Global Atlantic Financial Limited

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

Interim consolidated financial statements (unaudited)

As of June 30, 2021 and December 31, 2020

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Global Atlantic Financial Limited and subsidiaries

Consolidated balance sheets

($ in millions, except share data)	June 30, 2021 (unaudited)	December 31, 2020
	Successor	*Predecessor*
Assets		
Investments:		
Fixed maturity securities, available-for-sale, at fair value (amortized cost: $61,213 and $55,576, respectively; variable interest entities: $2,955 and $2,316, respectively; net of allowances: $92 and $–, respectively; and related party: $71 and $368, respectively)	$ 60,864	$ 61,154
Fixed maturity securities, trading, at fair value (amortized cost: $9,298 and $11,025, respectively; variable interest entities: $771 and $–, respectively; and related party: $16 and $–, respectively)	9,301	11,193
Equity securities at fair value (cost: $136 and $51, respectively)	149	95
Mortgage and other loan receivables (portion at fair value: $1,225 and $842, respectively; variable interest entities: $4,814 and $2,894, respectively; net of allowances: $298 and $135, respectively; and related party: $628 and $558, respectively)	19,970	15,479
Policy loans	779	696
Funds withheld receivable at interest (portion at fair value: $78 and $407, respectively; related party: $– and $35, respectively)	3,084	2,446
Other investments (portion at fair value: $601 and $558, respectively; variable interest entities: $6,150 and $5,732, respectively; and related party: $29 and $140, respectively)	6,974	6,478
Total investments	**101,121**	**97,541**
Cash and cash equivalents (variable interest entities: $976 and $417, respectively)	6,492	3,177
Restricted cash and cash equivalents	188	240
Accrued investment income (variable interest entities: $48 and $58, respectively)	697	709
Reinsurance recoverable (portion at fair value: $1,288 and $1,355, respectively; net of allowances: $9 and $–, respectively; related party: $– and $11, respectively)	16,385	15,140
Insurance intangibles	1,194	1,847
Other assets (variable interest entities: $552 and $201, respectively; related party: $– and $35, respectively)	4,811	1,647
Separate account assets	5,638	5,459
Total assets	**$ 136,526**	**$ 125,760**

(continued)

Global Atlantic Financial Limited and subsidiaries

Consolidated balance sheets

($ in millions, except share data)		June 30, 2021 (unaudited) Successor		December 31, 2020 Predecessor
Liabilities				
Policy liabilities:				
Future policy benefits (portion at fair value: $1,232 and $1,300, respectively; related party: $– and $2,397, respectively)	$	16,143	$	13,858
Outstanding claims (portion at fair value: $18 and $20, respectively)		257		266
Contractholder deposit funds and other policy liabilities (portion at fair value: $2,656 and $3,275, respectively; related party: $– and $4,485, respectively)		89,434		79,817
Total policy liabilities		**105,834**		**93,941**
Debt		1,436		1,421
Funds withheld payable at interest (portion at fair value: $55 and $132, respectively)		14,623		13,636
Other liabilities (portion at fair value: $48 and $85, respectively; variable interest entities: $976 and $345, respectively; and related party: $39 and $17, respectively)		3,681		2,873
Reinsurance liabilities (portion at fair value: $– and $–, respectively; related party: $– and $49, respectively)		176		260
Separate account liabilities		5,638		5,459
Total liabilities	**$**	**131,388**	**$**	**117,590**
Commitments and contingencies (Note 13)				
Redeemable non-controlling interests (Note 10)	$	92	$	91
Equity				
Common stock, $1 par value, 100,000,000 shares authorized, 304 shares issued and outstanding, respectively	$	—	$	—
Additional paid-in capital		4,991		1,668
Retained earnings		117		2,961
Accumulated other comprehensive (loss) income		(196)		3,317
Total shareholder's equity		**4,912**		**7,946**
Non-controlling interests		134		133
Total equity		**5,046**		**8,079**
Total liabilities, redeemable non-controlling interests and equity	**$**	**136,526**	**$**	**125,760**

See accompanying notes to unaudited consolidated financial statements.

Global Atlantic Financial Limited and subsidiaries

Consolidated statements of income

	Three months ended June 30, 2021	Three months ended June 30, 2020	Five months ended June 30, 2021	One month ended January 31, 2021	Six months ended June 30, 2020
($ in millions)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
	Successor	***Predecessor***	***Successor***	***Predecessor***	***Predecessor***
Revenues					
Premiums (related party: $6 and $6 for the three months, $9 for the five months, $3 for the one month, and $13 for the six months, respectively)	$ (452)	$ 57	$ 724	$ 77	$ 267
Policy fees (related party: $4 and $4 for the three months, $6 for the five months, $2 for the one month, and $8 for the six months, respectively)	312	290	514	98	595
Net investment income (related party investment income: $25 and $13 for the three months, $35 for the five months, $5 for the one month, and $23 for the six months, respectively; related party investment expense: $39 and $3 for the three months, $62 for the five months, $2 for the one month, and $5 for the six months, respectively)	679	784	1,101	266	1,530
Net investment gains (losses) (related party: $– and $– for the three months, $– for the five months, -$2 for the one month, and $– for the six months, respectively)	327	50	(129)	(56)	(51)
Other income	32	13	50	8	27
Total revenues	**898**	**1,194**	**2,260**	**393**	**2,368**
Benefits and expenses					
Policy benefits and claims (related party: $53 and $62 for the three months, $76 for the five months, $20 for the one month, and $138 for the six months, respectively)	412	1,062	1,897	226	1,769
Amortization of policy acquisition costs	(21)	15	(41)	44	101
Interest expense	11	14	22	4	35
Insurance expenses (related party: $3 and $1 for the three months, $4 for the five months, $1 for the one month, and $2 for the six months, respectively)	102	43	154	24	84
General, administrative and other expenses (related party: $– and $2 for the three months, $– for the five months, $– for the one month, and $4 for the six months, respectively)	128	117	208	20	228
Total benefits and expenses	**632**	**1,251**	**2,240**	**318**	**2,217**
Income (losses) before income taxes	**266**	**(57)**	**20**	**75**	**151**
Income tax expense (benefit)	4	(37)	(38)	17	(38)
Net income (losses)	**262**	**(20)**	**58**	**58**	**189**
Less: net income (losses) attributable to non-controlling interests and redeemable non-controlling interests	7	(22)	(59)	1	(66)
Net income attributable to Global Atlantic Financial Limited shareholder	**$ 255**	**$ 2**	**$ 117**	**$ 57**	**$ 255**

See accompanying notes to unaudited consolidated financial statements.

Global Atlantic Financial Limited and subsidiaries

Consolidated statements of comprehensive income (loss)

($ in millions)	Three months ended June 30, 2021 (unaudited)	Three months ended June 30, 2020 (unaudited)	Five months ended June 30, 2021 (unaudited)	One month ended January 31, 2021 (unaudited)	Six months ended June 30, 2020 (unaudited)
	Successor	*Predecessor*	*Successor*	*Predecessor*	*Predecessor*
Net income (loss)	**$ 262**	**$ (20)**	**$ 58**	**$ 58**	**$ 189**
Other comprehensive income (loss), before taxes:					
Unrealized gains (losses) on securities and other investments for the period	1,619	3,904	(301)	(372)	405
Reclassification adjustment for gains on hedging instruments reclassified to available-for-sale securities and other instruments	—	16	—	—	27
Less: reclassification adjustment for gains (losses) included in net income	20	14	(47)	1	47
Unrealized gains (losses) on available-for-sale securities and other investments	**1,599**	**3,906**	**(254)**	**(373)**	**385**
Unrealized gains (losses) on hedging instruments	—	(2)	—	—	29
Less: reclassification adjustment for gains on hedging instruments reclassified to available-for-sale securities and other instruments	—	16	—	—	27
Unrealized gains (losses) on hedging instruments	**—**	**(18)**	**—**	**—**	**2**
Net effect of unrealized gains (losses) on policy balances	11	(1,037)	8	75	(193)
Unrealized gains (losses) on pension plans	—	—	1	(1)	(1)
Other comprehensive income (loss), before taxes	**1,610**	**2,851**	**(245)**	**(299)**	**193**
Income tax (expense) benefit related to other comprehensive income (loss)	(316)	(506)	49	67	(75)
Other comprehensive income (loss) before non-controlling interests and redeemable non-controlling interests, net of tax	**1,294**	**2,345**	**(196)**	**(232)**	**118**
Comprehensive income (loss)	**1,556**	**2,325**	**(138)**	**(174)**	**307**
Less: total comprehensive income (loss) attributable to non-controlling interests and redeemable non-controlling interests:					
Net income (loss)	7	(22)	(59)	1	(66)
Total comprehensive income (loss) attributable to non-controlling interests and redeemable non-controlling interests	**7**	**(22)**	**(59)**	**1**	**(66)**
Comprehensive income (loss) attributable to Global Atlantic Financial Limited shareholder	**$ 1,549**	**$ 2,347**	**$ (79)**	**$ (175)**	**$ 373**

See accompanying notes to unaudited consolidated financial statements.

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

For the three months ended June 30, 2021 (Successor) and June 30, 2020 (Predecessor)	Redeemable non-controlling interests	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholder's equity	Non-controlling interest	Total equity
($ in millions)							
Balance as of March 31, 2020, Predecessor	**$ 90**	**$ 1,650**	**$ 2,704**	**$ (315)**	**$ 4,039**	**$ 168**	**$ 4,207**
Net income	1	—	2	—	2	(23)	(21)
Other comprehensive income	—	—	—	2,345	2,345	—	2,345
Equity-based compensation	—	7	—	—	7	—	7
Capital contributions from non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	44	44
Distribution to non-controlling interests and redeemable non-controlling interests	(2)	—	—	—	—	(1)	(1)
Balance as of June 30, 2020, Predecessor	**$ 89**	**$ 1,657**	**$ 2,706**	**$ 2,030**	**$ 6,393**	**$ 188**	**$ 6,581**
Balance as of March 31, 2021, Successor	**$ 92**	**$ 4,877**	**$ (138)**	**$ (1,490)**	**$ 3,249**	**$ 131**	**$ 3,380**
Net income	1	—	255	—	255	6	261
Other comprehensive income	—	—	—	1,294	1,294	—	1,294
Equity-based compensation	—	(2)	—	—	(2)	—	(2)
Capital contributions	—	116	—	—	116	—	116
Change in equity of non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	—
Capital contributions from non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	—
Distribution to non-controlling interests and redeemable non-controlling interests	(1)	—	—	—	—	(3)	(3)
Balance as of June 30, 2021, Successor	**$ 92**	**$ 4,991**	**$ 117**	**$ (196)**	**$ 4,912**	**$ 134**	**$ 5,046**

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

For the one month ended January 31, 2021 (Predecessor) and the six months ended June 30, 2020 (Predecessor)	Redeemable non-controlling interests	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholder's equity	Non-controlling interest	Total equity
($ in millions)							
Balance as of December 31, 2019, Predecessor	**$ 94**	**$ 1,662**	**$ 2,451**	**$ 1,912**	**$ 6,025**	**$ 135**	**$ 6,160**
Net income	(2)	—	255	—	255	(64)	191
Other comprehensive income	—	—	—	118	118	—	118
Equity-based compensation	—	(5)	—	—	(5)	—	(5)
Change in equity of non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	27	27
Capital contributions from non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	93	93
Distribution to non-controlling interests and redeemable non-controlling interests	(3)	—	—	—	—	(3)	(3)
Balance as of June 30, 2020, Predecessor	**$ 89**	**$ 1,657**	**$ 2,706**	**$ 2,030**	**$ 6,393**	**$ 188**	**$ 6,581**
Balance as of December 31, 2020, Predecessor	**$ 91**	**$ 1,668**	**$ 2,961**	**$ 3,317**	**$ 7,946**	**$ 133**	**$ 8,079**
Net income	(55)	—	57	—	57	56	113
Other comprehensive loss	—	—	—	(232)	(232)	—	(232)
Equity-based compensation	—	4	—	—	4	—	4
Change in equity of non-controlling interests and redeemable non-controlling interests	56	—	—	—	—	(56)	(56)
Capital contributions from non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	63	63
Distribution to non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	(5)	(5)
Balance as of January 31, 2021, Predecessor	**$ 92**	**$ 1,672**	**$ 3,018**	**$ 3,085**	**$ 7,775**	**$ 191**	**$ 7,966**

Global Atlantic Financial Limited and subsidiarie

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

For the five months ended June 30, 2021 (Successor)	Redeemable non-controlling interests	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholder's equity	Non-controlling interest	Total equity
($ in millions)								
Balance as of February 1, 2021, Successor	**$ 92**	**$ —**	**$ 4,653**	**$ —**	**$ —**	**$ 4,653**	**$ 190**	**$ 4,843**
Net income	1	—	—	117	—	117	(60)	57
Other comprehensive loss	—	—	—	—	(196)	(196)	—	(196)
Equity-based compensation	—	—	7	—	—	7	—	7
Capital contributions	—	—	331	—	—	331	—	331
Change in equity of non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	—	—
Capital contributions from non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	7	7
Distribution to non-controlling interests and redeemable non-controlling interests	(1)	—	—	—	—	—	(3)	(3)
Balance as of June 30, 2021, Successor	**$ 92**	**$ —**	**$ 4,991**	**$ 117**	**$ (196)**	**$ 4,912**	**$ 134**	**$ 5,046**

See accompanying notes to unaudited consolidated financial statements.

Global Atlantic Financial Limited and subsidiaries

Consolidated statements of cash flows

($ in millions)	Five months ended June 30, 2021 (unaudited) Successor	One month ended January 31, 2021 (unaudited) Predecessor	Six months ended June 30, 2020 (unaudited) Predecessor
Cash flows from operating activities			
Net income	$ 58	$ 58	$ 189
Adjustments to reconcile net income to net cash provided by operating activities:			
Net investment (gains) losses (related party: $–, $– and $2, respectively)	420	11	104
Net accretion and amortization (related party: $2, $5 and $15, respectively)	210	72	—
Interest credited to policy account balances less policy fees	710	140	720
Deferred income tax benefit	(118)	12	(68)
Changes in operating assets and liabilities:			
Reinsurance transactions and acquisitions, net of cash provided	909	137	63
Change in premiums, notes receivable and reinsurance recoverable, net of reinsurance premiums payable	143	(27)	(18)
Change in deferred policy acquisition costs	(200)	(42)	(213)
Change in policy liabilities and accruals, net	(386)	(259)	460
Other operating activities, net	35	(240)	99
Net cash provided by (used in) operating activities	**$ 1,781**	**$ (138)**	**$ 1,336**
Cash flows from investing activities			
Proceeds from disposals of available-for-sale fixed maturity securities	4,239	817	7,484
Proceeds from maturities of available-for-sale fixed maturity securities	3,543	—	258
Proceeds from disposals and maturities of trading fixed maturity securities	4,317	1,693	145
Proceeds from mortgage and other loan receivables sold, matured or collected (related party: $12, $9 and $4, respectively)	1,833	422	1,898
Proceeds from disposals of other investments (related party: $–, $– and $1, respectively)	1,053	130	1,788
Purchase of available-for-sale fixed maturity securities	(7,336)	(1,934)	(9,505)
Purchase of trading fixed maturity securities	(2,450)	(1,540)	(168)
Purchase of equity securities	—	(1)	—
Purchase of mortgage and other loan receivables (related party: $48, $20 and $136, respectively)	(5,680)	(586)	(3,504)
Purchase of other investments (related party: $4, $1 and $88, respectively)	(1,857)	(195)	(1,851)
Other investing activities, net	331	16	(10)
Net cash used in investing activities	**$ (2,007)**	**$ (1,178)**	**$ (3,465)**

(continued)

Global Atlantic Financial Limited and subsidiaries

Consolidated statements of cash flows

($ in millions)	Five months ended June 30, 2021 (unaudited)	One month ended January 31, 2021 (unaudited)	Six months ended June 30, 2020 (unaudited)
	Successor	*Predecessor*	*Predecessor*
Cash flows from financing activities			
Settlement of repurchase agreements	$ (1,532)	$ (301)	$ (10,220)
Proceeds from issuance of repurchase agreements	1,533	300	10,622
Reinsurance transactions, net of cash provided	—	—	10
Additions to contractholder deposit funds	7,176	1,947	4,838
Withdrawals from contractholder deposit funds	(3,886)	(748)	(4,046)
Issuance of long-term debt	800	—	—
Payment of debt principal and origination fees	(802)	—	—
Capital contributions	273	—	—
Capital contributions from non-controlling interests and redeemable non-controlling interests	7	63	93
Other financing activity, net	(7)	(18)	(16)
Net cash provided by financing activities	**3,562**	**1,243**	**1,281**
Net change in cash, cash equivalents and restricted cash	**3,336**	**(73)**	**(848)**
Cash, cash equivalents and restricted cash, beginning of period	3,344	3,417	2,639
Cash, cash equivalents and restricted cash, end of period	**$ 6,680**	**$ 3,344**	**$ 1,791**
Supplemental cash flow information			
Cash and cash equivalents per consolidated balance sheets	$ 6,492	$ 3,059	$ 1,614
Restricted cash and cash equivalents per consolidated balance sheets	188	285	177
Total cash, cash equivalents and restricted cash	**$ 6,680**	**$ 3,344**	**$ 1,791**
Cash paid for interest	$ 34	$ 4	$ 38
Income taxes paid	92	—	2
Non-cash transactions			
Available-for-sale fixed maturity securities acquired through reinsurance agreements	$ 134	$ —	$ 141
Trading fixed maturity securities acquired through reinsurance agreements	252	—	—
Policy liabilities and accruals acquired through reinsurance agreements	1,622	137	206
Contractholder deposit funds acquired through reinsurance agreements	—	—	2

See accompanying notes to unaudited consolidated financial statements.

1. Nature of business and basis of presentation

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

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

The unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or “U.S. GAAP,” on a basis consistent with reporting interim financial information. The accompanying interim consolidated financial statements are unaudited and reflect all material adjustments necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods presented in conformity with U.S. GAAP. The December 31, 2020 consolidated balance sheet data was derived from audited consolidated financial statements, which include all disclosures required by U.S. GAAP. Therefore, these interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto. The results of operations for the one month ended January 31, 2021, and the three and five months ended June 30, 2021 are not necessarily indicative of the results for any subsequent periods or the entire fiscal year ending December 31, 2021.

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

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. See Note 16 —“Acquisition” for additional information.

The accompanying financial statements are presented for Successor and Predecessor periods, which relate to the accounting periods starting on, and ending before, February 1, 2021, respectively, the date of the closing of the acquisition.

Coronavirus Disease 2019 and related matters

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

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

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

2. Significant account policies

Upon the acquisition, the Company established a new accounting basis, applying push-down accounting to reflect the Company's assets and liabilities at fair value as of the acquisition date, and recognizing goodwill for any excess of the purchase price over the fair value of net assets assumed by Magnolia in the acquisition. In addition, the Company conformed its accounting policies and procedures to those of its new ultimate parent, KKR. For additional information on the Company's significant accounting policies, see Note 2—"Significant accounting policies and practices" in the Company's interim unaudited consolidated financial statements as of March 31, 2021.

Adoption of new accounting pronouncements

Credit losses on financial instruments

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

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

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

On March 27, 2020, the CARES Act was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, permits NOL carryovers and carrybacks to offset 100% of taxable income for taxable years beginning before 2021. In addition, the CARES Act allows NOLs incurred in 2018, 2019 and 2020 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. The Company has recorded a rate differential benefit of $32 million for the tax year ended December 31, 2020 for 2018 NOLs which were allowed to be carried back to 2014 under the CARES Act.

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

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

Simplifying the accounting for income taxes

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

Reference rate reform

In March 2020, the FASB issued new guidance to ease the accounting implications of the transition away from the London Interbank Offering Rate, or "LIBOR," and other reference rates, which are scheduled to be discontinued in 2021 (other than for U.S. dollar LIBORs, which are expected to be extended until June 2023 except for the one-week and two-month tenors). The new guidance offers a variety of optional expedients and exceptions related to accounting for contract modifications and hedging relationships. These expedients and exceptions apply only to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The new guidance is effective for contract modifications made and hedging relationships existing or entered into from January 1, 2020 through December 31, 2022. For the period ended June 30, 2021, the Company has elected to not apply the temporary optional expedients and exceptions, subject to reevaluation for application each subsequent quarter within the effective period.

Future application of accounting standards

Targeted improvements to the accounting for long-duration contracts

In August 2018, the FASB issued new guidance for insurance and reinsurance companies that issue long-duration contracts such as life insurance and annuities. The objective of this guidance is to improve, simplify and enhance the financial reporting of long-duration contracts by providing financial statement users with useful information in a timely and transparent manner. The primary changes include: (1) more timely recognition of assumption changes in the liability for future policy benefits and use of a current rate for the discounting of future cash flows; (2) standardization and improvement in the accounting for certain market-based options or guarantees associated with deposit (or account balance) contracts (referred to as market risk benefits); (3) simplification of the amortization of deferred acquisition costs; and (4) enhanced disclosures.

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

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

3. Investments

Fixed maturity securities

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

As of June 30, 2021 (Successor)	Cost or amortized cost	Allowance for credit losses[4]	Gross unrealized gains	Gross unrealized losses	Fair value
($ in millions)					
AFS fixed maturity securities portfolio by type:					
U.S. government and agencies	$ 548	$ —	$ 1	$ (5)	$ 544
U.S. state, municipal and political subdivisions	4,730	—	34	(50)	4,714
Corporate[1]	35,555	—	178	(461)	35,272
RMBS	8,299	(89)	104	(65)	8,249
CMBS	3,745	—	28	(10)	3,763
CLOs[2]	2,622	—	10	(2)	2,630
CBOs	3,231	(3)	13	(24)	3,217
All other structured securities[3]	2,483	—	20	(28)	2,475
Total AFS fixed maturity securities	**$ 61,213**	**$ (92)**	**$ 388**	**$ (645)**	**$ 60,864**

(1) Includes related party KKR corporate debt securities with amortized cost, gross unrealized gains, gross unrealized losses and fair value of $27 million, $0 million, $0 million and $27 million, respectively.

(2) Includes related party KKR collateralized debt obligations with amortized cost, gross unrealized gains, gross unrealized losses and fair value of $44 million, $0 million, $0 million and $44 million, respectively.

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

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

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

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

(2) Includes primarily ABS.

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

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

As of June 30, 2021 (Successor)	Cost or amortized cost	Fair value
($ in millions)		
Due in one year or less	$ 376	$ 370
Due after one year through five years	7,364	7,336
Due after five years through ten years	10,630	10,571
Due after ten years	22,463	22,253
Subtotal	**40,833**	**40,530**
RMBS	8,210	8,249
CMBS	3,745	3,763
CLOs	2,622	2,630
CBOs	3,228	3,217
All other structured securities	2,483	2,475
Total AFS fixed maturity securities	**$ 61,121**	**$ 60,864**

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

Purchased credit deteriorated fixed maturity securities

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

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

Purchased credit impaired securities

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

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

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

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

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

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

Securities in a continuous unrealized loss position

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

As of June 30, 2021 (Successor)	Less than 12 months		12 months or more		Total	
($ in millions)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
AFS fixed maturity securities portfolio by type:						
U.S. government and agencies	$ 259	$ (5)	$ —	$ —	$ 259	$ (5)
U.S. state, municipal and political subdivisions	2,653	(50)	—	—	2,653	(50)
Corporate	25,297	(461)	—	—	25,297	(461)
RMBS	2,967	(65)	—	—	2,967	(65)
CMBS	1,595	(10)	—	—	1,595	(10)
CLOs	683	(2)	—	—	683	(2)
CBOs	2,166	(24)	—	—	2,166	(24)
All other structured securities	1,220	(28)	—	—	1,220	(28)
Total AFS fixed maturity securities in a continuous loss position	**$ 36,840**	**$ (645)**	**$ —**	**$ —**	**$ 36,840**	**$ (645)**

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

Unrealized gains and losses can be created by changing interest rates or several other factors, including changing credit spreads. The Company had gross unrealized losses on below investment grade AFS fixed maturity securities of $39 million and $12 million as of June 30, 2021 and December 31, 2020, respectively. The single largest unrealized loss on AFS fixed maturity securities was $7 million as of both June 30, 2021 and December 31, 2020. The Company had 3,416 and 1,026 securities in an unrealized loss position as of June 30, 2021 and December 31, 2020, respectively.

As of June 30, 2021 and December 31, 2020, AFS fixed maturity securities in an unrealized loss position for 12 months or more consisted of 0 and 338 debt securities, respectively. These debt securities primarily relate to CLO, corporate and RMBS fixed maturity securities, which have depressed values due primarily to an increase in interest rates since the purchase of these securities. Unrealized losses were not recognized in net income on these debt securities since the Company neither intends to sell the securities nor does it believe that it is more likely than not that it will be required to sell these securities before recovery of their cost or amortized cost basis. For securities with significant declines in value, individual security level analysis was performed utilizing underlying collateral default expectations, market data and industry analyst reports.

Allowance for credit losses on fixed maturity securities

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

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

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

The table below presents a roll-forward of the cumulative credit loss component of OTTI losses recognized in net investment gains (losses) in the consolidated statements of income on AFS fixed maturity securities still held by the Company for the one month ended January 31, 2021 and three and six months ended June 30, 2020:

	One month ended January 31, 2021	Three months ended June 30, 2020	Six months ended June 30, 2020
($ in millions)			
	Predecessor	*Predecessor*	*Predecessor*
Balance, as of beginning of period	**$ 30**	**$ 18**	**$ 1**
Additions:			
Initial impairments - credit loss OTTI recognized on securities not previously impaired	1	5	22
Balance, as of end of period	**$ 31**	**$ 23**	**$ 23**

Mortgage and other loan receivables

Mortgage and other loan receivables consist of the following:

($ in millions)	June 30, 2021 Successor	December 31, 2020 Predecessor
Commercial mortgage loans[1]	$ 8,878	$ 7,286
Residential mortgage loans[1]	5,598	4,626
Consumer loans	4,473	2,894
Other loan receivables[2][3]	1,319	808
Total mortgage and other loan receivables	**$ 20,268**	**$ 15,614**
Allowance for credit losses	(298)	(135)
Total mortgage and other loan receivables, net of allowance for loan losses	**$ 19,970**	**$ 15,479**

(1) Includes $597 million and $283 million of loans carried at fair value using the fair value option as of June 30, 2021 and December 31, 2020, respectively. The fair value option was elected for these loans for asset-liability matching purposes. These loans had unpaid principal balances of $589 million and $276 million as of June 30, 2021 and December 31, 2020, respectively.

(2) As of June 30, 2021 and December 31, 2020, respectively, other loan receivables consisted primarily of warehouse facilities backed by residential and commercial real estate of $0 million and $55 million and renewable energy development loans of $782 million and $693 million.

(3) Includes $628 million and $558 million of related party loans carried at fair value using the fair value option as of June 30, 2021 and December 31, 2020, respectively. These loans had unpaid principal balances of $628 million and $552 million as of June 30, 2021 and December 31, 2020, respectively.

The maturity distribution for residential and commercial mortgage loans is as follows as of June 30, 2021 (Successor):

Years ($ in millions)	Residential	Commercial	Total mortgage loans
Remainder of 2021	$ 103	$ 512	$ 615
2022	410	962	1,372
2023	299	995	1,294
2024	350	1,421	1,771
2025	18	661	679
2026	365	1,046	1,411
2027 and thereafter	4,053	3,281	7,334
Total	**$ 5,598**	**$ 8,878**	**$ 14,476**

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

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

Mortgage loans - carrying value by geographic region	June 30, 2021	December 31, 2020
($ in millions)	*Successor*	*Predecessor*
Pacific	$ 4,195	$ 3,413
West South Central	2,299	2,191
South Atlantic	2,348	1,733
Middle Atlantic	1,632	1,251
East North Central	434	616
Mountain	702	606
New England	742	407
East South Central	668	299
West North Central	235	207
Other regions	1,221	1,189
Total by geographic region	**$ 14,476**	**$ 11,912**

Mortgage loans - carrying value by property type	June 30, 2021	December 31, 2020
($ in millions)	*Successor*	*Predecessor*
Residential	$ 5,598	$ 4,700
Office building	3,527	2,669
Apartment	2,598	1,755
Industrial	1,648	1,523
Retail	704	781
Other property types	258	293
Warehouse	143	191
Total by property type	**$ 14,476**	**$ 11,912**

Allowance for credit losses

Changes in the allowance for credit losses are summarized below:

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

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

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

Predecessor	Three months ended June 30, 2020 (Predecessor)			
	Commercial mortgage loans	Residential mortgage loans	Consumer and other loan receivables	Total
($ in millions)				
Balance, at beginning of period	$ 11	$ 13	$ 29	$ 53
Net provision (release)	58	17	18	93
Charge-offs	—	(1)	(3)	(4)
Balance, as of end of period	$ 69	$ 29	$ 44	$ 142

Predecessor	Six months ended June 30, 2020 (Predecessor)			
	Commercial mortgage loans	Residential mortgage loans	Consumer and other loan receivables	Total
($ in millions)				
Balance, at beginning of period	**$ 5**	**$ 7**	**$ 10**	**$ 22**
Net provision (release)	64	24	39	127
Charge-offs	—	(2)	(5)	(7)
Balance, as of end of period	**$ 69**	**$ 29**	**$ 44**	**$ 142**

As of June 30, 2021 and December 31, 2020, the Company had $221 million and $260 million, respectively, of mortgage loans that were 90 days or more past due or in the process of foreclosure. The Company ceases accrual of interest on loans that are more than 90 days past due and recognizes income as cash is received. As of June 30, 2021 and December 31, 2020, there were $221 million and $68 million, respectively, of mortgage loans that were non-income producing.

As of June 30, 2021, 2% of residential mortgage loans and less than 1% of consumer loans have been granted forbearance due to COVID-19. This forbearance, which generally involves a 3-month period in which payments are not required (though must subsequently be made up), is not considered to result in troubled debt restructurings for the three and five months ended June 30, 2021 and one month ended January 31, 2021. Interest continues to accrue on loans in temporary forbearance. Please refer to Note 2—"Significant accounting policies and practices" to our consolidated financial statements for additional information on regulations impacting the Company under the CARES Act.

As of June 30, 2021 and December 31, 2020, the Company had $8 million and $9 million, respectively, of consumer loans that were delinquent by more than 120 days or in default.

Purchased credit deteriorated loans

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

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

Credit quality indicators

Mortgage and loan receivable performance status

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

Performance status	June 30 (Successor) 2021	2020	2019	2018	2017	Prior	Total
($ in millions)							
Commercial mortgage loans							
Current	$ 1,840	$ 1,110	$ 2,013	$ 1,470	$ 835	$ 1,610	$ 8,878
30 to 59 days past due	—	—	—	—	—	—	—
60 to 89 days past due	—	—	—	—	—	—	—
Over 90 days past due	—	—	—	—	—	—	—
Total commercial mortgage loans	$ 1,840	$ 1,110	$ 2,013	$ 1,470	$ 835	$ 1,610	$ 8,878
Residential mortgage loans							
Current	$ 861	$ 1,400	$ 687	$ 282	$ 73	$ 1,924	$ 5,227
30 to 59 days past due	18	12	7	1	—	79	117
60 to 89 days past due	—	1	2	—	—	30	33
Over 90 days past due	—	10	15	3	—	193	221
Total residential mortgage loans	$ 879	$ 1,423	$ 711	$ 286	$ 73	$ 2,226	$ 5,598

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

	June 30, 2021
($ in millions)	*Successor*
Consumer loans	
Current	$ 4,436
30 to 59 days past due	21
60 to 89 days past due	9
Over 90 days past due	7
Total consumer loans	$ 4,473

Loan-to-value ratio on commercial mortgage loans

The loan-to-value ratio is expressed as a percentage of the current amount of the loan relative to the value of the underlying collateral. The following table summarizes the Company's loan-to-value ratios for its commercial mortgage loans as of June 30, 2021 (Successor) and December 31, 2020 (Predecessor):

Loan-to-value as of June 30, 2021 (Successor), by year of origination	Carrying value loan-to-value 70% and less	Carrying value loan-to-value 71% - 90%	Carrying value loan-to-value over 90%	Total carrying value
($ in millions)				
2021	$ 1,518	$ 322	$ —	$ 1,840
2020	840	235	35	1,110
2019	1,784	229	—	2,013
2018	1,175	296	—	1,471
2017	755	81	—	836
2016	378	12	—	390
Prior	1,218	—	—	1,218
Total commercial mortgage loans	**$ 7,668**	**$ 1,175**	**$ 35**	**$ 8,878**

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

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

The weighted average loan-to-value ratio for the Company's residential mortgage loans was 71% as of both June 30, 2021 (Successor) and December 31, 2020 (Predecessor).

Other investments

Other investments consist of the following:

($ in millions)	June 30, 2021 Successor	December 31, 2020 Predecessor
Investments in renewable energy[(1)(2)(3)]	$ 3,636	$ 3,443
Investments in transportation and other leased assets[(4)]	2,186	1,978
Other investment partnerships	196	487
Investments in real estate	796	395
Federal Home Loan Bank, or "FHLB," common stock and other investments	160	175
Total other investments	**$ 6,974**	**$ 6,478**

(1) Net of accumulated depreciation attributed to consolidated renewable energy assets of $121 million and $83 million as of June 30, 2021 and December 31, 2020, respectively.

(2) Includes related party balance of $29 million and $140 million as of June 30, 2021 and December 31, 2020, respectively.

(3) Includes an equity investment in Origis USA, LLC of $48 million carried at fair value using the fair value option as of both June 30, 2021 and December 31, 2020.

(4) Net of accumulated depreciation of $47 million and $232 million as of June 30, 2021 and December 31, 2020, respectively.

The total amount of other investments accounted for using the equity method of accounting was $1.2 billion and $1.5 billion as of June 30, 2021 and December 31, 2020, respectively. The Company's maximum exposure to loss related to these equity method investments is limited to the carrying value of these investments plus unfunded commitments of $25 million and $38 million as of June 30, 2021 and December 31, 2020, respectively.

In addition, the Company has investments that would otherwise require the equity method of accounting for which the fair value option has been elected. The carrying amount of these investments was $165 million and $166 million as of June 30, 2021 and December 31, 2020, respectively.

Variable interest entities

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

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

($ in millions)	June 30, 2021 Successor	December 31, 2020 Predecessor
Assets of consolidated variable interest entities:		
Investments:		
AFS fixed maturity securities, at fair value	$ 2,955	$ 2,316
Trading fixed maturity securities, at fair value	771	—
Mortgage and other loan receivables	4,814	2,894
Other investments:		
Investments in renewable energy	3,558	3,359
Investments in transportation and other leased assets	2,186	1,978
Investments in real estate	406	395
Total other investments	**6,150**	**5,732**
Total investments	**14,690**	**10,942**
Cash and cash equivalents	976	417
Accrued investment income	48	58
Other assets	552	201
Total assets of consolidated variable interest entities	**$ 16,266**	**$ 11,618**
Liabilities of consolidated variable interest entities:		
Accrued expenses and other liabilities	$ 976	$ 345
Total liabilities of consolidated variable interest entities	**976**	**345**
Redeemable non-controlling interests	92	91
Non-controlling interests of consolidated variable interest entities	134	133
Total liabilities, redeemable non-controlling interests and non-controlling interests of consolidated variable interest entities	**$ 1,202**	**$ 569**

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

	June 30, 2021 (Successor)		December 31, 2020 (Predecessor)	
($ in millions)	Carrying amount	Maximum exposure to loss(1)	Carrying amount	Maximum exposure to loss(1)
Other investment partnerships	$ 152	$ 152	$ 474	$ 512
Investments in renewable energy partnerships	78	78	84	84
Total	**$ 230**	**$ 230**	**$ 558**	**$ 596**

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

Funding agreements

Certain of the Company's subsidiaries are members of regional banks in the FHLB system. These subsidiaries have also entered into funding agreements with their respective FHLB. The funding agreements are issued in exchange for cash. The funding agreements require that the Company pledge eligible assets, such as commercial mortgage loans, as collateral. With respect to certain classes of eligible assets, the FHLB holds the pledged eligible assets in custody at the respective FHLB. The liabilities for the funding agreements are included in contractholder deposit funds and other policy liabilities in the consolidated balance sheets. Information related to the FHLB investment and funding agreements as of June 30, 2021 (Successor) and December 31, 2020 (Predecessor) is as follows:

	Investment in common stock		Funding agreements issued to FHLB member banks		Collateral	
FHLB	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
($ in millions)	*Successor*	*Predecessor*	*Successor*	*Predecessor*	*Successor*	*Predecessor*
Indianapolis	$ 75	$ 75	$ 1,629	$ 1,593	$ 2,625	$ 2,603
Des Moines	35	34	620	615	981	951
Boston	23	18	329	313	558	520
Total	**$ 133**	**$ 127**	**$ 2,578**	**$ 2,521**	**$ 4,164**	**$ 4,074**

In addition, in January 2021, the Company launched an inaugural funding-agreement backed note, or "FABN," program, through which GA Global Funding Trust, a special purpose, unaffiliated statutory trust, was established to offer its senior secured medium-term notes. Net proceeds from each sale of the aforementioned notes are used to purchase one or more funding agreements from Forethought Life Insurance Company, an indirect insurance subsidiary of the Company. As of June 30, 2021, the Company had $1.4 billion of such funding agreements outstanding, with $8.6 billion of remaining capacity under that program.

Repurchase agreement transactions

As of June 30, 2021 and December 31, 2020, the Company participated in third-party repurchase agreements with a notional value of $302 million and $301 million, respectively. As collateral for these transactions, as of June 30, 2021 and December 31, 2020, the Company posted fixed maturity securities with a fair value and amortized cost of $318 million and $319 million, and $316 million and $289 million, respectively, which are included in fixed maturity securities available for sale in the consolidated balance sheets.

The gross obligation for repurchase agreements is reported in other liabilities in the consolidated balance sheets. The gross obligations by class of collateral pledged for repurchase agreements accounted for as secured borrowings as of June 30, 2021 is presented in the following table:

As of June 30, 2021 (Successor)	Overnight	<30 Days	30 - 90 Days	>90 Days	Total
($ in millions)					
Corporate Securities	$ —	$ —	$ —	$ 318	$ 318
Total borrowing	$ —	$ —	$ —	$ 318	$ 318

Other

As of June 30, 2021 and December 31, 2020, the Company had exposure to 3 and 1 issuers, respectively, that exceeded 10% of equity.

The carrying value of the Company's 33% interest in SP Solar Holdings I, LP, a holding company for 26 operating renewable energy plants, was $1.1 billion as of both June 30, 2021 and December 31, 2020. The company also held investments in a CBO and US treasuries of $634 million and $511 million as of June 30, 2021, respectively.

As of June 30, 2021 and December 31, 2020, the cost or amortized cost and fair value of the assets on deposit with various state and governmental authorities were $184 million and $182 million, and $149 million and $189 million, respectively.

Net investment income

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

The components of net investment income were as follows:

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Five months ended June 30, 2021	One month ended January 31, 2021	Six months ended June 30, 2020
	Successor	*Predecessor*	*Successor*	*Predecessor*	*Predecessor*
Gross investment income:					
Fixed maturity securities - interest and other income	$ 528	$ 545	$ 880	$ 224	$ 1,095
Equity securities - dividends and other income	(1)	—	(1)	—	—
Mortgage and other loan receivables	247	191	369	74	377
Income from funds withheld at interest	(64)	2	(80)	(18)	3
Policy loans	17	10	19	1	20
Investments in transportation and other leased assets	53	48	90	18	100
Investments in renewable energy	33	30	34	10	43
Investments in real estate	5	5	6	2	9
Short-term and other investment income	15	48	20	4	57
Gross investment income[1]	**833**	**879**	**1,337**	**315**	**1,704**
Less investment expenses:					
Investment management and administration[2][3]	107	41	164	28	71
Transportation and renewable energy asset depreciation and maintenance	46	50	70	21	96
Interest expense on derivative collateral and repurchase agreements	1	4	2	—	7
Net investment income	**$ 679**	**$ 784**	**$ 1,101**	**$ 266**	**$ 1,530**

(1) Includes income from related parties of $25 million, $35 million, $5 million, $13 million and $23 million for the three and five months ended June 30, 2021, one month ended January 31, 2021 and three and six months ended June 30, 2020, respectively.

(2) Includes expenses from Goldman Sachs Asset Management LP, or "GSAM," an affiliate of Goldman Sachs, a related party, and Centaurus Renewable Energy, a related party, of $2 million, $3 million and $5 million for the one month ended January 31, 2021 and three and six months ended June 30, 2020, respectively.

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

Notes to the interim consolidated financial statements (unaudited)

Net investment gains (losses)

Net investment gains (losses) were as follows:

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Five months ended June 30, 2021	One month ended January 31, 2021	Six months ended June 30, 2020
	Successor	*Predecessor*	*Successor*	*Predecessor*	*Predecessor*
AFS fixed maturity securities	$ (26)	$ 14	$ (72)	$ 1	$ 45
Allowance for losses on AFS fixed maturity securities	46	—	25	—	—
Trading fixed maturity securities	300	71	(55)	(77)	(35)
Derivatives	(120)	92	29	3	145
Funds withheld receivable at interest	16	22	47	(6)	11
Mortgage and other loans receivables	14	(1)	18	(3)	(1)
Other investments(1)	91	1	72	27	9
Impairments of life settlement contracts	—	(1)	—	—	(3)
Allowance for credit losses on mortgage and other loan receivables	3	(94)	(181)	—	(128)
Allowance for loan commitment losses provision	3	—	(12)	—	—
OTTI on AFS fixed maturity securities	—	(5)	—	(1)	(22)
Other investment impairments	—	(49)	—	—	(72)
Net investment gains (losses)	**$ 327**	**$ 50**	**$ (129)**	**$ (56)**	**$ (51)**

(1) Includes gains (losses) from related parties of $0 million, $0 million, $(2) million, $0 million and $0 million for the three and five months ended June 30, 2021, one month ended January 31, 2021 and three and six months ended June 30, 2020, respectively.

Proceeds and gross gains and losses from voluntary sales

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

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Five months ended June 30, 2021	One month ended January 31, 2021	Six months ended June 30, 2020
	Successor	*Predecessor*	*Successor*	*Predecessor*	*Predecessor*
AFS fixed maturity securities:					
Proceeds from voluntary sales	$ 3,423	$ 2,086	$ 5,326	$ 375	$ 6,273
Gross gains	16	37	21	3	112
Gross losses	(22)	(22)	(73)	(1)	(69)

4. Derivative instruments

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

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

The restricted cash which was held in connection with open derivative transactions with exchange brokers was $109 million and $147 million as of June 30, 2021 and December 31, 2020, respectively.

Derivatives designated as accounting hedges

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

The Company has designated interest rate swaps to hedge the interest rate risk associated with the 2029 Senior Notes and 2031 Senior Notes in fair value hedges. The 2029 Senior Notes and 2031 Senior Notes are reported in debt in the consolidated balance sheets and are hedged through their respective maturities. These hedges qualify for the shortcut method of assessing hedge effectiveness. As of June 30, 2021 and December 31, 2020, the carrying amount of the hedged 2029 Senior Notes was $480 million and $527 million, respectively, which reflects a fair value hedge adjustment of $(12) million and $32 million, respectively. A gain of $14 million, a loss of $12 million and a loss of $10 million, respectively, was recognized in interest expense in the consolidated statements of income due to changes in the fair value of the swap for the three and five months ended June 30, 2021 and one month ended January 31, 2021, respectively, fully offsetting the fair value change in the hedged 2029 Senior Notes for the respective time periods. As of June 30, 2021, the carrying amount of the hedged 2031 Senior Notes was $653 million, which reflects a fair value hedge adjustment of $3 million. A gain of $3 million was recognized in interest expense in the consolidated statements of income due to changes in the fair value of the swap for both the three and five months ended June 30, 2021, fully offsetting the fair value change in the hedged 2031 Senior Notes for the three and five months ended June 30, 2021.

The Company has designated interest rate swaps to hedge the interest rate risk associated with its FHLB funding agreement liabilities in a fair value hedge. The FHLB funding agreement liabilities are reported in policy liabilities in the consolidated balance sheets and are hedged through their maturities that range from 2023 to 2025. This hedge qualifies for the shortcut method of assessing hedge effectiveness. As of June 30, 2021, the carrying amount of the hedged FHLB loan liabilities was $1.1 billion, which reflects a fair value hedge adjustment of $(7) million. A loss due to changes in the fair value of the swaps of $2 million, $7 million and $2 million was recognized in policy benefits and claims in the consolidated statements of income for the three and five months ended June 30, 2021 and one month ended January 31, 2021, respectively, fully offsetting the fair value change in the hedged FHLB funding agreement liabilities for the respective time periods.

The Company has designated bond forwards to hedge the interest rate risk associated with the planned purchase of AFS debt securities in cash flow hedges. Regression analysis is used to assess the effectiveness of these hedges. As of June 30, 2021, there was a cumulative gain of $3 million on the bond forwards recorded in accumulated other comprehensive (loss) income. Amounts deferred in accumulated other comprehensive (loss) income are reclassified to net investment income following the qualifying purchases of AFS securities, as an adjustment to the yield earned over the life of the purchased securities, using the effective interest method. These arrangements are hedging purchases from July 2021 through January 2027 and are expected to affect earnings until 2051. There were no securities purchased for the five months ended June 30, 2021. The Company estimates that the amount of gains/ losses in accumulated other comprehensive (loss) income to be reclassified into net income in the next 12 months will not be material.

In December 2019 and August 2020, the Company designated an interest rate swap and a Treasury bond forward to hedge the interest rate risk associated with the planned purchase of AFS debt securities in a cash flow hedge. Regression analysis was used to assess the effectiveness of this hedge. As of December 31, 2020, there was a cumulative gain of $2 million on the interest rate swap recorded in accumulated other comprehensive (loss) income. There were no securities purchased for the one month ended January 31, 2021. There were $222 million securities purchased and $2 million reclassified to income for the six months ended June 30, 2020. These 2019 and 2020 hedges were discontinued and any associated amounts in accumulated other comprehensive (loss) income were eliminated concurrent with the KKR Acquisition of the Company.

The Company has designated foreign exchange forward purchase contracts, or “FX forwards,” to hedge the foreign currency risk associated with foreign currency-denominated bonds in fair value hedges. These foreign currency-denominated bonds are accounted for as AFS fixed maturity securities. Changes in the fair value of the hedged AFS fixed maturity securities due to changes in spot exchange rates are reclassified from AOCI to earnings, which offsets the earnings impact of the spot changes of the FX forwards. The effectiveness of these hedges is assessed using the spot method. Changes in the fair value of the FX forwards related to changes in the spot-forward difference are excluded from the assessment of hedge effectiveness and are deferred in AOCI and recognized in earnings using a systematic and rational method over the life of the FX forwards. The change in the fair value of the FX forwards due to changes in the spot rate was less than $1 million and $2 million which was recognized in net investment gains (losses) for the three and five months ended June 30, 2021, respectively, fully offset by amounts reclassified from AOCI due to changes in spot exchange rates on the AFS fixed maturity securities. The change in the fair value of the FX forwards due to changes in the spot-forward difference was less than $1 million which was deferred in AOCI for both the three and five months ended June 30, 2021. Less than $1 million of amounts previously deferred in AOCI was amortized to net investment gains (losses) for both the three and five months ended June 30, 2021.

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

As of June 30, 2021 (Successor)	Notional value	Derivative assets	Derivative liabilities
($ in millions)			
Equity market contracts	$ 28,346	$ 1,127	$ 178
Interest rate contracts	8,833	199	67
Foreign currency contracts	451	6	3
Credit risk contracts	60	—	2
Impact of netting[1]		(201)	(202)
Fair value included within other assets and accrued expense and other liabilities		**1,131**	**48**
Embedded derivative – indexed universal life products		—	495
Embedded derivative – annuity products		—	1,521
Fair value included within policy liabilities		**—**	**2,016**
Embedded derivative – funds withheld at interest		78	55
Fair value included within total assets and liabilities		**$ 1,209**	**$ 2,119**

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

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

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

The amounts of derivative gains and losses recognized for the three and five months ended June 30, 2021, one month ended January 31, 2021 and three and six months ended June 30, 2020, respectively, are reported in the consolidated statements of income as follows:

Derivative contracts not designated as hedges	Three months ended June 30, 2021	Three months ended June 30, 2020	Five months ended June 30, 2021	One month ended January 31, 2021	Six months ended June 30, 2020
($ in millions)					
	Successor	*Predecessor*	*Successor*	*Predecessor*	*Predecessor*
Net investment gains (losses):					
Embedded derivatives	$ (346)	$ (2)	$ 23	$ 77	$ (32)
Equity index options	197	269	301	(32)	(189)
Equity future contracts	(105)	(182)	(174)	5	112
Interest rate contracts	164	9	(103)	(50)	257
Credit risk contracts	—	(5)	—	—	(6)
Other	(32)	2	(22)	2	2
Total included in net investment gains (losses)	**$ (122)**	**$ 91**	**$ 25**	**$ 2**	**$ 144**

Derivative contracts designated as hedges ($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Five months ended June 30, 2021	One month ended January 31, 2021	Six months ended June 30, 2020
	Successor	*Predecessor*	*Successor*	*Predecessor*	*Predecessor*
Revenues:					
Foreign currency forwards	$ 2	$ 1	$ 4	$ 1	$ 1
Total included in net investment gains	**$ 2**	**$ 1**	**$ 4**	**$ 1**	**$ 1**
Policy benefits and claims:					
Interest rate swap	$ 1	$ —	$ (7)	$ (1)	$ —
Total included in policy benefits and claims	**$ 1**	**$ —**	**$ (7)**	**$ (1)**	**$ —**
Interest expense:					
Interest rate swap	$ 18	$ 2	$ (7)	$ (8)	$ 59
Total included in interest expense	**$ 18**	**$ 2**	**$ (7)**	**$ (8)**	**$ 59**

5. Fair value disclosure of financial instruments

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

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

Basis of fair value measurement

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

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

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

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

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

As of June 30, 2021 (Successor)	Level 1	Level 2	Level 3	Total
($ in millions)				
Assets:				
AFS fixed maturity securities:				
U.S. government and agencies	$ 480	$ 64	$ —	$ 544
U.S. state, municipal and political subdivisions	—	4,714	—	4,714
Corporate	—	31,254	4,018	35,272
Structured securities	—	20,158	176	20,334
Total AFS fixed maturity securities	**480**	**56,190**	**4,194**	**60,864**
Trading fixed maturity securities:				
U.S. government and agencies	31	34	—	65
U.S. state, municipal and political subdivisions	—	748	—	748
Corporate	—	6,133	1,009	7,142
Structured securities	—	1,325	21	1,346
Total trading fixed maturity securities	**31**	**8,240**	**1,030**	**9,301**
Equity securities	52	—	97	149
Mortgage and other loan receivables(1)	—	—	1,225	1,225
Other investments(2)	—	—	492	492
Funds withheld receivable at interest	—	—	78	78
Reinsurance recoverable	—	—	1,288	1,288
Derivative assets:				
Equity market contracts	50	1,077	—	1,127
Interest rate contracts	70	129	—	199
Foreign currency contracts	—	6	—	6
Impact of netting(3)	(22)	(179)	—	(201)
Total derivative assets	**98**	**1,033**	**—**	**1,131**
Separate account assets	5,638	—	—	5,638
Total assets at fair value	**$ 6,299**	**$ 65,463**	**$ 8,404**	**$ 80,166**
Liabilities:				
Policy liabilities	$ —	$ —	$ 548	$ 548
Closed block policy liabilities	—	—	1,342	1,342
Funds withheld payable at interest	—	—	55	55
Derivative instruments payable:				
Equity market contracts	16	162	—	178
Interest rate contracts	13	54	—	67
Credit contracts	—	2	—	2
Foreign currency contracts	—	3	—	3
Impact of netting(3)	(22)	(180)	—	(202)
Total derivative instruments payable	**7**	**41**	**—**	**48**
Embedded derivative – indexed universal life products	—	—	495	495
Embedded derivative – annuity products	—	—	1,521	1,521
Total liabilities at fair value	**$ 7**	**$ 41**	**$ 3,961**	**$ 4,009**

(1) Includes related party balance of $628 million in Level 3 for mortgage and other loan receivables.

(2) Other investments excluded from the fair value hierarchy include certain real estate and private equity funds for which fair value is measured at net asset value per share as a practical expedient. As of June 30, 2021, the fair value of these investments was $109 million.

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

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

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

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

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

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

Fair value techniques and inputs

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

Investments

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

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

Derivative instruments

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

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

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

Funds withheld at interest, reinsurance assets and insurance liabilities

The funds withheld receivable at interest carried at fair value is primarily valued based on the fair value of the underlying investments, which have quoted prices or other observable inputs to pricing. A portion of the funds withheld receivable at interest carried at fair value represents embedded derivatives and is valued using present value techniques that consider inputs including contractholder persistency and contract duration. Reinsurance recoverables carried at fair value are valued using present value techniques that consider inputs including mortality and surrender rates for the associated policies, as well as estimates of policy expenses and the cost of capital held in support of the related closed block policy liabilities.

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

Fair value of assets and liabilities

Significant unobservable inputs

The tables below present the ranges of significant unobservable inputs used to value the Company's Level 3 financial assets and liabilities, and includes only those items for which information is reasonably available, such as data from internal determinations of fair value. These ranges represent the significant unobservable inputs that were used in the valuation of each type of financial asset and liability. Weighted averages in the tables below are calculated by weighting each input by the relative fair value of the respective financial instruments. The ranges and weighted averages of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one financial asset or liability. Accordingly, the ranges of inputs presented below do not represent uncertainty in, or possible ranges of, fair value measurements of the Company's Level 3 financial assets and liabilities as of June 30, 2021 and December 31, 2020:

As of June 30, 2021 (Successor)					
Level 3 assets	**Level 3 assets** *($ in millions)*		**Valuation techniques and significant unobservable inputs**	**Range of significant unobservable inputs (weighted average, or "WA")**	**Impact of an increase in the input on fair value**
Corporate fixed maturity securities	$	1,743	Discounted cash flows - discount spread	0.02% to 4.94% (WA 2.24%)	Decrease
Structured securities		158	Discounted cash flows - discount spread	2.30% to 6.10% (WA 2.92%)	Decrease
			Discounted cash flows - constant prepayment rate	5.00% to 15.00% (WA 7.29%)	Increase/ Decrease
			Discounted cash flows - constant default rate	1.00% to 2.50% (WA 1.16%)	Decrease
			Discounted cash flows - loss severity	100.00%	Decrease
Equity securities		48	Discounted cash flows - discount yield	17.50%	Decrease

As of June 30, 2021 (Successor)				
Level 3 assets	Level 3 assets ($ in millions)	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (weighted average, or "WA")	Impact of an increase in the input on fair value
Other investments	406	Direct capitalization - capitalization rate	4.95% to 6.16% (WA 5.65%)	Increase
		Direct capitalization - vacancy rate	5.00%	Decrease
Funds withheld receivable at interest	78	Discounted cash flow - duration/ weighted average life	0 to 23 years (WA 10.45 years)	Increase
		Discounted cash flow - contractholder persistency	3.4% to 16.4% (WA 6.09%)	Increase
		Nonperformance risk	0.23% to 1.27%	Decrease
Reinsurance recoverable	1,288	Present value of expenses paid from the open block plus the cost of capital held in support of the liabilities.	The average expense assumption is between $10.40 and $78 per policy, increased by inflation.	Increase
		Unobservable inputs are a market participant's view of the expenses, a risk margin on the uncertainty of the level of expenses and a cost of capital on the capital held in support of the liabilities.	Expense risk margin: 9.42%.	Decrease
			Cost of capital: 3.69% to 13.85%.	Increase
		Discounted cash flow - mortality rate	2.55%	Increase
		Discounted cash flow - surrender rate	5.33%	Increase

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

As of December 31, 2020 (Predecessor)				
Level 3 assets	Level 3 assets ($ in millions)	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (WA)	Impact of an increase in the input on fair value
		Discounted cash flow - contractholder persistency	3.5% to 16% (WA 6%)	Increase
		Nonperformance risk	0.37% to 1.12%	Decrease
Reinsurance recoverable	1,355	Present value of expenses paid from the open block plus the cost of capital held in support of the liabilities.	The average expense assumption is between $10.20 and $78 per policy, increased by inflation.	Increase
		Unobservable inputs are a market participant's view of the expenses, a risk margin on the uncertainty of the level of expenses and a cost of capital on the capital held in support of the liabilities.	Expense risk margin: 9.42%	Decrease
			Cost of capital: 3.69% to 9.86%	Increase
		Discounted cash flow - mortality rate	2.57%	Increase
		Discounted cash flow - surrender rate	5.25%	Increase

As of June 30, 2021 (Successor)				
Level 3 liabilities	Level 3 liabilities ($ in millions)	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (WA)	Impact of an increase in the input on fair value
Policy liabilities	$ 548	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: 0.23% to 1.48%	Decrease
		Policyholder behavior is also a significant unobservable input, including surrender and mortality.	Surrender rate: 2.62% to 12.62%	Increase
			Mortality rate: 4.98% to 8.14%	Increase
Closed block policy liabilities	1,342	Present value of expenses paid from the open block plus the cost of capital held in support of the liabilities.	The average expense assumption is between $10.40 and $78 per policy, increased by inflation.	Increase
		Nonperformance risk	0.23% to 1.27%	Decrease
		Unobservable inputs are a market participant's view of the expenses, a risk margin on the uncertainty of the level of expenses and a cost of capital on the capital held in support of the liabilities.	Expense risk margin: 9.42%.	Decrease
			Cost of capital: 3.69% to 13.85%.	Increase
		Discounted cash flow - mortality rate	2.55%	Increase
		Discounted cash flow - surrender rate	5.33%	Increase

As of June 30, 2021 (Successor)				
Level 3 liabilities	Level 3 liabilities ($ in millions)	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (WA)	Impact of an increase in the input on fair value
Funds withheld payable at interest	55	Discounted cash flow - duration/ weighted average life	0 to 20.3 years (WA 10.62 years)	Decrease
		Discounted cash flow - contractholder persistency	3.4% to 16.4% (WA 6.09%)	Decrease
		Nonperformance risk	0.23% to 1.27%	Decrease
Embedded derivative – indexed universal life products	495	Policy persistency is a significant unobservable input.	Lapse rate is 3.72%	Decrease
			Mortality rate: 0.69%	Decrease
		Future costs for options used to hedge the contract obligations	Option budget assumption 3.57%	Increase
		Nonperformance risk	0.23% to 1.27%	Decrease
Embedded derivative – annuity products	1,521	Policyholder behavior is a significant unobservable input, including utilization and lapse.	Utilization: Fixed-indexed annuity WA 3.89%; Variable annuity: 2.23% to 32.25% (WA 4.10%)	Decrease
			Surrender rate: Fixed-indexed annuity WA 10.44%; Variable annuity: 3.66% to 40.20%	Decrease
			Mortality rate: Fixed-indexed annuity WA 1.81%; Variable annuity: 1.30% to 7.52%	Decrease
		Future costs for options used to hedge the contract obligations	Option budget assumption: Retail RIA WA 1.71%; Institutional fixed-indexed annuity WA 2.16%; Variable annuity: n/a	Increase
		Nonperformance risk	0.23% to 1.27%	Decrease

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

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

Transfers between levels

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

The tables below set forth a summary of changes in the fair value of the Company's Level 3 assets and liabilities for the three and five months ended June 30, 2021, one month ended January 31, 2021 and three and six months ended June 30, 2020, respectively. The tables reflect gains and losses for all assets and liabilities categorized as Level 3 for the three and five months ended June 30, 2021, one month ended January 31, 2021 and three and six months ended June 30, 2020:

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

	Three months ended June 30, 2020 (Predecessor)							
		Net realized and unrealized gains / losses included in					Total unrealized gains / losses included in	
($ in millions)	Beginning balance	Income	OCI	Net settlements / purchases	Transfers into / (out) of Level 3	Ending balance	Income(1)	OCI(1)
Assets:								
AFS fixed maturity securities:								
Corporate fixed maturity securities	$ 1,939	$ —	$ 118	$ 91	$ —	$ 2,148	$ —	$ —
Structured securities	1,439	(13)	105	(27)	(43)	1,461	—	—
Total AFS fixed maturity securities	**3,378**	**(13)**	**223**	**64**	**(43)**	**3,609**	**—**	**—**
Trading fixed maturity securities:								
U.S. government and agencies	—	—	—	—	—	—	—	—
U.S. state, municipal and political subdivisions	—	—	—	—	—	—	—	—
Corporate fixed maturity securities	45	2	—	6	(7)	46	—	—
Structured securities	—	—	—	4	3	7	—	—
Total trading fixed maturity securities	**45**	**2**	**—**	**10**	**(4)**	**53**	**—**	**—**
Equity securities	60	—	(2)	2	—	60	—	—
Mortgage and other loan receivables	297	—	—	77	—	374	—	—
Other investments	419	—	—	6	—	425	—	—
Funds withheld receivable at interest	(278)	152	—	—	—	(126)	—	—
Reinsurance recoverable	1,359	(42)	—	—	—	1,317	—	—
Total assets	**$ 5,280**	**$ 99**	**$ 221**	**$ 159**	**$ (47)**	**$ 5,712**	**$ —**	**$ —**
Liabilities:								
Policy liabilities	$ 544	$ 1	$ —	$ —	$ —	$ 545	$ —	$ —
Closed block policy liabilities	1,395	(18)	(5)	—	—	1,372	—	—
Funds withheld payable at interest	(266)	155	—	—	—	(111)	—	—
Reinsurance liabilities	—	—	—	—	—	—	—	—
Embedded derivative – indexed universal life products	523	182	—	(6)	—	699	—	—
Embedded derivative – annuity products	1,342	224	—	33	—	1,599	—	—
Total liabilities	**$ 3,538**	**$ 544**	**$ (5)**	**$ 27**	**$ —**	**$ 4,104**	**$ —**	**$ —**

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

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

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

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

	Six months ended June 30, 2020 (Predecessor)							
		Net realized and unrealized gains / losses included in					Total unrealized gains losses included in	
($ in millions)	Beginning balance	Income	OCI	Net settlements / purchases	Transfers into/out of Level 3	Ending balance	Income(1)	OCI(1)
Assets:								
AFS fixed maturity securities:								
U.S. government and agencies	$ 12	$ —	$ (12)	$ —	$ —	$ —	$ —	$ —
Corporate fixed maturity securities	2,256	—	(283)	175	—	2,148	—	—
Structured securities	1,852	(13)	(53)	126	(451)	1,461	—	—
Total AFS fixed maturity securities	**4,120**	**(13)**	**(348)**	**301**	**(451)**	**3,609**	**—**	**—**
Trading fixed maturity securities:								
U.S. government and agencies	3	(3)	—	—	—	—	—	—
Corporate fixed maturity securities	37	4	—	5	—	46	—	—
Structured securities	2	—	—	4	1	7	—	—
Total trading fixed maturity securities	**42**	**1**	**—**	**9**	**1**	**53**	**—**	**—**
Equity securities	58	—	—	2	—	60	—	—
Mortgage and other loan receivables	253	—	—	121	—	374	—	—
Other investments	424	—	—	1	—	425	—	—
Funds withheld receivable at interest	79	(205)	—	—	—	(126)	—	—
Reinsurance recoverable	1,316	1	—	—	—	1,317	—	—
Total assets	**$ 6,292**	**$ (216)**	**$ (348)**	**$ 434**	**$ (450)**	**$ 5,712**	**$ —**	**$ —**
Liabilities:								
Policy liabilities	$ 429	$ 117	$ —	$ (1)	$ —	$ 545	$ —	$ —
Closed block policy liabilities	1,368	(9)	13	—	—	1,372	—	—
Funds withheld payable at interest	61	(172)	—	—	—	(111)	—	—
Reinsurance liabilities	5	(5)	—	—	—	—	—	—
Embedded derivative – indexed universal life products	820	(99)	—	(22)	—	699	—	—
Embedded derivative – annuity products	1,426	85	—	88	—	1,599	—	—
Total liabilities	**$ 4,109**	**$ (83)**	**$ 13**	**$ 65**	**$ —**	**$ 4,104**	**$ —**	**$ —**

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

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

Three months ended June 30, 2020 (Predecessor)	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
($ in millions)					
Assets:					
AFS fixed maturity securities:					
Corporate fixed maturity securities	$ 99	$ —	$ (28)	$ 20	$ 91
Structured securities	15	—	(34)	(8)	(27)
Total AFS fixed maturity securities	**114**	**—**	**(62)**	**12**	**64**
Trading fixed maturity securities:					
Corporate fixed maturity securities	6	—	—	—	6
Structured securities	4	—	—	—	4
Total trading fixed maturity securities	**10**	**—**	**—**	**—**	**10**
Equity securities	2	—	—	—	2
Mortgage and other loan receivables	77	—	—	—	77
Other investments	1	—	—	5	6
Total assets	**$ 204**	**$ —**	**$ (62)**	**$ 17**	**$ 159**
Liabilities:					
Embedded derivative – indexed universal life products	$ —	$ 26	$ —	$ (32)	$ (6)
Embedded derivative – annuity products	—	33	—	—	33
Total liabilities	**$ —**	**$ 59**	**$ —**	**$ (32)**	**$ 27**

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

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

Six months ended June 30, 2020 (Predecessor)	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
($ in millions)					
Assets:					
AFS fixed maturity securities:					
Corporate fixed maturity securities	$ 368	$ —	$ (153)	$ (40)	$ 175
Structured securities	217	—	(53)	(38)	126
Total AFS fixed maturity securities	**585**	**—**	**(206)**	**(78)**	**301**
Trading fixed maturity securities:					
Corporate fixed maturity securities	6	—	—	(1)	5
Structured securities	4	—	—	—	4
Total trading fixed maturity securities	**10**	**—**	**—**	**(1)**	**9**
Equity securities	2	—	—	—	2
Mortgage and other loan receivables	121	—	—	—	121
Other investments	1	—	—	—	1
Total assets	**$ 719**	**$ —**	**$ (206)**	**$ (79)**	**$ 434**
Liabilities:					
Policy liabilities	—	—	—	(1)	(1)
Embedded derivative – indexed universal life products	—	56	—	(78)	(22)
Embedded derivative – annuity products	—	88	—	—	88
Total liabilities	**$ —**	**$ 144**	**$ —**	**$ (79)**	**$ 65**

Fair-value option

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

	June 30, 2021	December 31, 2020
($ in millions)	*Successor*	*Predecessor*
Assets		
Mortgage and other loan receivables	$ 1,225	$ 842
Funds withheld receivable at interest	—	359
Other investments	194	166
Reinsurance recoverable	1,288	1,355
Total assets	**$ 2,707**	**$ 2,722**
Liabilities		
Policy liabilities	$ 1,890	$ 1,950
Total liabilities	**$ 1,890**	**$ 1,950**

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

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Five months ended June 30, 2021	One month ended January 31, 2021	Six months ended June 30, 2020
	Successor	Predecessor	Successor	Predecessor	Predecessor
Assets					
Mortgage and other loan receivables	$ (2)	$ 1	$ 6	$ (2)	$ 4
Funds withheld receivable at interest	—	22	—	(6)	15
Other investments	32	(2)	36	—	2
Total assets	**$ 30**	**$ 21**	**$ 42**	**$ (8)**	**$ 21**
Liabilities					
Policy liabilities	$ (20)	$ 3	$ (86)	$ (4)	$ 11
Total liabilities	**$ (20)**	**$ 3**	**$ (86)**	**$ (4)**	**$ 11**

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

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

($ in millions)	Five months ended June 30, 2021	One month ended January 31, 2021	Six months ended June 30, 2020
	Successor	Predecessor	Predecessor
Balance, as of beginning of period	**$ —**	**$ 1,567**	**$ 1,704**
Acquisition/reinsurance	1	(3)	(8)
Deferrals	201	42	213
Amortized to expense during the period[1]	(5)	(40)	(67)
Adjustment for unrealized investment losses (gains) during the period	2	26	(38)
Balance, as of end of period	**$ 199**	**$ 1,592**	**$ 1,804**

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

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

($ in millions)	Five months ended June 30, 2021	One month ended January 31, 2021	Six months ended June 30, 2020
	Successor	*Predecessor*	*Predecessor*
Balance, as of beginning of period	**$ 1,025**	**$ 280**	**$ 424**
Amortized to expense during the period[(1)]	(30)	(4)	(34)
Adjustment for unrealized investment gains during the period	—	4	(80)
Balance, as of end of period	**$ 995**	**$ 280**	**$ 310**

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

The following reflects the changes to the negative VOBA liability:

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

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

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

($ in millions)	Five months ended June 30, 2021	One month ended January 31, 2021	Six months ended June 30, 2020
	Successor	*Predecessor*	*Predecessor*
Balance, as of beginning of period	**$ —**	**$ 79**	**$ 131**
Deferrals	25	12	72
Amortized to expense during the period[(1)]	(2)	(6)	(41)
Adjustment for unrealized investment gains during the period	—	5	(8)
Balance, as of end of period	**$ 23**	**$ 90**	**$ 154**

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

7. Debt

Debt was comprised of the following:

	June 30, 2021 (Successor)		December 31, 2020 (Predecessor)	
($ in millions, except interest rates)	Amount	Rate	Amount	Rate
Senior notes assumed through acquisition, due April 2021[1]	$ —	— %	$ 150	8.63 %
Revolving credit facility, due May 2023[1]	—	— %	270	1.65 %
Term loan, due December 2023	—	— %	225	1.65 %
Senior notes, due October 2029	500	4.40 %	500	4.40 %
Senior notes, due June 2031	650	3.13 %	—	— %
Subordinated debentures, due October 2046	250	9.50 %	250	9.50 %
Total debt – principal	**1,400**		**1,395**	
Purchase accounting adjustments[1]	53		1	
Debt issuance costs, net of accumulated amortization[2]	(7)		(7)	
Fair value loss (gain) of hedged debt obligations, recognized in net income	(10)		32	
Total debt	**$ 1,436**		**$ 1,421**	

(1) The amortization of the purchase accounting adjustment related to the acquired senior notes was $1 million, $3 million, less than $1 million, less than $1 million and $1 million for the three and five months ended June 30, 2021, one month ended January 31, 2021 and three and six months ended June 30, 2020, respectively.

(2) The amortization of the debt issuance costs was less than $1 million for the three and five months ended June 30, 2021, one month ended January 31, 2021 and three and six months ended June 30, 2020.

2031 Senior Notes

On June 17, 2021, Global Atlantic (Fin) Company, or "FinCo," a Delaware corporation and an indirect subsidiary of the Company, issued $650 million aggregate principal amount of 3.125% senior unsecured notes due 2031, or the "2031 Senior Notes." The 2031 Senior Notes were issued pursuant to an indenture, dated as of June 17, 2021, among FinCo, as issuer, the Company, as guarantor, and U.S. Bank National Association, as trustee, and supplemented by the Second Supplemental Indenture, dated as of June 17, 2021, among FinCo, GAFL and the trustee. The 2031 Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by the Company.

The 2031 Senior Notes bear interest at a rate of 3.125% per year. Interest on the 2031 Senior Notes is payable semi-annually in arrears on June 15 and December 15 of each year, beginning on June 17, 2021. The 2031 Senior Notes will mature on June 15, 2031. FinCo may, at its option, redeem some or all of the 2031 Senior Notes at any time: (i) prior to March 15, 2031 at a redemption price equal to 100% of the principal amount of the 2031 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, 2031 at a redemption price equal to 100% of the principal amount of the 2031 Senior Notes to be redeemed, plus accrued and unpaid interest to the date of redemption.

Subordinated debentures due 2051

Subsequent to the end of the quarter, on July 6, 2021, FinCo issued $750 million of 4.70% fixed-to-fixed rate subordinated debentures maturing on October 15, 2051. The subordinated debentures were issued pursuant to the Subordinated Indenture, dated as of July 6, 2021, among FinCo, as issuer, the Company, as guarantor, and U.S. Bank National Association, as trustee, as supplemented by the First Supplemental Indenture, dated as of July 6, 2021.

The subordinated debentures will bear interest (i) from, and including, July 6, 2021 to, but not including, the initial interest reset date of October 15, 2026 at an annual rate of 4.70% and (ii) from and including October 15, 2026, during each interest reset period, at an annual rate equal to the five-year Treasury rate as of the most recent reset interest determination date, plus 3.796%. Interest on the subordinated debentures is payable semi-annually in arrears on April 15 and October 15 of each year, commencing on October 15, 2021, and on the maturity date.

FinCo has the right on one or more occasions to defer the payment of interest on the subordinated debentures due 2051 for up to five consecutive years, each such period, a “deferral period.” During an optional deferral period, interest will continue to accrue at the interest rate on the subordinated debentures due 2051, compounded semi-annually as of each interest payment date.

If FinCo has exercised its right to defer interest payments on the subordinated debentures due 2051, FinCo and the Company generally may not (1) make payments on or redeem or purchase (A) FinCo or the Company, or (B) with respect to FinCo, any indebtedness ranking on parity with or junior to the subordinated debentures due 2051, and with respect to the Company, any indebtedness ranking on parity with or junior to the guarantee or (2) make any guarantee payments with respect to any guarantee by FinCo or the Company of any securities or any of their respective subsidiaries if such guarantee ranks equally with or junior to the debentures.

FinCo may elect to redeem the subordinated debentures due 2051 either (1) in whole at any time or in part from time to time during the three-month period prior to, and including, October 15, 2026, or the three month period prior to, and including, each subsequent interest reset date, in each case at 100% of the principal amount of the subordinated debentures being redeemed, plus accrued and unpaid interest (including compounded interest, if any) to, but excluding, the redemption date; (2) in whole, but not in part, at any time within 90 days after the occurrence of a tax event at 100% of the principal amount of the subordinated debentures being redeemed, plus accrued and unpaid interest (including compounded interest, if any) to, but excluding, the redemption date; (3) in whole, but not in part, at any time within 90 days after the occurrence of a rating agency event at 102 % of the principal amount of the subordinated debentures being redeemed, plus accrued and unpaid interest (including compounded interest, if any) to, but excluding, the redemption date; or (4) in whole, but not in part, at any time within 90 days after the occurrence of a regulatory capital event at 100% of the principal amount of the subordinated debentures being redeemed, plus accrued and unpaid interest (including compounded interest, if any) to, but excluding, the redemption date.

Revolving credit facility

On August 4, 2021, subsequent to the end of the quarter FinCo terminated the existing revolving credit facility and replaced it with a new credit agreement with FinCo, as borrower, and GAFL, as guarantor, and Wells Fargo Bank, N.A., as administrative agent, that (1) provides for up to $1.0 billion of revolving borrowings, including up to $500 million of letters of credit, (2) has a maturity of August 2026, and (3) contains customary events of default, representations and warranties and covenants that are substantially similar to those that were in the terminated revolving credit facility, including the consolidated debt to capitalization and net worth covenants. Interest on any funded balances accrues at LIBOR plus a spread ranging from 1.125% to 2.00% based on GAFL's long-term issuer credit ratings. The borrower must pay a commitment fee on any unfunded committed balance under the agreement, ranging from 0.125% to 0.325% based on the long-term issuer credit rating.

Pay-off and maturity of debt

On April 15, 2021, FinCo repaid the maturing $150 million 2021 Senior Notes, along with accrued and unpaid interest. The pay-off was funded by a $150 million draw on the Revolving Credit Facility.

On June 18, 2021, FinCo repaid approximately $420 million outstanding indebtedness under the Revolving Credit Facility and $225 million Term Loan, along with accrued and unpaid interest, from the proceeds from the 2031 Senior Notes. As a result of the pay down of the Term Loan, the GAFL guarantee of the Term Loan was fully released and the Term Loan is terminated.

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

Other assets consist of the following:

	June 30, 2021	December 31, 2020
($ in millions)	*Successor*	*Predecessor*
Unsettled investment sales(1)	$ 1,720	$ 194
Derivative assets	1,131	968
Deferred tax asset	810	—
Goodwill	497	—
Intangible assets and deferred sales inducements	303	37
Operating lease right-to-use assets(2)	163	135
Miscellaneous assets(3)	92	129
Premiums and other account receivables	67	78
Current income tax recoverable	28	106
Total other assets	**$ 4,811**	**$ 1,647**

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

(2) The non-cancelable operating leases consist of leases for office space and renewal energy forward power purchase agreements in North America. The operating lease costs were $4 million, $7 million, $1 million, $4 million and $8 million for the three and five months ended June 30, 2021, one month ended January 31, 2021 and three and six months ended June 30, 2020, respectively.

(3) Includes related party notes receivable of $0 million and $35 million as of June 30, 2021 and December 31, 2020, respectively.

The definite life intangible assets are amortized by using the straight-line method over the useful life of the assets which is 17 years. The indefinite life intangible assets are not subject to amortization. The amortization expense of definite life intangible assets was $5 million, $7 million, less than $1 million, less than $1 million and less than $1 million for the three and five months ended June 30, 2021, one month ended January 31, 2021 and three and six months ended June 30, 2020, respectively.

Other liabilities consist of the following:

($ in millions)	June 30, 2021 Successor	December 31, 2020 Predecessor
Unsettled investment purchases[1]	$ 1,373	$ 184
Collateral on derivative instruments	922	758
Accrued expenses[2]	615	681
Securities sold under agreements to repurchase	302	301
Operating lease liabilities[3]	183	154
Accrued employee related expenses	128	204
Tax payable to former parent company	73	87
Derivative liabilities	48	85
Interest payable	11	13
Accounts and commissions payables	21	27
Other tax related liabilities	5	10
Deferred tax liability	—	369
Total other liabilities	**$ 3,681**	**$ 2,873**

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

(2) Includes related party balances of $39 million and $17 million as of June 30, 2021 and December 31, 2020, respectively.

(3) Operating leases 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 was 9.7 years as of June 30, 2021. The weighted average discount rates was 3.3% as of June 30, 2021.

Other income consists of the following:

	Three months ended		Five months ended	One month ended	Six months ended
	June 30, 2021	June 30, 2020	June 30, 2021	January 31, 2021	June 30, 2020
($ in millions)	Successor	Predecessor	Successor	Predecessor	Predecessor
Administrative, marketing and distribution fees	$ 15	$ 8	$ 24	$ 5	$ 16
Miscellaneous income	17	5	26	3	11
Total other income	$ 32	$ 13	$ 50	$ 8	$ 27

Insurance expenses consist of the following:

	Three months ended		Five months ended	One month ended	Six months ended
	June 30, 2021	June 30, 2020	June 30, 2021	January 31, 2021	June 30, 2020
($ in millions)	*Successor*	*Predecessor*	*Successor*	*Predecessor*	*Predecessor*
Commission expense	$ 57	$ 32	$ 88	$ 15	$ 60
Reinsurance expense allowance	22	—	34	4	—
Premium taxes	5	4	8	2	9
Other insurance expenses(1)	18	7	24	3	15
Total insurance expenses	$ 102	$ 43	$ 154	$ 24	$ 84

(1) Includes related party balances of $3 million, $4 million, $1 million, $1 million and $2 million for the three and five months ended June 30, 2021, one month ended January 31, 2021 and three and six months ended June 30, 2020, respectively.

General, administrative and other expenses consist of the following:

	Three months ended		Five months ended	One month ended	Six months ended
	June 30, 2021	June 30, 2020	June 30, 2021	January 31, 2021	June 30, 2020
($ in millions)	*Successor*	*Predecessor*	*Successor*	*Predecessor*	*Predecessor*
Employee-related expenses	$ 85	$ 65	$ 137	$ 47	$ 130
Administrative and professional services	47	53	74	(32)	98
Miscellaneous operating expenses(1)	(4)	(1)	(3)	5	—
Total general, administrative, and other expenses	$ 128	$ 117	$ 208	$ 20	$ 228

(1) Includes related party balances of $0 million, $0 million, $0 million, $2 million and $4 million for the three and five months ended June 30, 2021, one month ended January 31, 2021 and three and six months ended June 30, 2020, respectively.

9. Accumulated other comprehensive income

Information regarding amounts reclassified out of each component of accumulated other comprehensive (loss) income for the three and five months ended June 30, 2021, one month ended January 31, 2021 and three and six months ended June 30, 2020 were as follows:

		Three months ended		Five months ended	One month ended	Six months ended
		June 30,	June 30,	June 30,	January 31,	June 30,
Components of accumulated other comprehensive income (loss)	Consolidated statements of income and consolidated statements of comprehensive income (loss) location	2021	2020	2021	2021	2020
($ in millions)						
		Successor	*Predecessor*	*Successor*	*Predecessor*	*Predecessor*
Net unrealized investment gains (losses) on AFS fixed maturity securities and other investments:						
Net unrealized investment gains (losses)	Net investment gains (losses)					
Net unrealized investment gains (losses), before income tax		$ 20	$ 14	$ (47)	$ 1	$ 45
Income tax expense (benefit)		2	3	(11)	—	9
Net unrealized investment gains (losses), net of income tax, reclassified		**$ 18**	**$ 11**	**$ (36)**	**$ 1**	**$ 36**

10. Redeemable non-controlling interests

During the first quarter of 2019, the Company acquired controlling interests in certain renewable energy partnerships in which the non-controlling shareholder can sell its ownership back to the Company after a specified date is reached. The Company has redeemable non-controlling interests related to these renewable energy partnerships of $92 million and $91 million as of June 30, 2021 (Successor) and December 31, 2020 (Predecessor), respectively, as determined by the HLBV method. The estimated redemption value of redeemable non-controlling interests is calculated as the discounted cash flows subsequent to the expected flip date of the respective renewable energy partnership. The flip date represents the date at which the allocation of income and cash flows among the investors in the partnership is adjusted, pursuant to the redeemable non-controlling interest investors having achieved an agreed-upon return. The flip date of the Company’s renewable energy partnerships determines when the redeemable non-controlling interests are eligible to be redeemed. Eligible redemption dates range from 2022 to 2027. For the redeemable non-controlling interests outstanding as of both June 30, 2021 and December 31, 2020, the estimated redemption value that would be due at the respective redemption dates is $7 million.

11. Equity-based compensation plans

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

	Three months ended		Five months ended	One month ended	Six months ended
	June 30, 2021	June 30, 2020	June 30, 2021	January 31, 2021	June 30, 2020
($ in millions)	*Successor*	*Predecessor*	*Successor*	*Predecessor*	*Predecessor*
Book-value awards	$ 10	$ —	$ 17	$ —	$ —
KKR restricted stock units	1	—	1	—	—
Service-based restricted share awards, or "RSAs"	—	7	—	2	13
Performance-based RSAs	—	1	—	—	2
Stock appreciation rights awards, or "SARs"	—	—	—	5	—
Carried incentive unit awards	1	—	2	14	—
Total equity-based compensation expense	**$ 12**	**$ 8**	**$ 20**	**$ 21**	**$ 15**
Deferred tax asset	$ —	$ 1	$ 1	$ —	$ 3

No equity-based compensation costs were capitalized during the three and five months ended June 30, 2021, one month ended January 31, 2021 and three and six months ended June 30, 2020, respectively.

The following table presents the Company's unrecognized compensation expense and the expected weighted average period over which these expenses will be recognized as of June 30, 2021 (Successor):

	June 30, 2021 (Successor)	
($ in millions)	Expense	Weighted average period (years)
Book-value awards	$ 80	2.68
KKR restricted stock unit awards	9	3.26
Carried incentive unit awards	6	1.59
Unrecognized compensation expense, as of end of period	**$ 95**	

Equity-classified awards

GAFG restricted share awards

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

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

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

Parent-company sponsored plans

Prior to the KKR Acquisition, in addition to the Annual Incentive Plan of Global Atlantic Financial Company, certain Global Atlantic employees also participated in equity-based compensation awards under plans sponsored by the predecessor Company's parents, GAFLL and GAFG: the carried interest unit plan, or the "CI Plan," and the long-term incentive plan, or the "LTI Plan", under which stock appreciation rights ("SARs") were granted. The Company recorded allocated expenses related to these plans of $1 million, $2 million, $18 million, less than $1 million and less than $1 million for the three and five months ended June 30, 2021, one month ended January 31, 2021 and three and six months ended June 30, 2020, respectively.

Awards under the CI Plan represented interests, or "carried interest units," in a limited partnership which, prior to the Closing, held incentive shares of GAFLL. These carried interest units entitled the unit holders to a percentage of distributions from GAFLL once GAFG shareholders received their capital return plus a cumulative annualized internal rate of return of 8% on such capital contributions, or the "Preferred Return." Unamortized performance-based expense of $14 million on awards granted under the CI Plan was deferred until the applicable performance criteria were deemed probable of being met.

SARs granted under the LTI Plan contained both service and performance-based vesting provisions. Half of each grant of SARs were subject to service-based vesting over four years beginning with the second anniversary of the grant date, and the remaining half vested only upon the occurrence of a change in control or an IPO of a certain size of GAFG or GAFLL or an IPO of the Company. Even if vested, no SAR became exercisable until the GAFG shareholders have received their capital return plus a cumulative annualized internal rate of return of 8% on such capital contributions, or the "Performance Hurdle." Unamortized performance-based SARs expense of $5 million was deferred until it was deemed probable that the Performance Hurdle would be met.

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

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

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

Post-combination service expense of $8 million will be recognized over the two-year service period commencing February 1, 2021. As of June 30, 2021, there was approximately $6 million of unamortized compensation expense related to the carried interest settlement proceeds under escrow.

On February 2, 2021, 24,167 SARs were cancelled for a cash payment equal to the Estimated SAR Value minus the SARs Value Holdback Amount (each as defined in the Merger Agreement), with all withholding Taxes being deducted from the amount of such cash amount by the surviving entity. On June 28, 2021, the SARs Value Holdback Amount was released to the holders, net of all applicable withholding taxes deducted.

As of June 30, 2021, there were no SARs or Carried Interest units outstanding.

KKR restricted stock units

On February 1, 2021, upon the close of the acquisition of Global Atlantic by KKR, current employees of Global Atlantic were awarded a one-time grant of KKR restricted stock units, or “RSUs,” under the terms of KKR’s 2019 Equity Incentive Plan. Awards under the one-time grant are subject to service-based vesting, typically over a five-year vesting period. Expense associated with the vesting of these restricted stock units is based on the 10-day average closing price of KKR & Co. Inc. common stock on the date of grant, discounted for the lack of participation rights in the expected dividends on unvested shares. Expense is recognized on a straight line basis over the life of the award and assumes a forfeiture rate of up to 4% annually based upon expected turnover by class of recipient.

The table below presents the activity related to equity-classified RSUs, for the for the five months ended June 30, 2021:

Five months ended June 30, 2021 (Successor)	Restricted shares	Weighted average grant date fair value per share
Outstanding balance, as of beginning of period	—	$ —
Granted	324,323	38.03
Forfeited	(24,014)	38.03
Vested	(302)	38.03
Outstanding balance, as of end of period	**300,007**	**38.03**

Liability-classified awards

Book-value awards

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

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

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

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

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

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

The Company began recognizing long-term incentive, or "LTI," expense for the BVAs described above at the grant dates, based on their Initial Value. The table below presents the activity related to BVAs for the five months ended June 30, 2021:

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

Other deferred compensation plans

Management equity incentive plan awards

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

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

The GA Equity Incentive Plan is accounted for as a hybrid compensation plan, consisting of components most closely aligned with a profit-sharing plan under ASC 710, Compensation - General, as well as 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 an 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 date of grant was $197 million, based on the intrinsic value of the book value component at the date of grant ($5 million) and the fair value of the market value and AUM components at the date of grant ($192 million, collectively), based on the projected growth in value of each component over the 5-year vesting schedule and applying a forfeiture rate of 0%. Expense will be remeasured at each reporting period and adjusted as needed until the awards are forfeited or settled.

The Company's parent TGAFG recorded compensation expense of $5 million for both the three and five months ended June 30, 2021 related to Units granted under the MEP, with a corresponding offset to other liabilities.

12. Income taxes

The provision for income taxes represents federal and state income taxes. The effective tax rate for the three and five months ended June 30, 2021 (Successor) and one month ended January 31, 2021 (Predecessor) was 1.2%, (187.2)% and 22.4%, respectively. The effective tax rate for the three and six months ended June 30, 2020 (Predecessor) was 63.8% and (24.9)%, respectively. The effective tax rate on income before income taxes for the three and five months ended June 30, 2021 and one month ended January 31, 2021 and three and six months ended June 30, 2020 differs from the U.S. federal statutory rate primarily due to certain Bermuda-based earnings, separate account dividends-received deductions and investment tax credits.

At each reporting date, management considers new evidence, both positive and negative, that could impact the future realization of deferred tax assets. Management will consider a release of the valuation allowance once there is sufficient positive evidence that it is more likely than not that the deferred tax assets will be realized. Any release of the valuation allowance will be recorded as a tax benefit increasing net income or other comprehensive income.

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

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

13. Commitments and contingencies

Commitments

The Company enters into lease contracts, the most significant being leases of office space for its operations and land leases for its consolidated solar subsidiaries. The Company reports these leases as right-to-use assets with a corresponding lease liability in other assets and accrued expenses and other liabilities in the consolidated balance sheets, respectively. The lease liability represents the present value of the lease payments to be made over the lease term and is calculated using a discount rate equal to the Company's incremental borrowing rates, which range from 1.3% to 5.0% depending on the term. As of June 30, 2021 (Successor), the Company has a right-to-use asset of $164 million (net of $19 million in deferred rent and lease incentives) and a corresponding lease liability of $183 million. As of December 31, 2020 (Predecessor), the Company has a right-to-use asset of $135 million (net of $19 million in deferred rent and lease incentives) and a corresponding lease liability of $154 million.

The Company has commitments to purchase or fund investments of $1.1 billion and $917 million as of June 30, 2021 and December 31, 2020, respectively. These commitments include those related to commercial mortgage loans, other lending facilities and investments in limited partnerships, joint ventures and LLCs. The commitment periods vary, with most extending for the next 3 years, but some extend longer. Some of these investment commitments may be subject to conditions that must be met prior to funding. For those commitments that represent a contractual obligation to extend credit, the Company has recorded a liability of $12 million for current expected credit losses as of June 30, 2021.

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

Contingencies

Guarantees

In connection with the $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 a 5-year $1 billion RCF entered into by FinCo, the Company has agreed to jointly and severally guarantee, together with any subsidiary guarantors, payment and performance of FinCo's obligations under the RCF when due if not promptly paid by FinCo for the benefit of the lenders. The guarantees provided by the Company and any subsidiary guarantors are released when all commitments and obligations under the RCF have been paid in full or when the RCF commitments expire, or are terminated upon the merger of certain subsidiary guarantors with or into FinCo in accordance with the terms set forth in the RCF. In November 2020, FinCo entered into an amendment of the Second Amended and Restated Credit Agreement, whereby the definition of Change of Control was amended to permit the KKR transaction. As of June 30, 2021, the Company was the only guarantor under the RCF.

In connection with a 3-year $225 million Term Loan entered into by FinCo in December 2018, the Company has agreed to jointly and severally guarantee payment and performance of FinCo's obligations under the Term Loan when due if not promptly paid by FinCo for the benefit of the lenders. The guarantees provided by the Company are released when all obligations under the Term Loan have been paid in full. In November 2020, FinCo entered into an amendment of the Term Loan, whereby the definition of Change of Control was amended to permit the KKR transaction, and the definition of Maturity Date was amended to December 21, 2023. On June 18, 2021, FinCo paid down the full $225 million Term Loan, plus accrued interest. As a result of the pay down of the Term Loan, the GAFL guarantee of the Term Loan was fully released and the Term Loan is terminated.

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

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

In lieu of funding certain investments in loan facilities to borrowers in cash, the Company has arranged for third-party banks to issue letters of credit on behalf of the borrowers in the amount of $29 million, with expiration dates between September 2021 to October 2022. The Company has available lines of credit that would allow for additional letters of credit to be issued on behalf of its borrowers, up to $261 million. For accounting purposes, these letters of credit are considered guarantees of certain obligations of the borrowers. If a letter of credit were drawn, the Company would be obligated to repay the issuing third-party bank, and the Company would recognize a loan receivable from the borrowers on its balance sheet. The Company monitors the likelihood of these letters of credit being drawn, and any related contingent obligation. As of June 30, 2021, the expected credit loss on the contingent liability associated with these letters of credit was not material. As of December 31, 2020, there was no liability recognized for a contingent obligation. See Note 15 —"Related party transactions" for additional information on the letters of credit.

Legal matters

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

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

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

Although the Company's ultimate legal and financial responsibility and our actual future expenditures to address regulatory, litigation and related matters cannot be estimated at this time and could prove to be materially different from the amount that we accrue or reserve for, the Company believes that certain liabilities are probable and can be reasonably estimated and accordingly has recorded a total reserve for all regulatory, litigation and related matters of approximately $29 million and $30 million as of June 30, 2021 and December 31, 2020, respectively.

Financing arrangements

The Company has financing arrangements with unaffiliated third parties to support the reserves of its affiliated captive reinsurers. Total fees expensed associated with these credit facilities were $4 million, $8 million, $2 million, $5 million and $10 million for the three and five months ended June 30, 2021, one month ended January 31, 2021 and three and six months ended June 30, 2020, respectively, and are included in insurance expenses in the consolidated statements of income. As of June 30, 2021 and December 31, 2020, the total capacity of the financing arrangements with third parties was $2.0 billion and $1.8 billion, respectively.

There were no outstanding or unpaid balances from the financing arrangements with unaffiliated third parties as of both June 30, 2021 and December 31, 2020.

14. Reinsurance

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

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

	June 30, 2021	December 31, 2020
($ in millions)	*Successor*	*Predecessor*
Policy liabilities:		
Direct	$ 63,480	$ 54,904
Assumed[(1)]	42,354	39,037
Total policy liabilities	**105,834**	**93,941**
Ceded[(2)]	(16,355)	(15,131)
Net policy liabilities	**$ 89,479**	**$ 78,810**

(1) Includes related party balance of $6.9 billion as of December 31, 2020.

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

A key credit quality indicator is a counterparty's A.M. Best financial strength rating. A.M. Best financial strength ratings are an independent opinion of a reinsurer's ability to meet ongoing obligations to policyholders. The Company mitigates counterparty credit risk by requiring collateral and credit enhancements in various forms including engaging in funds withheld at interest and modified coinsurance transactions. The following shows the amortized cost basis of the Company's reinsurance recoverable and funds withheld receivable at interest by credit quality indicator and any associated credit enhancements the Company has obtained to mitigate counterparty credit risk:

A.M. Best Rating[(1)]	As of June 30, 2021 (Successor) Reinsurance recoverable and funds withheld receivable at interest[(2)]	Credit enhancements[(3)]	Net reinsurance credit exposure
($ in millions)			
A++	$ 9	$ —	$ 9
A+	2,056	—	2,056
A	2,737	—	2,737
A-	3,352	2,943	409
B++	38	—	38
B+	3	—	3
B	8	—	8
B-	2	—	2
Not rated[(4)]	11,260	11,706	—
Total	**$ 19,465**	**$ 14,649**	**$ 5,262**

(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 $11.2 billion associated with cessions to Ivy Re Limited, a Bermuda insurance company, and a subsidiary of Ivy Co-Invest Vehicle LLC, an unaffiliated co-investment vehicle that participates in qualifying reinsurance transactions sourced by Global Atlantic.

As of June 30, 2021 and December 31, 2020, the Company had $3.1 billion and $2.4 billion of funds withheld receivable at interest, respectively, with six and five counterparties related to modified coinsurance and funds withheld contracts. The assets supporting these receivables were held in trusts and not part of the respective counterparty's general accounts.

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

	Three months ended		Five months ended	One month ended	Six months ended
	June 30, 2021	June 30, 2020	June 30, 2021	January 31, 2021	June 30, 2020
($ in millions)					
	Successor	*Predecessor*	*Successor*	*Predecessor*	*Predecessor*
Premiums:					
Direct	$ 32	$ 31	$ 46	$ 13	$ 72
Assumed[(1)]	589	49	1,870	144	243
Ceded	(1,073)	(23)	(1,192)	(80)	(48)
Net premiums	**$ (452)**	**$ 57**	**$ 724**	**$ 77**	**$ 267**

(1) Includes related party balances of $6 million, $9 million, $3 million, $6 million and $13 million for the three and five months ended June 30, 2021, one month ended January 31, 2021 and three and six months ended June 30, 2020, respectively.

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Five months ended June 30, 2021	One month ended January 31, 2021	Six months ended June 30, 2020
	Successor	*Predecessor*	*Successor*	*Predecessor*	*Predecessor*
Policy fees:					
Direct	$ 233	$ 212	$ 382	$ 72	$ 437
Assumed[(1)]	80	78	133	26	158
Ceded	(1)	—	(1)	—	—
Net policy fees	**$ 312**	**$ 290**	**$ 514**	**$ 98**	**$ 595**

(1) Includes related party balances of $4 million, $6 million, $2 million, $4 million and $8 million for the three and five months ended June 30, 2021, one month ended January 31, 2021 and three and six months ended June 30, 2020, respectively.

($ in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020	Five months ended June 30, 2021	One month ended January 31, 2021	Six months ended June 30, 2020
	Successor	*Predecessor*	*Successor*	*Predecessor*	*Predecessor*
Policy benefits and claims:					
Direct	$ 1,260	$ 818	$ 1,443	$ 114	$ 1,118
Assumed[(1)]	266	283	1,733	210	811
Ceded	(1,114)	(39)	(1,279)	(98)	(160)
Net policy benefits and claims	**$ 412**	**$ 1,062**	**$ 1,897**	**$ 226**	**$ 1,769**

(1) Includes related party balances of $53 million, $76 million, $20 million, $62 million and $138 million for the three and five months ended June 30, 2021, one month ended January 31, 2021 and three and six months ended June 30, 2020, respectively.

The Company holds collateral for and provides collateral to our reinsurance clients. The Company held $14.4 billion and $13.2 billion of collateral on behalf of our reinsurers as of June 30, 2021 and December 31, 2020, respectively. As of both June 30, 2021 and December 31, 2020, reinsurers held collateral of $1.2 billion on behalf of the Company. A significant portion of the collateral that the Company provides to its reinsurance clients is provided in the form of assets held in a trust for the benefit of the counterparty. As of June 30, 2021, these trusts were required to hold, and held in excess of, $37.9 billion of assets to support reserves of $38.7 billion. As of December 31, 2020, these trusts were required to hold, and held in excess of, $35.3 billion of assets to support reserves of $34.3 billion. Of the cash held in trust, the Company classified $69 million and $93 million as restricted as of June 30, 2021 and December 31, 2020, respectively.

15. Related party transactions

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

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

$39 million and $62 million for the three and five months ended June 30, 2021, respectively, and had $39 million payable due to KKR as of June 30, 2021.

On September 24, 2018, the Company and Origis Energy, or “Origis,” a utility-scale renewable energy developer, entered into a series of agreements whereby the Company invested in a minority equity position in Origis USA, LLC, or “Origis USA,” the holding company for Origis, and agreed to provide development financing for renewable energy projects that the Company may purchase in the future subject to certain conditions. These agreements enable the Company to exercise significant influence over the operating and financial policies of Origis USA. The Company reported a loan receivable of $571 million and $507 million and an equity investment of $48 million and $48 million in Origis USA as of June 30, 2021 and December 31, 2020, respectively. In addition, in lieu of funding certain loans to Origis in cash, the Company has arranged for third-party banks to issue letters of credit on behalf of Origis in the amount of less than $1 million as of both June 30, 2021 and December 31, 2020. During 2019, the Company also purchased controlling interests from Origis in projects that we now consolidate. The amount of purchases of controlling interests totaled $4 million, less than $1 million and $9 million for the five months ended June 30, 2021, one month ended January 31, 2021, and six months ended June 30, 2020, respectively. As of June 30, 2021 and December 31, 2020, $571 million and $2 million of the purchase price was unpaid, respectively. See Note 13—“Commitments and contingencies” for more information on the Company’s arrangement of letters of credit.

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

The Company reported assumed policy liabilities in connection with the reinsurance agreement of $6.9 billion as of December 31, 2020. The Company recorded assumed premiums of $6 million, $9 million, $3 million, $6 million and $13 million for the three and five months ended June 30, 2021, one month ended January 31, 2021, and three and six months ended June 30, 2020, respectively. The Company reported assumed policy benefits and claims of $53 million, $76 million, $20 million, $62 million and $138 million for the three and five months ended June 30, 2021, one month ended January 31, 2021, and three and six months ended June 30, 2020, respectively.

The Company has certain investments in renewable energy entities that are LLCs where an affiliate of Centaurus, a former shareholder of our ultimate parent GAFG, is the managing member. In connection with the acquisition of a renewable energy project from Centaurus Renewable Energy, or “CRE,” an affiliate of Centaurus, the Company has recorded $11 million payable to CRE as of December 31, 2020. The Company also purchased from Centaurus controlling interests in projects that we now consolidate, and co-invested in investments with Centaurus where we have an equity method investment. The amount of purchases of controlling interests totaled $— million, $— million and $80 million for the one month ended January 31, 2021 and three and six months ended June 30, 2020, respectively. The Company did not purchase any equity method investments in entities controlled by Centaurus for the one month ended January 31, 2021 and three and six months ended June 30, 2020.

The Company has provided financing to a related party, Parasol Renewable Energy Holdings, LLC, in which the Company owns a 20% equity share. The financing is used to fund the development of renewable energy projects. As of June 30, 2021 and December 31, 2020, loans funding projects under this facility had a carrying value of $86 million and $51 million, respectively.

During the one month ended January 31, 2021, the Company did not purchase structured securities and loans directly from Goldman Sachs. During the three and six months ended June 30, 2020, the Company purchased structured securities and loans directly from Goldman Sachs with a cost of $5 million, $0 million, $34 million and $177 million, respectively.

The Company until February 1, 2021, had investment management service agreements with GSAM. GSAM provides investment management services across the Company. The Company recorded expenses for these agreements of $1 million, $3 million and $5 million for the one month ended January 31, 2021 and three and six months ended June 30, 2020, respectively, and had $6 million payable as of December 31, 2020.

On April 30, 2013, GAFG, GAFLL and FinCo entered into a Tax Benefit Payment Agreement with Goldman Sachs. In connection with the KKR transaction, effective February 1, 2021, GAFLL merged with and into GAFG and is no longer a party to the agreement. The agreement was the result of transactions entered into prior to the separation from Goldman Sachs that resulted in approximately a $234 million tax liability relating to the Company. Under this agreement, FinCo has agreed to pay Goldman Sachs $214 million over a 25-year period, subject to certain deferral conditions. This agreement represents payments to Goldman Sachs corresponding to taxes paid on the Company's behalf prior to the separation from Goldman Sachs. This payable was established on the Company's balance sheet at its present value of $140 million at April 30, 2013. As of December 31, 2020, the liability under this agreement was $87 million (and reported in other liabilities in the consolidated balance sheets.) The Company recognized less than $1 million, $1 million and $2 million for the one month ended January 31, 2021 and three and six months ended June 30, 2020, respectively, in related interest expense in the consolidated statements of income. The Company made principal payments of $12 million and $3 million as of January 31, 2021 and June 30, 2020, respectively.

The Company recorded $18 million, less than $1 million and less than $1 million of intercompany expenses related to certain pre-acquisition employee compensation plans for the one month ended January 31, 2021 and three and six months ended June 30, 2020, respectively.

The Company had a payable of less than $1 million to Global Atlantic Financial Life as of December 31, 2020 related to potential IPO transaction costs incurred by the Company. The Company had a payable of less than $1 million to GAFG as of both June 30, 2021 and December 31, 2020 related to payables associated with equity-based compensation awards the Company settled in GAFG ordinary shares. On October 18, 2019, the Company issued a $35 million intercompany loan to its ultimate parent, GAFG, in order to fund the repurchase of GAFG ordinary shares. The loan was repaid on February 1, 2021.

The Company held related party investments in its portfolio as of June 30, 2021 and December 31, 2020 as follows:

		As of June 30, 2021 (Successor)		
Type	Balance sheet classification	Asset carrying value	Accrued interest	Total balance sheet amount
($ in millions)				
KKR corporate debt securities	AFS fixed maturity securities - Corporates	$ 27	$ —	$ 27
KKR corporate debt securities	Trading fixed maturity securities	16	—	16
KKR collateralized debt obligations	AFS fixed maturity securities – CLOs	44	—	44
Origis loan receivable	Mortgage and other loan receivables	571	6	577
Parasol Renewable Energy loan receivables	Mortgage and other loan receivables	57	—	57
Clenera warrants	Other investments	29	—	29
Total related party investments		**$ 744**	**$ 6**	**$ 750**

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

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

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

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

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

Type	Three months ended June 30, 2021	Three months ended June 30, 2020	Five months ended June 30, 2021	One month ended January 31, 2021	Six months ended June 30, 2020
($ in millions)					
	Successor	*Predecessor*	*Successor*	*Predecessor*	*Predecessor*
Net investment income:					
Investments in renewable energy entities managed by an affiliate of Centaurus†	$ —	$ —	$ —	$ (2)	$ —
Origis loan receivable	25	9	35	5	15
Goldman Sachs Group bonds†	—	4	—	1	6
Goldman Sachs money market funds†	—	—	—	—	2
GSAM	—	—	—	(1)	—
KKR investment management	(39)	—	(62)	—	—
Total net investment income	**$ (14)**	**$ 13**	**$ (27)**	**$ 3**	**$ 23**
Net investment loss					
Origis loan receivable	$ —	$ —	$ —	$ (2)	$ —
Total net investment loss	**$ —**	**$ —**	**$ —**	**$ (2)**	**$ —**

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

16. Acquisition

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

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

In connection with the Closing, Magnolia Parent LLC changed its name to The Global Atlantic Financial Group LLC and became the new holding company of GAFG and its subsidiaries' business. Also in connection with the Closing, certain previous shareholders of GAFG and GAFLL elected to participate in an equity roll-over to become shareholders of TGAFG, and new co-investors agreed to fund in cash a portion of the purchase price to become shareholders of TGAFG. Following these roll-overs, co-investments, and certain post-closing adjustments, KKR owns 61.5% of TGAFG. In addition, the aforementioned equity contribution and syndication process was used to generate $250 million of additional equity capital to fund Global Atlantic's business needs.

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

Goodwill of $497 million has been recorded based on the amount that the purchase price exceeds the fair value of the net assets acquired. Goodwill consists primarily of intangible assets that do not qualify for separate recognition and it is primarily attributable to the scale, skill sets, operations, and synergies that can be achieved.

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

		February 1, 2021
($ in millions)		
Consideration transferred		
Cash	$	3,893
Rollover equity exchanged		846
Total consideration transferred	**$**	**4,739**

($ in millions)		February 1, 2021
Recognized amounts of identifiable assets acquired and liabilities assumed		
Cash, cash equivalents and restricted cash	$	3,359
Investments		99,605
Accrued investment income		715
Reinsurance recoverable		15,753
Insurance intangibles		1,025
Other assets(1)		2,611
Separate account assets		5,371
Policy liabilities		(100,375)
Debt		(1,451)
Funds withheld payable at interest		(13,801)
Accrued expenses and other liabilities		(2,736)
Reinsurance liabilities		(181)
Separate account liabilities		(5,371)
Total identifiable net assets		**4,524**
Redeemable non-controlling interests		(92)
Non-controlling interests		(190)
Goodwill attributable to Global Atlantic		497
Total consideration transferred	**$**	**4,739**

February 1, 2021

(1) Includes $1.0 billion of deferred tax assets recognized from the step-up in basis under purchase accounting.

Measurement period adjustments

During the three months ended June 30, 2021, the Company recognized measurement period adjustments to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period adjustments also reflected the increase in the total consideration transferred of $58 million as a result of final purchase price adjustments. Measurement period adjustments consistent primarily of a $50 million increase in the value of distribution agreements acquired, a $63 million increase in policy liabilities, a $25 million increase in investments, and a $46 million increase in goodwill. The related impact to net income that would have been recognized in previous periods if the adjustments were recognized as of the acquisition date was not material to the consolidated financial statements. The Company expects to finalize the valuation of the acquired assets and assumed liabilities as soon as practicable, but not later than one year from the acquisition date. Any adjustments to the initial estimates of the fair values of the acquired assets and assumed liabilities will be recorded as adjustments to the respective assets and liabilities, with an offsetting amount allocated to goodwill.

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

As of February 1, 2021	Gross carrying value ($ in millions)	Weighted average useful life (in years)
Value of business acquired	$ 1,025	28.6
Negative value of business acquired, included in policy liabilities	(1,273)	22.2
Value of distribution agreements acquired	$ 250	16 to 21
Trade names	50	15 to 18
State insurance licenses	10	Indefinite
Total identifiable other intangible assets	**$ 310**	

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

Investments

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

The Company's fair value measurement for fixed maturity and equity securities was based on a market approach, which utilizes prices and other relevant information generated by market transactions involving identical or comparable securities. Sources of inputs to the market approach include a third-party pricing service, independent broker quotations, or pricing matrices. The Company uses observable and unobservable inputs in its valuation methodologies. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data.

The mortgage and other loan receivables fair value was established using a discounted cash flows method at interest rates appropriate for the credit rating of the borrower, tenor of the loan, maturity and future income, including uncertainty of cash flows. This yield-based approach is determined internally based on publicly available market data and indices sourced from a third-party vendor. The credit ratings for mortgages in good standing are based on property type, location, market conditions, occupancy, debt service coverage, loan-to-value, quality of tenancy, borrower and payment record.

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

Policy liabilities

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

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

Value of business acquired

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

Other identifiable intangible assets

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

Funds withheld at interest receivables and payables

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

Pro-forma financial information

Unaudited pro-forma financial information for the three and six months ended June 30, 2021 and 2020 is presented below. Pro-forma financial information presented does not include adjustments to reflect any potential revenue synergies or cost savings that may be achievable in connection with the Acquisition and assume the Acquisition occurred as of the beginning of the respective 2020 period. The unaudited pro-forma financial information is presented for informational purposes only, and is not necessarily indicative of future operations or results had the Acquisition been completed as of January 1, 2020.

	Three months ended	Six months ended	
	June 30, 2020	June 30, 2021	June 30, 2020
($ in millions)			
Total revenues	$ 1,108	$ 2,797	$ 2,000
Net income attributable to Global Atlantic Financial Limited shareholder	$ 41	$ 363	$ 229

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

- adjustment to reflect the elimination of historical amortization of Global Atlantic's insurance and other intangibles and the additional amortization of insurance and other intangibles measured at fair value as of the acquisition date;
- adjustment to reflect the prospective reclassification from accumulated other comprehensive income of the unrealized gains on available-for-sale securities to a premium which will be amortized into income based on the expected life of the investment securities; and
- adjustments to reflect the adoption of Current Expected Credit Losses "CECL" in 2020.

17. Subsequent event

The Company evaluated all events and transactions through August 12, 2021, the date the accompanying consolidated financial statements were available to be issued, that would merit recognition or disclosures in the consolidated financial statements, and with the exception of the items disclosed below, determined there were none.

Significant reinsurance transactions

Subsequent to the quarter ended June 30, 2021, the Company closed three reinsurance transactions with third parties, assuming $8.0 billion of primarily fixed-rate and fixed income annuities and a fixed-indexed annuities component, $4.8 billion of whole life insurance policies originated in Asia, and $3.3 billion of fixed-rate annuities, respectively. Subsequently, the Company ceded $9.2 billion of reserves to other third parties, including $6.7 billion to Ivy Re Limited.