefits

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

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

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

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

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Payout annuities

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

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

Whole and term life

The Company has established liabilities for amounts payable under insurance policies, including whole life insurance and term life insurance policies. These policies provide death benefits in exchange for a guaranteed level premium for a specified period of time and, in the case of whole life, a guaranteed minimum cash surrender value. Generally, liabilities for these policies are calculated as the present value of future expected benefits to be paid, reduced by the present value of future expected net premiums. Current assumptions are used in the establishment of liabilities for future policyholder benefits including mortality, policy lapse, renewal, investment returns, inflation, expenses and other contingent events as appropriate for the respective product. Each quarter, the Company updates its estimate of cash flows using actual historical experience and current future cash flow assumptions. These updated cash flows are discounted using the discount rate or curve on the original contract issue date to calculate the revised net premiums and net premium ratio, which are used to derive an updated liability for future policy benefits. This amount is then compared to the carrying amount of the liability before the updating of cash flow assumptions to determine the current period change in liability estimate. This current period change in the liability is the liability remeasurement gain or loss and is presented parenthetically as a separate component of benefit expense in the consolidated statements of income.

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

Product guarantees

Market risk benefits

Market risk benefits are contracts or contract features that both provide protection to the policyholder from other-than-nominal capital market risk and expose the Company to other-than-nominal capital market risk.

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

Additional liability for annuitization, death, or other insurance benefits

The Company establishes additional liabilities for contracts or contract features that provide for potential benefits in addition to the account balance but are not market risk benefits or embedded derivatives. These benefits include annuitization benefits and death or other insurance benefits (e.g., universal life secondary guarantees). For these benefits, the liability is the sum of the current benefit ratio multiplied by cumulative assessments and accreted interest, less excess payments.

In particular, the Company holds additional liabilities for universal life products with secondary guarantees, sometimes referred to as no-lapse guarantees. The additional liabilities are measured using the benefit ratio approach where excess benefits are spread over the life of the contract based on assessments collected from the policyholder. Generally, total expected excess benefit payments are the aggregate of death claims after the policyholder account value is exhausted. The exception is when the cost of insurance charges are insufficient to produce consistently positive earnings in the future. In this case, all death benefits are deemed to be excess benefits. For annuitization benefits, the benefit ratio is the present value of expected annuitization payments to be made less the accrued account balance at the expected annuitization date divided by the present value of expected assessments during the accumulation phase of the contract, discounted at the contract rate. Expected annuitization payments and related incremental claim adjustment expenses, expected assessments, and expected excess payments are calculated using discount rate, mortality, lapse, and expense assumptions.

The Company recognizes a shadow reserve adjustment for the additional insurance liabilities when unrealized gains and losses are included in the investment margin while calculating the present value of expected assessments for the benefit ratios. Shadow reserve adjustments are recognized in other comprehensive income.

For additional liabilities for death or other insurance benefits, the discount rate assumption is based on the contract rate at inception. The mortality, lapse, and expense assumptions are based on Company's experience, industry data, and other factors. Assumptions are reviewed and updated, if necessary, at least annually. When those assumptions are updated, the benefit ratio and the liability are remeasured, with the resulting gain or loss reflected in total benefits expense.

Outstanding claims

Outstanding claims include amounts payable relating to in course of settlement and incurred but not reported claim liabilities. In course of settlement, claim liabilities are established for policies when the Company is notified of the death of the policyholder, but the claim has not been paid as of the reporting date. Incurred but not reported claim liabilities are determined using studies of past experience and are estimated using actuarial

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assumptions of historical claims expense, adjusted for current trends and conditions. These estimates are continually reviewed, and the ultimate liability may vary significantly from the amounts initially recognized, which are reflected in net income in the period in which they are determined. Changes in policyholder and contract claims are recorded in policy benefits and claims in the consolidated statements of income.

Closed blocks

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

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

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

Reinsurance

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

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

The cost of reinsurance, which is the difference between the amount paid for a reinsurance contract and the amount of the liabilities for policy benefits relating to the underlying reinsured contracts, is deferred and amortized over the reinsurance contract period for short-duration contracts, or over the terms of the reinsured policies on a basis consistent with the reporting of those policies for long-duration contracts. Generally, the Company amortizes cost of reinsurance based on policy count or effective yield method, retrospectively calculated based on actual and projected future cash flows. Cost of

Notes to the interim consolidated financial statements (unaudited)

reinsurance assets and liabilities are reported in insurance intangibles and policy liabilities in the consolidated balance sheets, respectively. Reinsurance contracts do not relieve the Company from its obligations to policyholders, and failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for expected credit losses, via a charge to policy benefits and claims in the consolidated statements of income. The Company's funds withheld receivable at interest and reinsurance recoverable assets are reviewed for expected credit losses by considering credit ratings for each reinsurer, historical insurance industry specific default rate factors, rights of offset, expected recovery rates upon default and the impact of other terms specific to the reinsurance arrangement.

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

Recognition of insurance revenue and related benefits

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

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

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

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Adoption of new accounting pronouncements

Targeted improvements to the accounting for long-duration contracts

Effective January 1, 2023, Global Atlantic adopted new accounting guidance for insurance and reinsurance companies that issue long-duration contracts (“LDTI”), on February 1, 2021 (“GA Acquisition Date”), on a full retrospective basis, coinciding with the acquisition of Global Atlantic by KKR.

The following table summarizes the balance of, and changes in the liability for future policy benefits as of February 1, 2021 due to the adoption of LDTI.

Liability for future policy benefits	Payout annuities	Other	Total
<i>(\$ in millions)</i>			
Balance, as of February 1, 2021	\$ 12,786	\$ 592	\$ 13,378
Change in discount rate assumptions	152	20	172
Adjusted balance, as of February 1, 2021	\$ 12,938	\$ 612	\$ 13,550

The increase to the liability for future policy benefits as of February 1, 2021, was primarily due to remeasuring the liability using a discount rate based on a spot rate yield curve that is derived based on upper medium grade (low credit risk) fixed-income instruments with similar duration to the liability.

The following table summarizes the balance of, and changes in, the net liability position of market risk benefits (previously recorded as product guarantees included within policy liabilities in the consolidated balance sheets) as of February 1, 2021 due to the adoption of LDTI.

Market risk benefits	Fixed-indexed annuities	Variable- and other annuities	Total
<i>(\$ in millions)</i>			
Balance, as of February 1, 2021⁽¹⁾	\$ 896	\$ 325	\$ 1,221
Adjustment for the difference between prior carrying amount and market risk benefit value	282	88	370
Adjusted balance, as of February 1, 2021	\$ 1,178	\$ 413	\$ 1,591

(1) The \$1,220.4 million balance associated with market risk benefits prior to transition was previously recorded as product guarantees either as an embedded derivative in contractholder deposits of \$236 million, or as an additional liability for insurance benefits of \$984.4 million under policy liabilities extinguished at transition, and remeasured as market risk benefits.

The transition approach for market risk benefits requires assessing products to determine whether contracts or contract features expose the Company to other than nominal capital market risk. The balance at February 1, 2021 reflects the population of market risk benefits identified. The increase to the carrying value of the market risk benefit liability as of February 1, 2021, reflects the required adjustment to remeasure the liability at fair value using current net amounts at risk, market data, experience, and other factors. The change primarily reflects the impact of discount rates and instrument-specific credit risk as of the transition date.

The following table summarizes the balance of, and changes in, reinsurance recoverable as of February 1, 2021 due to the adoption of LDTI.

Global Atlantic Financial Limited and subsidiaries

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Reinsurance recoverable	Fixed indexed annuities	Payout annuities	Other	Total
<i>(\$ in millions)</i>				
Balance, as of February 1, 2021	\$ 4,488	\$ 7,100	\$ 4,165	\$ 15,753
Change in discount rate assumptions	—	76	—	76
Adjusted balance, as of February 1, 2021,	\$ 4,488	\$ 7,176	\$ 4,165	\$ 15,829

The following table summarizes the balance of, and changes in value of business acquired, net as of February 1, 2021 due to the adoption of LDTI.

VOBA	Fixed indexed annuities	Fixed-rate annuities	Payout annuities	Interest-sensitive life	Variable annuities	Other	Total
Balance, as of February 1, 2021	\$ 474	\$ 57	\$ —	\$ 307	\$ 187	\$ —	\$ 1,025
Adjustment to reflect transition impact to balance established as part of purchase accounting upon the KKR acquisition	282	—	101	1	108	—	492
Adjusted balance, as of February 1, 2021	\$ 756	\$ 57	\$ 101	\$ 308	\$ 295	\$ —	\$ 1,517

The following table summarizes the balance of, and changes in negative value of business acquired, net as of February 1, 2021 due to the adoption of LDTI.

Negative VOBA	Fixed indexed annuities	Fixed-rate annuities	Payout annuities	Interest-sensitive life	Variable annuities	Other	Total
Balance, as of February 1, 2021	\$ 222	\$ 181	\$ —	\$ 550	\$ 119	\$ 201	\$ 1,273
Adjustment to reflect transition impact to balance established as part of purchase accounting upon the KKR acquisition	—	—	25	1	—	—	26
Adjusted balance, as of February 1, 2021	\$ 222	\$ 181	\$ 25	\$ 551	\$ 119	\$ 201	\$ 1,299

As a result of the GA Acquisition, the Company established a new accounting basis to reflect the fair value of assets and liabilities on the GA Acquisition Date, including resetting retained earnings, deferred acquisition costs and accumulated other comprehensive income to zero. As a result of the transition coinciding with the acquisition by KKR, the transition impact of the adoption was recorded as a change to the present value of future profits reflected in the value of business acquired insurance intangible asset recognized as part of purchase accounting. The following table presents the effect of transition adjustments on the value of business acquired assets and liabilities due to the adoption of LDTI.

Global Atlantic Financial Limited and subsidiaries

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	February 1, 2021	
	VOBA	Negative VOBA
(\$ in millions)		
Reinsurance recoverable	\$ (76)	\$ —
Liability for future policy benefits	198	(26)
Market risk benefits	370	—
Total transition adjustments	\$ 492	\$ (26)

As a result of the retrospective application of the LDTI adoption, the Company adjusted certain previously reported amounts in its consolidated balance sheets, consolidated statements of operations, consolidated statements of comprehensive income, and consolidated statements of cash flows, as follows:

Consolidated balance sheet as of December 31, 2022	As previously reported	Adjustment	As revised
(\$ in millions)			
Reinsurance recoverable	\$ 27,920	\$ (1,899)	\$ 26,021
Insurance intangibles	1,723	608	2,331
Other assets	5,435	(441)	4,994
Total assets	173,443	(1,732)	171,711
Policy liabilities	141,224	(3,444)	137,780
Total liabilities	175,982	(3,444)	172,538
Retained earnings	1,059	762	1,821
Accumulated other comprehensive loss	(9,385)	950	(8,435)
Total equity	(2,622)	1,712	(910)

The cumulative impact of the retrospective application of the LDTI adoption increased net income attributable to shareholders by \$605 million and \$157 million for each of the periods ended December 31, 2022 and 2021, respectively (\$762 million cumulatively), and increased other comprehensive income by \$926 million and \$24 million for each of the periods ended December 31, 2022 and 2021, respectively (\$950 million cumulatively). These increases were primarily as a result of an increase in discount rates and instrument-specific credit risk during each of the respective periods.

Consolidated statement of operations for the three months ended September 30, 2022	As previously reported	Adjustment	As revised
(\$ in millions)			
Policy fees	\$ 320	\$ (2)	\$ 318
Policy benefits and claims ⁽¹⁾	1,087	(256)	831
Amortization of policy acquisition costs	9	(2)	7
Insurance expenses	158	(3)	155
General, administrative and other expenses	180	—	180
Income tax expense	58	54	112
Net income	200	205	405

(1) Includes adjustment for market risk benefit gain for the three months ended September 30, 2022 of \$(238) million.

Global Atlantic Financial Limited and subsidiaries

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Consolidated statement of operations for the nine months ended September 30, 2022	As previously reported	Adjustment	As revised
(\$ in millions)			
Policy fees	\$ 964	\$ (13)	\$ 951
Policy benefits and claims ⁽¹⁾	1,768	(680)	1,088
Amortization of policy acquisition costs	14	(19)	(5)
Insurance expenses	406	(3)	403
General, administrative and other expenses	523	—	523
Income tax expense	141	145	286
Net income	543	544	1,087

(1) Includes adjustment for market risk benefit gain for the nine months ended September 30, 2022 of \$(632) million.

Consolidated statement of comprehensive loss for the three months ended September 30, 2022	As previously reported	Adjustment	As revised
(\$ in millions)			
Net effect of unrealized gains on policy balances	\$ 96	\$ (89)	\$ 7
Effect of changes in the fair value of a market risk benefit attributable to a change in the instrument-specific credit risk	—	(57)	(57)
Effect of changes in the discount rates used to measure traditional and limited-payment long duration insurance contracts	—	399	399
Income tax benefit related to other comprehensive loss	515	(53)	462
Comprehensive loss	(2,050)	405	(1,645)

Consolidated statement of comprehensive loss for the nine months ended September 30, 2022	As previously reported	Adjustment	As revised
(\$ in millions)			
Net effect of unrealized gains on policy balances	467	(355)	112
Effect of changes in the fair value of a market risk benefit attributable to a change in the instrument-specific credit risk	—	240	240
Effect of changes in the discount rates used to measure traditional and limited-payment long duration insurance contracts	—	1,593	1,593
Income tax benefit related to other comprehensive loss	2,036	(311)	1,725
Comprehensive loss	(8,468)	1,711	(6,757)

Consolidated statement of cash flow for the nine months ended September 30, 2022	As previously reported	Adjustment	As revised
(\$ in millions)			
Net investment and policy liability related gains (losses)	\$ 236	\$ (632)	\$ (396)
Net accretion and amortization	480	25	505
Deferred income tax expense	93	145	238
Change in policy liabilities and accruals, net	(286)	(79)	(365)
Other operating activities, net	(391)	(3)	(394)

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

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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 was effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted this accounting standard effective January 1, 2023. Refer to Note 3 – “Investments – Loan modifications” for additional information.

Future application of accounting standards

Accounting for Investments in Tax Credit Structures

In March 2023, the FASB issued new guidance to expand the population of investments in tax credit structures that may be eligible to apply the proportional amortization method (“PAM”), if certain criteria are met. The election to use the PAM can be made on a tax credit program-by-program basis. Under the new guidance, certain disclosures are required for investments in tax credit programs for which the PAM is elected. The guidance is effective for fiscal years beginning after December 15, 2023, with early adoption permitted. The Company is currently evaluating the impact of this guidance 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 September 30, 2023	Cost or amortized cost	Allowance for credit losses ⁽³⁾⁽⁴⁾	Gross unrealized		Fair value
			gains	losses	
(\$ in millions)					
AFS fixed maturity securities portfolio by type:					
U.S. government and agencies	\$ 565	\$ —	\$ —	\$ (91)	\$ 474
U.S. state, municipal and political subdivisions	5,352	—	1	(1,337)	4,016
Corporate ⁽¹⁾	48,452	(18)	42	(9,166)	39,310
Residential mortgage-backed securities, or “RMBS”	8,524	(133)	14	(812)	7,593
Commercial mortgage-backed securities, or “CMBS”	7,408	(17)	1	(818)	6,574
Collateralized loan obligations, or “CLOs” ⁽²⁾	3,544	(21)	3	(87)	3,439
Collateralized bond obligations, or “CBOs”	2,964	(1)	—	(192)	2,771
Asset-backed securities, or “ABSs”	2,960	(11)	15	(185)	2,779
Total AFS fixed maturity securities	\$ 79,769	\$ (201)	\$ 76	\$ (12,688)	\$ 66,956

(1) Includes related party KKR corporate debt securities with amortized cost, allowance for credit loss, gross unrealized gains, gross unrealized losses and fair value of \$2.4 billion, \$0 million, \$0 million, \$(347) million and \$2.1 billion, respectively.

(2) Includes related party KKR collateralized debt obligations with amortized cost, allowance for credit loss, gross unrealized gains, gross unrealized losses and fair value of \$131 million, \$(1) million, \$175 thousand, \$(2) million and \$128 million, respectively.

Notes to the interim consolidated financial statements (unaudited)

- (3) 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.
- (4) Includes credit loss allowances on purchase-credit deteriorated fixed-maturity securities of \$(15) million.

As of December 31, 2022 (\$ in millions)	Cost or amortized cost	Allowance for credit losses ⁽³⁾⁽⁴⁾	Gross unrealized		Fair value
			gains	losses	
AFS fixed maturity securities portfolio by type:					
U.S. government and agencies	\$ 439	\$ —	\$ —	\$ (72)	\$ 367
U.S. state, municipal and political subdivisions	5,638	—	7	(1,234)	4,411
Corporate ⁽¹⁾	46,365	(1)	50	(8,264)	38,150
RMBS	7,308	(101)	12	(834)	6,385
CMBS	7,270	(15)	—	(835)	6,420
CLOs ⁽²⁾	2,818	(6)	—	(205)	2,607
CBOs	3,052	—	—	(218)	2,834
ABSs	2,915	(5)	5	(229)	2,686
Total AFS fixed maturity securities	\$ 75,805	\$ (128)	\$ 74	\$ (11,891)	\$ 63,860

- (1) Includes related party KKR corporate AFS fixed maturity securities with amortized cost, gross unrealized gains, gross unrealized losses and fair value of \$2.1 billion, \$0 million, \$(279) million and \$1.8 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 \$87 million, respectively.
- (3) 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.
- (4) Includes credit loss allowances on purchase-credit deteriorated fixed-maturity securities of \$(30) million.

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

As of September 30, 2023 (\$ in millions)	Cost or amortized cost (net of allowance)	Fair value
Due in one year or less	\$ 1,608	\$ 1,589
Due after one year through five years	12,727	12,120
Due after five years through ten years	10,760	9,606
Due after ten years	29,256	20,485
Subtotal⁽¹⁾	54,351	43,800
RMBS	8,391	7,593
CMBS	7,391	6,574
CLOs ⁽²⁾	3,523	3,439
CBOs	2,963	2,771
ABSs	2,949	2,779
Total AFS fixed maturity securities	\$ 79,568	\$ 66,956

- (1) Includes related party KKR corporate debt securities with amortized cost and fair value of \$2.4 billion and \$2.1 billion, respectively.
- (2) Includes related party KKR collateralized loan obligations with amortized cost and fair value of \$131 million and \$128 million, respectively.

Global Atlantic Financial Limited and subsidiaries

Notes to the interim consolidated financial statements (unaudited)

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. Structured securities are shown separately as they have periodic payments and are not due at a single maturity.

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:

	Nine months ended	
	September 30, 2023	September 30, 2022
(\$ in millions)		
Purchase price of PCD securities acquired during the current period	\$ —	\$ 24
Allowance for credit losses at acquisition	—	1
Discount (premium) attributable to other factors	—	2
Par value	\$ —	\$ 27

Securities in a continuous unrealized loss position

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

As of September 30, 2023	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
(\$ in millions)						
AFS fixed maturity securities portfolio by type:						
U.S. government and agencies	\$ 266	\$ (9)	\$ 184	\$ (82)	\$ 450	\$ (91)
U.S. state, municipal and political subdivisions	424	(27)	3,536	(1,310)	3,960	(1,337)
Corporate	9,362	(738)	26,772	(8,428)	36,134	(9,166)
RMBS	2,561	(111)	4,406	(701)	6,967	(812)
CMBS	437	(12)	6,027	(806)	6,464	(818)
CLOs	459	(3)	2,132	(84)	2,591	(87)
CBOs	2	—	2,767	(192)	2,769	(192)
ABSs	568	(22)	1,681	(163)	2,249	(185)
Total AFS fixed maturity securities in a continuous loss position	\$ 14,079	\$ (922)	\$ 47,505	\$ (11,766)	\$ 61,584	\$ (12,688)

Notes to the interim consolidated financial statements (unaudited)

As of December 31, 2022	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
(\$ in millions)						
AFS fixed maturity securities portfolio by type:						
U.S. government and agencies	\$ 122	\$ (53)	\$ 108	\$ (19)	\$ 230	\$ (72)
U.S. state, municipal and political subdivisions	2,321	(606)	1,781	(628)	4,102	(1,234)
Corporate	16,626	(2,394)	17,944	(5,870)	34,570	(8,264)
RMBS	3,999	(443)	2,069	(391)	6,068	(834)
CMBS	4,054	(445)	2,339	(390)	6,393	(835)
CLOs	1,942	(144)	644	(61)	2,586	(205)
CBOs	1,352	(103)	1,482	(115)	2,834	(218)
ABSs	1,611	(113)	833	(116)	2,444	(229)
Total AFS fixed maturity securities in a continuous loss position	\$ 32,027	\$ (4,301)	\$ 27,200	\$ (7,590)	\$ 59,227	\$ (11,891)

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 \$784 million and \$836 million as of September 30, 2023 and December 31, 2022, respectively. The single largest unrealized loss on AFS fixed maturity securities was \$117 million and \$86 million as of September 30, 2023 and December 31, 2022, respectively. The Company had 6,523 and 6,349 securities in an unrealized loss position as of September 30, 2023 and December 31, 2022, respectively.

As of September 30, 2023, AFS fixed maturity securities in an unrealized loss position for 12 months or more consisted of 5,180 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.

Global Atlantic Financial Limited and subsidiaries

Notes to the interim consolidated financial statements (unaudited)

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 September 30, 2023			Nine months ended September 30, 2023		
	Corporate	Structured	Total	Corporate	Structured	Total
(\$ in millions)						
Balance, as of beginning of period	\$ 23	\$ 207	\$ 230	\$ 1	\$ 127	\$ 128
Initial impairments for credit losses recognized on securities not previously impaired	—	6	6	21	53	74
Accretion of initial credit loss allowance on PCD securities	—	—	—	—	1	1
Reductions due to sales (or maturities, pay downs or prepayments) during the period of securities previously identified as credit impaired	(1)	(3)	(4)	(1)	(9)	(10)
Net additions / reductions for securities previously impaired	(4)	(27)	(31)	(3)	11	8
Balance, as of end of period	\$ 18	\$ 183	\$ 201	\$ 18	\$ 183	\$ 201
	Three months ended September 30, 2022			Nine months ended September 30, 2022		
	Corporate	Structured	Total	Corporate	Structured	Total
(\$ in millions)						
Balance, as of beginning of period	\$ 8	\$ 95	\$ 103	\$ 3	\$ 85	\$ 88
Initial impairments for credit losses recognized on securities not previously impaired	1	11	12	1	47	48
Initial credit loss allowance recognized on PCD securities	—	—	—	—	1	1
Accretion of initial credit loss allowance on PCD securities	—	—	—	—	1	1
Reductions due to sales (or maturities, pay downs or prepayments) during the period of securities previously identified as credit impaired	—	(4)	(4)	—	(8)	(8)
Net additions / reductions for securities previously impaired	—	3	3	5	(21)	(16)
Balances charged off	(8)	—	(8)	(8)	—	(8)
Balance, as of end of period	\$ 1	\$ 105	\$ 106	\$ 1	\$ 105	\$ 106

Notes to the interim consolidated financial statements (unaudited)

Mortgage and other loan receivables

Mortgage and other loan receivables consist of the following:

	September 30, 2023	December 31, 2022
(\$ in millions)		
Commercial mortgage loans ⁽¹⁾	\$ 20,468	\$ 18,831
Residential mortgage loans ⁽¹⁾	11,780	10,689
Consumer loans	4,635	5,229
Other loan receivables ⁽²⁾⁽³⁾	686	902
Total mortgage and other loan receivables	\$ 37,569	\$ 35,651
Allowance for credit losses ⁽⁴⁾	(569)	(560)
Total mortgage and other loan receivables, net of allowance for credit losses	\$ 37,000	\$ 35,091

- (1) Includes \$738 million and \$788 million of loans carried at fair value using the fair value option as of September 30, 2023 and December 31, 2022, respectively. The fair value option was elected for these loans for asset-liability matching purposes. These loans had unpaid principal balances of \$822 million and \$871 million as of September 30, 2023 and December 31, 2022, respectively.
- (2) As of September 30, 2023 and December 31, 2022, other loan receivables consisted primarily of loans collateralized by aircraft of \$261 million and \$282 million, respectively, and loans collateralized by residential mortgages of \$200 million for both periods.
- (3) Includes \$8 million of related party loans as of September 30, 2023.
- (4) Includes credit loss allowances on purchase-credit deteriorated mortgage and other loan receivables of \$(105) million and \$(106) million as of September 30, 2023 and December 31, 2022, respectively.

The maturity distribution for residential and commercial mortgage loans was as follows as of September 30, 2023:

Years	Residential	Commercial	Total mortgage loans
(\$ in millions)			
Remainder of 2023	\$ 52	\$ 827	\$ 879
2024	217	2,209	2,426
2025	15	3,844	3,859
2026	861	5,084	5,945
2027	842	3,038	3,880
2028	128	1,355	1,483
2029 and thereafter	9,665	4,111	13,776
Total	\$ 11,780	\$ 20,468	\$ 32,248

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.

Global Atlantic Financial Limited and subsidiaries

Notes to the interim consolidated financial statements (unaudited)

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 (\$ in millions)	September 30,		December 31,	
	2023		2022	
Pacific	\$ 7,988	24.8 %	\$ 7,197	24.4 %
West South Central	4,105	12.7 %	3,583	12.1 %
South Atlantic	8,850	27.4 %	8,052	27.3 %
Middle Atlantic	4,048	12.6 %	3,591	12.2 %
East North Central	1,153	3.6 %	1,240	4.2 %
Mountain	3,216	10.0 %	3,153	10.7 %
New England	1,424	4.4 %	1,415	4.8 %
East South Central	739	2.3 %	713	2.4 %
West North Central	350	1.1 %	349	1.2 %
Other regions	375	1.1 %	227	0.7 %
Total by geographic region	\$ 32,248	100.0 %	\$ 29,520	100.0 %

Mortgage loans - carrying value by property type (\$ in millions)	September 30,		December 31,	
	2023		2022	
Residential	\$ 11,780	36.5 %	\$ 10,689	36.2 %
Office building	4,525	14.0 %	4,594	15.6 %
Multi-family	10,493	32.5 %	9,699	32.9 %
Industrial	3,940	12.2 %	3,139	10.6 %
Retail	446	1.4 %	630	2.1 %
Other property types	802	2.6 %	583	2.0 %
Warehouse	262	0.8 %	186	0.6 %
Total by property type	\$ 32,248	100.0 %	\$ 29,520	100.0 %

Allowance for credit losses

Changes in the allowance for credit losses are summarized below:

	Three months ended September 30, 2023			
	Commercial mortgage loans	Residential mortgage loans	Consumer and other loan receivables	Total
Balance, at beginning of period	\$ 240	\$ 139	\$ 199	\$ 578
Net provision (release)	21	(14)	21	28
Charge-offs	—	(1)	(41)	(42)
Recoveries of amounts previously charged-off	—	—	5	5
Balance, as of end of period	\$ 261	\$ 124	\$ 184	\$ 569

Global Atlantic Financial Limited and subsidiaries

Notes to the interim consolidated financial statements (unaudited)

	Nine months ended September 30, 2023			
	Commercial mortgage loans	Residential mortgage loans	Consumer and other loan receivables	Total
<i>(\$ in millions)</i>				
Balance, at beginning of period	\$ 227	\$ 126	\$ 207	\$ 560
Net provision (release)	48	3	72	123
Charge-offs	(14)	(5)	(111)	(130)
Recoveries of amounts previously charged-off	—	—	16	16
Balance, as of end of period	\$ 261	\$ 124	\$ 184	\$ 569

	Three months ended September 30, 2022			
	Commercial mortgage loans	Residential mortgage loans	Consumer and other loan receivables	Total
<i>(\$ in millions)</i>				
Balance, at beginning of period	\$ 105	\$ 96	\$ 211	\$ 412
Net provision (release)	26	(1)	(14)	11
Balance, as of end of period	\$ 131	\$ 95	\$ 197	\$ 423

	Nine months ended September 30, 2022			
	Commercial mortgage loans	Residential mortgage loans	Consumer and other loan receivables	Total
<i>(\$ in millions)</i>				
Balance, at beginning of period	\$ 66	\$ 72	\$ 236	\$ 374
Net provision (release)	65	23	(38)	50
Charge-offs	—	—	(1)	(1)
Balance, as of end of period	\$ 131	\$ 95	\$ 197	\$ 423

Global Atlantic Financial Limited and subsidiaries

Notes to the interim consolidated financial statements (unaudited)

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:

Performance status as of September 30, 2023	By year of origination							Total
	2023	2022	2021	2020	2019	Prior		
<i>(\$ in millions)</i>								
Commercial mortgage loans								
Current-period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ (14)	\$ —	\$ —	\$ (14)
Current	\$ 1,991	\$ 6,284	\$ 6,825	\$ 649	\$ 1,472	\$ 3,157	\$ —	\$ 20,378
30 to 59 days past due	—	—	—	—	—	—	—	—
60 to 89 days past due	—	—	90	—	—	—	—	90
90 days or more past due	—	—	—	—	—	—	—	—
Total commercial mortgage loans	\$ 1,991	\$ 6,284	\$ 6,915	\$ 649	\$ 1,472	\$ 3,157	\$ —	\$ 20,468
Residential mortgage loans								
Current-period gross charge-offs	\$ —	\$ —	\$ (2)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (5)
Current	\$ 1,533	\$ 2,011	\$ 4,590	\$ 1,549	\$ 237	\$ 1,385	\$ —	\$ 11,305
30 to 59 days past due	36	25	34	3	3	95	—	196
60 to 89 days past due	4	5	12	1	—	30	—	52
90 days or more past due	4	11	67	12	13	120	—	227
Total residential mortgage loans	\$ 1,577	\$ 2,052	\$ 4,703	\$ 1,565	\$ 253	\$ 1,630	\$ —	\$ 11,780
Consumer loans								
Current-period gross charge-offs	—	(12)	(59)	(16)	(10)	(14)	—	(111)
Current	85	542	1,832	728	641	680	—	4,508
30 to 59 days past due	1	5	32	5	5	13	—	61
60 to 89 days past due	—	3	14	3	2	7	—	29
90 days or more past due	—	5	15	5	4	8	—	37
Total consumer loans	\$ 86	\$ 555	\$ 1,893	\$ 741	\$ 652	\$ 708	\$ —	\$ 4,635
Total mortgage and consumer loan receivables	\$ 3,654	\$ 8,891	\$ 13,511	\$ 2,955	\$ 2,377	\$ 5,495	\$ —	\$ 36,883

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Performance status as of December 31, 2022	By year of origination						
	2022	2021	2020	2019	2018	Prior	Total
(\$ in millions)							
Commercial mortgage loans							
Current	\$ 6,081	\$ 6,846	\$ 809	\$ 1,530	\$ 1,261	\$ 2,304	\$ 18,831
30 to 59 days past due	—	—	—	—	—	—	—
60 to 89 days past due	—	—	—	—	—	—	—
90 days or more past due	—	—	—	—	—	—	—
Total commercial mortgage loans	\$ 6,081	\$ 6,846	\$ 809	\$ 1,530	\$ 1,261	\$ 2,304	\$ 18,831
Residential mortgage loans							
Current	\$ 1,855	\$ 4,802	\$ 1,880	\$ 264	\$ 14	\$ 1,485	\$ 10,300
30 to 59 days past due	11	49	6	6	—	80	152
60 to 89 days past due	1	13	2	1	—	27	44
90 days or more past due	8	36	11	8	2	128	193
Total residential mortgage loans	\$ 1,875	\$ 4,900	\$ 1,899	\$ 279	\$ 16	\$ 1,720	\$ 10,689

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

	December 31, 2022
(\$ in millions)	
Consumer loans	
Current	\$ 5,114
30 to 59 days past due	63
60 to 89 days past due	31
90 days or more past due	21
Total consumer loans	\$ 5,229

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

Global Atlantic Financial Limited and subsidiaries

Notes to the interim consolidated financial statements (unaudited)

Company's loan-to-value ratios for its commercial mortgage loans as of September 30, 2023 and December 31, 2022:

Loan-to-value as of September 30, 2023, 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)				
2023	\$ 1,991	\$ —	\$ —	\$ 1,991
2022	5,918	366	—	6,284
2021	5,107	1,589	219	6,915
2020	484	93	72	649
2019	1,335	93	44	1,472
2018	857	52	156	1,065
Prior	2,039	—	53	2,092
Total commercial mortgage loans	\$ 17,731	\$ 2,193	\$ 544	\$ 20,468

Loan-to-value as of December 31, 2022, 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	\$ 5,678	\$ 403	\$ —	\$ 6,081
2021	4,971	1,759	116	6,846
2020	651	123	35	809
2019	1,212	215	103	1,530
2018	1,062	19	180	1,261
2017	699	—	18	717
Prior	1,587	—	—	1,587
Total commercial mortgage loans	\$ 15,860	\$ 2,519	\$ 452	\$ 18,831

Changing economic conditions and updated assumptions affect the Company's assessment of the collectability of commercial mortgage loans. Changing vacancies and rents are incorporated into the analysis that the Company performs to measure the 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 64% as of September 30, 2023 and December 31, 2022, respectively.

Loan modifications

The Company may modify the terms of a loan when the borrower is experiencing financial difficulties, as a means to optimize recovery of amounts due on the loan. Modifications may involve temporary relief, such as payment forbearance for a short period time (where interest continues to accrue) or may involve more substantive changes to a loan. Changes to the terms of a loan, pursuant to a modification agreement, are factored into the analysis of the loan's expected credit losses, under the allowance model applicable to the loan.

For commercial mortgage loans, modifications for borrowers experiencing financial difficulty are tailored for individual loans and may include interest rate relief, maturity extensions or, less frequently, principal forgiveness. For both residential mortgage loans and

Global Atlantic Financial Limited and subsidiaries

Notes to the interim consolidated financial statements (unaudited)

consumer loans, the most common modifications for borrowers experiencing financial difficulty, aside from insignificant delays in payment, typically involve deferral of missed payments to the end of the loan term, interest rate relief, or maturity extensions.

The tables below presents the carrying value of loans to borrowers experiencing financial difficulty, for which modifications have been granted during the three and nine months ended September 30, 2023.

Three months ended September 30, 2023 by loan type	Deferral of Amounts Due	Interest Rate Relief	Maturity Extension	Combination ⁽¹⁾	Total	Percentage of total carrying value outstanding
<i>(\$ in millions)</i>						
Commercial mortgage loans	\$ —	\$ —	\$ —	\$ 58	\$ 58	0.28 %
Residential mortgage loans	—	—	8	1	9	0.08 %
Consumer loans	2	1	8	5	16	0.35 %
Total	\$ 2	\$ 1	\$ 16	\$ 64	\$ 83	

(1) Includes modifications involving deferral of amounts due, interest rate relief and/or maturity extension.

Nine months ended September 30, 2023 by loan type	Deferral of Amounts Due	Interest Rate Relief	Maturity Extension	Combination ⁽¹⁾	Total	Percentage of total carrying value outstanding
<i>(\$ in millions)</i>						
Commercial mortgage loans	\$ —	\$ —	\$ —	\$ 225	\$ 225	1.10 %
Residential mortgage loans	1	1	23	3	28	0.24 %
Consumer loans	6	3	45	14	68	1.46 %
Total⁽²⁾	\$ 7	\$ 4	\$ 68	\$ 242	\$ 321	

(1) Includes modifications involving deferral of amounts due, interest rate relief and/or maturity extension.

(2) Loans may have been modified more than once during the year; in this circumstance, the loan is only included once in this table. In addition, certain loans that were modified in prior quarters have since been repaid in full.

All of the commercial mortgage loans that had a combination of modifications had both interest rate relief and maturity extensions. For these loans, the interest rate relief involved either a change from a floating rate or a decrease in fixed rate to a weighted average fixed rate of 3.4%. The maturity extensions for these loans added a weighted-average 2.9 years to the life of the loans. In addition, one of the commercial mortgage loans that had a combination of modifications had forgiveness of a portion of the principal due. The Company has commitments to lend additional funds of \$15.9 million for the modified commercial mortgage loans disclosed above.

The table below presents the performance status of the loans modified during the nine months ended September 30, 2023.

Notes to the interim consolidated financial statements (unaudited)

Performance status as of September 30, 2023 by loan type	Current	30-59 days past due	60-89 days past due	90 days or more past due	Total
<i>(\$ in millions)</i>					
Commercial mortgage loans	\$ 225	\$ —	\$ —	\$ —	\$ 225
Residential mortgage loans	16	3	—	9	28
Consumer loans	52	9	4	3	68
Total	\$ 293	\$ 12	\$ 4	\$ 12	\$ 321

Other investments

Other investments consist of the following:

	September 30, 2023	December 31, 2022
<i>(\$ in millions)</i>		
Investments in real estate ⁽¹⁾	\$ 4,836	\$ 4,641
Investments in renewable energy ⁽²⁾	2,327	3,427
Investments in transportation and other leased assets ⁽³⁾	2,858	2,822
Policy loans	873	869
Other investment partnerships ⁽⁴⁾	182	199
Federal Home Loan Bank, or "FHLB," common stock and other investments	382	287
Equity securities	20	18
Total other investments	\$ 11,478	\$ 12,263

(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 \$145 million and \$230 million as of September 30, 2023 and December 31, 2022, respectively.

(3) Net of accumulated depreciation of \$285 million and \$230 million as of September 30, 2023 and December 31, 2022, respectively.

(4) Includes related party balance of \$1 million as of both September 30, 2023 and December 31, 2022.

The total amount of other investments accounted for using the equity method of accounting was \$1.1 billion as of both September 30, 2023 and December 31, 2022. 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 \$20 million and \$21 million as of September 30, 2023 and December 31, 2022, 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 \$205 million and \$266 million as of September 30, 2023 and December 31, 2022, 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

Global Atlantic Financial Limited and subsidiaries

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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:

	September 30, 2023	December 31, 2022
(\$ in millions)		
Assets of consolidated variable interest entities:		
Investments:		
AFS fixed maturity securities, at fair value	\$ 8,973	\$ 8,644
Mortgage and other loan receivables	4,715	5,342
Other investments:		
Investments in renewable energy	2,236	3,285
Investments in transportation and other leased assets	2,858	2,822
Investments in real estate	4,834	4,639
Other invested assets	98	—
Total other investments	10,026	10,746
Total investments	23,714	24,732
Cash and cash equivalents	716	619
Accrued investment income	247	290
Other assets	903	1,131
Total assets of consolidated variable interest entities	\$ 25,580	\$ 26,772
Liabilities of consolidated variable interest entities:		
Accrued expenses and other liabilities	\$ 401	\$ 462
Total liabilities of consolidated variable interest entities	401	462
Redeemable non-controlling interests	50	83
Non-controlling interests of consolidated variable interest entities	100	179
Total liabilities, redeemable non-controlling interests and non-controlling interests of consolidated variable interest entities	\$ 551	\$ 724

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:

	September 30, 2023		December 31, 2022	
	Carrying amount	Maximum exposure to loss ⁽¹⁾	Carrying amount	Maximum exposure to loss ⁽¹⁾
(\$ in millions)				
Other investment partnerships	\$ 171	\$ 171	\$ 296	\$ 296
Investments in renewable energy	90	90	30	30
Total	\$ 261	\$ 261	\$ 326	\$ 326

(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 \$24 million and \$25 million as of September 30, 2023 and December 31, 2022, respectively.

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Repurchase agreement transactions

As of September 30, 2023 and December 31, 2022, the Company participated in repurchase agreements with a notional value of \$320 million and \$799 million, respectively. As collateral for these transactions, the Company may post AFS fixed maturity securities and residential mortgage loans, 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 carrying value of assets pledged for repurchase agreements by type of collateral and remaining contractual maturity of the repurchase agreements as of September 30, 2023 and December 31, 2022 is presented in the following tables:

As of September 30, 2023	Overnight	<30 Days	30 - 90 Days	>90 Days	Total
<i>(\$ in millions)</i>					
AFS corporate securities	\$ —	\$ —	\$ —	\$ 312	\$ 312
Residential mortgage loans	—	21	—	—	21
Total assets pledged	\$ —	\$ 21	\$ —	\$ 312	\$ 333

As of December 31, 2022	Overnight	<30 Days	30 - 90 Days	>90 Days	Total
<i>(\$ in millions)</i>					
AFS corporate securities	\$ —	\$ —	\$ 508	\$ 326	\$ 834
Total assets pledged	\$ —	\$ —	\$ 508	\$ 326	\$ 834

Other pledges and restrictions

Certain of the Company's subsidiaries are members of regional banks in the Federal Home Loan Banks (FHLB) system and such membership requires the members to own stock in these FHLBs. We owned an aggregate of \$132 million and \$129 million (accounted for at cost basis) of stock in FHLBs as of September 30, 2023 and December 31, 2022, respectively. In addition, the Company's subsidiaries have entered into funding agreements with the FHLB, which require that the Company pledge eligible assets, such as fixed maturity securities and mortgage loans, as collateral. Assets pledged as collateral for these funding agreements had a carrying value of \$3.6 billion as of both September 30, 2023 and December 31, 2022.

Insurance - statutory deposits

As of September 30, 2023 and December 31, 2022, the carrying value of the assets on deposit with various state and U.S. governmental authorities were \$137 million and \$143 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.

Notes to the interim consolidated financial statements (unaudited)

The components of net investment income were as follows:

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2023	2022	2023	2022
(\$ in millions)				
Fixed maturity securities - interest and other income	\$ 1,179	\$ 864	\$ 3,404	\$ 2,361
Mortgage and other loan receivables	492	411	1,423	1,109
Income assumed from funds withheld receivable at interest	23	24	71	67
Income ceded to funds withheld payable at interest	(332)	(239)	(950)	(657)
Policy loans	9	7	28	22
Investments in transportation and other leased assets	81	74	236	208
Investments in renewable energy	41	70	79	140
Investments in real estate	43	41	122	75
Short-term and other investment income	52	34	184	84
Gross investment income⁽¹⁾	\$ 1,588	\$ 1,286	\$ 4,597	\$ 3,409
Less investment expenses:				
Investment management and administration ⁽²⁾	194	170	579	512
Transportation and renewable energy asset depreciation and maintenance	46	54	152	157
Interest expense on derivative collateral and repurchase agreements	(2)	6	35	12
Net investment income	\$ 1,350	\$ 1,056	\$ 3,831	\$ 2,728

(1) Includes income from related parties of \$50 million and \$44 million for the three months ended September 30, 2023 and 2022, respectively, and \$140 million and \$105 million for the nine months ended September 30, 2023 and 2022, respectively.

(2) Includes investment management fees paid to KKR, a related party, of \$112 million and \$83 million for the three months ended September 30, 2023 and 2022, respectively, and \$331 million and \$216 million for the nine months ended September 30, 2023 and 2022, respectively.

Notes to the interim consolidated financial statements (unaudited)

Net investment-related losses

Net investment-related losses were as follows:

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2023	2022	2023	2022
(\$ in millions)				
Realized losses on available-for-sale fixed maturity debt securities	(15)	(8)	\$ (67)	\$ (539)
Credit loss allowances on available-for-sale securities	25	(15)	(82)	(32)
Credit loss allowances on mortgage and other loan receivables	(28)	(11)	(123)	(50)
Allowances on unfunded commitments	(6)	1	26	(2)
Impairment of available-for-sale fixed maturity debt securities due to intent to sell	—	—	(27)	—
Unrealized losses on fixed maturity securities classified as trading ⁽¹⁾	(603)	(721)	(288)	(2,749)
Unrealized losses on investments recognized under the fair-value option ⁽²⁾	(7)	(23)	(66)	(64)
Unrealized (losses) gains on real estate investments recognized under investment company accounting	(27)	(34)	(7)	89
Net gains on derivative instruments	314	655	44	2,370
Realized gains on funds withheld at interest, payable	5	4	13	6
Realized (losses) gains on funds withheld at interest, receivable	(5)	4	1	7
Other realized losses	—	(26)	(7)	(5)
Net investment-related losses	\$ (347)	\$ (174)	\$ (583)	\$ (969)

(1) Includes gains (losses) from related party KKR trading corporate debt securities of \$(8) million and \$(2) million for the three months ended September 30, 2023 and 2022, respectively, and \$(3) million and \$(6) million for the nine months ended September 30, 2023 and 2022, respectively.

(2) Includes losses from related party Parasol Renewable Energy Investments of \$(12) million and \$(50) million for the three and nine months ended September 30, 2023, 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		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2023	2022	2023	2022
(\$ in millions)				
AFS fixed maturity securities:				
Proceeds from voluntary sales	\$ 1,215	\$ 807	\$ 4,350	\$ 10,884
Gross gains	15	8	46	18
Gross losses	(27)	(15)	(108)	(547)

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.

The Company hedges interest rate and equity market risks associated with its insurance liabilities including fixed-indexed annuities, indexed universal life policies, variable annuity policies and variable universal life policies, among others. For fixed-indexed annuities and indexed universal life policies, the Company generally seeks to use static hedges to offset the exposure primarily created by changes in its embedded derivative balances. The Company generally purchases options which replicate the crediting rate strategies, often in the form of call spreads. Call spreads are the purchase of a call option matched by the sale of a different call option. For variable annuities and variable universal life policies, the Company generally seeks to dynamically hedge its exposure to changes in the value of the guarantee it provides to policyholders. Doing so requires the active trading of several financial instruments to respond to changes in market conditions. In addition, the Company enters into inflation swaps to manage inflation risk associated with inflation-indexed preneed policies.

In the context of specific reinsurance transactions in the institutional channel or acquisitions, the Company may also enter into hedges which are designed to limit short-term market risks to the economic value of the target assets. From time to time, the Company also enters into hedges designed to mitigate interest rate and credit risk in investment income, interest expense, and fair value of assets and liabilities. In addition, the Company enters into currency swaps and forwards to manage any foreign exchange rate risks that may arise from investments denominated in foreign currencies.

The Company attempts to mitigate the risk of loss due to ineffectiveness under these derivative investments through a regular monitoring process which evaluates the program's effectiveness. Management monitors the Company's derivative activities by reviewing portfolio activities and risk levels. Management also oversees all derivative transactions to ensure that the types of transactions entered into and the results obtained from those transactions are consistent with both the Company's risk management strategy and the Company's policies and procedures.

The restricted cash which was held in connection with open derivative transactions with exchange brokers was \$283 million and \$279 million as of September 30, 2023 and December 31, 2022, respectively.

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

Credit Risk

The Company may be exposed to credit-related losses in the event of nonperformance by its counterparties to derivatives. Generally, the current credit exposure of the Company's derivatives is limited to the positive fair value of derivatives less any collateral received from the counterparty.

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The Company manages the credit risk on its derivatives by entering into derivative transactions with highly rated financial institutions and other creditworthy counterparties and, where feasible, by trading through central clearing counterparties. The Company further manages its credit risk on derivatives via the use of master netting agreements, which require the daily posting of collateral by the party in a liability position. Counterparty credit exposure and collateral values are monitored regularly and measured against counterparty exposure limits. The provisions of derivative transactions may allow for the termination and settlement of a transaction if there is a downgrade to the Company's financial strength ratings below a specified level.

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

	September 30, 2023			
	Gross Notional	Fair Value		
		Assets	Liabilities	
(\$ in millions)				
Derivatives designated as hedge accounting instruments:				
Interest rate contracts	\$ 8,676	\$ 6	\$ 880	
Foreign currency contracts	2,199	56	21	
Total derivatives designated as hedge accounting instruments	\$ 10,875	\$ 62	\$ 901	
Derivatives not designated as hedge accounting instruments:				
Interest rate contracts	\$ 23,182	\$ 222	\$ 725	
Equity market contracts	36,261	1,075	167	
Foreign currency contracts	944	96	34	
Credit risk contracts	60	—	1	
Total derivatives not designated as hedge accounting instruments	\$ 60,447	\$ 1,393	\$ 927	
Impact of netting ⁽²⁾	—	(691)	(691)	
Total derivatives⁽¹⁾	\$ 71,322	\$ 764	\$ 1,137	

(1) Excludes embedded derivatives. The fair value of these embedded derivatives related to assets was \$72 million and the fair value of these embedded derivatives related to liabilities was \$(513) million.

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

Notes to the interim consolidated financial statements (unaudited)

(\$ in millions)	December 31, 2022			
	Gross Notional	Fair Value		
		Assets	Liabilities	
Derivatives designated as hedge accounting instruments:				
Interest rate contracts	\$ 6,999	\$ —	\$ 695	
Foreign currency contracts	2,021	42	45	
Total derivatives designated as hedge accounting instruments	\$ 9,020	\$ 42	\$ 740	
Derivatives not designated as hedge accounting instruments:				
Interest rate contracts	\$ 8,700	\$ 183	\$ 267	
Equity market contracts	34,889	626	91	
Foreign currency contracts	675	85	47	
Credit risk contracts	60	—	1	
Total derivatives not designated as hedge accounting instruments	\$ 44,324	\$ 894	\$ 406	
Impact of netting ⁽²⁾	—	(212)	(212)	
Total derivatives⁽¹⁾	\$ 53,344	\$ 724	\$ 934	

(1) Excludes embedded derivatives. The fair value of these embedded derivatives related to assets was \$12.8 million and the fair value of these embedded derivatives related to liabilities was \$(1.3) billion.

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

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.

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, both of which are recognized within investment-related (losses) gains. 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 Company has designated interest rate swaps to hedge the interest rate risk associated with certain debt and policy liabilities. These fair value hedges qualify for the shortcut method of assessing hedge effectiveness.

Notes to the interim consolidated financial statements (unaudited)

The following table presents the financial statement classification, carrying amount and cumulative fair value hedging adjustments for qualifying hedged assets and liabilities:

	Carrying Amount of the Hedged Assets / (Liabilities)		Cumulative Amount of Fair Value Hedging Adjustments Included in the Carrying Amount of Hedged Assets / (Liabilities) ⁽¹⁾	
	September 30,		September 30,	
	2023	December 31, 2022	2023	December 31, 2022
(\$ in millions)				
AFS fixed maturity securities ⁽²⁾	\$ 2,111	\$ 2,011	\$ (13)	\$ (62)
Debt	(1,535)	(946)	(239)	(201)
Policy liabilities	(6,112)	(5,671)	(372)	(435)

(1) Includes \$33.5 million and \$53.1 million of hedging adjustments on discontinued hedging relationships as of September 30, 2023 and December 31, 2022, respectively.

(2) Carrying amount is the amortized cost for AFS debt securities.

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. These arrangements are hedging purchases from July 2023 through December 2027 and are expected to affect earnings until 2052. Regression analysis is used to assess the effectiveness of these hedges. Regression analysis is used to assess the effectiveness of these hedges.

As of September 30, 2023 and December 31, 2022, there was a cumulative loss of \$(284) million and \$(170) million on the currently designated 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.

The Company estimates that the amount of gains/losses in accumulated other comprehensive loss to be reclassified into earnings in the next 12 months will not be material.

Derivative results

The following table presents the financial statement classification and amount of gains (losses) recognized on derivative instruments and related hedged items, where applicable:

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Notes to the interim consolidated financial statements (unaudited)

	Three months ended September 30, 2023				
	Net Investment-related Gains (Losses)	Net Investment Income	Policy Benefits (Claims)	Interest Expense	Change in AOCI
<i>(\$ in millions)</i>					
Derivatives Designated as Hedge Accounting Instruments					
Fair Value Hedges					
<i>Gains (Losses) on derivatives designated as hedge instruments:</i>					
Interest rate contracts	\$ —	\$ —	\$ (69)	\$ (58)	\$ —
Foreign currency contracts	70	—	—	—	—
Total gains (losses) on derivatives designated as hedge instruments	\$ 70	\$ —	\$ (69)	\$ (58)	\$ —
<i>Gains (losses) on hedged items:</i>					
Interest rate contracts	\$ —	\$ —	\$ 69	\$ 58	\$ —
Foreign currency contracts	(69)	—	—	—	—
Total gains (losses) on hedged item	\$ (69)	\$ —	\$ 69	\$ 58	\$ —
<i>Amortization for gains (losses) excluded from assessment of effectiveness</i>					
Foreign currency contracts	\$ 7	\$ —	\$ —	\$ —	\$ —
Total amortization for gain (loss) excluded from assessment of effectiveness	\$ 7	\$ —	\$ —	\$ —	\$ —
Total gains (losses) on fair value hedges net of hedged item	\$ 8	\$ —	\$ —	\$ —	\$ —
Cash Flow Hedges					
Interest rate contracts	\$ —	\$ —	\$ —	\$ —	\$ (160)
Total gains (losses) on cash flow hedges	\$ —	\$ —	\$ —	\$ —	\$ (160)
Derivatives Not Designated as Hedge Accounting Instruments					
Interest rate contracts and other contracts	\$ (296)	\$ —	\$ —	\$ —	\$ —
Credit risk contracts	—	—	—	—	—
Equity index options	(192)	—	—	—	—
Equity future contracts	52	—	—	—	—
Embedded derivatives - funds withheld payable	666	—	—	—	—
Embedded derivatives - funds withheld receivable	76	—	—	—	—
Total gains (losses) on derivatives not designated as hedge accounting instruments	\$ 306	\$ —	\$ —	\$ —	\$ —
Total	\$ 314	\$ —	\$ —	\$ —	\$ (160)

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Notes to the interim consolidated financial statements (unaudited)

	Nine months ended September 30, 2023				
	Net Investment-related Gains (Losses)	Net Investment Income	Policy Benefits (Claims)	Interest Expense	Change in AOCI
<i>(\$ in millions)</i>					
Derivatives Designated as Hedge Accounting Instruments					
Fair Value Hedges					
<i>Gains (Losses) on derivatives designated as hedge instruments:</i>					
Interest rate contracts	\$ —	\$ —	\$ (120)	\$ (78)	\$ —
Foreign currency contracts	15	—	—	—	3
Total gains (losses) on derivatives designated as hedge instruments	\$ 15	\$ —	\$ (120)	\$ (78)	\$ 3
<i>Gains (losses) on hedged items:</i>					
Interest rate contracts	\$ —	\$ —	\$ 120	\$ 78	\$ —
Foreign currency contracts	(13)	—	—	—	—
Total gains (losses) on hedged item	\$ (13)	\$ —	\$ 120	\$ 78	\$ —
<i>Amortization for gains (losses) excluded from assessment of effectiveness</i>					
Foreign currency contracts	\$ 21	\$ —	\$ —	\$ —	\$ —
Total amortization for gain (loss) excluded from assessment of effectiveness	\$ 21	\$ —	\$ —	\$ —	\$ —
Total gains (losses) on fair value hedges net of hedged item	\$ 23	\$ —	\$ —	\$ —	\$ 3
Cash Flow Hedges					
Interest rate contracts	\$ (1)	\$ —	\$ —	\$ —	\$ (123)
Total gains (losses) on cash flow hedges	\$ (1)	\$ —	\$ —	\$ —	\$ (123)
Derivatives Not Designated as Hedge Accounting Instruments					
Interest rate contracts and other contracts	\$ (392)	\$ —	\$ —	\$ —	\$ —
Credit risk contracts	—	—	—	—	—
Equity index options	123	—	—	—	—
Equity future contracts	(37)	—	—	—	—
Embedded derivatives - funds withheld payable	269	—	—	—	—
Embedded derivatives - funds withheld receivable	59	—	—	—	—
Total gains (losses) on derivatives not designated as hedge accounting instruments	\$ 22	\$ —	\$ —	\$ —	\$ —
Total	\$ 44	\$ —	\$ —	\$ —	\$ (120)

Global Atlantic Financial Limited and subsidiaries

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	Three months ended September 30, 2022				
	Net Investment-related Gains (Losses)	Net Investment Income	Policy Benefits (Claims)	Interest Expense	Change in AOCI
<i>(\$ in millions)</i>					
Derivatives Designated as Hedge Accounting Instruments					
Fair Value Hedges					
<i>Gains (Losses) on derivatives designated as hedge instruments:</i>					
Interest rate contracts	\$ —	\$ —	\$ (157)	\$ (63)	\$ —
Foreign currency contracts	99	—	—	—	(11)
Total gains (losses) on derivatives designated as hedge instruments	\$ 99	\$ —	\$ (157)	\$ (63)	\$ (11)
<i>Gains (losses) on the hedged item:</i>					
Interest rate contracts	\$ —	\$ —	\$ 157	\$ 63	\$ —
Foreign currency contracts	(106)	—	—	—	—
Total gains (losses) on hedged item	\$ (106)	\$ —	\$ 157	\$ 63	\$ —
<i>Amortization for gains (losses) excluded from assessment of effectiveness</i>					
Foreign currency contracts	\$ 11	\$ —	\$ —	\$ —	\$ —
Total amortization for gain (loss) excluded from assessment of effectiveness	\$ 11	\$ —	\$ —	\$ —	\$ —
Total gains (losses) on fair value hedges, net of hedged item	\$ 4	\$ —	\$ —	\$ —	\$ (11)
Cash Flow Hedges					
Interest rate contracts	\$ 1	\$ —	\$ —	\$ —	\$ (22)
Total gains (losses) on cash flow hedges	\$ 1	\$ —	\$ —	\$ —	\$ (22)
Derivatives Not Designated as Hedge Accounting Instruments					
Interest rate & other contracts	\$ (107)	\$ —	\$ —	\$ —	\$ —
Credit risk contracts	1	—	—	—	—
Equity index options	(157)	—	—	—	—
Equity future contracts	37	—	—	—	—
Embedded derivatives - funds withheld payable	836	—	—	—	—
Embedded derivatives - funds withheld receivable	3	—	—	—	—
Total gains (losses) on derivatives not designated as hedge accounting instruments	\$ 613	\$ —	\$ —	\$ —	\$ —
Total	\$ 618	\$ —	\$ —	\$ —	\$ (33)

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	Nine months ended September 30, 2022				
	Net Investment-related Gains (Losses)	Net Investment Income	Policy Benefits (Claims)	Interest Expense	Change in AOCI
<i>(\$ in millions)</i>					
Derivatives Designated as Hedge Accounting Instruments					
Fair Value Hedges					
<i>Gains (Losses) on derivatives designated as hedge instruments:</i>					
Interest rate contracts	\$ —	\$ —	\$ (426)	\$ (180)	\$ —
Foreign currency contracts	217	—	—	—	8
Total gains (losses) on derivatives designated as hedge instruments	\$ 217	\$ —	\$ (426)	\$ (180)	\$ 8
<i>Gains (losses) on the hedged item:</i>					
Interest rate contracts	\$ —	\$ —	\$ 426	\$ 180	\$ —
Foreign currency contracts	(206)	—	—	—	—
Total gains (losses) on hedged item	\$ (206)	\$ —	\$ 426	\$ 180	\$ —
<i>Amortization for gains (losses) excluded from assessment of effectiveness</i>					
Foreign currency contracts	\$ 17	\$ —	\$ —	\$ —	\$ —
Total amortization for gain (loss) excluded from assessment of effectiveness	\$ 17	\$ —	\$ —	\$ —	\$ —
Total gains (losses) on fair value hedges, net of hedged item	\$ 28	\$ —	\$ —	\$ —	\$ 8
Cash Flow Hedges					
Interest rate contracts	\$ 1	\$ —	\$ —	\$ —	\$ (182)
Total gains (losses) on cash flow hedges	\$ 1	\$ —	\$ —	\$ —	\$ (182)
Derivatives Not Designated as Hedge Accounting Instruments					
Interest rate & other contracts	\$ (331)	\$ —	\$ —	\$ —	\$ —
Credit risk contracts	1	—	—	—	—
Equity index options	(885)	—	—	—	—
Equity future contracts	199	—	—	—	—
Embedded derivatives - funds withheld payable	3,380	—	—	—	—
Embedded derivatives - funds withheld receivable	(64)	—	—	—	—
Total gains (losses) on derivatives not designated as hedge accounting instruments	\$ 2,300	\$ —	\$ —	\$ —	\$ —
Total	\$ 2,329	\$ —	\$ —	\$ —	\$ (174)

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Collateral

The amount of the Company's net derivative assets and liabilities after consideration of collateral received or pledged were as follows:

As of September 30, 2023	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)	\$ 1,455	\$ (691)	\$ 764	\$ (769)	\$ (5)
Derivative liabilities (excluding embedded derivatives)	\$ 1,828	\$ (691)	\$ 1,137	\$ 1,047	\$ 90

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

As of December 31, 2022	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)	\$ 936	\$ (212)	\$ 724	\$ (466)	\$ 258
Derivative liabilities (excluding embedded derivatives)	\$ 1,146	\$ (212)	\$ 934	\$ 367	\$ 567

(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

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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 and reported at fair value by the fair value hierarchy on a recurring basis:

As of September 30, 2023 (\$ in millions)	Level 1	Level 2	Level 3	Total
Assets:				
AFS fixed maturity securities:				
U.S. government and agencies	\$ 396	\$ 78	\$ —	\$ 474
U.S. state, municipal and political subdivisions	—	4,016	—	4,016
Corporate ⁽¹⁾	—	28,812	10,498	39,310
Structured securities ⁽²⁾	—	21,302	1,854	23,156
Total AFS fixed maturity securities	396	54,208	12,352	66,956
Trading fixed maturity securities:				
U.S. government and agencies	221	56	—	277
U.S. state, municipal and political subdivisions	—	413	—	413
Corporate ⁽³⁾	—	6,604	1,088	7,692
Structured securities ⁽⁴⁾	—	3,404	702	4,106
Total trading fixed maturity securities	221	10,477	1,790	12,488
Equity securities	4	—	16	20
Mortgage and other loan receivables	—	—	738	738
Other investments ⁽⁵⁾	—	—	5,019	5,019
Funds withheld receivable at interest	—	—	72	72
Reinsurance recoverable	—	—	964	964

Global Atlantic Financial Limited and subsidiaries

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As of September 30, 2023	Level 1	Level 2	Level 3	Total
(\$ in millions)				
Derivative assets:				
Equity market contracts	37	1,038	—	1,075
Interest rate contracts	13	215	—	228
Foreign currency contracts	—	152	—	152
Impact of netting ⁽⁶⁾	(15)	(676)	—	(691)
Total derivative assets	35	729	—	764
Separate account assets	3,900	—	—	3,900
Total assets at fair value	\$ 4,556	\$ 65,414	\$ 20,951	\$ 90,921

Liabilities:

Policy liabilities ⁽⁶⁾ (including market risk benefits)	\$	—	\$	—	\$	1,125	\$	1,125
Closed block policy liabilities		—		—		1,002		1,002
Funds withheld payable at interest		—		—		(3,757)		(3,757)

Derivative instruments payable:

Equity market contracts		5		162		—		167
Interest rate contracts		16		1,589		—		1,605
Credit contracts		—		1		—		1
Foreign currency contracts		—		55		—		55
Impact of netting ⁽⁷⁾		(15)		(676)		—		(691)
Total derivative instruments payable		6		1,131		—		1,137
Embedded derivative – interest-sensitive life products		—		—		388		388
Embedded derivative – annuity products		—		—		2,856		2,856
Total liabilities at fair value	\$	6	\$	1,131	\$	1,614	\$	2,751

(1) Includes related party KKR AFS corporate debt securities of \$2.1 billion.

(2) Includes related party KKR AFS structured securities of \$128 million.

(3) Includes related party KKR trading corporate debt securities of \$475 million.

(4) Includes related party KKR trading structured securities of \$58 million.

(5) 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 September 30, 2023, the fair value of these investments was \$140 million.

(6) Includes market risk benefit of \$775 million.

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

As of December 31, 2022	Level 1	Level 2	Level 3	Total
(\$ in millions)				
Assets:				
AFS fixed maturity securities:				
U.S. government and agencies	\$ 283	\$ 84	\$ —	\$ 367
U.S. state, municipal and political subdivisions	—	4,411	—	4,411
Corporate ⁽¹⁾	—	28,026	10,124	38,150
Structured securities ⁽²⁾	—	19,506	1,426	20,932
Total AFS fixed maturity securities	283	52,027	11,550	63,860

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As of December 31, 2022	Level 1	Level 2	Level 3	Total
(\$ in millions)				
Trading fixed maturity securities:				
U.S. government and agencies	94	60	—	154
U.S. state, municipal and political subdivisions	—	706	—	706
Corporate ⁽³⁾	—	7,229	1,120	8,349
Structured securities ⁽⁴⁾	—	2,646	698	3,344
Total trading fixed maturity securities	94	10,641	1,818	12,553
Equity securities	2	—	16	18
Mortgage and other loan receivables	—	—	788	788
Other investments ⁽⁵⁾	—	—	4,883	4,883
Funds withheld receivable at interest	—	—	13	13
Reinsurance recoverable	—	—	982	982
Derivative assets:				
Equity market contracts	31	595	—	626
Interest rate contracts	5	178	—	183
Foreign currency contracts	—	127	—	127
Impact of netting ⁽⁶⁾	(7)	(205)	—	(212)
Total derivative assets	29	695	—	724
Separate account assets	4,131	—	—	4,131
Total assets at fair value	\$ 4,539	\$ 63,363	\$ 20,050	\$ 87,952

Liabilities:

Policy liabilities ⁽⁶⁾ (including market risk benefits)	\$	—	\$	—	\$	1,063	\$	1,063
Closed block policy liabilities		—		—		1,016		1,016
Funds withheld payable at interest		—		—		(3,488)		(3,488)

Derivative instruments payable:

Equity market contracts	2	89	—	91
Interest rate contracts	9	953	—	962
Foreign currency contracts	—	92	—	92
Credit contracts	—	1	—	1
Impact of netting ⁽⁷⁾	(7)	(205)	—	(212)
Total derivative instruments payable	4	930	—	934
Embedded derivative - interest-sensitive life products	—	—	338	338
Embedded derivative - annuity products	—	—	1,851	1,851
Total liabilities at fair value	\$ 4	\$ 930	\$ 780	\$ 1,714

(1) Includes related party KKR AFS corporate debt securities of \$1.8 billion.

(2) Includes related party KKR AFS structured securities of \$87 million.

(3) Includes related party KKR trading corporate debt securities of \$459 million.

(4) Includes related party KKR trading structured securities of \$55 million.

(5) 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, 2022, the fair value of these investments was \$150 million.

(6) Includes market risk benefit of \$682 million.

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

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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. Also refer to Note 2—"Summary of significant account policies and practices" for additional information valuation techniques used for the respective reported balances.

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.

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Funds withheld at interest, reinsurance assets and policy 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). Market risk benefits liability are valued at fair value using a non-option and option valuation approach based on current net amounts at risk, market data, Company experience, and other factors. 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 and interest-sensitive 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 instrument-specific credit 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 September 30, 2023 and December 31, 2022. Also refer to Note 2—"Significant account

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policies and practices” for additional information valuation techniques used for the respective reported balances.

As of September 30, 2023				
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	\$ 3,844	Discounted cash flows - discount spread	1.30% - 6.37% (WA 3.7%)	Decrease
Structured securities	88	Discounted cash flows - discount spread	3.33% - 6.53% (WA 3.79%)	Decrease
		Discounted cash flows - constant prepayment rate	5.00% - 15.00% (WA 6.89%)	Increase/Decrease
		Discounted cash flows - constant default rate	1.00% - 2.50% (WA 1.17%)	Decrease
		Discounted cash flows - loss severity	100%	Decrease
Other investments	4,834	Discounted cash flow - vacancy rate	0.00% to 5.00% (WA 2.70%)	Decrease
		Discounted cash flow - discount rate	6.00% to 7.76% (WA 7.58%)	Decrease
		Discounted cash flow - terminal capitalization rate	5.00% to 6.77% (WA 6.00%)	Decrease
Funds withheld receivable at interest	72	Discounted cash flow - duration/ weighted average life	0 - 18.74 years (WA 7.8 years)	Increase
		Discounted cash flow - contractholder persistency	2.29% - 24.86% (WA 4.67%)	Increase
		Instrument-specific credit risk	0.74% - 1.08% (WA 1.00%)	Decrease
Reinsurance recoverable	964	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 \$8.23 and \$78 per policy (WA \$17.4), increased by inflation. The annual inflation rate was increased by 2.5%.	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% (WA 9.8%)	Increase
		Discounted cash flow - mortality rate	5.52%	Increase
		Discounted cash flow - surrender rate	2.00%	Increase

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As of December 31, 2022				
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	\$ 1,852	Discounted cash flows - discount spread	0.22% - 6.02% (WA 3.05%)	Decrease
Structured securities	94	Discounted cash flows - discount spread	2.93% - 6.58% (WA 3.55%)	Decrease
		Discounted cash flows - constant prepayment rate	5.00% - 15.00% (WA 7.39%)	Increase/Decrease
		Discounted cash flows - constant default rate	1.00% - 2.50% (WA 1.20%)	Decrease
		Discounted cash flows - loss severity	100.00%	Decrease
Other investments (real estate property)	4,639	Discounted cash flows - capitalization rate	5.30%	Decrease
		Discounted cash flows - vacancy rate	0.00% - 5.00% (WA 3.30%)	Decrease
		Discounted cash flows — discount rate	5.50% - 7.57% (WA 7.23%)	Decrease
		Discounted cash flow - terminal capitalization rate	4.25% - 6.46% (WA 6.11%)	Decrease
Funds withheld receivable at interest	13	Discounted cash flow - duration/weighted average life	0 - 20.3 years (WA 8.49 years)	Increase
		Discounted cash flow - contractholder persistency	3.6% - 16.7% (WA 7.09%)	Increase
		Instrument-specific credit risk	0.61% - 1.42% (WA 0.98%)	Decrease
Reinsurance recoverable	982	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 \$8.23 and \$78 per policy (WA \$17.2), increased by inflation. The annual inflation rate was increased by 2.5%.	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% (WA 9.7%)	Increase
		Discounted cash flow - mortality rate	5.46%	Increase
		Discounted cash flow - surrender rate	2.01%	Increase

As of September 30, 2023				
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	\$ 1,125	<i>Policy liabilities under fair value option:</i>		

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As of September 30, 2023				
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
		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: 0.74% - 1.28% (WA 0.99%)	Decrease
		Policyholder behavior is also a significant unobservable input, including lapse, surrender and mortality.	Surrender rate: 3.59% - 6.89% (WA 6.02%)	Decrease
			Mortality rate: 3.49% - 9.60% (WA 4.81%)	Increase
		<i>Market risk benefit:</i>		
		Interest rates (10 and 30 year Treasury)	4.59% / 4.73%	Decrease
		10 and 30 year instrument-specific credit risk	1.01% / 1.08%	Decrease
		Policyholder behavior is also a significant unobservable input, including lapse, surrender, and mortality.	Mortality rate: 0.7% - 30.3% (WA 2.4%)	Increase
			Surrender rate: 0.1% - 39.6% (WA 3.7%)	Increase
Closed block policy liabilities	1,002	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 \$8.23 and \$78 per policy (WA \$17.4), increased by inflation. The annual inflation rate was increased by 2.5%.	Increase
		Instrument-specific credit risk	0.74% - 1.08% (WA 1.00%)	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% (WA 9.8%)	Increase
		Discounted cash flow - mortality rate	5.52%	Increase
		Discounted cash flow - surrender rate	2.00%	Increase
Funds withheld payable at interest	(3,757)	Discounted cash flow - duration/ weighted average life	0 - 16.14 years (WA 7.76 years)	Decrease
		Discounted cash flow - contractholder persistency	2.29% - 24.86% (WA 4.67%)	Decrease
		Instrument-specific credit risk	0.74% - 1.08% (WA 1.00%)	Decrease

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As of September 30, 2023					
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	
Embedded derivative – interest-sensitive life products	388	Policy persistency is a significant unobservable input.	Lapse rate: 3.36%	Decrease	
			Mortality rate: 0.77%	Decrease	
			Option budget assumption: 3.82%	Increase	
Embedded derivative – annuity products	2,856	Future costs for options used to hedge the contract obligations	Instrument-specific credit risk	0.74% - 1.08% (WA 1.00%)	Decrease
			Policyholder behavior is a significant unobservable input, including utilization and lapse.	Utilization: Fixed-indexed annuity WA 3.13%	Decrease
				Surrender rate: Retail FIA WA 13.29%; Institutional FIA WA 16.53%	Decrease
				Mortality rate: Retail FIA WA 2.49%; Institutional FIA WA 2.10%	Decrease
				Option budget assumption: Retail FIA WA 2.50%; Institutional FIA WA 3.00%	Increase
Instrument-specific credit risk	0.74% - 1.08% (WA 1.00%)	Decrease			
As of December 31, 2022					
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	\$ 1,063	<i>Policy liabilities under fair value option:</i>			
		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: 0.65% - 1.94% (WA 1.26%)	Decrease	
		Policyholder behavior is also a significant unobservable input, including lapse, surrender and mortality.	Surrender rate: 3.60% - 6.83% (WA 5.88%)	Decrease	
			Mortality rate: 3.61% - 9.14% (WA 4.53%)	Increase	
		<i>Market risk benefit:</i>			
		Interest rates (10 and 30 year Treasury)	3.88% / 3.97%	Decrease	
		10 and 30 year Instrument-specific credit risk	1.29% / 1.62%	Decrease	

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As of December 31, 2022					
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	1,016	Policyholder behavior is also a significant unobservable input, including lapse, surrender, and mortality.	Mortality rate: 0.6% - 21.2% (WA 2.1%)	Increase	
		Present value of expenses paid from the open block plus the cost of capital held in support of the liabilities.	Lapse rate: 0.6% - 39.7% (WA 3.1%)	Increase	
			The average expense assumption is between \$8.23 and \$78 per policy (WA \$17.2), increased by inflation. The annual inflation rate was increased by 2.5%.	Increase	
			Instrument-specific credit risk	0.61% - 1.42% (WA 0.98%)	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
Funds withheld payable at interest	(3,488)	Discounted cash flow - mortality rate	Cost of capital: 3.69% - 13.85% (WA 9.7%)	Increase	
			5.46%	Increase	
		Discounted cash flow - surrender rate	2.01%	Increase	
		Discounted cash flow - duration/ weighted average life	0 - 17.37 years (WA 8.56 years)	Decrease	
		Discounted cash flow - contractholder persistency	3.6% - 16.7% (WA 7.09%)	Decrease	
Embedded derivative - interest-sensitive life products	338	Instrument-specific credit risk	0.61% - 1.42% (WA 0.98%)	Decrease	
		Policy persistency is a significant unobservable input.	Lapse rate: 3.45%	Decrease	
		Future costs for options used to hedge the contract obligations	Mortality rate: 0.72%	Decrease	
Option budget assumption: 3.66%	Increase				
Embedded derivative - annuity products	1,851	Instrument-specific credit risk	0.61% - 1.42% (WA 0.98%)	Decrease	
		Policyholder behavior is a significant unobservable input, including utilization and lapse.	Utilization: Fixed-indexed annuity WA 3.49%	Decrease	
		Surrender rate: Retail FIA WA 10.81%; Institutional FIA WA 17.26%	Decrease		
			Mortality rate: Retail FIA WA 2.12%; Institutional FIA WA 2.01%	Decrease	

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As of December 31, 2022				
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
		Future costs for options used to hedge the contract obligations	Option budget assumption: Retail FIA WA 1.99%; Institutional FIA WA 2.36%	Increase
		Instrument-specific credit risk	0.61% - 1.42% (WA 0.98%)	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 nine months ended September 30, 2023 and 2022 respectively. The tables reflect gains and losses for all assets and liabilities categorized as Level 3 for the three and nine months ended September 30, 2023 and 2022:

Three months ended September 30, 2023									
Level 3 liabilities (\$ in millions)	Beginning balance	Net realized and unrealized gains / losses included in				Transfers into / (out) of Level 3	Ending balance	Total unrealized gains / losses included in	
		Income	OCI	Net settlements / purchases	Income ⁽¹⁾			OCI ⁽¹⁾	
Assets:									
AFS fixed maturity securities:									
Corporate fixed maturity securities ⁽²⁾	\$ 10,397	\$ (44)	\$ (37)	\$ 140	\$ 42	\$ 10,498	\$ —	\$ (38)	
Structured securities ⁽³⁾	1,930	7	26	(97)	(12)	1,854	—	24	
Total AFS fixed maturity securities	12,327	(37)	(11)	43	30	12,352	—	(14)	
Trading fixed maturity securities:									

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Three months ended September 30, 2023								
(\$ in millions)	Beginning balance	Net realized and unrealized gains / losses included in			Transfers into / (out) of Level 3	Ending balance	Total unrealized gains / losses included in	
		Income	OCI	Net settlements / purchases			Income ⁽¹⁾	OCI ⁽¹⁾
Corporate fixed maturity securities ⁽⁴⁾	1,088	(13)	—	13	—	1,088	(12)	—
Structured securities ⁽⁵⁾	711	3	—	(7)	(5)	702	2	—
Total trading fixed maturity securities	1,799	(10)	—	6	(5)	1,790	(10)	—
Equity securities	16	—	—	—	—	16	—	—
Mortgage and other loan receivables	768	(5)	—	(25)	—	738	(5)	—
Other investments	5,016	(41)	—	44	—	5,019	(32)	—
Funds withheld receivable at interest	(4)	76	—	—	—	72	—	—
Reinsurance recoverable	989	(26)	—	1	—	964	—	—
Total assets	\$ 20,911	\$ (43)	\$ (11)	\$ 69	\$ 25	\$ 20,951	\$ (47)	\$ (14)
Liabilities:								
Policy liabilities	\$ 1,181	\$ (119)	\$ 64	\$ (1)	\$ —	\$ 1,125	\$ —	\$ —
Closed block policy liabilities	1,026	(31)	(3)	10	—	1,002	—	—
Funds withheld payable at interest	(3,090)	(667)	—	—	—	(3,757)	—	—
Embedded derivative – interest-sensitive life products	447	(32)	—	(27)	—	388	—	—
Embedded derivative – annuity products	2,816	(132)	—	172	—	2,856	—	—
Total liabilities	\$ 2,380	\$ (981)	\$ 61	\$ 154	\$ —	\$ 1,614	\$ —	\$ —

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

(2) Includes related party KKR AFS corporate debt securities of \$75 million.

(3) Includes related party KKR AFS structured securities of \$289 thousand.

(4) Includes related party KKR trading corporate debt securities of \$14 million.

(5) Includes related party KKR trading structured securities of \$258 thousand.

Global Atlantic Financial Limited and subsidiaries

Notes to the interim consolidated financial statements (unaudited)

	Three months ended September 30, 2022							
	Beginning balance	Net realized and unrealized gains / losses included in			Transfers into / (out) of Level 3	Ending balance	Total unrealized gains / losses included in	
		Income	OCI	Net settlements / purchases			Income ⁽¹⁾	OCI ⁽¹⁾
(\$ in millions)								
Assets:								
AFS fixed maturity securities:								
Corporate fixed maturity securities	\$ 10,003	\$ (101)	\$ (65)	\$ 134	\$ (23)	\$ 9,948	\$ —	\$ (81)
Structured securities	1,291	4	(35)	150	—	1,410	—	(36)
Total AFS fixed maturity securities	11,294	(97)	(100)	284	(23)	11,358	—	(117)
Trading fixed maturity securities:								
Corporate fixed maturity securities	1,153	(27)	—	(5)	—	1,121	(27)	—
Structured securities	634	(30)	—	(10)	3	597	(30)	—
Total trading fixed maturity securities	1,787	(57)	—	(15)	3	1,718	(57)	—
Equity securities	17	—	—	—	—	17	—	—
Mortgage and other loan receivables	906	(19)	—	(17)	—	870	(17)	—
Other investments	4,012	(38)	—	279	—	4,253	(40)	—
Funds withheld receivable at interest	(25)	3	—	—	—	(22)	—	—
Reinsurance recoverable	1,104	(31)	—	(4)	—	1,069	—	—
Total assets	\$ 19,095	\$ (239)	\$ (100)	\$ 527	\$ (20)	\$ 19,263	\$ (114)	\$ (117)
Liabilities:								
Policy liabilities	\$ 1,246	\$ (274)	\$ 57	\$ (1)	\$ —	\$ 1,028	\$ —	\$ —
Closed block policy liabilities	1,136	(35)	(1)	(4)	—	1,096	—	—
Funds withheld payable at interest	(2,583)	(837)	—	—	—	(3,420)	—	—
Embedded derivative – interest-sensitive life products	342	(28)	—	2	—	316	—	—
Embedded derivative – annuity products	1,393	(125)	—	208	—	1,476	—	—
Total liabilities	\$ 1,534	\$ (1,299)	\$ 56	\$ 205	\$ —	\$ 496	\$ —	\$ —

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

Global Atlantic Financial Limited and subsidiaries

Notes to the interim consolidated financial statements (unaudited)

Nine months ended September 30, 2023									
			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⁾	
<i>(\$ in millions)</i>									
Assets:									
AFS fixed maturity securities:									
Corporate fixed maturity securities ⁽²⁾	\$ 10,124	\$ (3)	\$ (38)	\$ 340	\$ 75	\$ 10,498	\$ —	\$ (21)	
Structured securities ⁽³⁾	1,426	11	69	88	260	1,854	—	64	
Total AFS fixed maturity securities	11,550	8	31	428	335	12,352	—	43	
Trading fixed maturity securities:									
Corporate fixed maturity securities ⁽⁴⁾	1,120	(17)	—	(15)	—	1,088	(15)	—	
Structured securities ⁽⁵⁾	698	(2)	—	6	—	702	(2)	—	
Total trading fixed maturity securities	1,818	(19)	—	(9)	—	1,790	(17)	—	
Equity securities	16	—	—	—	—	16	—	—	
Mortgage and other loan receivables	788	2	—	(52)	—	738	1	—	
Other investments	4,883	(73)	—	209	—	5,019	(66)	—	
Funds withheld receivable at interest	13	59	—	—	—	72	—	—	
Reinsurance recoverable	982	(8)	—	(10)	—	964	—	—	
Total assets	\$ 20,050	\$ (31)	\$ 31	\$ 566	\$ 335	\$ 20,951	\$ (82)	\$ 43	
Liabilities:									
Policy liabilities	\$ 1,063	\$ (93)	\$ 158	\$ (3)	\$ —	\$ 1,125	\$ —	\$ —	
Closed block policy liabilities	1,016	(10)	(5)	1	—	1,002	—	—	
Funds withheld payable at interest	(3,488)	(269)	—	—	—	(3,757)	—	—	
Embedded derivative – interest-sensitive life products	338	75	—	(25)	—	388	—	—	
Embedded derivative – annuity products	1,851	283	—	722	—	2,856	—	—	
Total liabilities	\$ 780	\$ (14)	\$ 153	\$ 695	\$ —	\$ 1,614	\$ —	\$ —	

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

Notes to the interim consolidated financial statements (unaudited)

- (2) Includes related party KKR AFS corporate debt securities of \$2.1 billion.
- (3) Includes related party KKR AFS structured securities of \$7 million.
- (4) Includes related party KKR trading corporate debt securities of \$465 million.
- (5) Includes related party KKR trading structured securities of \$53 million.

Global Atlantic Financial Limited and subsidiaries

Notes to the interim consolidated financial statements (unaudited)

Nine months ended September 30, 2022									
	Beginning balance	Net realized and unrealized gains / losses included in			Transfers into / (out) of Level 3	Ending balance	Total unrealized gains / losses included in		
		Income	OCI	Net settlements / purchases			Income ⁽¹⁾	OCI ⁽¹⁾	
(\$ in millions)									
Assets:									
AFS fixed maturity securities:									
Corporate fixed maturity securities	\$ 9,170	\$ (162)	\$ (291)	\$ 1,319	\$ (88)	\$ 9,948	\$ —	\$ (271)	
Structured securities	835	(5)	(100)	336	344	1,410	—	(111)	
Total AFS fixed maturity securities	10,005	(167)	(391)	1,655	256	11,358	—	(382)	
Trading fixed maturity securities:									
Corporate fixed maturity securities	789	(74)	—	450	(44)	1,121	(73)	—	
Structured securities	473	(72)	—	112	84	597	(72)	—	
Total trading fixed maturity securities	1,262	(146)	—	562	40	1,718	(145)	—	
Equity securities	33	(16)	—	—	—	17	(16)	—	
Mortgage and other loan receivables	833	(74)	—	111	—	870	(63)	—	
Other investments	1,604	82	—	2,567	—	4,253	33	—	
Funds withheld receivable at interest	32	(64)	—	10	—	(22)	—	—	
Reinsurance recoverable	1,294	(208)	—	(17)	—	1,069	—	—	
Total assets	\$ 15,063	\$ (593)	\$ (391)	\$ 4,888	\$ 296	\$ 19,263	\$ (191)	\$ (382)	
Liabilities:									
Policy liabilities	\$ 1,963	\$ (733)	\$ (241)	\$ 39	\$ —	\$ 1,028	\$ —	\$ —	
Closed block policy liabilities	1,350	(242)	5	(17)	—	1,096	—	—	
Funds withheld payable at interest	(49)	(3,381)	—	10	—	(3,420)	—	—	
Embedded derivative – interest-sensitive life products	557	(248)	—	7	—	316	—	—	
Embedded derivative – annuity products	1,864	(860)	—	472	—	1,476	—	—	
Total liabilities	\$ 5,685	\$ (5,464)	\$ (236)	\$ 511	\$ —	\$ 496	\$ —	\$ —	

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

Global Atlantic Financial Limited and subsidiaries

Notes to the interim consolidated financial statements (unaudited)

Three months ended September 30, 2023 (\$ in millions)	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
Assets:					
AFS fixed maturity securities:					
Corporate fixed maturity securities ⁽¹⁾	\$ 416	\$ —	\$ —	\$ (276)	\$ 140
Structured securities	58	—	(1)	(154)	(97)
Total AFS fixed maturity securities	474	—	(1)	(430)	43
Trading fixed maturity securities:					
Corporate fixed maturity securities ⁽²⁾	33	—	—	(20)	13
Structured securities	3	—	(2)	(8)	(7)
Total trading fixed maturity securities	36	—	(2)	(28)	6
Mortgage and other loan receivables	—	—	—	(25)	(25)
Other investments	49	—	(5)	—	44
Reinsurance recoverable	—	—	—	1	1
Total assets	\$ 559	\$ —	\$ (8)	\$ (482)	\$ 69
Liabilities:					
Policyholder liabilities	\$ —	\$ 1	\$ —	\$ (2)	\$ (1)
Closed block policy liabilities	—	1	—	9	10
Embedded derivative – interest-sensitive life products	—	—	—	(27)	(27)
Embedded derivative – annuity products	—	212	—	(40)	172
Total liabilities	\$ —	\$ 214	\$ —	\$ (60)	\$ 154

(1) Includes related party KKR AFS corporate debt securities with net purchases of \$111 million.

(2) Includes related party KKR trading corporate debt securities with net purchases of \$21 million.

Global Atlantic Financial Limited and subsidiaries

Notes to the interim consolidated financial statements (unaudited)

Three months ended September 30, 2022 (\$ in millions)	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
Assets:					
AFS fixed maturity securities:					
Corporate fixed maturity securities	\$ 926	\$ —	\$ (30)	\$ (762)	\$ 134
Structured securities	177	—	—	(27)	150
Total AFS fixed maturity securities	1,103	—	(30)	(789)	284
Trading fixed maturity securities:					
Corporate fixed maturity securities	51	—	—	(56)	(5)
Structured securities	—	—	(5)	(5)	(10)
Total trading fixed maturity securities	51	—	(5)	(61)	(15)
Mortgage and other loan receivables	4	—	—	(21)	(17)
Other investments	559	—	(280)	—	279
Reinsurance recoverable	—	—	—	(4)	(4)
Total assets	\$ 1,717	\$ —	\$ (315)	\$ (875)	\$ 527
Liabilities:					
Policyholder liabilities	\$ —	\$ 1	\$ —	\$ (2)	\$ (1)
Closed block policy liabilities	—	—	—	(4)	(4)
Embedded derivative – interest-sensitive life products	—	2	—	—	2
Embedded derivative – annuity products	—	214	—	(6)	208
Total liabilities	\$ —	\$ 217	\$ —	\$ (12)	\$ 205

Global Atlantic Financial Limited and subsidiaries

Notes to the interim consolidated financial statements (unaudited)

Nine months ended September 30, 2023	Purchases		Issuances		Sales		Settlements		Net settlements / purchases	
(\$ in millions)										
Assets:										
AFS fixed maturity securities:										
Corporate fixed maturity securities ⁽¹⁾	\$	1,099	\$	—	\$	(6)	\$	(753)	\$	340
Structured securities		323		—		(1)		(234)		88
Total AFS fixed maturity securities		1,422		—		(7)		(987)		428
Trading fixed maturity securities:										
Corporate fixed maturity securities ⁽²⁾		48		—		(1)		(62)		(15)
Structured securities		41		—		(3)		(32)		6
Total trading fixed maturity securities		89		—		(4)		(94)		(9)
Mortgage and other loan receivables		1		—		(3)		(50)		(52)
Other investments		227		—		(18)		—		209
Reinsurance recoverable		—		—		—		(10)		(10)
Total assets	\$	1,739	\$	—	\$	(32)	\$	(1,141)	\$	566
Liabilities:										
Policyholder liabilities	\$	—	\$	1	\$	—	\$	(4)	\$	(3)
Closed block policy liabilities		—		1		—		—		1
Embedded derivative – interest-sensitive life products		—		—		—		(25)		(25)
Embedded derivative – annuity products		—		805		—		(83)		722
Total liabilities	\$	—	\$	807	\$	—	\$	(112)	\$	695

(1) Includes related party KKR AFS corporate debt securities with net purchases of \$329 million.

(2) Includes related party KKR trading corporate debt securities with net purchases of \$18 million.

Global Atlantic Financial Limited and subsidiaries

Notes to the interim consolidated financial statements (unaudited)

Nine months ended September 30, 2022	Purchases		Issuances		Sales		Settlements		Net settlements / purchases	
(\$ in millions)										
Assets:										
AFS fixed maturity securities:										
Corporate fixed maturity securities	\$	3,714	\$	—	\$	(236)	\$	(2,159)	\$	1,319
Structured securities		531		—		—		(195)		336
Total AFS fixed maturity securities		4,245		—		(236)		(2,354)		1,655
Trading fixed maturity securities:										
Corporate fixed maturity securities		574		—		(23)		(101)		450
Structured securities		196		—		(5)		(79)		112
Total trading fixed maturity securities		770		—		(28)		(180)		562
Mortgage and other loan receivables		237		—		(7)		(119)		111
Other investments		3,121		—		(554)		—		2,567
Funds withheld receivable at interest		—		10		—		—		10
Reinsurance recoverable		—		—		—		(17)		(17)
Total assets	\$	8,373	\$	10	\$	(825)	\$	(2,670)	\$	4,888
Liabilities:										
Policy liabilities	\$	—	\$	43	\$	—	\$	(4)	\$	39
Closed block policy liabilities		—		—		—		(17)		(17)
Funds withheld payable at interest		—		10		—		—		10
Embedded derivative - interest-sensitive life products		—		7		—		—		7
Embedded derivative - annuity products		—		490		—		(18)		472
Total liabilities	\$	—	\$	550	\$	—	\$	(39)	\$	511

Fair-value option

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

	September 30, 2023		December 31, 2022	
(\$ in millions)				
Assets				
Mortgage and other loan receivables	\$	738	\$	788
Other investments		270		336
Reinsurance recoverable		964		982
Total assets	\$	1,972	\$	2,106
Liabilities				
Policy liabilities	\$	1,353	\$	1,411
Total liabilities	\$	1,353	\$	1,411

Global Atlantic Financial Limited and subsidiaries

Notes to the interim consolidated financial statements (unaudited)

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

(\$ in millions)	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2023	2022	2023	2022
Assets				
Mortgage and other loan receivables	\$ (5)	\$ (17)	\$ 1	\$ (71)
Other investments	(9)	1	(65)	39
Total assets	\$ (14)	\$ (16)	\$ (64)	\$ (32)
Liabilities				
Policy liabilities	\$ 13	\$ 38	\$ 59	\$ 113
Total liabilities	\$ 13	\$ 38	\$ 59	\$ 113

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

The following reflects the reconciliation of the components of insurance intangibles to the total balance reported in the consolidated balance sheets as of September 30, 2023 and December 31, 2022:

(\$ in millions)	September 30,	December 31,
	2023	2022
Deferred acquisition costs	\$ 1,054	\$ 821
Value of business acquired	1,248	1,317
Cost-of-reinsurance assets	205	193
Total insurance intangibles	\$ 2,507	\$ 2,331

Deferred acquisition costs

The following tables reflect the deferred acquisition costs roll-forward by product category for the nine months ended September 30, 2023 and 2022:

(\$ in millions)	Nine months ended September 30, 2023				
	Fixed rate annuities	Fixed indexed annuities	Interest sensitive life	Other	Total
Balance, as of the beginning of the period	\$ 222	\$ 368	\$ 116	\$ 115	\$ 821
Capitalizations	134	130	22	53	339
Amortization expense	(46)	(44)	(5)	(11)	(106)
Balance, as of the end of the period	\$ 310	\$ 454	\$ 133	\$ 157	\$ 1,054

Global Atlantic Financial Limited and subsidiaries

Notes to the interim consolidated financial statements (unaudited)

(\$ in millions)	Nine months ended September 30, 2022				
	Fixed rate annuities	Fixed indexed annuities	Interest sensitive life	Other	Total
Balance, as of the beginning of the period	\$ 107	\$ 180	\$ 54	\$ 56	\$ 397
Capitalizations	99	175	55	55	384
Amortization expense	(20)	(21)	(4)	(8)	(53)
Balance, as of the end of the period	\$ 186	\$ 334	\$ 105	\$ 103	\$ 728

Value of business acquired

The following tables reflect the value of business acquired, or “VOBA” asset roll-forward by product category for the nine months ended September 30, 2023 and 2022:

(\$ in millions)	Nine months ended September 30, 2023					
	Fixed rate annuities	Fixed indexed annuities	Variable annuities	Interest sensitive life	Other	Total
Balance, as of the beginning of the period	\$ 49	\$ 663	\$ 242	\$ 277	\$ 86	\$ 1,317
Amortization expense	(3)	(31)	(18)	(10)	(7)	(69)
Balance, as of the end of the period	\$ 46	\$ 632	\$ 224	\$ 267	\$ 79	\$ 1,248

(\$ in millions)	Nine months ended September 30, 2022					
	Fixed rate annuities	Fixed indexed annuities	Variable annuities	Interest sensitive life	Other	Total
Balance, as of the beginning of the period	\$ 53	\$ 709	\$ 269	\$ 292	\$ 95	\$ 1,418
Amortization expense	(3)	(35)	(22)	(12)	(7)	(79)
Balance, as of the end of the period	\$ 50	\$ 674	\$ 247	\$ 280	\$ 88	\$ 1,339

The following tables reflect the negative value of business acquired, or “negative VOBA” liability roll-forward by product category for the nine months ended September 30, 2023 and 2022:

Global Atlantic Financial Limited and subsidiaries

Notes to the interim consolidated financial statements (unaudited)

(\$ in millions)	Nine months ended September 30, 2023					
	Fixed rate annuities	Fixed indexed annuities	Variable annuities	Interest sensitive life	Other	Total
Balance, as of the beginning of the period	\$ 98	\$ 146	\$ 100	\$ 462	\$ 198	\$ 1,004
Amortization expense	(25)	(30)	(7)	(27)	(11)	(100)
Balance, as of end of period	\$ 73	\$ 116	\$ 93	\$ 435	\$ 187	\$ 904

(\$ in millions)	Nine months ended September 30, 2022					
	Fixed rate annuities	Fixed indexed annuities	Variable annuities	Interest sensitive life	Other	Total
Balance, as of the beginning of the period	\$ 136	\$ 185	\$ 110	\$ 501	\$ 210	\$ 1,142
Amortization expense	(29)	(29)	(8)	(33)	(8)	(107)
Balance, as of the end of the period	\$ 107	\$ 156	\$ 102	\$ 468	\$ 202	\$ 1,035

Estimated future amortization of VOBA and Negative VOBA as of September 30, 2023 is as follows:

Years	VOBA	Negative VOBA	Total, net
(\$ in millions)			
Remainder of 2023	\$ 22	\$ (30)	\$ (8)
2024	84	(103)	(19)
2025	79	(81)	(2)
2026	75	(65)	10
2027	70	(54)	16
2028	66	(47)	19
2029 and thereafter	852	(524)	328
Total	\$ 1,248	\$ (904)	\$ 344

Unearned revenue reserves and unearned front-end loads

(\$ in millions)	Nine months ended September 30,	
	2023	2022
	Preneed	
Balance, as of the beginning of the period	\$ 118	\$ 56
Deferral	55	53
Amortized to income during the year	(8)	(5)
Balance, as of the end of the period	\$ 165	\$ 104

Notes to the interim consolidated financial statements (unaudited)

Significant inputs, judgments, assumptions for DAC and related amortization amounts

The Company considers surrender rates, mortality rates, and other relevant policy decrements in determining the expected life of the contract. As a part of our actual experience update for the nine months ended September 30, 2023, we updated mortality and surrender rates. These updates reduced the amortization rate for DAC and related amortization amounts by \$1 million per quarter. For the nine months ended September 30, 2022, we observed that there was no significant change in relevant inputs, judgments, or assumptions requiring an update of the amortization rate for DAC and related amortization amounts.

7. Policy liabilities

The following reflects the reconciliation of the components of policy liabilities to the total balance reported in the consolidated balance sheets as of September 30, 2023 and December 31, 2022:

	September 30,	December 31
	2023	2022
(\$ in millions)		
Policyholders' account balances	\$ 113,904	\$ 112,281
Liability for future policy benefits	14,856	14,446
Additional liability for annuitization, death, or other insurance benefits	5,139	4,971
Market risk benefit liability	775	682
Other policy-related liabilities ⁽¹⁾	6,309	5,400
Total policy liabilities	\$ 140,983	\$ 137,780

(1) Other policy-related liabilities primarily consists of negative VOBA (\$904 million and \$1.0 billion, respectively), policy liabilities accounted under a fair value option (\$1.2 billion and \$1.3 billion, respectively), embedded derivatives associated with contractholder deposit funds (\$3.2 billion and \$2.2 billion, respectively) and outstanding claims (\$191 million and \$254 million, respectively).

Policyholders' account balances

The following reflects the policyholders' account balances roll-forward for the nine months ended September 30, 2023 and 2022, and the policyholders' account balances weighted average interest rates, net amount at risk, and cash surrender value as of those dates:

Global Atlantic Financial Limited and subsidiaries

Notes to the interim consolidated financial statements (unaudited)

(\$ in millions)	Nine months ended September 30, 2023					
	Fixed rate annuities	Fixed indexed annuities	Interest sensitive life	Funding agreements	Other ⁽¹⁾	Total
Balance as of the beginning of the period	\$ 48,511	\$ 29,124	\$ 17,397	\$ 7,535	\$ 9,714	\$ 112,281
Issuances and premiums received	7,719	3,721	576	200	313	12,529
Benefit payments, surrenders, and withdrawals	(7,070)	(3,066)	(657)	(346)	(1,167)	(12,306)
Interest ⁽²⁾	1,072	381	360	166	223	2,202
Other activity ⁽³⁾	(211)	(152)	(622)	41	142	(802)
Balance as of the end of the period	50,021	30,008	17,054	7,596	9,225	113,904
Less: reinsurance recoverable	(7,061)	(3,202)	(3,458)	—	(2,932)	(16,653)
Balance as of the end of the period, net of reinsurance recoverable	\$ 42,960	\$ 26,806	\$ 13,596	\$ 7,596	\$ 6,293	\$ 97,251
Average interest rate	3.04 %	2.01 %	3.11 %	2.96 %	2.70 %	2.72 %
Net amount at risk, gross of reinsurance ⁽⁴⁾	\$ —	\$ —	\$ 81,855	\$ —	\$ 1,176	\$ 83,031
Cash surrender value ⁽⁵⁾	\$ 40,146	\$ 28,002	\$ 12,637	\$ —	\$ 4,733	\$ 85,518

- (1) "Other" consists of activity related to payout annuities (without life contingencies), preneed, variable annuities, and life products.
- (2) Interest includes interest credited to policyholders' account values, and interest accreted in other components of the policyholder account balance, including investment-type contract values, host amounts for contractholder deposits with embedded derivatives, funding agreements and other associated reserves.
- (3) "Other activity" includes policy charges, fees and commissions, transfers, assumption changes, fair value changes and the impact of hedge fair value adjustments.
- (4) Net amount at risk represents the difference between the face value of the insurance policy and the reserve accumulated under that same policy.
- (5) Cash surrender values are reported net of any applicable surrender charges, net of reinsurance.

Notes to the interim consolidated financial statements (unaudited)

(\$ in millions)	Nine months ended September 30, 2022					
	Fixed rate annuities	Fixed indexed annuities	Interest sensitive life	Funding agreements	Other ⁽¹⁾	Total
Balance as of beginning of the period	\$ 42,409	\$ 25,205	\$ 17,392	\$ 6,015	\$ 6,624	\$ 97,645
Issuances and premiums received	9,117	4,822	793	3,119	679	18,530
Benefit payments, surrenders, and withdrawals	(4,750)	(1,664)	(491)	(1,293)	(570)	(8,768)
Interest ⁽²⁾	741	221	380	87	149	1,578
Other activity ⁽³⁾	(235)	26	(639)	(422)	(9)	(1,279)
Balance as of end of the period	\$ 47,282	\$ 28,610	\$ 17,435	\$ 7,506	\$ 6,873	\$ 107,706
Less: reinsurance recoverable	(6,855)	(3,674)	(3,511)	—	(1,240)	(15,280)
Balance as of the end of the period, net of reinsurance recoverable	\$ 40,427	\$ 24,936	\$ 13,924	\$ 7,506	\$ 5,633	\$ 92,426
Average interest rate	2.35 %	1.27 %	3.09 %	1.74 %	2.26 %	2.15 %
Net amount at risk, gross of reinsurance ⁽⁴⁾	—	—	83,915	—	1,187	85,102
Cash surrender value ⁽⁵⁾	38,198	24,208	13,511	—	3,513	79,430

- (1) "Other" consists of activity related to payout annuities (without life contingencies), preneed, variable annuities and life products.
- (2) Interest includes interest credited to policyholders' account values, and interest accreted in other components of the policyholder account balance, including investment-type contract values, host amounts for contractholder deposits with embedded derivatives, funding agreements, and other associated reserves.
- (3) "Other activity" includes policy charges, fees and commissions, transfers, assumption changes, fair value changes and the impact of hedge fair value adjustments.
- (4) Net amount at risk represents the difference between the face value of the life insurance policy and the reserve accumulated under that same policy.
- (5) Cash surrender values are reported net of any applicable surrender charges.

The following table presents the account values by range of guaranteed minimum crediting rates and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums. Account values, as disclosed below differs from policyholder account balances as it excludes balances associated with index credits, contractholder deposit fund host balances, funding agreements

Global Atlantic Financial Limited and subsidiaries

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and other associated reserves. In addition, policyholder account balances include discounts and premiums on assumed business which are not reflected in account values.

As of September 30, 2023						
Account values with adjustable crediting rates subject to guaranteed minimums:						
Range of guaranteed minimum crediting rates:	At guaranteed minimum	1 - 49 bps above guaranteed minimum	50 - 99 bps above guaranteed minimum	100 - 150 bps above guaranteed minimum	Greater than 150 bps above guaranteed minimum	Total
<i>(\$ in millions, except for percentages)</i>						
Less than 1.00%	\$ 2,644	\$ 25	\$ 838	\$ 3,809	\$ 23,620	\$ 30,936
1.00% - 1.99%	1,541	1,116	1,000	1,863	4,998	10,518
2.00% - 2.99%	944	40	52	89	1,057	2,182
3.00% - 4.00%	11,588	386	145	567	2	12,688
Greater than 4.00%	7,555	1,715	63	6	—	9,339
Total	\$ 24,272	\$ 3,282	\$ 2,098	\$ 6,334	\$ 29,677	\$ 65,663
Percentage of total	37 %	5 %	3 %	10 %	45 %	100 %

As of December 31, 2022						
Account values with adjustable crediting rates subject to guaranteed minimums:						
Range of guaranteed minimum crediting rates:	At guaranteed minimum	1 - 49 bps above guaranteed minimum	50 - 99 bps above guaranteed minimum	100 - 150 bps above guaranteed minimum	Greater than 150 bps above guaranteed minimum	Total
<i>(\$ in millions, except for percentages)</i>						
Less than 1.00%	\$ 3,211	\$ 25	\$ 848	\$ 4,669	\$ 20,158	\$ 28,911
1.00% - 1.99%	2,350	1,172	1,077	1,911	2,820	9,330
2.00% - 2.99%	1,096	53	10	1	590	1,750
3.00% - 4.00%	12,505	417	148	495	136	13,701
Greater than 4.00%	7,822	1,597	65	6	56	9,546
Total	\$ 26,984	\$ 3,264	\$ 2,148	\$ 7,082	\$ 23,760	\$ 63,238
Percentage of total	43 %	5 %	3 %	11 %	38 %	100 %

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Liability for future policy benefits

The following tables summarize the balances of, and changes in, the liability for future policy benefits for traditional and limited-payment contracts for the nine months ended September 30, 2023 and 2022:

	Nine months ended					
	September 30, 2023			September 30, 2022		
	Payout annuities ⁽¹⁾	Other ⁽²⁾	Total	Payout annuities ⁽¹⁾	Other ⁽²⁾	Total
(\$ in millions)						
Present value of expected net premiums						
Balance as of beginning of the period	\$ —	\$ (255)	\$ (255)	\$ —	\$ (330)	\$ (330)
Balance at original discount rate	\$ —	\$ (304)	\$ (304)	\$ —	\$ (335)	\$ (335)
Effect of changes in cash flow assumptions	—	44	44	—	5	5
Effect of actual variances from expected experience	—	2	2	—	(12)	(12)
Adjusted beginning of period balance	—	(258)	(258)	—	(342)	(342)
Interest	—	(3)	(3)	—	(4)	(4)
Net premiums collected	—	25	25	—	27	27
Ending balance at original discount rate	—	(236)	(236)	—	(319)	(319)
Effect of changes in discount rate assumptions	—	42	42	—	49	49
Balance as of the end of the period	\$ —	\$ (194)	\$ (194)	\$ —	\$ (270)	\$ (270)

Notes to the interim consolidated financial statements (unaudited)

	Nine months ended					
	September 30, 2023			September 30, 2022		
	Payout annuities ⁽¹⁾	Other ⁽²⁾	Total	Payout annuities ⁽¹⁾	Other ⁽²⁾	Total
(\$ in millions)						
Present value of expected future policy benefits						
Balance as of beginning of the period	\$ 14,022	\$ 680	\$ 14,702	\$ 16,303	\$ 883	\$ 17,186
Balance at original discount rate	\$ 17,181	\$ 807	\$ 17,988	\$ 16,443	\$ 895	\$ 17,338
Effect of changes in cash flow assumptions	(2)	(46)	(48)	5	(7)	(2)
Effect of actual variances from expected experience	22	4	26	(40)	13	(27)
Adjusted beginning of period balance	\$ 17,201	\$ 765	\$ 17,966	\$ 16,408	\$ 901	\$ 17,309
Issuances	\$ 1,972	\$ —	\$ 1,972	\$ 1,395	\$ 7	\$ 1,402
Interest	312	7	319	221	12	233
Benefit payments	(1,214)	(70)	(1,284)	(1,119)	(78)	(1,197)
De-recognition (lapses and withdrawals)	—	—	—	—	(5)	(5)
Ending balance at original discount rate	\$ 18,271	\$ 702	\$ 18,973	\$ 16,905	\$ 837	\$ 17,742
Effect of changes in discount rate assumptions	(3,806)	(117)	(3,923)	(3,740)	(128)	(3,868)
Balance as of the end of the period	\$ 14,465	\$ 585	\$ 15,050	\$ 13,165	\$ 709	\$ 13,874
Net liability for future policy benefits	\$ 14,465	\$ 391	\$ 14,856	\$ 13,165	\$ 439	\$ 13,604
Less: reinsurance recoverable ⁽³⁾	(7,403)	(3)	(7,406)	(7,132)	(3)	(7,135)
Net liability for future policy benefits, net of reinsurance recoverables	\$ 7,062	\$ 388	\$ 7,450	\$ 6,033	\$ 436	\$ 6,469

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

(2) "Other" consists of activity related to variable annuities, traditional life insurance, preneed insurance, and fixed-rate annuity products.

(3) Reinsurance recoverables associated with the liability for future policy benefits is net of the effect of changes in discount rate assumptions of \$(339) million and \$(2.1) billion for the nine months ended September 30, 2023 and 2022, respectively.

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The following table summarizes the amount of gross premiums related to traditional and limited-payment contracts recognized in the consolidated statement of operations for the nine months ended September 30, 2023 and 2022:

(\$ in millions)	Gross premiums	
	Nine months ended September 30,	
	2023	2022
Payout annuities	\$ 2,194	\$ 1,523
Other	50	56
Total products	\$ 2,244	\$ 1,579

The following table reflects the weighted-average duration and weighted-average interest rates of the future policy benefit liability as of September 30, 2023 and December 31, 2022:

	As of September 30, 2023	
	Payout annuities	Other
Weighted-average interest rates, original discount rate	3.16 %	2.54 %
Weighted-average interest rates, current discount rate	5.86 %	5.85 %
Weighted-average liability duration (years, current discount rate)	8.13	8.74

	As of December 31, 2022	
	Payout annuities	Other
Weighted-average interest rates, original discount rate	2.76 %	2.50 %
Weighted-average interest rates, current discount rate	5.04 %	5.03 %
Weighted-average liability duration (years, current discount rate)	8.39	9.32

The following reflects the undiscounted ending balance of expected future gross premiums and expected future benefits and payments for traditional and limited-payment contracts, as of September 30, 2023 and December 31, 2022:

(\$ in millions)	As of September 30, 2023	
	Payout annuities	Other
Expected future benefit payments, undiscounted	\$ 26,251	\$ 848
Expected future benefit payments, discounted (original discount rate)	18,271	703
Expected future benefit payments, discounted (current discount rate)	14,464	586
Expected future gross premiums, undiscounted	—	388
Expected future gross premiums, discounted (original discount rate)	—	327
Expected future gross premiums, discounted (current discount rate)	—	271

Notes to the interim consolidated financial statements (unaudited)

(\$ in millions)	As of December 31, 2022	
	Payout Annuities	Other
Expected future benefit payments, undiscounted	\$ 23,981	\$ 987
Expected future benefit payments, discounted (original discount rate)	17,321	813
Expected future benefit payments, discounted (current discount rate)	14,022	681
Expected future gross premiums, undiscounted	—	524
Expected future gross premiums, discounted (original discount rate)	—	431
Expected future gross premiums, discounted (current discount rate)	—	357

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

Significant policyholder behavior and other assumption inputs to the calculation of the liability for future policy benefits include discount rates, mortality and, for life insurance, lapse rates. Global Atlantic reviews all assumptions at least annually, and more frequently if necessary. Accordingly, as part of the annual assumption review conducted during the nine months ended September 30, 2023, premium and lapse assumptions were revised for traditional life insurance products (included with the “Other” category), which resulted in a \$4 million favorable impact to net income before taxes.

For the nine months ended September 30, 2023 and 2022, we recognized \$306 million and \$1.6 billion in other comprehensive income, respectively, due to changes in the future policy benefits estimate from updating discount rates. During nine months ended September 30, 2023, and 2022, there were no changes to the methods used to determine the discount rates.

Additional liability for annuitization, death, or other insurance benefits

The following tables reflect the additional liability for annuitization, death, or other insurance benefits roll-forward for the nine months ended September 30, 2023 and 2022:

(\$ in millions)	Nine months ended	
	September 30, 2023	September 30, 2022
Balance as of beginning of period	\$ 5,105	\$ 4,833
Effect of changes in cash flow assumptions	14	17
Effect of changes in experience	(26)	(34)
Adjusted balance as of beginning of period	5,093	4,816
Issuances	20	18
Assessments	353	371
Benefits paid	(292)	(306)
Interest	104	111
Balance as of end of period	5,278	5,010
Less: impact of unrealized investment gain and losses	139	99
Balance, end of year, net of reinsurance recoverable and impact of unrealized investment gains and losses	\$ 5,139	\$ 4,911

Notes to the interim consolidated financial statements (unaudited)

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

The following reflects the amount of gross assessments recognized for the additional liability for annuitization, death, or other insurance benefits in the Consolidated Statements of Income for the nine months ended September 30, 2023 and 2022:

(\$ in millions)	Gross assessments	
	Nine months ended September 30,	
	2023	2022
Total amount recognized within revenue in the Consolidated Statements of Income	\$ 342	\$ 423

The following reflects the weighted average duration and weighted average interest rate for the additional liability for annuitization, death, or other insurance benefits as of September 30, 2023 and December 31, 2022:

	As of	
	September 30, 2023	December 31, 2022
Weighted-average interest, current discount rate	3.00 %	3.00 %
Weighted-average liability duration (years)	27.94	28.21

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

Significant policyholder behavior assumption inputs to the calculation of the additional liability for annuitization, death, or other insurance benefits include mortality and lapse rates. Global Atlantic reviews all assumptions at least annually, and more frequently if necessary. Accordingly, as part of the annual assumption review conducted during the nine months ended September 30, 2023, assumptions for lapse rates, investment yields, and option budget costs were updated, which resulted in a \$14 million increase in the additional liability for annuitization, death, and other insurance benefits. During the nine months ended September 30, 2022, assumptions for lapse rates and investment yields were updated, which resulted in a \$17 million increase in the liability.

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Market risk benefits

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

(\$ in millions, except for percentages and policyholder information)	Nine months ended					
	September 30, 2023			September 30, 2022		
	Fixed-indexed annuity	Variable-and other annuities	Total	Fixed-indexed annuity	Variable-and other annuities	Total
Balance as of the beginning of the period	\$ 549	\$ 120	\$ 669	\$ 1,188	\$ 254	\$ 1,442
Balance as of the beginning of the period, before impact of changes in instrument-specific credit risk	\$ 657	\$ 151	\$ 808	\$ 1,183	\$ 254	\$ 1,437
Issuances	1	—	1	—	42	42
Interest	30	7	37	10	3	13
Attributed fees collected	78	63	141	73	64	137
Benefit payments	(3)	(1)	(4)	(2)	(3)	(5)
Effect of changes in interest rates	(185)	(90)	(275)	(576)	(349)	(925)
Effect of changes in equity markets	(8)	(17)	(25)	68	187	255
Effect of actual experience different from assumptions	139	(34)	105	16	(21)	(5)
Effect of changes in other future expected assumptions	(93)	56	(37)	(116)	11	(105)
Balance as of the end of the period before impact of changes in instrument-specific credit risk	616	135	751	656	188	844
Effect of changes in instrument-specific credit risk	13	6	19	(179)	(57)	(236)
Balance as of the end of the period	629	141	770	477	131	608
Less: reinsurance recoverable as of the end of the period	—	(13)	(13)	—	(23)	(23)
Balance as of the end of the period, net of reinsurance recoverable	\$ 629	\$ 128	\$ 757	\$ 477	\$ 108	\$ 585
Net amount at risk	\$ 4,201	\$ 1,313	\$ 5,514	\$ 3,691	\$ 1,385	\$ 5,076
Weighted-average attained age of contract holders (years)	70	69	70	70	69	70

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The following reflects the reconciliation of the market risk benefits reflected in the preceding table to the amounts reported in an asset and liability position, respectively, in the Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022:

	As of September 30, 2023			As of December 31, 2022		
	Asset	Liability	Net	Asset	Liability	Net
(\$ in millions)						
Fixed-indexed annuities	\$ 5	\$ 633	\$ (628)	\$ 13	\$ 562	\$ (549)
Variable- and other annuities	—	142	(142)	—	120	(120)
Total	\$ 5	\$ 775	\$ (770)	\$ 13	\$ 682	\$ (669)

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

Significant policyholder behavior and other assumption inputs to the calculation of the market risk benefits include interest rates, instrument-specific credit risk, mortality rates, surrender rates and utilization rates. Global Atlantic reviews all assumptions at least annually, and more frequently if evidence suggests. Accordingly, as part of the annual assumption review conducted during the nine months ended September 30, 2023, assumptions for fixed-indexed annuity surrender and partial withdrawals, and variable annuity surrender and activations were updated, which resulted in a \$37 million favorable impact to net income before taxes. During the nine months ended September 30, 2022, assumptions for fixed-indexed annuity activations, surrender rates, option budgets, and variable and other annuity rider fees and termination rates were updated, which resulted in a \$105 million favorable impact to net income before taxes.

Separate account liabilities

Separate account assets and liabilities consist of investment accounts established and maintained by the Company for certain variable annuity and interest-sensitive life insurance contracts. Some of these contracts include minimum guarantees such as GMDBs and GMWBs that guarantee a minimum payment to the policyholder.

The assets that support these variable annuity and interest-sensitive life insurance contracts are measured at fair value and are reported as separate account assets on the consolidated balance sheet. An equivalent amount is reported as separate account liabilities. Market risk benefit assets and liabilities for minimum guarantees are valued and presented separately from separate account assets and separate account liabilities. For more information on market risk benefits see “–Market risk benefits” in this footnote. Policy charges assessed against the policyholders for mortality, administration and other services are included in “Policy fees” in the consolidated statements of income.

Global Atlantic Financial Limited and subsidiaries

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The following table presents the balances of and changes in separate account liabilities:

	September 30, 2023			September 30, 2022		
	Variable annuities	Interest-sensitive life	Total	Variable annuities	Interest-sensitive life	Total
(\$ in millions)						
Balance as of the beginning of the period	\$ 3,628	\$ 503	\$ 4,131	\$ 4,923	\$ 664	\$ 5,587
Premiums and deposits	27	10	37	24	11	35
Surrenders, withdrawals and benefit payments	(357)	(17)	(374)	(329)	(12)	(341)
Investment performance	190	45	235	(940)	(154)	(1,094)
Other	(92)	(37)	(129)	(97)	(36)	(133)
Balance as of the end of the period	\$ 3,396	\$ 504	\$ 3,900	\$ 3,581	\$ 473	\$ 4,054
Cash surrender value as of the end of the period ⁽¹⁾	\$ 3,396	\$ 504	\$ 3,900	\$ 3,581	\$ 473	\$ 4,054

(1) Cash surrender value attributed to the separate accounts does not reflect the impact of surrender charges; surrender charges are attributed to policyholder account balances recorded in the general account.

The following table presents the aggregate fair value of assets, by major investment asset type, supporting separate accounts:

	September 30,		December 31,	
	2023		2022	
(\$ in millions)				
Asset type:				
Managed volatility equity/fixed income blended fund	\$	2,048	\$	2,247
Equity		1,471		1,634
Fixed income		147		157
Money market		233		92
Alternative		1		1
Total assets supporting separate account liabilities	\$	3,900	\$	4,131

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8. Debt

Debt was comprised of the following:

	September 30, 2023		December 31, 2022	
	Amount	Rate	Amount	Rate
(\$ in millions, except interest rates)				
Revolving credit facility, due August 2026 ⁽¹⁾	\$ —	— %	\$ 400	5.92 %
Senior notes, due October 2029 ⁽¹⁾	500	4.40 %	500	4.40 %
Senior notes, due June 2031	650	3.13 %	650	3.13 %
Senior notes, due June 2033	650	7.95 %	—	— %
Subordinated debentures, due October 2051	750	4.70 %	750	4.70 %
Total debt - principal	2,550		2,300	
Purchase accounting adjustments ⁽¹⁾	41		43	
Debt issuance costs, net of accumulated amortization ⁽²⁾	(37)		(18)	
Fair value gain of hedged senior notes, recognized in net income	(239)		(197)	
Total debt	\$ 2,315		\$ 2,128	

(1) The amortization of the purchase accounting adjustment related to the acquired senior notes was less than \$1 million and \$1 million for the three months ended September 30, 2023 and 2022, and \$2 million and \$7 million for the nine months ended September 30, 2023 and 2022, respectively.

(2) The amortization of the debt issuance costs was less than \$1 million for both the three months ended September 30, 2023 and 2022, and \$1 million and less than \$1 million for the nine months ended September 30, 2023 and 2022, respectively.

Senior notes due 2033

In June 2023, Global Atlantic (Fin) Company, or “FinCo,” a Delaware corporation and an indirect subsidiary of the Company, issued \$650 million aggregate principal amount of 7.950% senior unsecured notes due 2033 (the “2033 Senior Notes”). This included \$500 million issued on June 15, 2023, and a subsequent reopening of \$150 million issued on June 21, 2023. The proceeds of the 2033 Senior Notes were used, in part, to repay outstanding indebtedness under our revolving credit facility. Remaining proceeds are intended to be used for general corporate purposes. The 2033 Senior Notes were issued pursuant to an indenture, dated as of October 7, 2019, among FinCo, as issuer, GAFL, as guarantor, and U.S. Bank National Association, as trustee, and supplemented by the Third and Fourth Supplemental Indentures, dated as of June 15, 2023 and June 21, 2023, respectively, among FinCo, GAFL and the trustee. The 2033 Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by GAFL.

The 2033 Senior Notes bear interest at a rate of 7.950% per year. Interest on the 2033 Senior Notes is payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2023. The 2033 Senior Notes will mature on June 15, 2033. FinCo may, at its option, redeem some or all of the 2033 Senior Notes at any time: (i) prior to March 15, 2033 at a redemption price equal to 100% of the principal amount of the 2033 Senior Notes to be redeemed plus a “make-whole” premium and accrued and unpaid interest, if any, to the date of redemption; and (ii) on or after March 15, 2033 at a redemption price equal to 100% of the principal amount of the 2033 Senior Notes to be redeemed, plus accrued and unpaid interest to the date of redemption.

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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 September 30, 2023. The Company was in compliance with such debt covenants in all material respects as of September 30, 2023.

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

Other assets consist of the following:

	September 30, 2023	December 31, 2022
(\$ in millions)		
Deferred tax asset, net	\$ 2,708	\$ 2,347
Unsettled investment sales ⁽¹⁾ and derivative collateral receivables	516	663
Derivative assets	764	724
Goodwill ⁽³⁾	501	501
Intangible assets and deferred sales inducements	263	276
Current income tax recoverable	41	23
Operating lease right-to-use assets ⁽²⁾	179	183
Premiums and other account receivables	164	142
Market risk benefit asset	5	13
Miscellaneous assets	188	122
Total other assets	\$ 5,329	\$ 4,994

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

(2) The non-cancelable operating leases consist of leases for office space and renewal energy forward power purchase agreements in North America. The operating lease costs were \$7 million and \$6 million for the three months ended September 30, 2023 and 2022, respectively, and \$21 million and \$18 million for the nine months ended September 30, 2023 and 2022, respectively.

(3) The Company reported a negative equity carrying amount as of September 30, 2023 primarily due to unrealized losses on available-for-sale fixed maturity investment portfolio. The Company expects that substantially all of these unrealized losses will not be realized as it intends to hold these investments to recovery 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.

The definite life intangible assets are amortized by using the straight-line method over the useful life of the assets which is 14 years. The indefinite life intangible assets are not subject to amortization. The amortization expense of definite life intangible assets was \$4 million for both the three months ended September 30, 2023 and 2022, and \$13 million for both the nine months ended September 30, 2023 and 2022.

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Other liabilities consist of the following:

	September 30, 2023	December 31, 2022
(\$ in millions)		
Unsettled investment purchases ⁽¹⁾	\$ 411	\$ 209
Derivative liabilities	1,137	934
Accrued expenses ⁽²⁾	842	825
Insurance operations balances in course of settlement	221	949
Securities sold under agreements to repurchase	320	805
Collateral on derivative instruments	716	466
Accrued employee related expenses	223	190
Operating lease liabilities ⁽³⁾	201	205
Tax payable to former parent company	62	67
Interest payable	48	13
Accounts and commissions payables	24	25
Other tax related liabilities	9	12
Total other liabilities	\$ 4,214	\$ 4,700

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

(2) Includes related party balances of \$116 million and \$99 million as of September 30, 2023 and December 31, 2022, respectively.

(3) Operating leases for office space have remaining lease terms that range from approximately 1 year to 12 years, some of which include options to extend the leases for up to 10 years. The weighted average remaining lease terms were 7.6 years and 7.0 years as of September 30, 2023 and December 31, 2022, respectively. The weighted average discount rate was 4.3% and 3.6% as of September 30, 2023 and December 31, 2022, respectively.

Other income consists of the following:

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
(\$ in millions)				
Reinsurance expense allowance	\$ 26	\$ 19	\$ 71	\$ 52
Administrative, marketing and distribution fees	16	17	47	50
Miscellaneous income	—	—	1	1
Total other income	\$ 42	\$ 36	\$ 119	\$ 103

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Insurance expenses consist of the following:

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2023	2022	2023	2022
(\$ in millions)				
Commission expense	\$ 101	\$ 104	\$ 399	\$ 269
Reinsurance expense allowance	32	28	92	75
Other insurance expenses	14	20	45	46
Premium taxes	6	3	15	13
Total insurance expenses	\$ 153	\$ 155	\$ 551	\$ 403

General, administrative and other expenses consist of the following:

	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2023	2022	2023	2022
(\$ in millions)				
Employee-related expenses	\$ 131	\$ 149	\$ 468	\$ 402
Administrative and professional services ⁽¹⁾	55	31	138	121
Total general, administrative, and other expenses	\$ 186	\$ 180	\$ 606	\$ 523

(1) Includes related party balances of \$2 million for both three months ended September 30, 2023 and 2022, and \$6 million and \$7 million for the nine months ended September 30, 2023 and 2022, respectively.

10. Accumulated other comprehensive income

Information regarding amounts reclassified out of each component of accumulated other comprehensive loss for the three and nine months ended September 30, 2023 and 2022 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		Nine months ended	
		September 30,		September 30,	
		2023	2022	2023	2022
(\$ in millions)					
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		\$ 10	\$ (23)	\$ (149)	\$ (571)
Income tax expense (benefit)		13	(2)	(17)	(109)
Net unrealized investment gains (losses), net of income tax, reclassified		\$ (3)	\$ (21)	\$ (132)	\$ (462)

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11. 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 \$50 million and \$83 million as of September 30, 2023 and December 31, 2022 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 January 1, 2028 to June 30, 2028. For the redeemable non-controlling interests outstanding as of September 30, 2023 and December 31, 2022, the estimated redemption value that would be due at the respective redemption dates is \$3 million and \$5 million, respectively.

12. Equity-based compensation plans

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

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
(\$ in millions)				
Book-value awards	\$ 14	\$ 13	\$ 45	\$ 44
KKR restricted stock units	4	3	11	7
Carried incentive unit awards	—	1	—	3
Total equity-based compensation expense	\$ 18	\$ 17	\$ 56	\$ 54
Management equity plan awards	\$ 8	\$ 28	\$ 64	\$ 55
Total deferred compensation expense	\$ 8	\$ 28	\$ 64	\$ 55
Deferred tax asset	\$ —	\$ 1	\$ 2	\$ 1

No equity-based compensation costs were capitalized during the three and nine months ended September 30, 2023 and 2022.

Global Atlantic Financial Limited and subsidiaries

Notes to the interim consolidated financial statements (unaudited)

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 September 30, 2023:

	September 30, 2023	
	Expense	Weighted average period (years)
(\$ in millions, except weighted average)		
Book-value awards	\$ 82	2.13
KKR restricted stock unit awards	41	1.69
Unrecognized compensation expense, as of end of period	\$ 123	

Equity-classified awards

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 three-to-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.

Under the terms of the KKR 2019 Equity Incentive Plan, on April 1, 2023, approximately 202,359 RSUs having an aggregate fair market value of \$10.6 million became issuable in KKR & Co., Inc. common stock. As a result, on April 3, 2023, approximately 119,518 common shares were delivered to Global Atlantic employees, net of 82,841 shares withheld for taxes. Global Atlantic reimbursed KKR in the amount of \$5.4 million for the grant-date fair value of certain RSUs granted subsequent to the initial employee grants on February 1, 2021.

The table below presents the activity related to equity-classified RSUs, for the nine months ended September 30, 2023:

	Nine months ended September 30, 2023	
	RSUs (shares)	Weighted average grant date fair value per share
Outstanding balance, as of beginning of period	1,091,038	\$ 57.93
Granted	71,119	53.94
Forfeited	(38,480)	47.39
Vested	(202,153)	59.88
Transfers in (out)	(213)	—
Outstanding balance, as of end of period	921,311	\$ 57.65

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 “BV 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 BVAs 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 April 1, 2023, BVAs having an aggregate value of approximately \$35 million vested as set forth under the terms of the Book Value Plan agreements and resulted in a cash payment on April 3, 2023 of an aggregate \$21 million to unit holders, net of applicable tax withholdings.

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On February 28, 2023, BVAs having an aggregate value of approximately \$24 million vested as set forth under the pre-acquisition grant agreements and resulted in a cash payment of an aggregate \$14 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 nine months ended September 30, 2023:

	Nine months ended September 30, 2023	
(\$ in millions)		
Outstanding amount, as of beginning of period	\$	139
Granted		34
Forfeited		(3)
Vested and cash-settled		(63)
Outstanding amount, as of end of period	\$	107

Other deferred compensation plans

Management equity incentive plan awards

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 (\$5 million), as determined by applying the book value profit share percentage rate to the Company’s net book value growth at the date of grant, 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 aggregate excess market value and projected AUM, 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 the nine months ended September 30, 2023, 77 incentive units were granted to employees and 35 incentive units were forfeited. As of September 30, 2023 and December 31, 2022, there were approximately 887 and 845 incentive units outstanding under the Plan, respectively.

The Company recorded compensation expense of \$8 million and \$28 million for the three months ended September 30, 2023 and 2022, respectively, and \$64 million and \$55 million for the nine months ended September 30, 2023 and 2022, respectively, related to periodic

Notes to the interim consolidated financial statements (unaudited)

change in expense for Units granted under the MEP, with a corresponding offset to other liabilities. As of September 30, 2023, there was approximately \$90 million of unrecognized expense related to the GA Units granted under the GA Equity Incentive Plan with a weighted average service period remaining of 2.34 years.

13. Income taxes

The provision for income taxes represents federal and state income taxes. The effective tax rate for the three months ended September 30, 2023 and 2022 and nine months ended September 30, 2023 and 2022 was 5.5%, 21.8%, 2.1% and 20.8%, respectively. The effective tax rate on income before income taxes for the three and nine months ended September 30, 2023 and 2022 differs from the U.S. federal statutory rate primarily due to certain Bermuda-based earnings.

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. As of December 31, 2022, management recorded a partial valuation allowance of \$89 million reducing the deferred tax asset related to the unrealized losses on available-for-sale securities held by Global Atlantic. As of September 30, 2023, management recorded no change to the valuation allowance balance of \$89 million. Management intends to hold the majority of these securities until the recovery of the losses, which may be at maturity, as part of its asset liability cash-flow matching strategy and will continue to monitor its position and may make changes to the valuation allowance in future periods as circumstances change.

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 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.

On August 16, 2022, the Inflation Reduction Act (the "IRA") was signed into law. In general, the provisions of the IRA will be effective beginning with the fiscal year 2023, with certain exceptions. The IRA includes a new 15% corporate minimum tax. As required under the authoritative guidance of ASC 740, Income Taxes, we reviewed the impact on income taxes due to the change in legislation and concluded there was no impact to the financial statements as of September 30, 2023. The Company is in the process of evaluating the potential future impacts of the IRA, and will continue to review and monitor the issuance of additional guidance from the Internal Revenue Service.

14. 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. The lease liability represents the present value of the lease payments to be made over the lease term and is calculated using a discount rate equal to the Company's incremental borrowing rates, which range from 1.3% to 7.8% depending on the term. As of September 30, 2023, the Company has a right-to-use asset of \$155 million (net of \$22 million in deferred rent and lease incentives) and a corresponding lease liability of \$177 million. As of December 31, 2022, the Company has a right-to-use asset of \$183 million (net of \$22 million in deferred rent and lease incentives) and a corresponding lease liability of \$205 million.

The Company has commitments to purchase or fund investments of \$4.6 billion and \$5.2 billion as of September 30, 2023 and December 31, 2022, 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 \$29 million for current expected credit losses as of September 30, 2023.

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.

On April 30, 2013, GAFG, GAFLL and Global Atlantic (Fin) Company, a Delaware-domiciled holding company ("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 in related interest expense in the consolidated statements of income. The Company made principal payments of \$12 million as of January 31, 2021.

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.

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In connection with the \$650 million Senior Notes due 2033 issued by FinCo, the Company has agreed to fully and unconditionally guarantee the notes on a senior 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. In September 2022, FinCo entered into an amendment of the GA Credit Agreement to adjust the interest rates based on the term SOFR and to make certain conforming changes related to converting the facility from interest rates based on LIBOR to interest rates based on SOFR. As of September 30, 2023, 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 16—"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 \$22 million, as of September 30, 2023, with expiration dates between May 2024 to November 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 \$168 million, as of September 30, 2023. 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 September 30, 2023 and December 31, 2022, the expected credit loss on the contingent liability associated with these letters of credit was not material. See Note 16—"Related party transactions" for additional information on the letters of credit.

Legal matters

The Company is currently and expects to become from time to time involved in litigation and regulatory actions. 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. Such matters include pending examinations, including related to policy administration, and class action lawsuits, including related to safeguarding of customer data. Given the inherent difficulty of predicting the outcome of the Company's litigation and regulatory matters, particularly in cases or

Notes to the interim consolidated financial statements (unaudited)

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.

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 \$5 million as of both September 30, 2023 and December 31, 2022.

Financing arrangements

The Company has financing arrangements with unaffiliated third parties to support the reserves of its affiliated special purpose reinsurers. Total fees associated with these financing arrangements were \$5 million for both the three months ended September 30, 2023 and 2022 and \$15 million for both the nine months ended September 30, 2023 and 2022, and are included in insurance expenses in the consolidated statements of income. As of both September 30, 2023 and December 31, 2022, the total capacity of the financing arrangements with third parties was \$2.3 billion.

Other than the matters disclosed above, there were no outstanding or unpaid balances from the financing arrangements with unaffiliated third parties as of both September 30, 2023 and December 31, 2022.

15. 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:

	September 30, 2023	December 31, 2022
(\$ in millions)		
Policy liabilities:		
Direct	\$ 73,442	\$ 71,833
Assumed	67,541	65,947
Total policy liabilities	140,983	137,780
Ceded ⁽¹⁾	(25,620)	(25,755)
Net policy liabilities	\$ 115,363	\$ 112,025

(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

Notes to the interim consolidated financial statements (unaudited)

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:

A.M. Best Rating ⁽¹⁾	As of September 30, 2023			As of December 31, 2022		
	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⁾
<i>(\$ in millions)</i>						
A++	\$ 38	\$ —	\$ 38	\$ 63	\$ —	\$ 63
A+	1,742	—	1,742	1,850	—	1,850
A	2,317	—	2,317	2,491	—	2,491
A-	4,362	3,821	541	5,398	4,198	1,200
B++	26	—	26	38	—	38
B+	—	—	—	—	—	—
B	—	—	—	—	—	—
B-	—	—	—	—	—	—
Not rated or private rating ⁽⁵⁾	20,100	18,915	1,185	20,994	18,542	2,452
Total	\$ 28,585	\$ 22,736	\$ 5,849	\$ 30,834	\$ 22,740	\$ 8,094

(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 \$21 million and \$41 million as of September 30, 2023 and December 31, 2022, respectively, held against reinsurance recoverable.

(5) Includes \$20.1 billion and \$21.0 billion as of September 30, 2023 and December 31, 2022, respectively, associated with cessions to co-investment vehicles (the "Ivy Vehicles") that participate in qualifying reinsurance transactions sourced by Global Atlantic.

As of September 30, 2023 and December 31, 2022, the Company had \$2.8 billion and \$2.9 billion of funds withheld receivable at interest, respectively, with six counterparties related to modified coinsurance and funds withheld contracts. The assets supporting these receivables were held in trusts and not part of the respective counterparty's general accounts.

Notes to the interim consolidated financial statements (unaudited)

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
(\$ in millions)				
Premiums:				
Direct	\$ 26	\$ 21	\$ 92	\$ 86
Assumed	436	829	2,190	1,533
Ceded	(242)	(370)	(962)	(992)
Net premiums	\$ 220	\$ 480	\$ 1,320	\$ 627

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
(\$ in millions)				
Policy fees:				
Direct	\$ 229	\$ 236	\$ 686	\$ 711
Assumed	105	99	315	268
Ceded	(20)	(17)	(58)	(28)
Net policy fees	\$ 314	\$ 318	\$ 943	\$ 951

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
(\$ in millions)				
Policy benefits and claims:				
Direct	\$ 301	\$ 181	\$ 2,035	\$ (35)
Assumed	768	1,152	3,368	2,187
Ceded	(322)	(502)	(1,393)	(1,064)
Net policy benefits and claims	\$ 747	\$ 831	\$ 4,010	\$ 1,088

The Company holds collateral for and provides collateral to our reinsurance clients. The Company held \$26.4 billion and \$26.1 billion of collateral in the form of funds withheld payable on behalf of our reinsurers as of September 30, 2023 and December 31, 2022, respectively. As of September 30, 2023 and December 31, 2022, reinsurers held collateral of \$1.2 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 September 30, 2023 and December 31, 2022, these trusts held in excess of the \$68.7 billion and \$65.8 billion of assets it is required to hold in order to support reserves of \$64.2 billion and \$62.4 billion, respectively. Of the cash held in trust, the Company classified \$61 million and \$31 million as restricted as of September 30, 2023 and December 31, 2022, respectively.

16. Related party transactions

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 \$112 million, \$83 million, \$331 million and \$216 million for the three months ended September 30, 2023 and 2022 and nine months ended September 30, 2023 and 2022, respectively, and had \$112 million and \$90 million payable due to KKR as of September 30, 2023 and December 31, 2022, respectively.

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The Company has agreements to lease office space from KKR. The Company recorded expenses for these agreements of \$2 million, \$2 million, \$6 million and \$7 million for three months ended September 30, 2023 and 2022 and nine months ended September 30, 2023 and 2022, and had \$4 million and \$9 million payable due to KKR as of September 30, 2023 and December 31, 2022, respectively.

In 2022, the Company and Panamint Capital, or “Panamint,” a utility-scale renewable energy developer, entered into a series of agreements whereby the Company invested in a minority equity position in Panamint and agreed to provide financing to its operations. In addition, the Company has the option to purchase projects sourced by Panamint and finance related redevelopment work. The agreements with Panamint enable the Company to exercise significant influence over the operating and financial policies of Panamint. The Company reported a loan receivable of \$8 million and an equity method investment of \$1 million in Panamint as of September 30, 2023.

During third quarter 2023, the Company purchased controlling interests in projects sourced by Panamint that we now consolidate. Panamint is operating and will redevelop the projects, in exchange for certain fees and a minority equity stake in the projects. The amount of these purchases of controlling interests totaled \$94 million. These project investments are reported in Other Investments.

On February 15, 2022, the Company acquired controlling interests in Drawbridge, 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 an equity interest in Avenue One Holdings (“Avenue One”) that enables the Company to exercise significant influence. Avenue One provides services related to certain real estate investments held by the Company, including sourcing, renovating and managing properties. The Company paid \$5 million, \$8 million, \$22 million and \$40 million to Avenue One during the three months ended September 30, 2023 and 2022 and nine months ended September 30, 2023 and 2022, respectively, for the sourcing, renovation and management of properties. Amounts related to sourcing and renovating properties are recognized in the cost of the real estate on the balance sheet, and the management fees are recognized in net investment income. As of September 30, 2023 and December 31, 2022, there was \$1 million and \$3 million, respectively, payable outstanding to Avenue One under the related services agreement.

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. The loan used to fund the projects was paid off in December 2022. The Company reported an equity investment of \$62 million and \$112 million as of September 30, 2023 and December 31, 2022, respectively.

The Company held related party investments in its portfolio as of September 30, 2023 and December 31, 2022 as follows:

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Type	Balance sheet classification	As of September 30, 2023		
		Asset carrying value	Accrued interest	Total balance sheet amount
(\$ in millions)				
KKR-issued investments	AFS fixed maturity securities	\$ 2,226	\$ 15	\$ 2,241
KKR-issued investments	Trading fixed maturity securities	533	4	537
KKR-issued investments	Other investments	1	—	1
Total related party investments		\$ 2,760	\$ 19	\$ 2,779

Type	Balance sheet classification	As of December 31, 2022		
		Asset carrying value	Accrued interest	Total balance sheet amount
(\$ in millions)				
KKR-issued investments	AFS fixed maturity securities	\$ 1,920	\$ 35	\$ 1,955
KKR-issued investments	Trading fixed maturity securities	514	8	522
KKR-issued investments	Other investments	1	—	1
Total related party investments		\$ 2,435	\$ 43	\$ 2,478

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

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
(\$ in millions)				
Net investment income				
KKR investment management fee	(112)	(83)	\$ (331)	\$ (216)
KKR debt securities	50	44	138	104
Parasol Renewable Energy loan receivables	—	—	2	1
Avenue One management fees	(2)	—	(2)	—
Total net investment income	\$ (64)	\$ (39)	\$ (193)	\$ (111)
Net investment-related (losses) gains				
Parasol Renewable Energy investments	(12)	—	\$ (50)	\$ —
KKR securities	(8)	(2)	(4)	(6)
Total net investment-related (losses) gains	\$ (20)	\$ (2)	\$ (54)	\$ (6)

17. Subsequent events

The Company evaluated all events and transactions through November 14, 2023, 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.