



## **Global Atlantic Limited (Delaware)**

**(f/k/a Global Atlantic Financial Limited, and an indirect wholly owned subsidiary of The Global Atlantic Financial Group LLC)**

**Consolidated financial statements**

**As of December 31, 2023 and 2022**

# Index to Consolidated Financial Statements

<b>Table of contents</b>	
	<b>Page</b>
<b>Independent auditor's report</b>	<u><a href="#">3</a></u>
<b>Consolidated financial statements</b>	
Consolidated balance sheets as of December 31, 2023 and 2022	<u><a href="#">5</a></u>
Consolidated statements of income for the years ended December 31, 2023 and 2022	<u><a href="#">7</a></u>
Consolidated statements of comprehensive income (loss) for the years ended December 31, 2023 and 2022	<u><a href="#">8</a></u>
Consolidated statements of redeemable non-controlling interests and equity from December 31, 2021 to December 31, 2023	<u><a href="#">9</a></u>
Consolidated statements of cash flows for the years ended December 31, 2023 and 2022	<u><a href="#">11</a></u>
<b>Notes to the consolidated financial statements</b>	
1. Nature of business	<u><a href="#">13</a></u>
2. Basis of presentation and significant accounting policies	<u><a href="#">14</a></u>
3. Investments	<u><a href="#">40</a></u>
4. Derivative instruments	<u><a href="#">55</a></u>
5. Fair value disclosure of financial instruments	<u><a href="#">62</a></u>
6. Insurance intangibles, unearned revenue reserves and unearned front-end loads	<u><a href="#">77</a></u>
7. Policy liabilities	<u><a href="#">81</a></u>
8. Closed blocks	<u><a href="#">91</a></u>
9. Reinsurance	<u><a href="#">92</a></u>
10. Debt	<u><a href="#">95</a></u>
11. Composition of other assets, liabilities, income, insurance expenses and general, administrative and other expenses	<u><a href="#">97</a></u>
12. Shareholders' equity	<u><a href="#">98</a></u>
13. Accumulated other comprehensive income (loss)	<u><a href="#">99</a></u>
14. Redeemable non-controlling interests	<u><a href="#">99</a></u>
15. Equity-based compensation plans	<u><a href="#">100</a></u>
16. Income taxes	<u><a href="#">104</a></u>
17. Dividend restrictions and statutory information	<u><a href="#">107</a></u>
18. Related party transactions	<u><a href="#">110</a></u>
19. Commitments and contingencies	<u><a href="#">112</a></u>
20. Subsequent events	<u><a href="#">114</a></u>

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Global Atlantic Limited (Delaware)

### Opinion

We have audited the consolidated financial statements of Global Atlantic Limited (Delaware) (formerly known as Global Atlantic Financial Limited) and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income (loss), redeemable non-controlling interests and equity, and cash flows for the years ended December 31, 2023 and December 31, 2022, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matter

As discussed in Note 2 to the financial statements, effective January 1, 2023, the Company adopted Accounting Standards Update No. 2018-12, "*Financial Services – Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts, as amended*", using the full retrospective approach with a transition date of February 1, 2021, coinciding with the acquisition of the Company by KKR & Co. Inc. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

The image shows a handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, slightly slanted style.

March 1, 2024

# Global Atlantic Limited (Delaware) and subsidiaries

## Consolidated Balance Sheets

	December 31, 2023	December 31, 2022
<b>(\$ in millions, except share data)</b>		
<b>Assets</b>		
<b>Investments:</b>		
Fixed maturity securities, available-for-sale, at fair value (amortized cost: \$81,748 and \$75,805, respectively; variable interest entities: \$8,817 and \$8,644, respectively; net of allowances: \$270 and \$128, respectively; and related party: \$2,702 and \$1,920, respectively.)	\$ 72,116	\$ 63,860
Fixed maturity securities, trading, at fair value (amortized cost: \$21,156 and \$15,347, respectively; related party: \$592 and \$514, respectively.)	19,397	12,553
Mortgage and other loan receivables (portion at fair value: \$697 and \$788, respectively; variable interest entities: \$4,568 and \$5,342, respectively; net of allowances: \$602 and \$560, respectively; and related party: \$- and \$-, respectively.)	39,178	35,091
Funds withheld receivable at interest (portion at fair value: \$89 and \$13, respectively.)	2,714	2,868
Other investments (portion at fair value: \$5,065 and \$5,033, respectively; variable interest entities: \$9,171 and \$10,746, respectively; and related party: \$1 and \$1, respectively.)	11,260	12,263
<b>Total investments</b>	<b>\$ 144,665</b>	<b>\$ 126,635</b>
Cash and cash equivalents (variable interest entities: \$783 and \$619, respectively.)	11,955	6,117
Restricted cash and cash equivalents	343	308
Accrued investment income (variable interest entities: \$238 and \$290, respectively.)	1,275	1,174
Reinsurance recoverable (portion at fair value: \$926 and \$982, respectively; net of allowances: \$21 and \$41, respectively.)	36,617	26,021
Insurance intangibles	4,451	2,331
Other assets (variable interest entities: \$253 and \$1,131, respectively; market risk benefit assets: \$- and \$13, respectively.)	3,747	4,994
Separate account assets	4,107	4,131
<b>Total assets</b>	<b>\$ 207,160</b>	<b>\$ 171,711</b>
<b>Liabilities</b>		
Policy liabilities (portion at fair value: \$1,475 and \$1,063, respectively; market risk benefit liabilities: \$1,121 and \$682, respectively.)	\$ 160,058	\$ 137,780
Debt	2,588	2,128
Funds withheld payable at interest (portion at fair value: \$(2,447) and \$(3,488), respectively.)	34,340	22,739
Other liabilities (portion at fair value: \$146 and \$934, respectively; variable interest entities: \$337 and \$462, respectively; and related party: \$121 and \$99, respectively.)	3,374	4,700
Reinsurance liabilities	1,423	1,060
Separate account liabilities	4,107	4,131
<b>Total liabilities</b>	<b>\$ 205,890</b>	<b>\$ 172,538</b>

# Global Atlantic Limited (Delaware) and subsidiaries

## Consolidated Balance Sheets

	December 31, 2023	December 31, 2022
<i>(\$ in millions, except share data)</i>		
<b>Commitments and contingencies (Note 19)</b>		
<b>Redeemable non-controlling interests (Note 14)</b>	\$ 48	\$ 83
<b>Equity</b>		
Common stock, \$1 par value, 100,000,000 shares authorized, 304 shares issued and outstanding, respectively.	\$ —	\$ —
Additional paid-in capital	5,922	5,516
Retained earnings	2,085	1,821
Accumulated other comprehensive loss	(6,875)	(8,435)
<b>Total shareholder's equity</b>	<b>\$ 1,132</b>	<b>\$ (1,098)</b>
Non-controlling interests	90	188
<b>Total equity</b>	<b>\$ 1,222</b>	<b>\$ (910)</b>
<b>Total liabilities, redeemable non-controlling interests and equity</b>	<b>\$ 207,160</b>	<b>\$ 171,711</b>

*See accompanying notes to the consolidated financial statements.*

# Global Atlantic Limited (Delaware) and subsidiaries

## Consolidated statements of income

	Years ended	
	December 31,	December 31,
	2023	2022
<i>(\$ in millions)</i>		
<b>Revenues</b>		
Premiums	\$ 1,976	\$ 1,182
Policy fees	1,260	1,262
Net investment income (related party investment income: \$189 and \$148, respectively; related party investment expense: \$449 and \$307, respectively.)	5,255	3,958
Net investment-related losses (related party: \$(41) and \$6, respectively.)	(231)	(1,390)
Other income	176	139
<b>Total revenues</b>	<b>\$ 8,436</b>	<b>\$ 5,151</b>
<b>Benefits and expenses</b>		
Policy benefits and claims (market risk benefit loss (gain): \$224 and \$(673), respectively; remeasurement (gain) loss on policy liabilities: \$15 and \$(57), respectively.)	\$ 6,362	\$ 2,358
Amortization of policy acquisition costs	87	55
Interest expense	174	87
Insurance expenses	826	564
General, administrative and other expenses (related party: \$9 and \$9, respectively.)	755	728
<b>Total benefits and expenses</b>	<b>\$ 8,204</b>	<b>\$ 3,792</b>
<b>Income before income taxes</b>	<b>\$ 232</b>	<b>\$ 1,359</b>
Income tax (benefit) expense	(19)	268
<b>Net income</b>	<b>\$ 251</b>	<b>\$ 1,091</b>
Less: net (loss) income attributable to non-controlling interests and redeemable non-controlling interests	(13)	(121)
<b>Net income attributable to Global Atlantic Limited (Delaware) shareholder</b>	<b>\$ 264</b>	<b>\$ 1,212</b>

*See accompanying notes to consolidated financial statements.*

# Global Atlantic Limited (Delaware) and subsidiaries

## Consolidated statements of comprehensive income (loss)

	Years ended	
	December 31, 2023	December 31, 2022
(\$ in millions)		
<b>Net income</b>	<b>\$ 251</b>	<b>\$ 1,091</b>
<b>Other comprehensive income (loss), before taxes:</b>		
Unrealized gains (losses) on securities and other investments for the period	2,127	(11,936)
Reclassification adjustment for gains on hedging instruments reclassified to available-for-sale securities and other instruments	94	62
Less: reclassification adjustment for (losses) gains included in net income	(233)	(618)
<b>Unrealized gains (losses) on available-for-sale securities and other investments</b>	<b>2,454</b>	<b>(11,256)</b>
Unrealized losses on hedging instruments	(51)	(238)
Less: reclassification adjustment for losses on hedging instruments reclassified to available-for-sale securities and other instruments	(94)	(62)
<b>Unrealized gains (losses) on hedging instruments</b>	<b>43</b>	<b>(176)</b>
Unrealized losses on pension plans	—	(1)
Net effect of unrealized (losses) gains on policy balances	(46)	134
Effect of changes in the fair value of a market risk benefit attributable to a change in the instrument-specific credit risk	(237)	138
Effect of changes in the discount rates used to measure traditional and limited-payment long duration insurance contracts	(315)	1,401
<b>Net effect on policyholder balances</b>	<b>(598)</b>	<b>1,672</b>
<b>Other comprehensive income (loss), before taxes</b>	<b>1,899</b>	<b>(9,760)</b>
<b>Income tax benefit related to:</b>		
Net unrealized (losses) gains on available-for-sale securities and other investments	(437)	1,946
Unrealized (losses) gains on hedging instruments	(8)	31
Net effect of unrealized gains (losses) on policy benefits	106	(289)
<b>Income tax benefit related to other comprehensive income</b>	<b>(339)</b>	<b>1,688</b>
<b>Other comprehensive income (loss) before non-controlling interests and redeemable non-controlling interests, net of tax</b>	<b>1,560</b>	<b>(8,072)</b>
<b>Comprehensive income (loss)</b>	<b>1,811</b>	<b>(6,981)</b>
<b>Less: total comprehensive (loss) income attributable to non-controlling interests and redeemable non-controlling interests:</b>		
Net (loss) income	(13)	(121)
<b>Total comprehensive (loss) income attributable to non-controlling interests and redeemable non-controlling interests</b>	<b>(13)</b>	<b>(121)</b>
<b>Comprehensive income (loss) attributable to Global Atlantic Limited (Delaware) shareholder</b>	<b>\$ 1,824</b>	<b>\$ (6,860)</b>

See accompanying notes to consolidated financial statements.



# Global Atlantic Limited (Delaware) and subsidiaries

## Consolidated statements of redeemable non-controlling interests and equity

	Redeemable non-controlling interests	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income	Total shareholder's equity	Non-controlling interest	Total equity
<b>(\$ in millions)</b>								
<b>Balance as of December 31, 2021 (as previously reported)</b>	<b>\$ 82</b>	<b>\$ —</b>	<b>\$ 5,005</b>	<b>\$ 452</b>	<b>\$ (387)</b>	<b>\$ 5,070</b>	<b>\$ 215</b>	<b>\$ 5,285</b>
Cumulative effect adjustment from adoption of accounting changes (see Note 2, "Significant accounting policies and practices")	—	—	—	157	24	181	—	181
<b>Balance as of December 31, 2021 (as revised)</b>	<b>82</b>	<b>—</b>	<b>5,005</b>	<b>609</b>	<b>(363)</b>	<b>5,251</b>	<b>215</b>	<b>5,466</b>
Net income	3	—	—	1,212	—	1,212	(124)	1,088
Other comprehensive loss	—	—	—	—	(8,072)	(8,072)	—	(8,072)
Equity-based compensation	—	—	13	—	—	13	—	13
Capital contributions	—	—	498	—	—	498	—	498
Capital contributions from non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	34	34
Non-cash contributions from non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	85	85
Distribution to non-controlling interests and redeemable non-controlling interests	(2)	—	—	—	—	—	(22)	(22)
<b>Balance as of December 31, 2022</b>	<b>\$ 83</b>	<b>\$ —</b>	<b>\$ 5,516</b>	<b>\$ 1,821</b>	<b>\$ (8,435)</b>	<b>\$ (1,098)</b>	<b>\$ 188</b>	<b>\$ (910)</b>
<b>Balance as of December 31, 2022 (as previously reported)</b>	<b>\$ 83</b>	<b>\$ —</b>	<b>\$ 5,516</b>	<b>\$ 1,059</b>	<b>\$ (9,385)</b>	<b>\$ (2,810)</b>	<b>\$ 188</b>	<b>\$ (2,622)</b>
Cumulative effect adjustment from adoption of accounting changes (see Note 2, "Significant accounting policies and practices")	—	—	—	762	950	1,712	—	1,712
<b>Balance as of December 31, 2022 (as revised)</b>	<b>83</b>	<b>—</b>	<b>5,516</b>	<b>1,821</b>	<b>(8,435)</b>	<b>(1,098)</b>	<b>188</b>	<b>(910)</b>
Net income	(5)	—	—	264	—	264	(8)	256
Other comprehensive income	—	—	—	—	1,560	1,560	—	1,560
Equity-based compensation	—	—	6	—	—	6	—	6
Capital contributions	—	—	400	—	—	400	—	400
Capital contributions from non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	4	4

## Global Atlantic Limited (Delaware) and subsidiaries

### Consolidated statements of redeemable non-controlling interests and equity

	Redeemable non-controlling interests	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income	Total shareholder's equity	Non-controlling interest	Total equity
<i>(\$ in millions)</i>								
Distribution to non-controlling interests and redeemable non-controlling interests	(2)	—	—	—	—	—	(17)	(17)
Non-cash distribution to non-controlling interests and redeemable non-controlling interests	(1)	—	—	—	—	—	(11)	(11)
Derecognition of non-controlling interests	(27)	—	—	—	—	—	(66)	(66)
<b>Balance as of December 31, 2023</b>	<b>\$ 48</b>	<b>\$ —</b>	<b>\$ 5,922</b>	<b>\$ 2,085</b>	<b>\$ (6,875)</b>	<b>\$ 1,132</b>	<b>\$ 90</b>	<b>\$ 1,222</b>

*See accompanying notes to consolidated financial statements.*

# Global Atlantic Limited (Delaware) and subsidiaries

## Consolidated statements of cash flows

	Years ended	
	December 31, 2023	December 31, 2022
<i>(\$ in millions)</i>		
<b>Cash flows from operating activities</b>		
<b>Net income</b>	<b>\$ 251</b>	<b>\$ 1,091</b>
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Net investment-related losses	2,552	434
Net accretion and amortization (related party: \$7 and \$8, respectively.)	351	584
Interest credited to policy account balances less policy fees	2,800	1,245
Deferred income tax (benefit) expense	(173)	50
<b>Changes in operating assets and liabilities:</b>		
Reinsurance transactions and acquisitions, net of cash provided	840	1,283
Change in premiums, notes receivable and reinsurance recoverable, net of reinsurance premiums payable	1,061	685
Change in deferred policy acquisition costs	(535)	(483)
Change in policy liabilities and accruals, net	(718)	(300)
Other operating activities, net	(352)	(133)
<b>Net cash provided by operating activities</b>	<b>\$ 6,077</b>	<b>\$ 4,456</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposals of available-for-sale fixed maturity securities (related party: \$45 and \$93, respectively.)	\$ 6,903	\$ 12,643
Proceeds from maturities of available-for-sale fixed maturity securities (related party: \$187 and \$751, respectively.)	4,183	5,184
Proceeds from disposals and maturities of trading fixed maturity securities (related party: \$16 and \$61, respectively.)	6,034	8,518
Proceeds from disposals of equity securities	—	257
Proceeds from mortgage and other loan receivables sold, matured or collected (related party: \$35 and \$36, respectively.)	4,769	7,181
Proceeds from disposals of other investments	3,996	2,262
Purchase of available-for-sale fixed maturity securities (related party: \$(1,041) and \$(1,386), respectively.)	(14,042)	(20,499)
Purchase of trading fixed maturity securities (related party: \$(73) and \$(349), respectively.)	(4,967)	(6,479)
Purchase of equity securities	—	(41)
Purchase of mortgage and other loan receivables (related party: \$- and \$(6), respectively.)	(8,653)	(14,195)
Purchase of other investments	(2,961)	(7,237)
Other investing activities, net	24	(36)
<b>Net cash used in investing activities</b>	<b>\$ (4,714)</b>	<b>\$ (12,442)</b>

# Global Atlantic Limited (Delaware) and subsidiaries

## Consolidated statements of cash flows

	Years ended	
	December 31, 2023	December 31, 2022
<i>(\$ in millions)</i>		
<b>Cash flows from financing activities</b>		
Settlement of repurchase agreements	\$ (5,791)	\$ (5,438)
Proceeds from issuance of repurchase agreements	6,348	5,936
Reinsurance transactions, net of cash provided	1,224	70
Additions to contractholder deposit funds	19,315	22,593
Withdrawals from contractholder deposit funds	(17,386)	(13,315)
Issuance of long-term debt	829	400
Payment of debt principal and origination fees	(400)	—
Capital contributions	400	499
Return of capital to parent	(5)	—
Capital contributions from non-controlling interests and redeemable non-controlling interests	4	35
Distribution to non-controlling interests and redeemable non-controlling interests	(27)	(25)
Other financing activities, net	(9)	(7)
<b>Net cash provided by financing activities</b>	<b>\$ 4,502</b>	<b>\$ 10,748</b>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	8	(29)
<b>Net change in cash, cash equivalents and restricted cash</b>	<b>\$ 5,873</b>	<b>\$ 2,733</b>
Cash, cash equivalents and restricted cash, beginning of period	6,425	3,692
<b>Cash, cash equivalents and restricted cash, end of period</b>	<b>\$ 12,298</b>	<b>\$ 6,425</b>
<b>Supplemental cash flow information</b>		
Cash and cash equivalents per consolidated balance sheets	\$ 11,955	\$ 6,117
Restricted cash and cash equivalents per consolidated balance sheets	343	308
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 12,298</b>	<b>\$ 6,425</b>
Cash paid for interest	\$ 120	\$ 88
Income taxes paid	169	133
<b>Non-cash transactions</b>		
Available-for-sale fixed maturity securities acquired through reinsurance agreements	\$ 2,716	\$ 2,037
Trading fixed maturity securities acquired through reinsurance agreements	7,177	3,515
Mortgage loans acquired through reinsurance agreements	198	—
Policy loans acquired through reinsurance agreements	681	—
Contractholder deposit funds acquired through reinsurance agreements	8,437	5,542
Derecognition in non-redeemable non-controlling interest	94	—

### 1. Nature of business

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

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

#### **KKR initial 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, 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.

#### **KKR subsequent acquisition of remaining non-controlling interests in The Global Atlantic Financial Group**

On January 2, 2024, subsequent to the end of the reporting period, KKR completed the merger previously announced on November 29, 2023, as contemplated by the Agreement and Plan Merger, (the “2023 Merger Agreement”) by and among KKR Magnolia Holdings LLC (“Magnolia Holdings”), an indirect subsidiary of KKR, Sweetbay Merger Sub LLC, a direct subsidiary of Magnolia Holdings (“Merger Sub”) and The Global Atlantic Financial Group (“TGAFG”), and together with its subsidiaries, (“Global Atlantic”), pursuant to which KKR acquired the remaining 34.8% of Global Atlantic that KKR did not already own. At the closing of the transaction (the “Closing”), Merger Sub merged with and into TGAFG, with TGAFG surviving the merger, resulting in Global Atlantic becoming a wholly owned subsidiary of KKR.

The total cash purchase price for the 34.8% of Global Atlantic that KKR did not already own was approximately \$2.6 billion, subject to certain post-Closing purchase price adjustments as provided in the 2023 Merger Agreement. Additionally, in connection with the closing, certain Global Atlantic employees who participated in the Global Atlantic’s management equity incentive plan, rolled over a majority of their equity interests in Global Atlantic into KKR equity.

The outstanding debt securities of Global Atlantic will remain outstanding obligations of solely Global Atlantic entities and are not being assumed or guaranteed by KKR.

Following the merger, the Company was re-domesticated from Bermuda to Delaware, and changed its name to Global Atlantic Limited (Delaware).

## Notes to the consolidated financial statements

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### 2. Basis of presentation and significant accounting policies

#### Basis of presentation

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 ultimate parent, KKR.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or "U.S. GAAP." The preparation of financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities as of the date of the consolidated financial statements, and the amounts of revenues and expenses recognized during the reporting period. 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 policyholder liabilities, valuation of embedded derivatives, valuation and impairment of investments, amortization of deferred revenues and expenses, and income taxes.

The consolidated financial statements include the results of operations and financial position of the Company and all other entities in which the Company has a controlling financial interest. All material intercompany accounts and transactions have been eliminated in consolidation.

We are involved in certain entities that are considered variable interest entities, or "VIEs," as defined under U.S. GAAP. Our involvement with VIEs is primarily to invest in assets that allow us to gain exposure to a broadly diversified portfolio of asset classes. A VIE is an entity that does not have sufficient equity to finance its own activities without additional financial support or where investors lack certain characteristics of a controlling financial interest. We assess our relationships to determine if we have the ability to direct the activities, or otherwise exert control to evaluate if we are the primary beneficiary of the VIE.

## Notes to the consolidated financial statements

### Significant accounting policies

The following are the Company's significant accounting policies with references to notes providing additional information on such policies:

Accounting policy	Note
Investments	3, 4 and 5
Investment impairment	3 and 5
Variable interest entities	3 and 5
Derivative instruments	4, 5 and 7
Policy liabilities	5 and 7
Deferred policy acquisition costs	6
Value of business acquired	6
Unearned revenue reserves and unearned front-end loads	6
Closed blocks	8
Reinsurance	9
Debt	10
Equity-based compensation	15
Income taxes	16

### Investments

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

Investments include the following: U.S. government and agency obligations; commercial mortgage-backed securities ("CMBS"), residential mortgage-backed securities ("RMBS"), collateralized loan obligations ("CLOs"), collateralized bond obligations ("CBOs") and all other structured securities, consisting primarily of asset-backed securities ("ABS") (collectively, "structured securities"); corporate bonds; state and political subdivision obligations; foreign government obligations; equity securities; mortgage and other loan receivables; policy loans; and other non-derivative investments.

### Available-for-sale fixed maturity securities

The Company primarily accounts for its fixed maturity securities (including bonds, structured securities and redeemable preferred stock) as available-for-sale ("AFS"). AFS fixed maturity securities are generally recorded on a trade-date basis and are carried at fair value. Impairment associated with AFS fixed maturity securities is recognized as an allowance for credit losses. The allowance for credit losses is established either by a charge to net investment-related losses in the consolidated statements of income, for securities identified as credit impaired after purchase, or by a gross-up recognition of an initial allowance for purchased credit deteriorated ("PCD") securities.

PCD securities are those purchased by the Company that were assessed at acquisition as having experienced a more-than-insignificant deterioration in credit quality since their origination. The Company considers an AFS fixed maturity security to be PCD if there are indicators of a credit loss at the acquisition date or, in the case of structured securities, if there is a significant difference between contractual cash flows and expected cash flows at acquisition. PCD securities also include those AFS fixed maturity securities previously held by the Company that were similarly assessed at the time of the 2021 GA acquisition. The initial amortized cost for a PCD security equals the purchase price plus the initial allowance for

## Notes to the consolidated financial statements

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credit losses. The initial allowance for credit losses is determined using a discounted cash flow method based on the best estimate of the present value of cash flows expected to be collected. After purchase, the accounting for a PCD security is generally consistent with that applied to all other securities.

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

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

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

### ***Trading fixed maturity securities***

The Company accounts for certain fixed maturity securities as trading at acquisition, based on intent or via the election of the fair value option. Trading securities are generally recorded on a trade-date basis and are carried at fair value, with realized and unrealized gains and losses reported in net investment-related gains (losses) in the consolidated statements of income. Interest income from these securities is reported in net investment income. Trading securities, which are primarily used to match asset and liability accounting, back funds withheld payable at interest where the investment performance is ceded to reinsurers under the terms of the respective reinsurance agreements.

### ***Equity securities***

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



## Notes to the consolidated financial statements

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### ***Mortgage and other loan receivables***

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

PCD mortgage and other loan receivables are those purchased by the Company that were assessed at acquisition as having experienced a more-than-insignificant deterioration in credit quality since their origination. PCD mortgage and other loan receivables also include those mortgage and other loan receivables previously held by the Company that were similarly assessed at the time of the 2021 KKR Acquisition. The initial amortized cost for a PCD mortgage or other loan receivable equals the purchase price plus the initial allowance for credit losses. The initial allowance for credit losses is determined using a method consistent with that used for other similar loans. See further discussion of allowance methods below. After purchase, the accounting for a PCD mortgage or other loan receivable is consistent with that applied to all other mortgage and other loan receivables. As part of the 2021 KKR Acquisition, the Company identified \$3.7 billion of PCD mortgage and other loan receivables with a related allowance of \$120.3 million. The initial allowance on the non-PCD mortgage and other loan receivables was recognized outside the purchase accounting analysis and had an impact on the consolidated statements of income of \$183.6 million.

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

### ***Policy loans***

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

### ***Other investments***

Other investments in the consolidated balance sheets include the Company's investments in investment partnerships, for which the Company does not have voting control or power to direct activities. These investments are accounted for using the equity method of accounting unless the Company's interest is so minor that it has virtually no influence over partnership operating or financial policies. The equity method of accounting requires that the investments be initially recorded at cost and the carrying amount of the investment subsequently be

## Notes to the consolidated financial statements

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adjusted to recognize the Company's share of the earnings and losses of the investee. Where there is a difference between the cost of the investment and the Company's proportionate share of the equity method investee's net assets, this basis difference is accreted to net investment income over the life of the underlying assets. In applying the equity method, the Company uses financial information provided by the investee, generally on a one to three month lag due to the timing of the receipt of related financial statements.

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

The Company consolidates investment partnerships and other entities when it has a controlling financial interest. The results of certain consolidated investment entities are reported on a one to three month lag and intervening events are evaluated for materiality and recognition by disclosure or otherwise, as appropriate.

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

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

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

## Notes to the consolidated financial statements

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The Company has certain investments in real estate held in consolidated investment companies that account for such real estate at fair value under investment company accounting, and this specialized accounting is retained in consolidation. Real estate investments are generally valued using a combination of direct income capitalization and discounted cash flow analysis. Certain real estate investments are valued based on ranges of valuations determined by independent valuation firms. Investments in real estate that are carried at depreciated cost are depreciated on a straight-line basis over estimated useful lives of up to 40 years. Net rental income and depreciation on the investments in real estate are recognized in net investment income and changes in the fair value of real estate in consolidated investment companies are recognized in net investment-related gains (losses) in the consolidated statements of income.

Investments in Federal Home Loan Bank ("FHLB") common stock are also included in other investments in the consolidated balance sheets and are accounted at cost.

### **Cash, cash equivalents and restricted cash**

Cash and cash equivalents in the consolidated balance sheets include short-term highly liquid investments with a maturity of less than 90 days from the date of acquisition. Amounts included are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Restricted cash is recognized in both cash and cash equivalents and other assets in the consolidated balance sheets and includes cash and cash equivalents that are legally or contractually restricted with respect to withdrawal or use. The Company's restricted cash principally includes certain cash and cash equivalents held in trusts formed for the benefit of ceding companies or held in connection with open derivative transactions. The carrying values of restricted cash and cash equivalents are considered to be reasonable estimates of their fair values.

### **Derivative instruments**

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

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

## Notes to the consolidated financial statements

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

### Investment credit losses and impairment

#### ***Available-for-sale fixed maturity securities***

One of the significant estimates related to AFS securities is the evaluation of those investments for credit losses. The evaluation of investments for credit losses is a quantitative and qualitative quarterly process that is subject to risks and uncertainties and involves significant estimates and judgments by management. Changes in the estimates and judgments used in such analysis can have a significant impact on the consolidated statements of income. Considerations relevant to the evaluation of credit losses may include the severity of any loss position, as well as changes in market interest rates, changes in business climate, management changes, litigation, government actions, and other similar factors that may impact an issuer's ability to meet current and future principal and interest obligations. Indicators of credit impairment may also include changes in credit ratings, the frequency of late payments, pricing levels and deterioration in any, or a combination of, key financial ratios, financial statements, revenue forecasts and cash flow projections.

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

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

In determining the estimated recoverable value, the review of expected future cash flows for structured securities includes assumptions about key systemic risks (e.g., unemployment rates, housing prices) and loan-specific information (e.g., delinquency rates, loan-to-value ratios). Estimating future cash flows is a quantitative and qualitative process that incorporates information received from third parties, along with assumptions and judgments about the future performance of the underlying collateral. For corporate and government bonds the recoverable value is determined using cash flow estimates that consider facts and circumstances relevant to the security and the issuer, including overall financial strength and

## Notes to the consolidated financial statements

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secondary sources of repayment as well as pending restructuring or disposition of assets. Where information for such cash flow estimates is limited or deemed not reliable, fair value is considered the best estimate of the recoverable value.

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

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

### ***Mortgage and other loan receivables***

The Company updates its estimate of the expected credit losses on its investments in mortgage and other loan receivables each quarter. For loans that share similar risk characteristics, expected credit losses are measured on a pool basis. For loans that do not share similar risk characteristics, expected credit losses are measured individually. Loans subject to individual evaluation include those loans that are collateral dependent, where the borrower is experiencing financial difficulty. For these collateral dependent loans, expected credit losses are measured as the difference between the fair value of the collateral (less costs to sell, where the collateral is to be sold) and the amortized cost basis of the loan.

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

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

## Notes to the consolidated financial statements

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rental properties, current expected credit losses are determined using a model consistent with that described above for commercial mortgage loans.

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

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

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

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

### ***Other investments***

The determination of the amount of impairment on other classes of investments also requires significant judgment and is based upon a periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such assessments are revised as conditions change and new information becomes available.

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

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

## Deferral and amortization of certain revenues and expenses

### ***Deferrals***



## Notes to the consolidated financial statements

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

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

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

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

### **Amortization**

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

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

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

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

## Notes to the consolidated financial statements

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

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

### ***Internal replacements***

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

### **Goodwill and intangible assets – subject to annual impairment**

Goodwill represents the excess of acquisition cost over the fair value of net tangible and intangible assets acquired in connection with an acquisition. Goodwill is assessed for impairment annually in the third quarter of each fiscal year or more frequently if circumstances indicate impairment may have occurred. Goodwill is recorded in Other Assets in the accompanying consolidated balance sheets.

In accordance with GAAP, the Company has the option to either (i) perform a quantitative impairment test or (ii) first perform a qualitative assessment (commonly known as "step zero") to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, in which case the quantitative test would then be performed. When performing a quantitative impairment test, the Company compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit is less than its carrying amount, the goodwill impairment loss is equal to the excess of the carrying value over the fair value, limited to the carrying amount of goodwill allocated to that reporting unit. The estimated fair values of the reporting units are derived based on valuation techniques the Company believes market participants would use for each respective reporting unit. The estimated fair values are generally determined by utilizing a discounted cash flow methodology and methodologies that incorporate market multiples of certain comparable companies.

The Company tests goodwill for impairment at the reporting unit level, which is generally at the level of or one level below its reportable segments, on an annual basis, or, when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. During the third quarter of 2023, the Company performed its annual impairment analysis and elected to perform a step zero for the purposes of its impairment analysis for the goodwill recorded at the insurance reporting unit. Based on



## Notes to the consolidated financial statements

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the qualitative assessment, goodwill was not subject to impairment. As of December 31, 2023, the carrying amount of goodwill was \$501 million.

### **Intangibles Assets**

Intangible assets are recorded in Other Assets in the accompanying consolidated balance sheets. Finite lived intangible assets are amortized over their estimated useful lives and are reviewed for impairment when impairment indicators are present. The finite lived intangible assets are amortized using the straight-line method over the useful life of the assets which is between 15 to 19 years. The indefinite lived intangible assets are not subject to amortization. Indefinite lived intangible assets are reviewed for impairment on an annual basis and when impairment indicators are present.

### **Separate accounts**

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

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

### **Policy liabilities**

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

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

The assumptions on which reserves are based are intended to represent an estimation of experience for the period that policyholder benefits are payable. The adequacy of these reserves and the assumptions underlying those reserves are reviewed at least annually. The Company cannot, however, determine with precision the amount or the timing of actual policyholder benefit payments. If actual experience is better than or equal to the assumptions, then reserves would be adequate to provide for future policyholder benefits and expenses. If experience is worse than the assumptions, additional reserves may be required to meet future

## Notes to the consolidated financial statements

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policy and contract obligations. This would result in a charge to the Company's net income during the period in which excess policyholder benefits are paid or an increase in reserves occurs.

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

### ***Annuity contracts***

#### ***Fixed-indexed annuities ("FIA")***

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

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

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

The Company issues registered index-linked annuity (RILA) contracts, which are similar to FIAs in offering the policyholder the opportunity to participate in the performance of a market index, subject to a cap or adjusted for a participation rate. In contrast to the FIA, the

## Notes to the consolidated financial statements

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RILA enables policyholders to earn higher returns but with the risk of loss to principal and related earnings. In particular, if performance of the market indices is negative, the policyholder may potentially absorb losses, subject to downside protection in the form of either a “buffer” or a “floor” specified in the contract. A “buffer” is protection from downside performance up to a certain percentage, typically 10 percent, with uncapped losses thereafter. A “floor” is protection from downside performance in excess of the “floor,” e.g., if the floor is 10% then the policyholder absorbs losses up to 10% but not in excess.

The RILA is accounted for similar to the FIA. The RILA host contract is calculated at the inception of the contract as the value of the initial premium minus the value of the index option, which is an embedded derivative. That initial host value is then accreted to the guaranteed surrender value at the end of the surrender charge period. The RILA index option, which is an embedded derivative, is required to be measured at fair value. Fair value represents the policyholders’ expected participation in future increases in the relevant index and is calculated as the excess cash flows from the indexed crediting feature above the guaranteed cash flows. The excess cash flows are based on the option budget methodology whereby the indexed account is projected to grow by the option budget. A key difference from a standard FIA product is that the RILA policyholder can lose principal on this investment. Therefore, it is possible that the embedded derivative can become negative. The option budget will be calculated depending on the product type and strategy. The growth in the indexed account will be projected based on the value of the options dependent upon the strategy and associated hedge construction. The fair value of this embedded derivative component includes assumptions, including those about future interest rates and investment yields, future costs for options used to hedge the contract obligations, projected withdrawal and surrender activity, benefit utilization and the level and limits on contract participation in any future increases in the respective index option. The account value liability and embedded derivative are recorded in policy liabilities in the consolidated balance sheets, with changes in value of the liabilities recorded in policy benefits and claims in the consolidated statements of income.

### ***Variable annuities***

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

### ***Funding agreements***

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

### ***Interest-sensitive life products***

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

## Notes to the consolidated financial statements

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

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

### ***Preneed policies***

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

### ***Traditional life and limited payment contracts***

#### ***Liability for future policy benefits***

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

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

Each quarter, the Company updates its estimate of cash flows expected over the entire life of a group of contracts using actual historical experience and current future cash flow

## Notes to the consolidated financial statements

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

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

### ***Payout annuities***

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

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

### ***Whole and term life***

The Company has established liabilities for amounts payable under insurance policies, including whole life insurance and term life insurance policies. These policies provide death benefits in exchange for a guaranteed level premium for a specified period of time and, in the case of whole life, a guaranteed minimum cash surrender value. Generally, liabilities for these policies are calculated as the present value of future expected benefits to be paid, reduced by the present value of future expected net premiums. Current assumptions are used in the establishment of liabilities for future policyholder benefits including mortality, policy lapse, renewal, investment returns, inflation, expenses and other contingent events as appropriate for the respective product. Each quarter, the Company updates its estimate of cash flows using actual historical experience and current future cash flow assumptions. These updated cash flows are discounted using the discount rate or curve on the original contract issue date

## Notes to the consolidated financial statements

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to calculate the revised net premiums and net premium ratio, which are used to derive an updated liability for future policy benefits. This amount is then compared to the carrying amount of the liability before the updating of cash flow assumptions to determine the current period change in liability estimate. This current period change in the liability is the liability remeasurement gain or loss and is presented parenthetically as a separate component of benefit expense in the consolidated statements of income.

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

### ***Product guarantees***

### ***Market risk benefits***

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

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

### ***Additional liability for annuitization, death, or other insurance benefits***

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

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



## Notes to the consolidated financial statements

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

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

### **Outstanding claims**

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

### **Closed blocks**

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

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

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

### **Reinsurance**

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

## Notes to the consolidated financial statements

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risk transfer requirements are accounted for using deposit accounting. The Company seeks to diversify risk and limits its overall financial exposure through reinsurance.

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

The cost of reinsurance, which is the difference between the amount paid for a reinsurance contract and the amount of the liabilities for policy benefits relating to the underlying reinsured contracts, is deferred and amortized over the reinsurance contract period for short-duration contracts, or over the terms of the reinsured policies on a basis consistent with the reporting of those policies for long-duration contracts. Generally, the Company amortizes cost of reinsurance based on policy count or effective yield method, retrospectively calculated based on actual and projected future cash flows. Cost of reinsurance assets and liabilities are reported in insurance intangibles and policy liabilities in the consolidated balance sheets, respectively. Reinsurance contracts do not relieve the Company from its obligations to policyholders, and failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for expected credit losses, via a charge to policy benefits and claims in the consolidated statements of income. The Company's funds withheld receivable at interest and reinsurance recoverable assets are reviewed for expected credit losses by considering credit ratings for each reinsurer, historical insurance industry specific default rate factors, rights of offset, expected recovery rates upon default and the impact of other terms specific to the reinsurance arrangement.

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

### **Recognition of insurance revenue and related benefits**

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

Amounts received as payment for universal life and investment-type contracts are reported as deposits to contractholder account balances and recorded in policy liabilities in the consolidated balance sheets. Amounts received as payment for the Company's fixed fund



## Notes to the consolidated financial statements

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

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

### **Other income**

Other income is primarily comprised of expense allowances on ceded reinsurance, administration fees, management fees and distribution fees.

### **Insurance expenses**

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

### **General, administrative and other expenses**

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

### **Equity-based, incentive and other deferred compensation**

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

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

The Company measures compensation cost for liability-classified share-based payment awards or other deferred compensation plans using the fair value method, beginning on the grant date, and re-measures the fair value of the awards at each reporting period until the

## Notes to the consolidated financial statements

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awards are settled. Accrued compensation expense is recognized, net of an estimated forfeiture rate, in general, administrative and other expenses in the consolidated statements of income and within accrued expenses and other liabilities in the consolidated balance sheets.

### Income taxes

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

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

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

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

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

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

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

## Notes to the consolidated financial statements

### Foreign currency

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

### Adoption of new accounting pronouncements

#### Targeted improvements to the accounting for long-duration contracts

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

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

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

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

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

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

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

## Notes to the consolidated financial statements

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

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

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

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

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

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

Notes to the consolidated financial statements

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

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

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

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

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

## Notes to the consolidated financial statements

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

<b>Consolidated statement of income for the year ended December 31, 2022</b>	<b>As previously reported</b>	<b>Adjustment</b>	<b>As revised</b>
<b>(\$ in millions)</b>			
Policy fees	\$ 1,279	\$ (17)	\$ 1,262
Policy benefits and claims <sup>(1)</sup>	3,184	(826)	2,358
Amortization of policy acquisition costs	11	44	55
Insurance expenses	566	(2)	564
General, administrative and other expenses	727	1	728
Income tax expense	107	161	268
Net income	486	605	1,091

(1) Includes adjustment for market risk benefit gain for the year ended December 31, 2022 of \$(673) million.

<b>Consolidated statement of comprehensive loss for the year ended December 31, 2022</b>	<b>As previously reported</b>	<b>Adjustment</b>	<b>As revised</b>
<b>(\$ in millions)</b>			
Net effect of unrealized gains on policy balances	502	(368)	134
Effect of changes in the fair value of a market risk benefit attributable to a change in the instrument-specific credit risk	—	138	138
Effect of changes in the discount rates used to measure traditional and limited-payment long duration insurance contracts	—	1,401	1,401
Income tax benefit related to other comprehensive loss	1,933	(245)	1,688
Comprehensive loss	(8,512)	1,531	(6,981)

<b>Consolidated statement of cash flow for the year ended December 31, 2022</b>	<b>As previously reported</b>	<b>Adjustment</b>	<b>As revised</b>
<b>(\$ in millions)</b>			
Net investment and policy liability related gains (losses)	\$ 1,108	\$ (674)	\$ 434
Net accretion and amortization	536	48	584
Deferred income tax expense	(111)	161	50
Change in policy liabilities and accruals, net	(161)	(139)	(300)
Other operating activities, net	(132)	(1)	(133)

### Troubled debt restructurings and vintage disclosures

In March 2022, the FASB issued new guidance regarding the modification of receivables, which affects their recognition and measurement. The guidance eliminates the concept of troubled debt restructurings and instead requires all modifications to be analyzed to determine whether they result in a new receivable or a continuation of an existing receivable. The guidance also makes related updates to the measurement of expected credit losses for receivables. The new guidance requires additional disclosures for receivable modifications involving borrowers experiencing financial difficulty as well as disclosure of loan charge-offs

## Notes to the consolidated financial statements

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by origination year (vintage). For entities that have already adopted ASC 326 (addressing credit losses on financial instruments), the guidance was effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted this accounting standard effective January 1, 2023. Refer to Note 3 – “Investments – Loan modifications” for additional information.

### Future application of accounting standards

#### Accounting for investments in tax credit structures

In March 2023, the FASB issued ASU 2023-02 “Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method.” (“ASU 2023-02”). ASU 2023-02 intends to expand the population of investments in tax credit structures that may be eligible to apply the proportional amortization method (“PAM”), if certain criteria are met. The election to use the PAM can be made on a tax credit program-by-program basis. Under the new guidance, certain disclosures are required for investments in tax credit programs for which the PAM is elected. The guidance is effective for fiscal years beginning after December 15, 2023, with early adoption permitted. The adoption is not expected to have a material impact on its consolidated financial statements

#### Improvements to income tax disclosures

In December 2023, the FASB issued ASU 2023-09 “Improvements to Income Tax Disclosures” (“ASU 2023-09”). ASU 2023-09 intends to enhance the transparency and decision usefulness of income tax disclosures, requiring disaggregated information about an entity’s effective tax rate reconciliation as well as income taxes paid. This is effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements and disclosures.

Notes to the consolidated financial statements

3. Investments

Fixed maturity securities

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

As of December 31, 2023	Cost or amortized cost	Allowance for credit losses <sup>(3)(4)</sup>	Gross unrealized		Fair value
			gains	losses	
(\$ in millions)					
<b>AFS fixed maturity securities portfolio by type:</b>					
U.S. government and agencies	\$ 1,210	\$ —	\$ 63	\$ (69)	\$ 1,204
U.S. state, municipal and political subdivisions	5,563	—	30	(985)	4,608
Corporate <sup>(1)</sup>	49,261	(49)	212	(6,913)	42,511
Residential mortgage-backed securities, or “RMBS”	8,735	(152)	38	(675)	7,946
Commercial mortgage-backed securities, or “CMBS”	7,492	(36)	4	(731)	6,729
Collateralized loan obligations, or “CLOs” <sup>(2)</sup>	3,636	(21)	7	(53)	3,569
Collateralized bond obligations, or “CBOs”	2,952	(2)	—	(144)	2,806
Asset-backed securities, or “ABS”	2,899	(10)	14	(160)	2,743
<b>Total AFS fixed maturity securities</b>	<b>\$ 81,748</b>	<b>\$ (270)</b>	<b>\$ 368</b>	<b>\$ (9,730)</b>	<b>\$ 72,116</b>

- (1) Includes related party KKR corporate debt securities with amortized cost, allowance for credit loss, gross unrealized gains, gross unrealized losses and fair value of \$2.9 billion, \$— million, \$325 thousand, \$(321) million and \$2.6 billion, respectively.
- (2) Includes related party KKR collateralized debt obligations with amortized cost, allowance for credit loss, gross unrealized gains, gross unrealized losses and fair value of \$142 million, \$(1) million, \$171 thousand, \$(253) thousand and \$141 million, respectively.
- (3) Represents the cumulative amount of credit impairments that have been recognized in the consolidated statements of income (as net investment (losses) gains) or that were recognized as a gross-up of the purchase price of PCD securities. Amount excludes unrealized losses related to non-credit impairment.
- (4) Includes credit loss allowances on purchase-credit deteriorated fixed-maturity securities of \$(13) million.



# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

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

(1) Includes related party corporate KKR AFS fixed maturity securities with amortized cost, gross unrealized gains, gross unrealized losses and fair value of \$2.1 billion, \$0 million, \$(279) million and \$1.8 billion, respectively.

(2) Includes related party KKR collateralized debt obligations with amortized cost, gross unrealized gains, gross unrealized losses and fair value of \$92 million, \$0 million, \$(4) million and \$87 million, respectively.

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

(4) Includes credit loss allowances on purchase-credit deteriorated fixed-maturity securities of \$(30) million.

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

As of December 31, 2023	Cost or amortized cost (net of allowance)	Fair value
(\$ in millions)		
Due in one year or less	\$ 1,858	\$ 1,839
Due after one year through five years	13,294	12,832
Due after five years through ten years	10,492	9,723
Due after ten years	30,341	23,929
<b>Subtotal<sup>(1)</sup></b>	<b>55,985</b>	<b>48,323</b>
RMBS	8,583	7,946
CMBS	7,456	6,729
CLOs <sup>(2)</sup>	3,615	3,569
CBOs	2,950	2,806
ABSs	2,889	2,743
<b>Total AFS fixed maturity securities</b>	<b>\$ 81,478</b>	<b>\$ 72,116</b>

(1) Includes related party KKR corporate debt securities with amortized cost and fair value of \$2.9 billion and \$2.6 billion, respectively.

(2) Includes related party KKR collateralized loan obligations with amortized cost and fair value of \$142 million and \$141 million, respectively.

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

Actual maturities may differ from contractual maturities, because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties, or the Company may have the right to put or sell the obligations back to the issuers. Structured securities are shown separately as they have periodic payments and are not due at a single maturity.

### Purchased credit deteriorated securities

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

	December 31,	
	2023	2022
<b>(\$ in millions)</b>		
Purchase price of PCD securities acquired during the current period	\$ —	\$ 24
Allowance for credit losses at acquisition	—	1
Discount attributable to other factors	—	2
<b>Par value</b>	<b>\$ —</b>	<b>\$ 27</b>

### 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 December 31, 2023	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
<b>(\$ in millions)</b>						
<b>AFS fixed maturity securities portfolio by type:</b>						
U.S. government and agencies	\$ 95	\$ (3)	\$ 199	\$ (66)	\$ 294	\$ (69)
U.S. state, municipal and political subdivisions	112	(4)	3,829	(981)	3,941	(985)
Corporate	4,682	(364)	29,031	(6,549)	33,713	(6,913)
RMBS	1,371	(67)	4,355	(608)	5,726	(675)
CMBS	332	(5)	6,032	(726)	6,364	(731)
CLOs	256	(1)	1,724	(52)	1,980	(53)
CBOs	2	—	2,805	(144)	2,807	(144)
ABSs	553	(16)	1,742	(144)	2,295	(160)
<b>Total AFS fixed maturity securities in a continuous loss position</b>	<b>\$ 7,403</b>	<b>\$ (460)</b>	<b>\$ 49,717</b>	<b>\$ (9,270)</b>	<b>\$ 57,120</b>	<b>\$ (9,730)</b>

Notes to the consolidated financial statements

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

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 \$695 million and \$836 million as of December 31, 2023 and 2022, respectively. The single largest unrealized loss on AFS fixed maturity securities was \$112 million and \$86 million as of December 31, 2023 and 2022, respectively. The Company had 5,905 and 6,349 securities in an unrealized loss position as of December 31, 2023 and 2022, respectively.

As of December 31, 2023, AFS fixed maturity securities in an unrealized loss position for 12 months or more consisted of 5,071 debt securities. These debt securities primarily relate to Corporate, RMBS, and U.S. state, municipal and political subdivisions fixed maturity securities, which have depressed values due primarily to an increase in interest rates since the purchase of these securities. Unrealized losses were not recognized in net income on these debt securities since the Company neither intends to sell the securities nor does it believe that it is more likely than not that it will be required to sell these securities before recovery of their cost or amortized cost basis. For securities with significant declines in value, individual security level analysis was performed utilizing underlying collateral default expectations, market data and industry analyst reports.

Notes to the consolidated financial statements

**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:

	Year ended December 31, 2023			Year ended December 31, 2022		
	Corporate	Structured	Total	Corporate	Structured	Total
<b>(\$ in millions)</b>						
<b>Balance, as of beginning of period</b>	<b>\$ 1</b>	<b>\$ 127</b>	<b>\$ 128</b>	<b>\$ 3</b>	<b>\$ 85</b>	<b>\$ 88</b>
Initial credit loss allowance recognized on securities with no previously recognized allowance	68	76	144	1	68	69
Initial credit loss allowance recognized on PCD securities	—	—	—	—	1	1
Accretion of initial credit loss allowance on PCD securities	—	1	1	—	2	2
Reductions due to sales (or maturities, pay downs or prepayments) during the period of securities with a previously recognized credit loss allowance	(3)	(12)	(15)	—	(12)	(12)
Net additions / reductions for securities with a previously recognized credit loss allowance	(4)	29	25	5	(17)	(12)
Balances charged off	(13)	—	(13)	(8)	—	(8)
<b>Balance, as of end of period</b>	<b>\$ 49</b>	<b>\$ 221</b>	<b>\$ 270</b>	<b>\$ 1</b>	<b>\$ 127</b>	<b>\$ 128</b>

**Mortgage and other loan receivables**

Mortgage and other loan receivables consist of the following:

	As of December 31,	
	2023	2022
<b>(\$ in millions)</b>		
Commercial mortgage loans <sup>(1)</sup>	\$ 21,861	\$ 18,831
Residential mortgage loans <sup>(1)</sup>	12,723	10,689
Consumer loans	4,425	5,229
Other loan receivables <sup>(2)</sup>	771	902
<b>Total mortgage and other loan receivables</b>	<b>\$ 39,780</b>	<b>\$ 35,651</b>
Allowance for credit losses <sup>(3)</sup>	(602)	(560)
<b>Total mortgage and other loan receivables, net of allowance for credit losses</b>	<b>\$ 39,178</b>	<b>\$ 35,091</b>

(1) Includes \$697 million and \$788 million of loans carried at fair value using the fair value option as of December 31, 2023 and 2022, respectively. The fair value option was elected for these loans for asset-liability matching purposes. These loans had unpaid principal balances of \$785 million and \$871 million as of December 31, 2023 and 2022, respectively.

(2) As of December 31, 2023 and 2022, other loan receivables consisted primarily of loans collateralized by aircraft of \$315 million and \$282 million, respectively, and loans collateralized by residential mortgages of \$200 million for both December 31, 2023 and 2022.

(3) Includes credit loss allowances on purchase-credit deteriorated mortgage and other loan receivables of \$(92) million and \$(106) million as of December 31, 2023 and 2022, respectively.

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

The maturity distribution for residential and commercial mortgage loans was as follows as of December 31, 2023:

Years	Residential	Commercial	Total mortgage loans
<i>(\$ in millions)</i>			
2024	\$ 103	\$ 2,557	\$ 2,660
2025	15	3,730	3,745
2026	809	6,429	7,238
2027	831	3,159	3,990
2028	127	1,453	1,580
Thereafter	10,838	4,533	15,371
<b>Total</b>	<b>\$ 12,723</b>	<b>\$ 21,861</b>	<b>\$ 34,584</b>

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 mortgage loans by geographic region and property type:

Mortgage loans - carrying value by geographic region	As of December 31,			
	2023		2022	
<i>(\$ in millions)</i>				
Pacific	\$ 8,649	25.0 %	\$ 7,197	24.4 %
West South Central	4,203	12.2 %	3,583	12.1 %
South Atlantic	9,654	27.9 %	8,052	27.3 %
Middle Atlantic	4,436	12.8 %	3,591	12.2 %
East North Central	1,166	3.4 %	1,240	4.2 %
Mountain	3,263	9.4 %	3,153	10.7 %
New England	1,471	4.3 %	1,415	4.8 %
East South Central	731	2.1 %	713	2.4 %
West North Central	359	1.0 %	349	1.2 %
Other regions	652	1.9 %	227	0.7 %
<b>Total by geographic region</b>	<b>\$ 34,584</b>	<b>100.0 %</b>	<b>\$ 29,520</b>	<b>100.0 %</b>

Mortgage loans - carrying value by property type	As of December 31,			
	2023		2022	
<i>(\$ in millions)</i>				
Residential	\$ 12,723	36.8 %	\$ 10,689	36.2 %
Office building	4,586	13.3 %	4,594	15.6 %
Multi-family	11,496	33.2 %	9,699	32.9 %
Industrial	4,416	12.8 %	3,139	10.6 %
Retail	494	1.4 %	630	2.1 %
Warehouse	291	0.8 %	186	0.6 %
Other property types	578	1.7 %	583	2.0 %
<b>Total by property type</b>	<b>\$ 34,584</b>	<b>100.0 %</b>	<b>\$ 29,520</b>	<b>100.0 %</b>

## Notes to the consolidated financial statements

### Allowance for credit losses on mortgage and other loan receivables

Changes in the allowance for credit losses on mortgage and other loan receivables are summarized below:

	Year ended December 31, 2023			
	Commercial mortgage loans	Residential mortgage loans	Consumer and other loan receivables	Total
<i>(\$ in millions)</i>				
<b>Balance, at beginning of period</b>	<b>\$ 227</b>	<b>\$ 126</b>	<b>\$ 207</b>	<b>\$ 560</b>
Net provision (release)	114	(10)	107	211
Charge-offs	(22)	(7)	(161)	(190)
Recoveries of amounts previously charged-off	—	—	21	21
<b>Balance, as of end of period</b>	<b>\$ 319</b>	<b>\$ 109</b>	<b>\$ 174</b>	<b>\$ 602</b>

	Year ended December 31, 2022			
	Commercial mortgage loans	Residential mortgage loans	Consumer and other loan receivables	Total
<i>(\$ in millions)</i>				
<b>Balance, at beginning of period</b>	<b>\$ 66</b>	<b>\$ 72</b>	<b>\$ 236</b>	<b>\$ 374</b>
Net provision (release)	161	75	133	369
Charge-offs <sup>(1)</sup>	—	(21)	(162)	(183)
<b>Balance, as of end of period</b>	<b>\$ 227</b>	<b>\$ 126</b>	<b>\$ 207</b>	<b>\$ 560</b>

(1) Consumer and other loan receivables included \$13 million of recoveries.

### Credit quality indicators

#### *Mortgage and loan receivable performance status*

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

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

Performance status as of December 31, 2023	By year of origination							Total
	2023	2022	2021	2020	2019	Prior		
<i>(\$ in millions)</i>								
<b>Commercial mortgage loans</b>								
Current-period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ (14)	\$ (8)	\$ (22)	
Current	\$ 3,601	\$ 6,278	\$ 6,633	\$ 624	\$ 1,396	\$ 2,969	\$ 21,501	
30 to 59 days past due	—	—	—	—	—	—	—	
60 to 89 days past due	—	—	—	—	—	80	80	
90 days or more past due or in process of foreclosure	—	—	182	37	—	61	280	
<b>Total commercial mortgage loans</b>	<b>\$ 3,601</b>	<b>\$ 6,278</b>	<b>\$ 6,815</b>	<b>\$ 661</b>	<b>\$ 1,396</b>	<b>\$ 3,110</b>	<b>\$ 21,861</b>	
<b>Residential mortgage loans</b>								
Current-period gross charge-offs	\$ —	\$ (1)	\$ (2)	\$ (1)	\$ (1)	\$ (2)	\$ (7)	
Current	\$ 2,795	\$ 1,981	\$ 4,518	\$ 1,358	\$ 222	\$ 1,365	\$ 12,239	
30 to 59 days past due	43	22	37	4	5	84	195	
60 to 89 days past due	8	9	10	1	1	27	56	
90 days or more past due or in process of foreclosure	3	19	73	12	9	117	233	
<b>Total residential mortgage loans</b>	<b>\$ 2,849</b>	<b>\$ 2,031</b>	<b>\$ 4,638</b>	<b>\$ 1,375</b>	<b>\$ 237</b>	<b>\$ 1,593</b>	<b>\$ 12,723</b>	
<b>Consumer loans</b>								
Current-period gross charge-offs	\$ —	\$ (18)	\$ (83)	\$ (23)	\$ (16)	\$ (20)	\$ (160)	
Current	\$ 109	\$ 497	\$ 1,726	\$ 702	\$ 611	\$ 656	\$ 4,301	
30 to 59 days past due	2	4	29	5	4	13	57	
60 to 89 days past due	1	3	15	3	3	7	32	
90 days or more past due or in process of foreclosure	3	4	13	4	4	7	35	
<b>Total consumer loans</b>	<b>\$ 115</b>	<b>\$ 508</b>	<b>\$ 1,783</b>	<b>\$ 714</b>	<b>\$ 622</b>	<b>\$ 683</b>	<b>\$ 4,425</b>	
<b>Total mortgage and consumer loan receivables</b>	<b>\$ 6,565</b>	<b>\$ 8,817</b>	<b>\$ 13,236</b>	<b>\$ 2,750</b>	<b>\$ 2,255</b>	<b>\$ 5,386</b>	<b>\$ 39,009</b>	

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

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

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

	December 31, 2022
<i>(\$ in millions)</i>	
<b>Consumer loans</b>	
Current	\$ 5,114
30 to 59 days past due	63
60 to 89 days past due	31
90 days or more past due or in process of foreclosure	21
<b>Total consumer loans</b>	<b>\$ 5,229</b>



## Notes to the consolidated financial statements

### Loan-to-value ratio on mortgage loans

The loan-to-value ratio is expressed as a percentage of the current amount of the loan relative to the value of the underlying collateral. The following table summarizes the Company's loan-to-value ratios for its commercial mortgage loans as of December 31, 2023 and 2022:

Loan-to-value as of December 31, 2023, by year of origination	Carrying value loan-to-value 70% and less	Carrying value loan-to-value 71% - 90%	Carrying value loan-to-value over 90%	Total carrying value
<i>(\$ in millions)</i>				
2023	\$ 3,601	\$ —	\$ —	\$ 3,601
2022	5,913	365	—	6,278
2021	5,110	1,484	221	6,815
2020	496	93	72	661
2019	1,258	94	44	1,396
2018	882	53	115	1,050
Prior	1,992	—	68	2,060
<b>Total commercial mortgage loans</b>	<b>\$ 19,252</b>	<b>\$ 2,089</b>	<b>\$ 520</b>	<b>\$ 21,861</b>

Loan-to-value as of December 31, 2022, by year of origination	Carrying value loan-to-value 70% and less	Carrying value loan-to-value 71% - 90%	Carrying value loan-to-value over 90%	Total carrying value
<i>(\$ in millions)</i>				
2022	\$ 5,678	\$ 403	\$ —	\$ 6,081
2021	4,971	1,759	116	6,846
2020	651	123	35	809
2019	1,212	215	103	1,530
2018	1,062	19	180	1,261
2017	699	—	18	717
Prior	1,587	—	—	1,587
<b>Total commercial mortgage loans</b>	<b>\$ 15,860</b>	<b>\$ 2,519</b>	<b>\$ 452</b>	<b>\$ 18,831</b>

Changing economic conditions and updated assumptions affect the Company's assessment of the collectibility of commercial mortgage loans. Changing vacancies and rents are incorporated into the analysis that the Company performs to measure the allowance for credit losses. In addition, the Company continuously monitors its commercial mortgage loan portfolio to identify risk. Areas of emphasis are properties that have exposure to specific geographic events or have deteriorating credit.

The weighted average loan-to-value ratio for the Company's residential mortgage loans was 63% and 64% as of December 31, 2023 and 2022, respectively.

### Loan modifications

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

Notes to the consolidated financial statements

For commercial mortgage loans, modifications for borrowers experiencing financial difficulty are tailored for individual loans and may include interest rate relief, maturity extensions or, less frequently, principal forgiveness. For both residential mortgage loans and consumer loans, the most common modifications for borrowers experiencing financial difficulty, aside from insignificant delays in payment, typically involve deferral of missed payments to the end of the loan term, interest rate relief, or maturity extensions.

The table below presents the carrying value of loans to borrowers experiencing financial difficulty, for which modifications have been granted during the year ended December 31, 2023.

Year ended December 31, 2023 by loan type	Deferral of Amounts Due	Interest Rate Relief	Maturity Extension	Combination <sup>(1)</sup>	Total	Percentage of total carrying value outstanding
<i>(\$ in millions)</i>						
Commercial mortgage loans	\$ —	\$ —	\$ —	\$ 479	\$ 479	2.19 %
Residential mortgage loans	1	1	25	8	35	0.28 %
Consumer loans	7	4	49	18	78	1.75 %
<b>Total<sup>(2)</sup></b>	<b>\$ 8</b>	<b>\$ 5</b>	<b>\$ 74</b>	<b>\$ 505</b>	<b>\$ 592</b>	

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

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

All of the commercial mortgage loans that had a combination of modifications had both interest rate relief and maturity extensions. For these loans, the interest rate relief generally involved either a change from a floating rate or a decrease in fixed rate to a weighted average rate of 3.6%. The maturity extensions for these loans added a weighted-average of 2.5 years to the life of the loans. In addition, one of the commercial mortgage loans that had a combination of modifications had forgiveness of a portion of the principal due. The Company has commitments to lend additional funds of \$94 million for the modified commercial mortgage loans disclosed above.

The table below presents the performance status of the loans modified during the year ended December 31, 2023.

Performance status as of December 31, 2023 by loan type	Current	30-59 days past due	60-89 days past due	90 days or more past due or in process of foreclosure	Total
<i>(\$ in millions)</i>					
Commercial mortgage loans	\$ 479	\$ —	\$ —	\$ —	\$ 479
Residential mortgage loans	18	6	—	11	35
Consumer loans	65	9	3	1	78
<b>Total</b>	<b>\$ 562</b>	<b>\$ 15</b>	<b>\$ 3</b>	<b>\$ 12</b>	<b>\$ 592</b>

**Notes to the consolidated financial statements**

**Other investments**

Other investments consist of the following:

(\$ in millions)	As of December 31,	
	2023	2022
Investments in real estate <sup>(1)</sup>	\$ 4,778	\$ 4,641
Investments in renewable energy <sup>(2)</sup>	1,348	3,427
Investments in transportation and other leased assets <sup>(3)</sup>	2,972	2,822
Policy loans	1,556	869
Other investment partnerships <sup>(4)</sup>	181	199
Federal Home Loan Bank, or "FHLB," common stock and other investments	405	287
Equity securities	20	18
<b>Total other investments</b>	<b>\$ 11,260</b>	<b>\$ 12,263</b>

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

(2) Net of accumulated depreciation attributed to consolidated renewable energy assets of \$154 million and \$230 million as of December 31, 2023 and 2022, respectively.

(3) Net of accumulated depreciation of \$314 million and \$230 million as of December 31, 2023 and 2022, respectively.

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

The total amount of other investments accounted for using the equity method of accounting was \$143 million and \$1.1 billion as of December 31, 2023 and 2022, 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 \$20 million and \$21 million as of December 31, 2023 and 2022, respectively.

In addition, the Company has investments that would otherwise require the equity method of accounting for which the fair value option has been elected. The carrying amount of these investments was \$176 million and \$266 million as of December 31, 2023 and 2022, respectively.

**Variable interest entities**

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

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

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

	December 31,	
	2023	2022
<b>(\$ in millions)</b>		
<b>Assets of consolidated variable interest entities:</b>		
<b>Investments:</b>		
AFS fixed maturity securities, at fair value	\$ 8,817	\$ 8,644
Mortgage and other loan receivables	4,568	5,342
Other investments:		
Investments in renewable energy	1,293	3,285
Investments in transportation and other leased assets	2,972	2,822
Investments in real estate	4,776	4,639
Other invested assets	130	—
<b>Total other investments</b>	<b>9,171</b>	<b>10,746</b>
<b>Total investments</b>	<b>22,556</b>	<b>24,732</b>
Cash and cash equivalents	783	619
Accrued investment income	238	290
Other assets	253	1,131
<b>Total assets of consolidated variable interest entities</b>	<b>\$ 23,830</b>	<b>\$ 26,772</b>
<b>Liabilities of consolidated variable interest entities:</b>		
Accrued expenses and other liabilities	\$ 337	\$ 462
<b>Total liabilities of consolidated variable interest entities</b>	<b>337</b>	<b>462</b>
Redeemable non-controlling interests	48	83
Non-controlling interests of consolidated variable interest entities	83	179
<b>Total liabilities, redeemable non-controlling interests and non-controlling interests of consolidated variable interest entities</b>	<b>\$ 468</b>	<b>\$ 724</b>

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:

	December 31, 2023		December 31, 2022	
	Carrying amount	Maximum exposure to loss <sup>(1)</sup>	Carrying amount	Maximum exposure to loss <sup>(1)</sup>
<b>(\$ in millions)</b>				
Other investment partnerships	\$ 170	\$ 170	\$ 296	\$ 296
Investments in renewable energy	55	55	30	30
<b>Total</b>	<b>\$ 225</b>	<b>\$ 225</b>	<b>\$ 326</b>	<b>\$ 326</b>

(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 \$23 million and \$25 million as of December 31, 2023 and 2022, respectively.

## Repurchase agreement transactions

As of December 31, 2023 and 2022, the Company participated in repurchase agreements with a notional value of \$1.4 billion and \$799 million, respectively. As collateral for these

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

transactions, the Company may post AFS fixed maturity securities and residential mortgage loans, which are included in fixed maturity securities available for sale in the consolidated balance sheets. The gross obligation for repurchase agreements is reported in other liabilities in the consolidated balance sheets.

The carrying value of assets pledged for repurchase agreements by type of collateral and remaining contractual maturity of the repurchase agreements as of December 31, 2023 and 2022 is presented in the following tables:

As of December 31, 2023	Overnight	<30 Days	30 - 90 Days	>90 Days	Total
<b>(\$ in millions)</b>					
AFS corporate securities	\$ —	\$ —	\$ 524	\$ 849	\$ 1,373
Residential mortgage loans	—	39	—	—	39
<b>Total assets pledged</b>	<b>\$ —</b>	<b>\$ 39</b>	<b>\$ 524</b>	<b>\$ 849</b>	<b>\$ 1,412</b>

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

## Other pledges and restrictions

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

## Insurance - statutory deposits

As of December 31, 2023 and 2022, the carrying value of the assets on deposit with various state and U.S. governmental authorities were \$148 million and \$143 million, respectively.

## Net investment income

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

## Notes to the consolidated financial statements

The components of net investment income were as follows:

	Years ended	
	December 31, 2023	December 31, 2022
<b>(\$ in millions)</b>		
Fixed maturity securities - interest and other income	\$ 4,637	\$ 3,403
Mortgage and other loan receivables	1,959	1,572
Income assumed from funds withheld receivable at interest	95	92
Income ceded to funds withheld payable at interest	(1,364)	(955)
Policy loans	37	31
Investments in transportation and other leased assets	319	282
Investments in renewable energy	105	207
Investments in real estate	170	117
Short-term and other investment income	342	119
<b>Gross investment income<sup>(1)</sup></b>	<b>\$ 6,300</b>	<b>\$ 4,868</b>
Less investment expenses:		
Investment management and administration <sup>(2)</sup>	\$ 798	\$ 670
Transportation and renewable energy asset depreciation and maintenance	199	216
Interest expense on derivative collateral and repurchase agreements	48	24
<b>Net investment income</b>	<b>\$ 5,255</b>	<b>\$ 3,958</b>

(1) Includes income from related parties of \$189 million and \$148 million for the years ended December 31, 2023 and 2022, respectively.

(2) Includes investment management fees paid to KKR, a related party, of \$446 million and \$306 million for the years ended December 31, 2023 and 2022, respectively.

Notes to the consolidated financial statements

Net investment-related losses

Net investment-related losses were as follows:

	Years ended	
	December 31, 2023	December 31, 2022
<i>(\$ in millions)</i>		
Realized losses on available-for-sale fixed maturity debt securities	\$ (64)	\$ (560)
Credit loss allowances on available-for-sale securities	(169)	(57)
Credit loss allowances on mortgage and other loan receivables	(211)	(369)
Allowances on unfunded commitments	6	(34)
Impairment of available-for-sale fixed maturity debt securities due to intent to sell	(27)	—
Unrealized gains (losses) on fixed maturity securities classified as trading <sup>(1)</sup>	1,036	(2,676)
Unrealized (losses) gains on investments recognized under the fair-value option <sup>(2)</sup>	(110)	60
Unrealized losses on real estate investments recognized under investment company accounting	(116)	(43)
Net (losses) gains on derivative instruments	(681)	2,347
Realized gains on funds withheld at interest, payable	25	38
Realized losses on funds withheld at interest, receivable	(9)	(3)
Other realized gains (losses)	89	(93)
<b>Net investment-related losses</b>	<b>\$ (231)</b>	<b>\$ (1,390)</b>

(1) Includes gains (losses) from related party KKR trading corporate debt securities of \$4 million and \$(72) million for the years ended December 31, 2023 and 2022, respectively.

(2) Includes (losses) gains from related party Parasol Renewable Energy Investments of \$(44) million and \$78 million for the years ended December 31, 2023 and 2022, 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:

	Years ended	
	December 31, 2023	December 31, 2022
<i>(\$ in millions)</i>		
<b>AFS fixed maturity securities:</b>		
Proceeds from voluntary sales	\$ 6,732	\$ 12,143
Gross gains	62	22
Gross losses	(121)	(570)

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.

## Notes to the consolidated financial statements

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

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

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

The restricted cash which was held in connection with open derivative transactions with exchange brokers was \$133 million and \$279 million as of December 31, 2023 and 2022, respectively.

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

### **Credit Risk**

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

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



# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

of a transaction if there is a downgrade to the Company's financial strength ratings below a specified level.

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

(\$ in millions)	December 31, 2023			
	Gross Notional	Fair Value		
		Assets	Liabilities	
<b>Derivatives designated as hedge accounting instruments:</b>				
Interest rate contracts	\$ 7,321	\$ —	\$ 372	
Foreign currency contracts	2,302	24	73	
<b>Total derivatives designated as hedge accounting instruments</b>	<b>\$ 9,623</b>	<b>\$ 24</b>	<b>\$ 445</b>	
<b>Derivatives not designated as hedge accounting instruments:</b>				
Interest rate contracts	\$ 22,259	\$ 284	\$ 306	
Equity market contracts	35,203	1,481	248	
Foreign currency contracts	1,331	66	57	
Credit risk contracts	60	—	1	
<b>Total derivatives not designated as hedge accounting instruments</b>	<b>\$ 58,853</b>	<b>\$ 1,831</b>	<b>\$ 612</b>	
Impact of netting <sup>(2)</sup>	—	(1,809)	(911)	
<b>Total derivatives<sup>(1)</sup></b>	<b>\$ 68,476</b>	<b>\$ 46</b>	<b>\$ 146</b>	

(1) Excludes embedded derivatives. The fair value of these embedded derivatives related to assets was \$89 million and the fair value of these embedded derivatives related to liabilities was \$1.6 billion.

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

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

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

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

**Notes to the consolidated financial statements**

**Derivatives designated as accounting hedges**

Where the Company has derivative instruments that are designated and qualify as accounting hedges, these derivative instruments receive hedge accounting.

The Company has designated foreign exchange, or “FX,” derivative contracts, including forwards and swaps, 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 derivative contracts, both of which are recognized within investment-related (losses) gains. The effectiveness of these hedges is assessed using the spot method. Changes in the fair value of the FX derivative contracts 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 derivative contracts.

The Company has designated interest rate swaps to hedge the interest rate risk associated with certain debt and policy liabilities. These fair value hedges qualify for the shortcut method of assessing hedge effectiveness.

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

	Carrying Amount of the Hedged Assets / (Liabilities)		Cumulative Amount of Fair Value Hedging Adjustments Included in the Carrying Amount of Hedged Assets / (Liabilities) <sup>(1)</sup>	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
<b>(\$ in millions)</b>				
AFS fixed maturity securities <sup>(2)</sup>	\$ 2,324	\$ 2,011	\$ 80	\$ (62)
Debt	(1,608)	(946)	(166)	(201)
Policy liabilities	(4,380)	(5,671)	(255)	(435)

(1) Includes \$28 million and \$53 million of hedging adjustments on discontinued hedging relationships as of December 31, 2023 and 2022, respectively.

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

The Company has designated bond forwards to hedge the interest rate risk associated with the planned purchase of AFS debt securities in cash flow hedges. These arrangements are hedging purchases from January 2024 through December 2027 and are expected to affect earnings until 2053. Regression analysis is used to assess the effectiveness of these hedges.

As of December 31, 2023 and 2022, there was a cumulative loss of \$(127) million and \$(170) million, respectively, on the currently designated bond forwards recorded in accumulated other comprehensive loss. Amounts deferred in accumulated other comprehensive loss are reclassified to net investment income following the qualifying purchases of AFS securities, as an adjustment to the yield earned over the life of the purchased securities, using the effective interest method.

Notes to the consolidated financial statements

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

Derivative results

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

	Year ended December 31, 2023					
	Net Investment-related Gains (Losses)	Net Investment Income	Policy Benefits (Claims)	Interest Expense	Change in AOCI	
<i>(\$ in millions)</i>						
<b>Derivatives Designated as Hedge Accounting Instruments</b>						
<b>Fair Value Hedges</b>						
<i>Gains (Losses) on derivatives designated as hedge instruments:</i>						
Interest rate contracts	\$ —	\$ —	\$ (54)	\$ (20)	\$ —	
Foreign currency contracts	(88)	—	—	—	9	
<b>Total gains (losses) on derivatives designated as hedge instruments</b>	<b>\$ (88)</b>	<b>\$ —</b>	<b>\$ (54)</b>	<b>\$ (20)</b>	<b>\$ 9</b>	
<i>Gains (losses) on hedged items:</i>						
Interest rate contracts	\$ —	\$ —	\$ 54	\$ 20	\$ —	
Foreign currency contracts	80	—	—	—	—	
<b>Total gains (losses) on hedged items</b>	<b>\$ 80</b>	<b>\$ —</b>	<b>\$ 54</b>	<b>\$ 20</b>	<b>\$ —</b>	
<i>Amortization for gains (losses) excluded from assessment of effectiveness</i>						
Foreign currency contracts	\$ 28	\$ —	\$ —	\$ —	\$ —	
<b>Total amortization for gains (losses) excluded from assessment of effectiveness</b>	<b>\$ 28</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	
<b>Total gains (losses) on fair value hedges net of hedged items</b>	<b>\$ 20</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 9</b>	
<b>Cash Flow Hedges</b>						
Interest rate contracts	\$ —	\$ (1)	\$ —	\$ —	\$ 34	
<b>Total gains (losses) on cash flow hedges</b>	<b>\$ —</b>	<b>\$ (1)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 34</b>	

Notes to the consolidated financial statements

	Year ended December 31, 2023				
	Net Investment-related Gains (Losses)	Net Investment Income	Policy Benefits (Claims)	Interest Expense	Change in AOCI
<i>(\$ in millions)</i>					
<b>Derivatives Not Designated as Hedge Accounting Instruments</b>					
Interest rate and foreign exchange contracts	\$ (101)	\$ —	\$ —	\$ —	\$ —
Equity index options	482	—	—	—	—
Equity future contracts	(117)	—	—	—	—
Embedded derivatives - funds withheld payable	(1,041)	—	—	—	—
Embedded derivatives - funds withheld receivable	76	—	—	—	—
<b>Total gains (losses) on derivatives not designated as hedge accounting instruments</b>	<b>\$ (701)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Total</b>	<b>\$ (681)</b>	<b>\$ (1)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 43</b>

	Year ended December 31, 2022				
	Net Investment-related Gains (Losses)	Net Investment Income	Policy Benefits (Claims)	Interest Expense	Change in AOCI
<i>(\$ in millions)</i>					
<b>Derivatives Designated as Hedge Accounting Instruments</b>					
<b>Fair Value Hedges</b>					
<i>Gains (Losses) on derivatives designated as hedge instruments:</i>					
Interest rate contracts	\$ —	\$ —	\$ (382)	\$ (177)	\$ —
Foreign currency contracts	65	—	—	—	(7)
<b>Total gains (losses) on derivatives designated as hedge instruments</b>	<b>\$ 65</b>	<b>\$ —</b>	<b>\$ (382)</b>	<b>\$ (177)</b>	<b>\$ (7)</b>
<i>Gains (losses) on hedged items:</i>					
Interest rate contracts	\$ —	\$ —	\$ 382	\$ 177	\$ —
Foreign currency contracts	(62)	—	—	—	—
<b>Total gains (losses) on hedged items</b>	<b>\$ (62)</b>	<b>\$ —</b>	<b>\$ 382</b>	<b>\$ 177</b>	<b>\$ —</b>
<i>Amortization for gains (losses) excluded from assessment of effectiveness</i>					
Foreign currency contracts	\$ 15	\$ —	\$ —	\$ —	\$ —
<b>Total amortization for gains (losses) excluded from assessment of effectiveness</b>	<b>\$ 15</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Total gains (losses) on fair value hedges, net of hedged items</b>	<b>\$ 18</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (7)</b>
<b>Cash Flow Hedges</b>					
Interest rate contracts	\$ 1	\$ —	\$ —	\$ —	(169)
<b>Total gains (losses) on cash flow hedges</b>	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>(169)</b>

Notes to the consolidated financial statements

	Year ended December 31, 2022				
	Net Investment-related Gains (Losses)	Net Investment Income	Policy Benefits (Claims)	Interest Expense	Change in AOCI
<i>(\$ in millions)</i>					
<b>Derivatives Not Designated as Hedge Accounting Instruments</b>					
Interest rate and foreign exchange contracts	\$ (334)	\$ —	\$ —	\$ —	\$ —
Equity index options	(896)	—	—	—	—
Equity future contracts	168	—	—	—	—
Embedded derivatives - funds withheld payable	3,449	—	—	—	—
Embedded derivatives - funds withheld receivable	(29)	—	—	—	—
Other	(30)	—	—	—	—
<b>Total gains (losses) on derivatives not designated as hedge accounting instruments</b>	<b>\$ 2,328</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Total</b>	<b>\$ 2,347</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>(176)</b>

Collateral

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

As of December 31, 2023	Gross amount recognized	Gross amounts offset in the consolidated balance sheets <sup>(1)</sup>	Net amounts presented in the consolidated balance sheets	Collateral (received) / pledged	Net amount after collateral
<i>(\$ in millions)</i>					
Derivative assets (excluding embedded derivatives)	\$ 1,855	\$ (1,809)	\$ 46	\$ (45)	\$ 1
Derivative liabilities (excluding embedded derivatives)	\$ 1,057	\$ (911)	\$ 146	\$ 168	\$ (22)

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

**Notes to the consolidated financial statements**

<b>As of December 31, 2022</b>	<b>Gross amount recognized</b>	<b>Gross amounts offset in the consolidated balance sheets<sup>(1)</sup></b>	<b>Net amounts presented in the consolidated balance sheets</b>	<b>Collateral (received) / pledged</b>	<b>Net amount after collateral</b>
<i>(\$ in millions)</i>					
Derivative assets (excluding embedded derivatives)	\$ 936	\$ (212)	\$ 724	\$ (466)	\$ 258
Derivative liabilities (excluding embedded derivatives)	\$ 1,146	\$ (212)	\$ 934	\$ 367	\$ 567

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

**5. Fair value disclosure of financial instruments**

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

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

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

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

As of December 31, 2023 (\$ in millions)	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
<b>AFS fixed maturity securities:</b>				
U.S. government and agencies	\$ 1,083	\$ 121	\$ —	\$ 1,204
U.S. state, municipal and political subdivisions	—	4,608	—	4,608
Corporate <sup>(1)</sup>	—	31,405	11,106	42,511
Structured securities <sup>(2)</sup>	—	21,956	1,837	23,793
<b>Total AFS fixed maturity securities</b>	<b>1,083</b>	<b>58,090</b>	<b>12,943</b>	<b>72,116</b>
<b>Trading fixed maturity securities:</b>				
U.S. government and agencies	2,354	164	—	2,518
U.S. state, municipal and political subdivisions	—	1,224	—	1,224
Corporate <sup>(3)</sup>	—	9,843	1,152	10,995
Structured securities <sup>(4)</sup>	—	4,014	646	4,660
<b>Total trading fixed maturity securities</b>	<b>2,354</b>	<b>15,245</b>	<b>1,798</b>	<b>19,397</b>
Equity securities	4	—	16	20
Mortgage and other loan receivables	—	—	697	697
Other investments <sup>(5)</sup>	—	—	4,926	4,926
Funds withheld receivable at interest	—	—	89	89
Reinsurance recoverable	—	—	926	926
<b>Derivative assets:</b>				
Equity market contracts	2	1,479	—	1,481
Interest rate contracts	19	265	—	284
Foreign currency contracts	—	90	—	90
Impact of netting <sup>(6)</sup>	(24)	(1,785)	—	(1,809)
<b>Total derivative assets</b>	<b>(3)</b>	<b>49</b>	<b>—</b>	<b>46</b>
Separate account assets	4,107	—	—	4,107
<b>Total assets at fair value</b>	<b>\$ 7,545</b>	<b>\$ 73,384</b>	<b>\$ 21,395</b>	<b>\$ 102,324</b>
<b>Liabilities:</b>				
Policy liabilities <sup>(7)</sup> (including market risk benefits)	\$ —	\$ —	\$ 1,475	\$ 1,475
Closed block policy liabilities	—	—	969	969
Funds withheld payable at interest	—	—	(2,447)	(2,447)
<b>Derivative instruments payable:</b>				
Equity market contracts	7	241	—	248
Interest rate contracts	18	660	—	678
Credit contracts	—	1	—	1
Foreign currency contracts	—	130	—	130
Impact of netting <sup>(6)</sup>	(24)	(887)	—	(911)
<b>Total derivative instruments payable</b>	<b>1</b>	<b>145</b>	<b>—</b>	<b>146</b>
Embedded derivative - interest-sensitive life products	—	—	458	458
Embedded derivative - annuity products	—	—	3,587	3,587
<b>Total liabilities at fair value</b>	<b>\$ 1</b>	<b>\$ 145</b>	<b>\$ 4,042</b>	<b>\$ 4,188</b>

(1) Includes related party KKR AFS corporate debt securities of \$2.6 billion.

(2) Includes related party KKR AFS structured securities of \$141 million.

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

- (3) Includes related party KKR trading corporate debt securities of \$522 million.
- (4) Includes related party KKR trading structured securities of \$70 million.
- (5) Other investments excluded from the fair value hierarchy include certain real estate and private equity funds for which fair value is measured at net asset value per share as a practical expedient. As of December 31, 2023, the fair value of these investments was \$139 million.
- (6) Represents netting of derivative exposures covered by qualifying master netting agreements.
- (7) Includes market risk benefit of \$1.1 billion.

As of December 31, 2022	Level 1	Level 2	Level 3	Total
(\$ in millions)				
<b>Assets:</b>				
<b>AFS fixed maturity securities:</b>				
U.S. government and agencies	\$ 283	\$ 84	\$ —	\$ 367
U.S. state, municipal and political subdivisions	—	4,411	—	4,411
Corporate <sup>(1)</sup>	—	28,026	10,124	38,150
Structured securities <sup>(2)</sup>	—	19,506	1,426	20,932
<b>Total AFS fixed maturity securities</b>	<b>283</b>	<b>52,027</b>	<b>11,550</b>	<b>63,860</b>
<b>Trading fixed maturity securities:</b>				
U.S. government and agencies	94	60	—	154
U.S. state, municipal and political subdivisions	—	706	—	706
Corporate <sup>(3)</sup>	—	7,229	1,120	8,349
Structured securities <sup>(4)</sup>	—	2,646	698	3,344
<b>Total trading fixed maturity securities</b>	<b>94</b>	<b>10,641</b>	<b>1,818</b>	<b>12,553</b>
Equity securities	2	—	16	18
Mortgage and other loan receivables	—	—	788	788
Other investments <sup>(5)</sup>	—	—	4,883	4,883
Funds withheld receivable at interest	—	—	13	13
Reinsurance recoverable	—	—	982	982
<b>Derivative assets:</b>				
Equity market contracts	31	595	—	626
Interest rate contracts	5	178	—	183
Foreign currency contracts	—	127	—	127
Impact of netting <sup>(6)</sup>	(7)	(205)	—	(212)
<b>Total derivative assets</b>	<b>29</b>	<b>695</b>	<b>—</b>	<b>724</b>
Separate account assets	4,131	—	—	4,131
<b>Total assets at fair value</b>	<b>\$ 4,539</b>	<b>\$ 63,363</b>	<b>\$ 20,050</b>	<b>\$ 87,952</b>
<b>Liabilities:</b>				
Policy liabilities <sup>(7)</sup> (including market risk benefits)	\$ —	\$ —	\$ 1,063	\$ 1,063
Closed block policy liabilities	—	—	1,016	1,016
Funds withheld payable at interest	—	—	(3,488)	(3,488)
<b>Derivative instruments payable:</b>				
Equity market contracts	2	89	—	91
Interest rate contracts	9	953	—	962
Credit contracts	—	1	—	1
Foreign currency contracts	—	92	—	92
Impact of netting <sup>(6)</sup>	(7)	(205)	—	(212)
<b>Total derivative instruments payable</b>	<b>4</b>	<b>930</b>	<b>—</b>	<b>934</b>
Embedded derivative - interest sensitive life products	—	—	338	338
Embedded derivative - annuity products	—	—	1,851	1,851
<b>Total liabilities at fair value</b>	<b>\$ 4</b>	<b>\$ 930</b>	<b>\$ 780</b>	<b>\$ 1,714</b>

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

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



## Notes to the consolidated financial statements

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- (3) Includes related party KKR trading corporate debt securities of \$459 million.
- (4) Includes related party KKR trading structured securities of \$55 million.
- (5) Other investments excluded from the fair value hierarchy include certain real estate and private equity funds for which fair value is measured at net asset value per share as a practical expedient. As of December 31, 2022, the fair value of these investments was \$150 million.
- (6) Represents netting of derivative exposures covered by qualifying master netting agreements.
- (7) Includes market risk benefit of \$682 million.

## Fair value techniques and inputs

The following is a description of the valuation techniques and inputs used for instruments carried at fair value. The observability of the inputs used in the valuation determines the appropriate level in the fair value hierarchy for the respective asset or liability. Also refer to Note 2- “Basis of presentation and significant accounting policies” for additional information valuation techniques used for the respective reported balances.

### Investments

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

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

### Derivative instruments

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

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

## Notes to the consolidated financial statements

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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 policy liabilities**

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

Policy liabilities carried at fair value are valued using present value techniques that discount estimated liability cash flows at a rate that reflects the riskiness of those cash flows and also consider policyholder behavior (lapse rates, surrender rates and mortality). Market risk benefits liability is valued at fair value using a non-option and option valuation approach based on current net amounts at risk, market data, Company experience, and other factors. Closed block policy liabilities carried at fair value are valued using present value techniques that consider inputs including mortality and surrender rates for the respective policies, as well as estimates of policy expenses and the cost of capital held in support of the liabilities. The funds withheld payable at interest carried at fair value represents embedded derivatives and is valued based on the change in the fair value of the assets supporting the payable. Other embedded derivative liabilities are related to our fixed-indexed annuity and interest sensitive life products, which contain equity-indexed features. We calculate the embedded derivative liabilities as the present value of future projected benefits in excess of the projected guaranteed benefits, using an option budget as the indexed account value growth rate and considering an adjustment to reflect the risk of nonperformance on our obligation and inputs such as projected withdrawal and surrender activity, and mortality. We calculate instrument-specific 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 December 31, 2023 and 2022. Also refer to Note 2—"Basis of presentation and significant

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

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

As of December 31, 2023				
Level 3 assets	Level 3 assets (\$ in millions)	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (weighted average, or “WA”)	Impact of an increase in the input on fair value
Corporate fixed maturity	\$ 4,143	Discounted cash flows - discount spread	1.4% - 6.2% (WA 3.5%)	Decrease
Structured securities	82	Discounted cash flows - discount spread	3.1% - 6.3% (WA 3.6%)	Decrease
		Discounted cash flows - constant prepayment rate	5.0% - 15.0% (WA 6.8%)	Increase/Decrease
		Discounted cash flows - constant default rate	1.0% - 2.5% (WA 1.2%)	Decrease
		Discounted cash flows - loss severity	100.0%	Decrease
Other investments	4,776	Discounted cash flow - vacancy rate	0.0% to 2.5% (WA 2.1%)	Decrease
		Discounted cash flow - discount rate	5.0% to 7.0% (WA 6.1%)	Decrease
		Discounted cash flow - terminal capitalization rate	6.3% to 8.1% (WA 7.6%)	Decrease
Funds withheld receivable at interest	89	Discounted cash flow - duration/weighted average life	0 - 19.5 years (WA 8.1 years)	Increase
		Discounted cash flow - contractholder persistency	2.0% - 24.9% (WA 4.5%)	Increase
		Instrument-specific credit risk	0.6% - 0.9% (WA 0.8%)	Decrease
Reinsurance recoverable	926	Present value of expenses paid from the open block plus the cost of capital held in support of the liabilities.	The average expense assumption is between \$8.2 and \$78.0 per policy (WA \$17.5), increased by inflation. The annual inflation rate was increased by 2.5%.	Increase
		Unobservable inputs are a market participant’s view of the expenses, a risk margin on the uncertainty of the level of expenses and a cost of capital on the capital held in support of the liabilities.	Expense risk margin: 9.4%	Decrease
			Cost of capital: 3.7% - 13.9% (WA 9.7%)	Increase
		Discounted cash flow - mortality rate	5.5%	Increase
		Discounted cash flow - surrender rate	2.0%	Increase

As of December 31, 2022				
Level 3 assets	Level 3 assets (\$ in millions)	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (WA)	Impact of an increase in the input on fair value
Corporate fixed maturity securities	\$ 1,852	Discounted cash flows - discount spread	0.2% - 6.0% (WA 3.1%)	Decrease

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

As of December 31, 2022				
Level 3 assets	Level 3 assets (\$ in millions)	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (WA)	Impact of an increase in the input on fair value
Structured securities	94	Discounted cash flows - discount spread	2.9% - 6.6% (WA 3.6%)	Decrease
		Discounted cash flows - constant prepayment rate	5.0% - 15.0% (WA 7.4%)	Increase/Decrease
		Discounted cash flows - constant default rate	1.0% - 2.5% (WA 1.2%)	Decrease
		Discounted cash flows - loss severity	100.0%	Decrease
Other investments (real estate property)	4,639	Discounted cash flows - capitalization rate	5.3%	Decrease
		Discounted cash flows - vacancy rate	0.0% - 5.0% (WA 3.3%)	Decrease
		Discounted cash flows - discount rate	5.5% - 7.6% (WA 7.2%)	Decrease
		Discounted cash flow - terminal capitalization rate	4.3% - 6.5% (WA 6.1%)	Decrease
Funds withheld receivable at interest	13	Discounted cash flow - duration/weighted average life	0 - 20.3 years (WA 8.5 years)	Increase
		Discounted cash flow - contractholder persistency	3.6% - 16.7% (WA 7.1%)	Increase
		Instrument-specific credit risk	0.6% - 1.4% (WA 1.0%)	Decrease
Reinsurance recoverable	982	Present value of expenses paid from the open block plus the cost of capital held in support of the liabilities.	The average expense assumption is between \$8.2 and \$78.0 per policy (WA \$17.2), increased by inflation. The annual inflation rate was increased by 2.5%.	Increase
		Unobservable inputs are a market participant's view of the expenses, a risk margin on the uncertainty of the level of expenses and a cost of capital on the capital held in support of the liabilities.	Expense risk margin: 9.4%	Decrease
			Cost of capital: 3.7% - 13.9% (WA 9.7%)	Increase
		Discounted cash flow - mortality rate	5.5%	Increase
		Discounted cash flow - surrender rate	2.0%	Increase

As of December 31, 2023				
Level 3 liabilities	Level 3 liabilities (\$ in millions)	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (WA)	Impact of an increase in the input on fair value
Policy liabilities	\$ 1,475	<i>Policy liabilities under fair value option:</i>		

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

As of December 31, 2023				
Level 3 liabilities	Level 3 liabilities (\$ in millions)	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (WA)	Impact of an increase in the input on fair value
		Present value of best estimate liability cash flows. Unobservable inputs include a market participant view of the risk margin included in the discount rate which reflects the variability of the cash flows.	Risk margin rate: 0.7% - 1.0% (WA 0.8%)	Decrease
		Policyholder behavior is also a significant unobservable input, including lapse, surrender and mortality.	Surrender rate: 3.4% - 7.4% (WA 6.2%)	Decrease
			Mortality rate: 3.5% - 9.0% (WA 4.7%)	Increase
		<i>Market risk benefit:</i>		
		Interest rates (10 and 30 year Treasury)	3.9% / 4.0%	Decrease
		10 and 30 year instrument-specific credit risk	0.7% / 0.9%	Decrease
		Policyholder behavior is also a significant unobservable	Mortality rate: 0.7% - 29.5% (WA 2.4%)	Increase
			Surrender rate: 0.1% - 45.4% (WA 3.8%)	Increase
Closed block policy liabilities	969	Present value of expenses paid from the open block plus the cost of capital held in support of the liabilities.	The average expense assumption is between \$8.2 and \$78.0 per policy (WA \$17.5), increased by inflation. The annual inflation rate was increased by 2.5%.	Increase
		Instrument-specific credit risk	0.6% - 0.9% (WA 0.8%)	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: 9.4%	Decrease
			Cost of capital: 3.7% - 13.9% (WA 9.7%)	Increase
		Discounted cash flow - mortality rate	5.5%	Increase
		Discounted cash flow - surrender rate	2.0%	Increase
Funds withheld payable at interest	(2,447)	Discounted cash flow - duration/weighted average life	0 - 16.9 years (WA 7.9 years)	Decrease
		Discounted cash flow - contractholder persistency	2.0% - 24.9% (WA 4.5%)	Decrease
		Instrument-specific credit risk	0.6% - 0.9% (WA 0.8%)	Decrease
Embedded derivative - interest-sensitive life products	458	Policy persistency is a significant unobservable input.	Lapse rate: 3.3%	Decrease

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

As of December 31, 2023				
Level 3 liabilities	Level 3 liabilities (\$ in millions)	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (WA)	Impact of an increase in the input on fair value
Embedded derivative – annuity products	3,587		Mortality rate: 0.8%	Decrease
		Future costs for options used to hedge the contract obligations	Option budget assumption: 3.8%	Increase
		Instrument-specific credit risk	0.6% - 0.9% (WA 0.8%)	Decrease
		Policyholder behavior is a significant unobservable input, including utilization and lapse.	Utilization: Fixed-indexed annuity WA 3.1%	Decrease
			Surrender rate: Retail FIA WA 13.3%; Institutional FIA WA 16.5%	Decrease
			Mortality rate: Retail FIA WA 2.5%; Institutional FIA WA 2.1%	Decrease
		Future costs for options used to hedge the contract obligations	Option budget assumption: Retail FIA WA 2.6%; Institutional FIA WA 3.2%	Increase
		Instrument-specific credit risk	0.6% - 0.9% (WA 0.8%)	Decrease
As of December 31, 2022				
Level 3 liabilities	Level 3 liabilities (\$ in millions)	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (WA)	Impact of an increase in the input on fair value
Policy liabilities	\$ 1,063	<i>Policy liabilities under fair value option:</i>		
		Present value of best estimate liability cash flows. Unobservable inputs include a market participant view of the risk margin included in the discount rate which reflects the riskiness of the cash flows.	Risk margin rate: 0.7% - 1.9% (WA 1.3%)	Decrease
		Policyholder behavior is also a significant unobservable input, including lapse, surrender and mortality.	Surrender rate: 3.6% - 6.8% (WA 5.9%)	Decrease
			Mortality rate: 3.6% - 9.1% (WA 4.5%)	Increase
		<i>Market risk benefit:</i>		
		Interest rates (10 and 30 year Treasury)	3.9% / 4.0%	Decrease
		10 and 30 year Instrument-specific credit risk	1.3% / 1.6%	Decrease
		Policyholder behavior is also a significant unobservable input, including lapse, surrender, and mortality.	Mortality rate: 0.6% - 21.2% (WA 2.1%)	Increase
			Lapse rate: 0.6% - 39.7% (WA 3.1%)	Increase

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

As of December 31, 2022								
Level 3 liabilities	Level 3 liabilities (\$ in millions)	Valuation techniques and significant unobservable inputs	Range of significant unobservable inputs (WA)	Impact of an increase in the input on fair value				
Closed block policy liabilities	1,016	Present value of expenses paid from the open block plus the cost of capital held in support of the liabilities.	The average expense assumption is between \$8.2 and \$78.0 per policy (WA \$17.2), increased by inflation. The annual inflation rate was increased by 2.5%.	Increase				
			Instrument-specific credit risk	0.6% - 1.4% (WA 1.0%)	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: 9.4%	Decrease			
				Cost of capital: 3.7% - 13.9% (WA 9.7%)	Increase			
				Discounted cash flow - mortality rate	5.5%	Increase		
			Funds withheld payable at interest	(3,488)	Discounted cash flow - duration/weighted average life	Discounted cash flow - surrender rate	2.0%	Increase
						0 - 17.4 years (WA 8.6 years)	Decrease	
Discounted cash flow - contractholder persistency	3.6% - 16.7% (WA 7.1%)	Decrease						
Embedded derivative - interest-sensitive life products	338	Instrument-specific credit risk	Policy persistency is a significant unobservable input.	0.6% - 1.4% (WA 1.0%)	Decrease			
			Lapse rate: 3.5%	Decrease				
			Mortality rate: 0.7%	Decrease				
			Future costs for options used to hedge the contract obligations	Option budget assumption: 3.7%	Increase			
Embedded derivative - annuity products	1,851	Instrument-specific credit risk	Policyholder behavior is a significant unobservable input, including utilization and lapse.	0.6% - 1.4% (WA 1.0%)	Decrease			
			Utilization: Fixed-indexed annuity WA 3.5%	Decrease				
			Surrender rate: Retail FIA WA 10.8%; Institutional FIA WA 17.3%	Decrease				
			Mortality rate: Retail FIA WA 2.1%; Institutional FIA WA 2.0%	Decrease				
			Future costs for options used to hedge the contract obligations	Option budget assumption: Retail FIA WA 2.0%; Institutional FIA WA 2.4%	Increase			
			Instrument-specific credit risk	0.6% - 1.4% (WA 1.0%)	Decrease			

Notes to the consolidated financial statements

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 years ended December 31, 2023 and 2022, respectively. The tables reflect gains and losses for the full year for all assets and liabilities categorized as Level 3 for the years ended December 31, 2023 and 2022:

Year ended December 31, 2023									
	Beginning balance	Net realized and unrealized gains / losses included in			Net settlements / purchases	Transfers into / (out) of Level 3	Ending balance	Total unrealized gains / losses included in	
		Income	OCI					Income <sup>(1)</sup>	OCI <sup>(1)</sup>
(\$ in millions)									
<b>Assets:</b>									
AFS fixed maturity securities:									
Corporate fixed maturity securities <sup>(2)</sup>	\$ 10,124	\$ 53	\$ 2	\$ 819	\$ 108	\$ 11,106	\$ —	\$ 12	
Structured securities <sup>(3)</sup>	1,426	20	68	64	259	1,837	—	61	
<b>Total AFS fixed maturity securities</b>	<b>11,550</b>	<b>73</b>	<b>70</b>	<b>883</b>	<b>367</b>	<b>12,943</b>	<b>—</b>	<b>73</b>	
Trading fixed maturity securities:									
Corporate fixed maturity securities <sup>(4)</sup>	1,120	(11)	—	43	—	1,152	(8)	—	
Structured securities <sup>(5)</sup>	698	(4)	—	(48)	—	646	5	—	
<b>Total trading fixed maturity securities</b>	<b>1,818</b>	<b>(15)</b>	<b>—</b>	<b>(5)</b>	<b>—</b>	<b>1,798</b>	<b>(3)</b>	<b>—</b>	
Equity securities	16	—	—	—	—	16	(1)	—	
Mortgage and other loan receivables	788	(2)	—	(89)	—	697	(2)	—	
Other investments	4,883	(232)	—	275	—	4,926	(217)	—	
Funds withheld receivable at interest	13	76	—	—	—	89	—	—	
Reinsurance recoverable	982	(49)	—	(7)	—	926	—	—	



Notes to the consolidated financial statements

Year ended December 31, 2023									
	Beginning balance	Net realized and unrealized gains / losses included in		Net settlements / purchases	Transfers into / (out) of Level 3	Ending balance	Total unrealized gains / losses included in		
		Income	OCI				Income <sup>(1)</sup>	OCI <sup>(1)</sup>	
(\$ in millions)									
<b>Total assets</b>	<b>\$ 20,050</b>	<b>\$ (149)</b>	<b>\$ 70</b>	<b>\$ 1,057</b>	<b>\$ 367</b>	<b>\$ 21,395</b>	<b>\$ (223)</b>	<b>\$ 73</b>	
<b>Liabilities:</b>									
Policy liabilities	\$ 1,063	\$ 178	\$ 238	\$ (4)	\$ —	\$ 1,475	\$ —	\$ —	
Closed block policy liabilities	1,016	(43)	7	(11)	—	969	—	—	
Funds withheld payable at interest	(3,488)	1,041	—	—	—	(2,447)	—	—	
Embedded derivative – interest-sensitive life products	338	164	—	(44)	—	458	—	—	
Embedded derivative – annuity products	1,851	780	—	956	—	3,587	—	—	
<b>Total liabilities</b>	<b>\$ 780</b>	<b>\$ 2,120</b>	<b>\$ 245</b>	<b>\$ 897</b>	<b>\$ —</b>	<b>\$ 4,042</b>	<b>\$ —</b>	<b>\$ —</b>	

- (1) As related to financial instruments still held as of the end of the period.
- (2) Includes related party KKR AFS corporate debt securities of \$2.5 billion.
- (3) Includes related party KKR AFS structured securities of \$7 million.
- (4) Includes related party KKR trading corporate debt securities of \$495 million.
- (5) Includes related party KKR trading structured securities of \$53 million.

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

Year ended December 31, 2022									
	Beginning balance	Net realized and unrealized gains / losses included in			Transfers into / (out) of Level 3	Ending balance	Total unrealized gains / losses included in		
		Income	OCI	Net settlements / purchases			Income <sup>(1)</sup>	OCI <sup>(1)</sup>	
(\$ in millions)									
<b>Assets:</b>									
AFS fixed maturity securities:									
Corporate fixed maturity securities <sup>(2)</sup>	\$ 9,170	\$ (52)	\$ (641)	\$ 1,735	\$ (88)	\$ 10,124	\$ —	\$ (598)	
Structured securities <sup>(3)</sup>	835	(7)	(114)	369	343	1,426	—	(124)	
<b>Total AFS fixed maturity securities</b>	<b>10,005</b>	<b>(59)</b>	<b>(755)</b>	<b>2,104</b>	<b>255</b>	<b>11,550</b>	<b>—</b>	<b>(722)</b>	
Trading fixed maturity securities:									
Corporate fixed maturity securities <sup>(4)</sup>	789	(146)	—	509	(32)	1,120	(145)	—	
Structured securities <sup>(5)</sup>	473	(104)	—	232	97	698	(107)	—	
<b>Total trading fixed maturity securities</b>	<b>1,262</b>	<b>(250)</b>	<b>—</b>	<b>741</b>	<b>65</b>	<b>1,818</b>	<b>(252)</b>	<b>—</b>	
Equity securities	33	(17)	—	—	—	16	(17)	—	
Mortgage and other loan receivables	833	(100)	—	55	—	788	(84)	—	
Other investments	1,604	113	—	3,166	—	4,883	43	—	
Funds withheld receivable at interest	32	(29)	—	10	—	13	—	—	
Reinsurance recoverable	1,294	(301)	—	(11)	—	982	—	—	
<b>Total assets</b>	<b>\$ 15,063</b>	<b>\$ (643)</b>	<b>\$ (755)</b>	<b>\$ 6,065</b>	<b>\$ 320</b>	<b>\$ 20,050</b>	<b>\$ (310)</b>	<b>\$ (722)</b>	
<b>Liabilities:</b>									
Policy liabilities	\$ 1,963	\$ (797)	\$ (139)	\$ 36	\$ —	\$ 1,063	\$ —	\$ —	
Closed block policy liabilities	1,350	(327)	(3)	(4)	—	1,016	—	—	
Funds withheld payable at interest	(49)	(3,449)	—	10	—	(3,488)	—	—	
Embedded derivative - interest-sensitive life products	557	(234)	—	15	—	338	—	—	
Embedded derivative - annuity products	1,864	(731)	—	718	—	1,851	—	—	
<b>Total liabilities</b>	<b>\$ 5,685</b>	<b>\$ (5,538)</b>	<b>\$ (142)</b>	<b>\$ 775</b>	<b>\$ —</b>	<b>\$ 780</b>	<b>\$ —</b>	<b>\$ —</b>	

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

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

(3) Includes related party KKR AFS structured securities of \$7 million.

(4) Includes related party KKR trading corporate debt securities of \$448 million.

(5) Includes related party KKR trading structured securities of \$54 million.

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

Year ended December 31, 2023	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
(\$ in millions)					
<b>Assets:</b>					
AFS fixed maturity securities:					
Corporate fixed maturity securities <sup>(1)</sup>	\$ 2,279	\$ —	\$ (158)	\$ (1,302)	\$ 819
Structured securities	367	—	(1)	(302)	64
<b>Total AFS fixed maturity securities</b>	<b>2,646</b>	<b>—</b>	<b>(159)</b>	<b>(1,604)</b>	<b>883</b>
Trading fixed maturity securities:					
Corporate fixed maturity securities <sup>(2)</sup>	129	—	(8)	(78)	43
Structured securities	55	—	(51)	(52)	(48)
<b>Total trading fixed maturity securities</b>	<b>184</b>	<b>—</b>	<b>(59)</b>	<b>(130)</b>	<b>(5)</b>
Mortgage and other loan receivables	2	—	(3)	(88)	(89)
Other investments	301	—	(26)	—	275
Reinsurance recoverable	—	—	—	(7)	(7)
<b>Total assets</b>	<b>\$ 3,133</b>	<b>\$ —</b>	<b>\$ (247)</b>	<b>\$ (1,829)</b>	<b>\$ 1,057</b>
<b>Liabilities:</b>					
Policy liabilities	\$ —	\$ 2	\$ —	\$ (6)	\$ (4)
Closed block policy liabilities	—	—	—	(11)	(11)
Embedded derivative - interest-sensitive life products	—	—	—	(44)	(44)
Embedded derivative - annuity products	—	1,082	—	(126)	956
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ 1,084</b>	<b>\$ —</b>	<b>\$ (187)</b>	<b>\$ 897</b>

(1) Includes related party KKR AFS corporate debt securities with net purchases of \$761 million.

(2) Includes related party KKR trading corporate debt securities with net purchases of \$43 million.

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

Year ended December 31, 2022	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
<i>(\$ in millions)</i>					
<b>Assets:</b>					
AFS fixed maturity securities:					
Corporate fixed maturity securities <sup>(1)</sup>	\$ 4,562	\$ —	\$ (282)	\$ (2,545)	\$ 1,735
Structured securities	590	—	—	(221)	369
<b>Total AFS fixed maturity securities</b>	<b>5,152</b>	<b>—</b>	<b>(282)</b>	<b>(2,766)</b>	<b>2,104</b>
Trading fixed maturity securities:					
Corporate fixed maturity securities <sup>(2)</sup>	651	—	(23)	(119)	509
Structured securities	322	—	(5)	(85)	232
<b>Total trading fixed maturity securities</b>	<b>973</b>	<b>—</b>	<b>(28)</b>	<b>(204)</b>	<b>741</b>
Mortgage and other loan receivables	239	—	(7)	(177)	55
Other investments	3,664	—	(498)	—	3,166
Funds withheld receivable at interest	—	10	—	—	10
Reinsurance recoverable	—	—	—	(11)	(11)
<b>Total assets</b>	<b>\$ 10,028</b>	<b>\$ 10</b>	<b>\$ (815)</b>	<b>\$ (3,158)</b>	<b>\$ 6,065</b>
<b>Liabilities:</b>					
Policy liabilities	\$ —	\$ 43	\$ —	\$ (7)	\$ 36
Closed block policy liabilities	—	—	—	(4)	(4)
Funds withheld payable at interest	—	10	—	—	10
Embedded derivative - interest-sensitive life products	—	15	—	—	15
Embedded derivative - annuity products	—	742	—	(24)	718
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ 810</b>	<b>\$ —</b>	<b>\$ (35)</b>	<b>\$ 775</b>

(1) Includes related party KKR AFS corporate debt securities with net purchases of \$558 million.

(2) Includes related party KKR trading corporate debt securities with net purchases of \$289 million.

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

### Fair-value option

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

	December 31, 2023	December 31, 2022
<b>(\$ in millions)</b>		
<b>Assets</b>		
Mortgage and other loan receivables	\$ 697	\$ 788
Other investments	234	336
Reinsurance recoverable	926	982
<b>Total assets</b>	<b>\$ 1,857</b>	<b>\$ 2,106</b>
<b>Liabilities</b>		
Policy liabilities	1,323	1,411
<b>Total liabilities</b>	<b>\$ 1,323</b>	<b>\$ 1,411</b>

The following table presents the net realized and unrealized gains (losses) on financial instruments for which the fair value option was elected:

	Years ended	
	December 31, 2023	December 31, 2022
<b>(\$ in millions)</b>		
<b>Assets</b>		
Mortgage and other loan receivables	\$ (1)	\$ (97)
Other investments	(65)	153
<b>Total assets</b>	<b>\$ (66)</b>	<b>\$ 56</b>
<b>Liabilities</b>		
Policy liabilities	\$ 63	\$ 138
<b>Total liabilities</b>	<b>\$ 63</b>	<b>\$ 138</b>

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

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

	December 31, 2023	December 31, 2022
<b>(\$ in millions)</b>		
Deferred acquisition costs	\$ 1,155	\$ 821
Value of business acquired	1,253	1,317
Cost-of-reinsurance intangibles	2,043	193
<b>Total insurance intangibles</b>	<b>\$ 4,451</b>	<b>\$ 2,331</b>

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

### Deferred acquisition costs

The following tables reflect the deferred acquisition costs roll-forward by product category for the years ended December 31, 2023 and 2022:

(\$ in millions)	Year ended December 31, 2023				
	Fixed rate annuities	Fixed indexed annuities	Interest sensitive life	Other	Total
<b>Balance, as of the beginning of the period</b>	\$ 222	\$ 368	\$ 116	\$ 115	\$ 821
Capitalizations	218	176	24	66	484
Amortization expense	(66)	(62)	(8)	(14)	(150)
<b>Balance, as of the end of the period</b>	\$ 374	\$ 482	\$ 132	\$ 167	\$ 1,155

(\$ in millions)	Year ended December 31, 2022				
	Fixed rate annuities	Fixed indexed annuities	Interest sensitive life	Other	Total
<b>Balance, as of the beginning of the period</b>	\$ 107	\$ 180	\$ 54	\$ 56	\$ 397
Capitalizations	145	221	68	69	503
Amortization expense	(30)	(33)	(6)	(10)	(79)
<b>Balance, as of the end of the period</b>	\$ 222	\$ 368	\$ 116	\$ 115	\$ 821

### Value of business acquired

The following tables reflect the value of business acquired, or “VOBA” asset roll-forward by product category for the years ended December 31, 2023 and 2022:

(\$ in millions)	Year ended December 31, 2023					
	Fixed rate annuities	Fixed indexed annuities	Variable annuities	Interest sensitive life	Other	Total
<b>Balance, as of the beginning of the period</b>	\$ 49	\$ 663	\$ 242	\$ 277	\$ 86	\$ 1,317
Amortization expense	(4)	(42)	3	(14)	(7)	(64)
<b>Balance, as of the end of the period</b>	\$ 45	\$ 621	\$ 245	\$ 263	\$ 79	\$ 1,253

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

(\$ in millions)	Year ended December 31, 2022					
	Fixed rate annuities	Fixed indexed annuities	Variable annuities	Interest sensitive life	Other	Total
<b>Balance, as of the beginning of the period</b>	\$ 53	\$ 709	\$ 269	\$ 292	\$ 95	\$ 1,418
Amortization expense	(4)	(46)	(27)	(15)	(9)	(101)
<b>Balance, as of the end of the period</b>	\$ 49	\$ 663	\$ 242	\$ 277	\$ 86	\$ 1,317

The following tables reflect the negative value of business acquired, or “negative VOBA” liability roll-forward by product category for the years ended December 31, 2023 and 2022:

(\$ in millions)	Year ended December 31, 2023					
	Fixed rate annuities	Fixed indexed annuities	Variable annuities	Interest sensitive life	Other	Total
<b>Balance, as of the beginning of the period</b>	\$ 98	\$ 146	\$ 100	\$ 462	\$ 198	\$ 1,004
Amortization expense	(32)	(39)	(8)	(40)	(17)	(136)
<b>Balance, as of the end of the period</b>	\$ 66	\$ 107	\$ 92	\$ 422	\$ 181	\$ 868

(\$ in millions)	Year ended December 31, 2022					
	Fixed rate annuities	Fixed indexed annuities	Variable annuities	Interest sensitive life	Other	Total
<b>Balance, as of the beginning of the period</b>	\$ 136	\$ 185	\$ 110	\$ 501	\$ 210	\$ 1,142
Amortization expense	(38)	(39)	(10)	(39)	(12)	(138)
<b>Balance, as of the end of the period</b>	\$ 98	\$ 146	\$ 100	\$ 462	\$ 198	\$ 1,004

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

Estimated future amortization of VOBA and Negative VOBA as of December 31, 2023 is as follows:

Years	VOBA	Negative VOBA	Total, net
<i>(\$ in millions)</i>			
2024	\$ 85	\$ (103)	\$ (18)
2025	81	(84)	(3)
2026	76	(68)	8
2027	71	(58)	13
2028	68	(50)	18
Thereafter	872	(505)	367
<b>Total</b>	<b>\$ 1,253</b>	<b>\$ (868)</b>	<b>\$ 385</b>

## Unearned revenue reserves and unearned front-end loads

	Years ended December 31,	
	2023	2022
<i>(\$ in millions)</i>		
	Preneed	
<b>Balance, as of the beginning of the period</b>	<b>\$ 118</b>	<b>\$ 56</b>
Deferral	72	70
Amortized to income during the year	(12)	(7)
<b>Balance, as of the end of the period</b>	<b>\$ 178</b>	<b>\$ 119</b>

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

The Company considers surrender rates, mortality rates, and other relevant policy decrements in determining the expected life of the contract. As a part of our actual experience update for the year ended December 31, 2023, we updated mortality and surrender assumptions. These updates reduced the amortization rate for DAC and related amortization amounts by approximately \$4 million per year. For the year ended December 31, 2022, we observed that there was no significant change in relevant inputs, judgments, or assumptions requiring an update of the amortization rate for DAC and related amortization amounts.



Notes to the consolidated financial statements

7. Policy liabilities

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

	December 31,		December 31,	
	2023		2022	
<i>(\$ in millions)</i>				
Policyholders' account balances	\$	125,187	\$	112,281
Liability for future policy benefits		17,824		14,446
Additional liability for annuitization, death, or other insurance benefits		7,130		4,971
Market risk benefit liability		1,121		682
Other policy-related liabilities <sup>(1)</sup>		8,796		5,400
<b>Total policy liabilities</b>	<b>\$</b>	<b>160,058</b>	<b>\$</b>	<b>137,780</b>

(1) Other policy-related liabilities as of December 31, 2023 and 2022 primarily consist of negative VOBA (\$868 million and \$1.0 billion, respectively), policy liabilities accounted under a fair value option (\$1.2 billion and \$1.3 billion, respectively), embedded derivatives associated with contractholder deposit funds (\$4.0 billion and \$2.2 billion, respectively), cost-of-reinsurance liabilities (\$1.8 billion and \$108 million, respectively), and outstanding claims (\$235 million and \$254 million, respectively).

Policyholders' account balances

The following reflects the policyholders' account balances roll-forward for the years ended December 31, 2023 and 2022, and the policyholders' account balances weighted average interest rates, net amount at risk, and cash surrender value as of those dates:

<i>(\$ in millions)</i>	Year ended December 31, 2023					
	Fixed rate annuities	Fixed indexed annuities	Interest sensitive life	Funding agreements	Other <sup>(1)</sup>	Total
<b>Balance as of beginning of period</b>	<b>\$ 48,511</b>	<b>\$ 29,124</b>	<b>\$ 17,397</b>	<b>\$ 7,535</b>	<b>\$ 9,714</b>	<b>\$ 112,281</b>
Issuances and premiums received	16,604	4,891	5,825	510	675	28,505
Benefit payments, surrenders, and withdrawals	(9,493)	(4,234)	(917)	(1,416)	(1,585)	(17,645)
Interest <sup>(2)</sup>	1,484	533	498	226	303	3,044
Other activity <sup>(3)</sup>	(343)	(146)	(835)	160	166	(998)
<b>Balance as of end of period</b>	<b>\$ 56,763</b>	<b>\$ 30,168</b>	<b>\$ 21,968</b>	<b>\$ 7,015</b>	<b>\$ 9,273</b>	<b>\$ 125,187</b>
Less: reinsurance recoverable	(10,280)	(3,191)	(7,191)	—	(3,021)	(23,683)
<b>Balance as of the end of the period, net of reinsurance recoverable</b>	<b>\$ 46,483</b>	<b>\$ 26,977</b>	<b>\$ 14,777</b>	<b>\$ 7,015</b>	<b>\$ 6,252</b>	<b>\$ 101,504</b>
Average interest rate	3.36 %	2.15 %	3.28 %	3.12 %	2.74 %	2.94 %
Net amount at risk, gross of reinsurance <sup>(4)</sup>	\$ —	\$ —	\$ 135,841	\$ —	\$ 1,169	\$ 137,010
Cash surrender value <sup>(5)</sup>	\$ 43,590	\$ 28,429	\$ 15,162	\$ —	\$ 4,660	\$ 91,841

(1) "Other" consists of activity related to payout annuities (without life contingencies), preneed, variable annuities, and life products.

## Notes to the consolidated financial statements

- (2) Interest includes interest credited to policyholders' account values, and interest accreted in other components of the policyholder account balance, including investment-type contract values, host amounts for contractholder deposits with embedded derivatives, funding agreements and other associated reserves.
- (3) "Other activity" includes policy charges, fees and commissions, transfers, assumption changes, fair value changes and the impact of hedge fair value adjustments.
- (4) Net amount at risk represents the difference between the face value of the insurance policy and the reserve accumulated under that same policy.
- (5) Cash surrender values are reported net of any applicable surrender charges, net of reinsurance.

(\$ in millions)	Year ended December 31, 2022					
	Fixed rate annuities	Fixed indexed annuities	Interest sensitive life	Funding agreements	Other <sup>(1)</sup>	Total
<b>Balance as of beginning of period</b>	<b>\$ 42,409</b>	<b>\$ 25,205</b>	<b>\$ 17,392</b>	<b>\$ 6,015</b>	<b>\$ 6,624</b>	<b>\$ 97,645</b>
Issuances and premiums received	11,930	6,049	1,080	3,119	3,734	25,912
Benefit payments, surrenders, and withdrawals	(6,556)	(2,409)	(712)	(1,338)	(862)	(11,877)
Interest <sup>(2)</sup>	1,025	323	507	133	228	2,216
Other activity <sup>(3)</sup>	(297)	(44)	(870)	(394)	(10)	(1,615)
<b>Balance as of end of the period</b>	<b>\$ 48,511</b>	<b>\$ 29,124</b>	<b>\$ 17,397</b>	<b>\$ 7,535</b>	<b>\$ 9,714</b>	<b>\$ 112,281</b>
Less: reinsurance recoverable	(6,705)	(3,525)	(3,469)	—	(3,062)	(16,761)
<b>Balance as of end of period, net of reinsurance recoverable</b>	<b>\$ 41,806</b>	<b>\$ 25,599</b>	<b>\$ 13,928</b>	<b>\$ 7,535</b>	<b>\$ 6,652</b>	<b>\$ 95,520</b>
Average interest rate	2.58 %	1.46 %	3.09 %	1.98 %	2.84 %	2.13 %
Net amount at risk, gross of reinsurance <sup>(4)</sup>	\$ —	\$ —	\$ 81,049	\$ —	\$ 1,188	\$ 82,237
Cash surrender value <sup>(5)</sup>	\$ 39,035	\$ 25,925	\$ 12,908	\$ —	\$ 5,022	\$ 82,890

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

The following table presents the account values by range of guaranteed minimum crediting rates and the related range of difference, in basis points, between rates being credited to policyholders and the respective guaranteed minimums. Account values, as disclosed below, differ from policyholder account balances as they exclude balances associated with index credits, contractholder deposit fund host balances, funding agreements and other associated reserves. In addition, policyholder account balances include discounts and premiums on assumed business which are not reflected in account values.

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

As of December 31, 2023						
Account values with adjustable crediting rates subject to guaranteed minimums:						
Range of guaranteed minimum crediting rates:	At guaranteed minimum	1 - 49 bps above guaranteed minimum	50 - 99 bps above guaranteed minimum	100 - 150 bps above guaranteed minimum	Greater than 150 bps above guaranteed minimum	Total
<i>(\$ in millions, except for percentages)</i>						
Less than 1.00%	\$ 2,707	\$ 26	\$ 660	\$ 3,546	\$ 25,940	\$ 32,879
1.00% - 1.99%	1,471	1,013	1,000	1,969	6,604	12,057
2.00% - 2.99%	896	45	56	109	1,310	2,416
3.00% - 4.00%	12,494	1,187	414	954	1,067	16,116
Greater than 4.00%	12,096	1,386	138	118	298	14,036
<b>Total</b>	<b>\$ 29,664</b>	<b>\$ 3,657</b>	<b>\$ 2,268</b>	<b>\$ 6,696</b>	<b>\$ 35,219</b>	<b>\$ 77,504</b>
Percentage of total	38 %	5 %	3 %	9 %	45 %	100 %

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

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

### Liability for future policy benefits

The following tables summarize the balances of, and changes in, the liability for future policy benefits for traditional and limited-payment contracts for the years ended December 31, 2023 and 2022:

	Years ended					
	December 31, 2023			December 31, 2022		
	Payout annuities <sup>(1)</sup>	Other <sup>(2)</sup>	Total	Payout annuities <sup>(1)</sup>	Other <sup>(2)</sup>	Total
<b>(\$ in millions)</b>						
<b>Present value of expected net premiums</b>						
<b>Balance as of beginning of the period</b>	\$ —	\$ (255)	\$ (255)	\$ —	\$ (330)	\$ (330)
<b>Balance at original discount rate</b>	\$ —	\$ (308)	\$ (308)	\$ —	\$ (335)	\$ (335)
Effect of changes in cash flow assumptions	—	44	44	—	5	5
Effect of actual variances from expected experience	—	(5)	(5)	—	(9)	(9)
<b>Adjusted beginning of period balance</b>	<b>—</b>	<b>(269)</b>	<b>(269)</b>	<b>—</b>	<b>(339)</b>	<b>(339)</b>
Interest	—	(4)	(4)	—	(5)	(5)
Net premiums collected	—	33	33	—	36	36
<b>Ending balance at original discount rate</b>	<b>—</b>	<b>(240)</b>	<b>(240)</b>	<b>—</b>	<b>(308)</b>	<b>(308)</b>
Effect of changes in discount rate assumptions	—	33	33	—	53	53
<b>Balance as of the end of the period</b>	<b>\$ —</b>	<b>\$ (207)</b>	<b>\$ (207)</b>	<b>\$ —</b>	<b>\$ (255)</b>	<b>\$ (255)</b>

Notes to the consolidated financial statements

	Years ended					
	December 31, 2023			December 31, 2022		
	Payout annuities <sup>(1)</sup>	Other <sup>(2)</sup>	Total	Payout annuities <sup>(1)</sup>	Other <sup>(2)</sup>	Total
<b>(\$ in millions)</b>						
<b>Present value of expected future policy benefits</b>						
<b>Balance as of beginning of the period</b>	\$ 14,022	\$ 679	\$ 14,701	\$ 16,303	\$ 883	\$ 17,186
<b>Balance at original discount rate</b>	\$ 17,321	\$ 818	\$ 18,139	\$ 16,443	\$ 895	\$ 17,338
Effect of changes in cash flow assumptions	(2)	(46)	(48)	—	(7)	(7)
Effect of actual variances from expected experience	29	13	42	(149)	11	(138)
<b>Adjusted beginning of period balance</b>	<b>17,348</b>	<b>785</b>	<b>18,133</b>	<b>16,294</b>	<b>899</b>	<b>17,193</b>
Issuances	3,869	—	3,869	2,229	9	2,238
Interest	438	9	447	305	16	321
Benefit payments	(1,616)	(92)	(1,708)	(1,507)	(100)	(1,607)
De-recognition (lapses and withdrawals)	—	—	—	—	(6)	(6)
<b>Ending balance at original discount rate</b>	<b>20,039</b>	<b>702</b>	<b>20,741</b>	<b>17,321</b>	<b>818</b>	<b>18,139</b>
Effect of changes in discount rate assumptions	(2,613)	(97)	(2,710)	(3,299)	(139)	(3,438)
<b>Balance as of the end of the period</b>	<b>17,426</b>	<b>605</b>	<b>18,031</b>	<b>14,022</b>	<b>679</b>	<b>14,701</b>
<b>Net liability for future policy benefits</b>	<b>17,426</b>	<b>398</b>	<b>17,824</b>	<b>14,022</b>	<b>424</b>	<b>14,446</b>
Less: reinsurance recoverable <sup>(3)</sup>	(9,271)	(3)	(9,274)	(7,443)	2	(7,441)
<b>Net liability for future policy benefits, net of reinsurance recoverables</b>	<b>\$ 8,155</b>	<b>\$ 395</b>	<b>\$ 8,550</b>	<b>\$ 6,579</b>	<b>\$ 426</b>	<b>\$ 7,005</b>

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

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

(3) Reinsurance recoverables associated with the liability for future policy benefits is net of the effect of changes in discount rate assumptions of \$390 million and \$(1.8) billion for the years ended December 31, 2023 and 2022, respectively.

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

The following table summarizes the amount of gross premiums related to traditional and limited-payment contracts recognized in the consolidated statements of income for the years ended December 31, 2023 and 2022:

(\$ in millions)	Gross premiums	
	Years ended December 31,	
	2023	2022
Payout annuities	\$ 4,143	\$ 2,400
Other	64	72
<b>Total products</b>	<b>\$ 4,207</b>	<b>\$ 2,472</b>

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

(\$ in millions)	As of December 31, 2023	
	Payout annuities	Other
Weighted-average interest rates, original discount rate	3.37 %	2.57 %
Weighted-average interest rates, current discount rate	4.95 %	4.95 %
Weighted-average liability duration (years, current rates)	8.58	9.03

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

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

(\$ in millions)	As of December 31, 2023	
	Payout annuities	Other
Expected future benefit payments, undiscounted	\$ 29,165	\$ 833
Expected future benefit payments, discounted (original discount rate)	19,899	690
Expected future benefit payments, discounted (current discount rate)	17,427	605
Expected future gross premiums, undiscounted	—	378
Expected future gross premiums, discounted (original discount rate)	—	318
Expected future gross premiums, discounted (current discount rate)	—	263

Notes to the consolidated financial statements

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

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

Significant policyholder behavior and other assumption inputs to the calculation of the liability for future policy benefits include discount rates, mortality and, for life insurance, lapse rates. Global Atlantic reviews all assumptions at least annually, and more frequently if necessary. Accordingly, as part of the annual assumption review conducted during the year ended December 31, 2023, premium and lapse assumptions were revised for traditional life insurance products (included with the “Other” category), which resulted in a \$4 million favorable impact to net income before taxes.

For the years ended December 31, 2023 and 2022, we recognized \$(315) million and \$1.4 billion, net of reinsurance, in other comprehensive income, respectively, due to changes in the future policy benefits estimate from updating discount rates. During the years ended December 31, 2023 and 2022, there were no changes to the methods used to determine the discount rates.

**Additional liability for annuitization, death, or other insurance benefits**

The following tables reflect the additional liability for annuitization, death, or other insurance benefits roll-forward for the years ended December 31, 2023 and 2022:

(\$ in millions)	Years ended	
	December 31, 2023	December 31, 2022
<b>Balance as of beginning of period</b>	\$ 5,105	\$ 4,833
Effect of changes in cash flow assumptions	14	17
Effect of changes in experience	(43)	(19)
<b>Adjusted balance as of beginning of period</b>	<b>5,076</b>	<b>4,831</b>
Issuances	1,929	24
Assessments	495	506
Benefits paid	(399)	(405)
Interest	150	149
<b>Balance as of end of period</b>	<b>7,251</b>	<b>5,105</b>
Less: impact of unrealized investment gain and losses	121	134
Less: reinsurance recoverable, end of period	1,434	—
<b>Balance, end of year, net of reinsurance recoverable and impact of unrealized investment gains and losses</b>	<b>\$ 5,696</b>	<b>\$ 4,971</b>

## Notes to the consolidated financial statements

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

The following reflects the amount of gross assessments recognized for the additional liability for annuitization, death, or other insurance benefits in the consolidated statements of income for the years ended December 31, 2023 and 2022:

	Gross assessments	
	Years ended December 31,	
	2023	2022
<b>(\$ in millions)</b>		
Total amount recognized within revenue in the consolidated statements of income	\$ 472	\$ 586

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

	As of	
	December 31, 2023	December 31, 2022
Weighted-average interest, current discount rate	3.09 %	3.00 %
Weighted-average liability duration (years)	27.64	28.21

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

Significant policyholder behavior assumption inputs to the calculation of the additional liability for annuitization, death, or other insurance benefits include mortality and lapse rates. Global Atlantic reviews all assumptions at least annually, and more frequently if necessary. Accordingly, as part of the annual assumption review conducted during the year ended December 31, 2023, assumptions for lapse rates, investment yields, and option budget costs were updated, which resulted in a \$14 million increase in the additional liability for annuitization, death, and other insurance benefits. During the year ended December 31, 2022, assumptions for lapse rates and investment yields were updated, which resulted in a \$17 million increase in the liability.



# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

### Market risk benefits

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

(\$ in millions, except for percentages and policyholder information)	Years ended					
	December 31, 2023			December 31, 2022		
	Fixed-indexed annuity	Variable-and other annuities	Total	Fixed-indexed annuity	Variable-and other annuities	Total
<b>Balance as of beginning of period</b>	\$ 549	\$ 120	\$ 669	\$ 1,188	\$ 254	\$ 1,442
<b>Balance as of beginning of period, before impact of changes in instrument-specific credit risk</b>	\$ 652	\$ 151	\$ 803	\$ 1,183	\$ 254	\$ 1,437
Issuances	2	—	2	1	42	43
Interest	39	9	48	17	5	22
Attributed fees collected	104	84	188	99	85	184
Benefit payments	(4)	(2)	(6)	(3)	(4)	(7)
Effect of changes in interest rates	(27)	4	(23)	(614)	(355)	(969)
Effect of changes in equity markets	(23)	(87)	(110)	65	160	225
Effect of actual experience different from assumptions	142	9	151	17	(47)	(30)
Effect of changes in other future expected assumptions	(93)	56	(37)	(113)	11	(102)
<b>Balance as of end of period before impact of changes in instrument-specific credit risk</b>	<b>792</b>	<b>224</b>	<b>1,016</b>	<b>652</b>	<b>151</b>	<b>803</b>
Effect of changes in instrument-specific credit risk	78	27	105	(103)	(31)	(134)
<b>Balance as of end of period</b>	<b>870</b>	<b>251</b>	<b>1,121</b>	<b>549</b>	<b>120</b>	<b>669</b>
Less: reinsurance recoverable as of the end of the period	—	(14)	(14)	—	(23)	(23)
<b>Balance as of end of period, net of reinsurance recoverable</b>	<b>\$ 870</b>	<b>\$ 237</b>	<b>\$ 1,107</b>	<b>\$ 549</b>	<b>\$ 97</b>	<b>\$ 646</b>
Net amount at risk	\$ 4,283	\$ 1,424	\$ 5,707	\$ 3,846	\$ 1,267	\$ 5,113
Weighted-average attained age of contract holders (years)	70	69	70	70	71	70

The following reflects the reconciliation of the market risk benefits reflected in the preceding table to the amounts reported in an asset and liability position, respectively, in the consolidated balance sheets as of December 31, 2023 and 2022:

(\$ in millions)	As of December 31, 2023			As of December 31, 2022		
	Asset	Liability	Net	Asset	Liability	Net
Fixed-indexed annuities	\$ —	\$ 870	\$ (870)	\$ 13	\$ 562	\$ (549)
Variable- and other annuities	—	251	(251)	—	120	(120)
<b>Total</b>	<b>\$ —</b>	<b>\$ 1,121</b>	<b>\$ (1,121)</b>	<b>\$ 13</b>	<b>\$ 682</b>	<b>\$ (669)</b>

**Notes to the consolidated financial statements**

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

Significant policyholder behavior and other assumption inputs to the calculation of the market risk benefits include interest rates, instrument-specific credit risk, mortality rates, surrender rates and utilization rates. Global Atlantic reviews all assumptions at least annually, and more frequently if evidence suggests. Accordingly, as part of the annual assumption review conducted during the year ended December 31, 2023, assumptions for fixed-indexed annuity surrender and partial withdrawals, and variable annuity surrender and activations were updated, which resulted in a \$37 million favorable impact to net income before taxes. During the year ended December 31, 2022, assumptions for fixed-indexed annuity activations, surrender rates, option budgets, and variable and other annuity rider fees and termination rates were updated, which resulted in a \$102 million favorable impact to net income before taxes.

**Separate account liabilities**

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

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

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

	December 31, 2023			December 31, 2022		
	Variable annuities	Interest-sensitive life	Total	Variable annuities	Interest-sensitive life	Total
<i>(\$ in millions)</i>						
<b>Balance as of beginning of period</b>	<b>\$ 3,628</b>	<b>\$ 503</b>	<b>\$ 4,131</b>	<b>\$ 4,923</b>	<b>\$ 664</b>	<b>\$ 5,587</b>
Premiums and deposits	31	14	45	34	15	49
Surrenders, withdrawals and benefit payments	(471)	(22)	(493)	(437)	(14)	(451)
Investment performance	498	95	593	(764)	(115)	(879)
Other	(121)	(48)	(169)	(128)	(47)	(175)
<b>Balance as of end of period</b>	<b>\$ 3,565</b>	<b>\$ 542</b>	<b>\$ 4,107</b>	<b>\$ 3,628</b>	<b>\$ 503</b>	<b>\$ 4,131</b>
Cash surrender value as of end of period <sup>(1)</sup>	\$ 3,565	\$ 542	\$ 4,107	\$ 3,628	\$ 503	\$ 4,131

## Notes to the consolidated financial statements

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

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

	December 31,	
	2023	2022
<b>(\$ in millions)</b>		
<b>Asset type:</b>		
Managed volatility equity/fixed income blended fund	\$ 2,132	\$ 2,247
Equity	1,596	1,634
Fixed income	152	157
Money market	226	92
Alternative	1	1
<b>Total assets supporting separate account liabilities</b>	<b>\$ 4,107</b>	<b>\$ 4,131</b>

## 8. Closed blocks

Summarized financial information of the Company's closed blocks is as follows:

	December 31,	
	2023	2022
<b>Balance sheets</b>		
<b>(\$ in millions)</b>		
Assets		
Total investments	\$ 1	\$ 1
Cash and cash equivalents	6	4
Reinsurance recoverable	926	982
Deferred income taxes	43	44
<b>Total assets</b>	<b>976</b>	<b>1,031</b>
Liabilities		
Policy liabilities	878	923
Policyholder dividend obligation at fair value	78	80
Policyholder dividends payable at fair value	10	10
<b>Total policy liabilities</b>	<b>966</b>	<b>1,013</b>
Other liabilities	13	13
<b>Total liabilities</b>	<b>979</b>	<b>1,026</b>
<b>Excess of closed block liabilities over assets designated to the closed blocks and maximum future earnings to be recognized from closed block assets and liabilities</b>	<b>\$ 3</b>	<b>\$ (5)</b>

Notes to the consolidated financial statements

Statements of income (\$ in millions)	Years ended	
	December 31,	December 31,
	2023	2022
Revenues		
Premiums and other income	\$ (1)	\$ —
<b>Total revenues</b>	<b>(1)</b>	<b>—</b>
Benefits and expenses		
Policy benefits and claims	(2)	(12)
<b>Total benefits and expenses</b>	<b>(2)</b>	<b>(12)</b>
Net contribution from the closed blocks	1	12
Income tax (benefit) expense	1	16
<b>Net income (loss)</b>	<b>\$ —</b>	<b>\$ (4)</b>

Many expenses related to the closed block operations are charged to operations outside the closed blocks; accordingly, the contribution from the closed blocks does not represent the actual profitability of the closed block operations.

The closed blocks of business represent policies acquired through acquisition, which were valued at fair value as of the acquisition date.

## 9. Reinsurance

The Company maintains a number of reinsurance treaties with third parties whereby the Company assumes annuity and life policies on a coinsurance, modified coinsurance or funds withheld basis. The Company also maintains other reinsurance treaties including the cession of certain annuity, life and health insurance.

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

(\$ in millions)	As of December 31,	
	2023	2022
Policy liabilities:		
Direct	\$ 75,715	\$ 71,833
Assumed	84,343	65,947
<b>Total policy liabilities</b>	<b>160,058</b>	<b>137,780</b>
Ceded <sup>(1)</sup>	(35,774)	(25,755)
<b>Net policy liabilities</b>	<b>\$ 124,284</b>	<b>\$ 112,025</b>

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

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

## Notes to the consolidated financial statements

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 <sup>(1)</sup>	As of December 31, 2023			As of December 31, 2022		
	Reinsurance recoverable and funds withheld receivable at interest <sup>(2)</sup>	Credit enhancements <sup>(3)</sup>	Net reinsurance credit exposure <sup>(4)</sup>	Reinsurance recoverable and funds withheld receivable at interest <sup>(2)</sup>	Credit enhancements <sup>(3)</sup>	Net reinsurance credit exposure <sup>(4)</sup>
<i>(\$ in millions)</i>						
A++	\$ 39	\$ —	\$ 39	\$ 56	\$ —	\$ 56
A+	1,802	—	1,802	1,884	—	1,884
A	2,213	—	2,213	2,463	—	2,463
A-	4,430	3,815	615	4,780	4,198	582
B++	1	—	1	38	—	38
B+	—	—	—	—	—	—
B	—	—	—	—	—	—
B-	—	—	—	—	—	—
Not rated or private rating <sup>(5)</sup>	30,859	30,210	649	19,692	18,542	1,150
<b>Total</b>	<b>\$ 39,344</b>	<b>\$ 34,025</b>	<b>\$ 5,319</b>	<b>\$ 28,913</b>	<b>\$ 22,740</b>	<b>\$ 6,173</b>

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

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

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

(4) Includes credit loss allowance of \$21 million and \$41 million as of December 31, 2023 and 2022, respectively, held against reinsurance recoverable.

(5) Includes \$30.8 billion and \$19.7 billion as of December 31, 2023 and 2022, respectively, associated with cessions to co-investment vehicles (the "sponsored reinsurance sidecar vehicles") that participate in qualifying reinsurance transactions sourced by Global Atlantic.

As of December 31, 2023 and 2022, the Company had \$2.7 billion and \$2.9 billion of funds withheld receivable at interest, respectively, with six counterparties related to modified coinsurance and funds withheld contracts. The assets supporting these receivables were held in trusts and not part of the respective counterparty's general accounts.

## Notes to the consolidated financial statements

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

	Years ended	
	December 31, 2023	December 31, 2022
<b>(\$ in millions)</b>		
<b>Premiums:</b>		
Direct	\$ 119	\$ 112
Assumed	4,139	2,413
Ceded	(2,282)	(1,343)
<b>Net premiums</b>	<b>\$ 1,976</b>	<b>\$ 1,182</b>

	Years ended	
	December 31, 2023	December 31, 2022
<b>(\$ in millions)</b>		
<b>Policy fees:</b>		
Direct	\$ 913	\$ 951
Assumed	442	329
Ceded	(95)	(18)
<b>Net policy fees</b>	<b>\$ 1,260</b>	<b>\$ 1,262</b>

	Years ended	
	December 31, 2023	December 31, 2022
<b>(\$ in millions)</b>		
<b>Policy benefits and claims:</b>		
Direct	\$ 3,406	\$ 813
Assumed	5,923	3,255
Ceded	(2,967)	(1,710)
<b>Net policy benefits and claims</b>	<b>\$ 6,362</b>	<b>\$ 2,358</b>

The Company holds collateral for and provides collateral to our reinsurance clients. The Company held \$36.7 billion and \$26.1 billion of collateral in the form of funds withheld payable on behalf of our reinsurers as of December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, reinsurers held collateral of \$1.2 billion and \$1.3 billion on behalf of the Company, respectively. A significant portion of the collateral that the Company provides to its reinsurance clients is provided in the form of assets held in a trust for the benefit of the counterparty. As of December 31, 2023 and 2022, these trusts held in excess of the \$81.8 billion and \$65.8 billion of assets they are required to hold in order to support reserves of \$79.4 billion and \$62.4 billion, respectively. Of the cash held in trust, the Company classified \$91 million and \$31 million as restricted as of December 31, 2023 and 2022, respectively.

Notes to the consolidated financial statements

10. Debt

Debt was comprised of the following:

	December 31, 2023		December 31, 2022	
	Amount	Rate	Amount	Rate
<b>(\$ in millions, except interest rates)</b>				
Revolving credit facility, due August 2026 <sup>(1)</sup>	\$ 200	6.96 %	\$ 400	5.92 %
Senior notes, due October 2029 <sup>(1)</sup>	500	4.40 %	500	4.40 %
Senior notes, due June 2031	650	3.13 %	650	3.13 %
Senior notes, due June 2033	650	7.95 %	—	— %
Subordinated debentures, due October 2051	750	4.70 %	750	4.70 %
<b>Total debt - principal</b>	<b>2,750</b>		<b>2,300</b>	
Purchase accounting adjustments <sup>(1)</sup>	40		43	
Debt issuance costs, net of accumulated amortization <sup>(2)</sup>	(36)		(18)	
Fair value loss of hedged senior notes, recognized in net income	(166)		(197)	
<b>Total debt</b>	<b>\$ 2,588</b>		<b>\$ 2,128</b>	

- (1) The amortization of the purchase accounting adjustment related to the acquired senior notes was \$3 million and \$8 million for the years ended December 31, 2023 and 2022, respectively.
- (2) The amortization of the debt issuance costs was \$2 million and \$1 million for the years ended December 31, 2023 and 2022, respectively.

Principal payments due on debt as of December 31, 2023 are as follows:

	Revolving credit facilities	Notes issued	Other debt obligations	Total
<b>(\$ in millions)</b>				
2024	\$ —	\$ —	\$ —	\$ —
2025	—	—	—	—
2026	200	—	—	200
2027	—	—	—	—
2028	—	—	—	—
Thereafter	—	2,550	—	2,550
	<b>\$ 200</b>	<b>\$ 2,550</b>	<b>\$ —</b>	<b>\$ 2,750</b>

Revolving Credit Facility

On August 4, 2021, Global Atlantic (Fin) Company, or “FinCo,” a Delaware corporation and an indirect subsidiary of the Company, as borrower, and the Company, as guarantor, entered into a Credit Agreement (the “GA Credit Agreement”) with Wells Fargo Bank, N.A., as administrative agent, and other lenders thereto. The GA Credit Agreement provides for up to \$1.0 billion of revolving borrowings (with the option to request an increase of up to an additional \$250 million), including up to \$500 million of letters of credit, and has a maturity of August 2026.

On September 23, 2022, FinCo amended the GA Credit Agreement with Wells Fargo Bank, N.A., as administrative agent, and other lenders thereto. The principal amendments made were to replace LIBOR based interest rates with interest rates based on term SOFR

## Notes to the consolidated financial statements

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with certain rate adjustments. Beginning on September 30, 2022, interest on any funded balances will accrue at term SOFR plus a spread ranging from 1.225% to 2.100%.

As of December 31, 2023, there was \$200 million in revolving borrowings outstanding and no letters of credit outstanding under the revolving credit facility (“RCF”).

### Senior notes due 2033

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

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

### Debt Covenants

Borrowings of the Company contain various debt covenants. These covenants do not, in management’s opinion, materially restrict the Company’s operating business or investment strategies as of December 31, 2023. The Company was in compliance with such debt covenants in all material respects as of December 31, 2023.



Notes to the consolidated financial statements

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

Other assets consist of the following:

(\$ in millions)	As of December 31,	
	2023	2022
Unsettled investment sales <sup>(1)</sup> and derivative collateral receivables	\$ 28	\$ 663
Derivative assets	46	724
Deferred tax asset, net	2,356	2,347
Goodwill	501	501
Intangible assets and deferred sales inducements	259	276
Operating lease right-to-use assets <sup>(2)</sup>	176	183
Market risk benefit assets	—	13
Miscellaneous assets	151	122
Premiums and other account receivables	188	142
Current income tax recoverable	42	23
<b>Total other assets</b>	<b>\$ 3,747</b>	<b>\$ 4,994</b>

(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 \$28 million and \$25 million for the years ended December 31, 2023 and 2022, respectively.

The definite life intangible assets are amortized using the straight-line method over the useful life of the assets which is an average of 14 years. The indefinite life intangible assets are not subject to amortization. The amortization expense of definite life intangible assets was \$18 million for both the years ended December 31, 2023 and 2022.

Other liabilities consist of the following:

(\$ in millions)	As of December 31,	
	2023	2022
Unsettled investment purchases <sup>(1)</sup> and derivative collateral liabilities	\$ 206	\$ 675
Accrued expenses <sup>(2)</sup>	892	825
Insurance operations balances in course of settlement	250	949
Securities sold under agreements to repurchase	1,358	805
Operating lease liabilities <sup>(3)</sup>	197	205
Accrued employee related expenses	201	190
Tax payable to former parent company	63	67
Derivative liabilities	146	934
Interest payable	16	13
Accounts and commissions payables	32	25
Other tax related liabilities	13	12
<b>Total other liabilities</b>	<b>\$ 3,374</b>	<b>\$ 4,700</b>

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

(2) Includes related party balances of \$121 million and \$99 million as of December 31, 2023 and 2022, respectively.

## Notes to the consolidated financial statements

- (3) Operating leases for office space have remaining lease terms that range from approximately 1 year to 11 years, some of which include options to extend the leases for up to 10 years. The weighted average remaining lease terms were 7.6 years and 7.0 years as of December 31, 2023 and 2022, respectively. The weighted average discount rates were 4.4% and 3.6% as of December 31, 2023 and 2022, respectively.

Other income consists of the following:

	Years ended	
	December 31, 2023	December 31, 2022
<b>(\$ in millions)</b>		
Reinsurance expense allowance	\$ 105	\$ 72
Administrative, marketing and distribution fees	65	66
Miscellaneous income	6	1
<b>Total other income</b>	<b>\$ 176</b>	<b>\$ 139</b>

Insurance expenses consist of the following:

	Years ended	
	December 31, 2023	December 31, 2022
<b>(\$ in millions)</b>		
Commission expense	\$ 617	\$ 378
Reinsurance expense allowance	123	104
Other insurance expenses	67	63
Premium taxes	19	18
<b>Total insurance expenses</b>	<b>\$ 826</b>	<b>\$ 563</b>

General, administrative and other expenses consist of the following:

	Years ended	
	December 31, 2023	December 31, 2022
<b>(\$ in millions)</b>		
Employee-related expenses	\$ 560	\$ 526
Administrative and professional services <sup>(1)</sup>	195	202
<b>Total general, administrative and other expenses</b>	<b>\$ 755</b>	<b>\$ 728</b>

(1) Includes related party balances of \$9 million for both the years ended December 31, 2023 and 2022.

## 12. Shareholders' equity

The Company had 304 common shares outstanding, with a par value of \$1, and did not have any dividends payable as of December 31, 2023. All 304 shares were held by TGAFG, the Company's direct parent, as of December 31, 2023. The maximum number of the Company shares authorized for issuance is 100,000,000 common shares.

Notes to the consolidated financial statements

**13. Accumulated other comprehensive income (loss)**

Information regarding amounts reclassified out of each component of accumulated other comprehensive loss for the years ended December 31, 2023 and 2022 were as follows:

Components of accumulated other comprehensive income (loss)	Consolidated statements of income and consolidated statements of comprehensive income (loss) location	Years ended	
		December 31, 2023	December 31, 2022
<i>(\$ in millions)</i>			
<b>Net unrealized investment-related gains (losses) on AFS fixed maturity securities and other investments:</b>			
Net unrealized investment losses	Net investment-related losses		
Net unrealized investment losses, before income tax		\$ (233)	\$ (617)
Income tax expense (benefit)		(32)	(118)
<b>Net unrealized investment losses, net of income tax, reclassified</b>		<b>\$ (201)</b>	<b>\$ (499)</b>

**14. 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 \$48 million and \$83 million as of December 31, 2023 and 2022, 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 January 1, 2028 to June 30, 2028. For the redeemable non-controlling interests outstanding as of December 31, 2023 and 2022, the estimated redemption value that would be due at the respective redemption dates is \$3 million and \$5 million, respectively.

Notes to the consolidated financial statements

15. Equity-based compensation plans

The components of equity-based compensation and long-term incentives expense were as follows:

(\$ in millions)	Years ended	
	December 31,	December 31,
	2023	2022
Book-value awards	\$ 62	\$ 59
KKR restricted stock units	15	9
Carried incentive unit awards	—	4
<b>Total equity-based compensation expense</b>	<b>\$ 77</b>	<b>\$ 72</b>
Management equity plan awards	\$ 38	\$ 89
<b>Total deferred compensation expense</b>	<b>\$ 38</b>	<b>\$ 89</b>
Deferred tax asset	\$ 3	\$ 2

The income tax benefit recognized by the Company with respect to the equity-based compensation and long-term incentive plans for the years ended December 31, 2023 and 2022 was \$18 million and \$12 million, respectively, and was recognized as income tax benefit in the consolidated statements of income.

No equity-based compensation costs were capitalized during the years ended December 31, 2023 and 2022.

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 December 31, 2023:

(\$ in millions, except weighted average)	December 31, 2023	
	Expense	Weighted average period (years)
Book-value awards	\$ 72	1.98
KKR restricted stock unit awards	89	3.75
<b>Unrecognized compensation expense, as of end of period</b>	<b>\$ 161</b>	

Equity-classified awards

KKR equity incentive plans

Service-vesting awards

Employees of Global Atlantic may become eligible for the grant of KKR restricted stock units, or “RSUs,” under the terms of KKR’s 2019 Equity Incentive Plan. Awards are generally subject to service-based vesting, typically over a three-to-five-year vesting period. Expense associated with these RSUs is based on the 10-day average closing price of KKR & Co. Inc.

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

common stock on the date of grant, discounted for the lack of participation rights in the expected dividends on unvested shares. Expense is recognized on a straight-line basis over the life of the award and assumes a forfeiture rate of up to 4% annually based upon expected turnover by class of recipient.

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

The table below presents the activity related to equity-classified RSUs, for the year ended December 31, 2023:

<b>Year ended December 31, 2023</b>	<b>RSUs (shares)</b>	<b>Weighted average grant date fair value per share</b>
<b>Outstanding balance, as of beginning of period</b>	1,091,038	\$ 57.93
Granted	1,001,439	61.32
Forfeited	(51,014)	47.51
Vested	(202,153)	59.88
Transfers in (out)	(213)	—
<b>Outstanding balance, as of end of period</b>	<b>1,839,097</b>	<b>\$ 59.86</b>

## Liability-classified awards

### Book-value awards

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

The Book Value Plan authorizes the grant of cash-settled awards, or “BVAs,” representing the right to receive one or more payments upon vesting equal to the product of the Initial Value multiplied by the BVU Multiple as of each applicable vesting date, or the “BVU Payment Amount.” The “Initial Value” of each BVA is expressed as a dollar amount determined by the Administrator and set forth in an Award Agreement. The “BVU Multiple” in respect of a BVA (which may be less than, equal to, or greater than one (1)) shall be equal to the quotient determined by dividing the Book Value of one Share of TGAFG (excluding incentive shares expected to be issued to certain senior executives) on the applicable Vesting Date by the Book Value of a Share on the Grant Date applicable to such BVA. The BVAs are expressed in dollars and generally vest in three equal, annual installments, on each of the first three anniversaries of the Grant Date, in each case, subject to the continued employment of the Participant on each such vesting date, with certain exceptions in the event of death, disability or retirement. Expense for outstanding BVAs is remeasured at each reporting period until the awards are settled or forfeited, net of an estimated forfeiture rate of 4%.

On February 1, 2021, under the terms of the Merger Agreement and in accordance with applicable plan documentation, GAFG restricted share awards unvested immediately prior to

## Notes to the consolidated financial statements

the closing converted into the right to receive a number of TGAFG BVAs having the same value and the same vesting schedule as the GAFG restricted share award immediately prior to the closing. Such BVAs were granted under the newly-authorized Book Value Plan described above.

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

The Company generally grants BVAs on an annual basis in connection with its Book Value Plan and periodically as approved by the plan administrator. Such awards generally vest annually over three (3) years in equal increments, subject to continued employment, with exceptions in the event of death, disability or retirement. The Company records expense over the life of the awards, with remeasurement of expense at each reporting period, until the awards are settled or forfeited. Expense related to forfeited awards is reversed in the period of forfeiture.

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

On February 28, 2023, BVAs having an aggregate value of approximately \$24 million vested as set forth under the pre-acquisition grant agreements and resulted in a cash payment of an aggregate \$14 million to participants, net of applicable tax withholdings.

The Company began recognizing long-term incentive 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 year ended December 31, 2023:

	<b>Year ended December 31, 2023</b>
<b>(\$ in millions)</b>	
<b>Outstanding amount, as of beginning of period</b>	\$ 139
Granted	36
Forfeited	(3)
Impact of change in book value on outstanding awards	5
Vested and cash-settled	(64)
<b>Outstanding amount, as of end of period</b>	<b>\$ 113</b>

## Other deferred compensation plans

### Management equity incentive plan awards

The GA Equity Incentive Plan is accounted for as a hybrid compensation plan, consisting of one component most closely aligned with a profit-sharing plan under ASC 710,

## Notes to the consolidated financial statements

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

The aggregate value of the GA Equity Incentive Plan awards at the initial date of grant was \$197 million, based on the intrinsic value of the book value component (\$5 million), as determined by applying the book value profit share percentage rate to the Company's net book value growth at the date of grant, and the fair value of the market value and assets under management, or "AUM," components at the date of grant (\$192 million, collectively), based on management's best estimate of aggregate excess market value and projected AUM, respectively, over the 5-year vesting schedule. A forfeiture rate of 0% is applied for each component. Expense is remeasured accordingly at each reporting period and adjusted as needed until the awards are forfeited or settled.

During the year ended December 31, 2023, 273 incentive units were granted to employees and 118 incentive units were forfeited. As of December 31, 2023 and 2022, there were approximately 1,000 and 845 incentive units outstanding under the Plan, respectively.

The Company recorded compensation expense of \$38 million and \$89 million for the years ended December 31, 2023 and 2022, respectively, for Units granted under the MEP, with a corresponding offset to other liabilities. As of December 31, 2023, there was approximately \$49 million of unrecognized expense related to the GA Units granted under the GA Equity Incentive Plan with a weighted average service period remaining of 2.09 years.

**Notes to the consolidated financial statements**

**16. Income taxes**

**Provision for income taxes**

The table below presents the components of the expense for taxes attributable to continuing operations:

	Years ended	
	December 31,	December 31,
	2023	2022
<b>(\$ in millions)</b>		
<b>Current income tax expense</b>		
Federal	\$ 151	\$ 216
State/local	3	2
<b>Total current income tax expense</b>	<b>154</b>	<b>218</b>
<b>Deferred income tax benefit</b>		
Federal	(173)	50
<b>Total deferred income tax (benefit) expense</b>	<b>(173)</b>	<b>50</b>
<b>Total income tax (benefit) expense</b>	<b>\$ (19)</b>	<b>\$ 268</b>

The table below presents the components of income before income taxes by jurisdiction:

	Years ended	
	December 31,	December 31,
	2023	2022
<b>(\$ in millions)</b>		
<b>Income before income taxes:</b>		
U.S.	\$ (28)	\$ 1,228
Bermuda	260	131
<b>Total income before income taxes</b>	<b>\$ 232</b>	<b>\$ 1,359</b>

Certain subsidiaries of the Company operating in the U.S. are subject to tax in the U.S. Income taxes reported in these consolidated financial statements relate to those entities. Certain subsidiaries of the Company operate in Bermuda and intend to operate the business such that they are not considered to be treated as engaged in the conduct of a trade or business in the U.S. Because the U.S. tax code, regulations and court decisions do not definitively identify activities that constitute being engaged in a trade or business in the U.S., the Internal Revenue Service, or "IRS," may assert that the Company's non-U.S. subsidiaries are engaged in a trade or business in the U.S. The Company and certain Bermuda subsidiaries file protective U.S. income tax returns and the Company's U.S. subsidiaries file income tax returns with the U.S. federal government and various U.S. state governments.

Global Atlantic Re Limited, or "Global Atlantic Re," a direct subsidiary of the Company based in Bermuda, made an election under Internal Revenue Code, or "IRC," Section 953(d) for 2018 to be treated as a U.S. domestic insurance company and will be filing Form 1120 L for the tax years ended December 31, 2023, 2022 and onward.

The following table reconciles the U.S. Federal Statutory Tax Rate to the Effective Income Tax Rate:



Notes to the consolidated financial statements

	Years ended	
	December 31,	December 31,
	2023	2022
<i>(\$ in millions)</i>		
<b>Expected income tax expense at statutory rate</b>	<b>\$ (6)</b>	<b>\$ 258</b>
<b>Addition (reduction) in income tax resulting from:</b>		
Dividend received deduction	(2)	(2)
Low income housing tax credits	(1)	(2)
Prior year taxes, including tax rate differential	(2)	(11)
State taxes	3	2
Non-controlling interest tax effect	3	25
Investment tax credits	(5)	—
Tax exempt interest	(5)	—
Other	(4)	(2)
<b>Total income tax expense</b>	<b>\$ (19)</b>	<b>\$ 268</b>

Deferred income taxes

Deferred income taxes reflect the net effects of temporary differences between financial reporting and tax basis of assets and liabilities. These temporary differences result in taxable or deductible amounts in future years and are measured using the tax rates and laws that will be in effect when such differences are expected to reverse. Valuation allowances are established to reduce deferred tax assets to the amount that more-likely-than-not will be realized.

In 2022, changes in market conditions, including rapidly rising interest rates, impacted the unrealized tax gains and losses in the available for sale securities portfolios of Global Atlantic, resulting in deferred tax assets related to net unrealized tax capital losses for which the carryforward period has not yet begun, and as such, when assessing recoverability, Global Atlantic considered our ability and intent to hold the underlying securities to recovery. Based on all available evidence, Global Atlantic concluded that a valuation allowance should be established on a portion of the deferred tax assets related to unrealized tax capital losses that are not more-likely-than-not to be realized, which represents the portion of the portfolio Global Atlantic estimates it would not be able to hold to recovery. For the year ended December 31, 2023, Global Atlantic maintained \$89 million of valuation allowance associated with the unrealized tax capital losses in the available for sale securities portfolio. The valuation allowance establishment was allocated to other comprehensive income.

On August 16, 2022, the Inflation Reduction Act (the "IRA") was signed into law. The IRA enacted a new 15% corporate minimum tax ("CAMT") on the "adjusted financial statement income" of certain large corporations, which became effective on January 1, 2023. In addition, the IRA enacted a 1% excise tax on corporate stock repurchases completed after December 31, 2022. As required under the authoritative guidance of ASC 740, Income Taxes, we reviewed the impact on income taxes due to the change in legislation and concluded there was no material impact to the financial statements as of December 31, 2022 or 2023.

On December 27, 2023, Bermuda enacted the Corporate Income Tax Act 2023 (the "CIT"). The CIT introduces a 15% corporate income tax rate, effective for tax years beginning on or after January 1, 2025. Section 9(2)(b) of Part 3 of the CIT excludes an entity from the scope of the corporate income tax that is less than 80% owned by any ultimate parent entity. As December 31, 2023, Global Atlantic was less than 80% owned by KKR. For this reason, Global

# Global Atlantic Limited (Delaware) and subsidiaries

## Notes to the consolidated financial statements

Atlantic has not accrued any deferred tax expense or benefit relating to the CIT as of December 31, 2023.

The table below presents the significant components of deferred tax assets and liabilities:

	As of December 31,	
	2023	2022
<b>(\$ in millions)</b>		
<b>Deferred tax assets:</b>		
Insurance reserves	\$ 552	\$ 537
Net operating loss, and capital loss carryforwards	829	70
Insurance intangibles	358	210
Investments, including derivatives	670	1,694
Other	92	32
<b>Subtotal deferred tax assets</b>	<b>2,501</b>	<b>2,543</b>
Valuation allowance	(89)	(89)
<b>Total deferred tax assets</b>	<b>2,412</b>	<b>2,454</b>
<b>Deferred tax liabilities:</b>		
Loss reserve adjustment (transition rule)	56	84
Other	—	23
<b>Total deferred tax liabilities</b>	<b>56</b>	<b>107</b>
<b>Total deferred tax asset, net</b>	<b>\$ 2,356</b>	<b>\$ 2,347</b>

## Tax attributes

As of December 31, 2023, the Global Atlantic (Fin) Company consolidated group has a U.S. federal net operating loss (“NOL”) carryforward of \$274 million; \$56 million will begin to expire in 2034 and the remainder has an indefinite life. The GA Finco consolidated group also has capital loss carryforwards of \$143 million which will begin to expire in 2027. In addition, Global Atlantic Re had a federal NOL of \$3.5 billion, all of which has an indefinite life.

## Unrecognized tax benefits

The Company recognizes tax positions in the consolidated financial statements only when it is more-likely-than-not that the position will be sustained on examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more-likely-than-not be realized on settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the consolidated financial statements. The Company believes that its income tax filing positions and deductions will be sustained on audit and does not anticipate any adjustments that will impact the Company’s balance sheets, income statements or cash flows. As of December 31, 2023 and 2022, the Company did not record a liability related to accounting for uncertainty in income taxes.

## Status of open tax years

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 2018.

## Notes to the consolidated financial statements

### U.S. withholding tax

U.S. withholding taxes have not been provided on undistributed earnings of the Company's U.S. subsidiaries as of December 31, 2023 and 2022. Although U.S. withholding taxes may apply in the event a dividend is paid by the Company's U.S. subsidiaries, the Company has not accrued withholding taxes. Although it may be material to the Company's financial position and results of operations, the cumulative amount subject to U.S. withholding taxes, if distributed, the determination of the tax liability is not practicable to compute.

## 17. Dividend restrictions and statutory information

Several of the Company's subsidiaries are regulated insurance companies and subject to laws governing the payment of dividends to shareholders in the U.S. and Bermuda.

### The United States of America

The laws and regulations of each of our U.S. insurance subsidiaries' state of domicile require notice to and approval by the applicable state insurance commissioner prior to the declaration or payment of an extraordinary dividend. An extraordinary dividend is any dividend, which, together with other dividends or distributions made within the preceding 12 months, exceeds the greater of: (1) 10% of the insurer's policyholder surplus as of December 31 of the preceding year; or (2) the statutory net gain from operations for the twelve-month period ending on the last preceding December 31. An ordinary dividend is any dividend that does not exceed such amount. Insurance statutes also generally require an insurance company to pay a dividend or distribution out of earned surplus, unless it receives the prior approval of its domiciliary state insurance regulator. These laws and regulations require, among other things, each U.S. insurance subsidiary to maintain minimum solvency requirements and limit the amount of dividends these subsidiaries can pay.

The Company's primary U.S. insurance subsidiary, Commonwealth Annuity and Life Insurance Company, or "CwA," a stock company of the Commonwealth of Massachusetts, is the sole owner of the Company's other U.S. insurance subsidiaries. As a result, if it receives any dividend payments from those subsidiaries it must further dividend those payments in order for the payments to reach the Company. As such, the ordinary dividend capacity at CwA effectively limits the Company's access to the dividend capacity of its other U.S. insurance subsidiaries unless CwA seeks and receives extraordinary dividend approval from CwA's primary insurance regulator, the Massachusetts Division of Insurance.

The following table sets forth statutory and dividend information of CwA:

	As of and for the years ended December 31,	
	2023	2022
<b>(\$ in millions)</b>		
Statutory net (loss) income	\$ (771)	\$ (492)
Statutory net gain from operations	(306)	(71)
Capital and surplus	4,314	4,192
Dividends permitted without approval during the following year	None	69

The Company's U.S. insurance subsidiaries must meet minimum capital and surplus requirements under a risk-based capital, or "RBC," formula. RBC is the standard measurement

## Notes to the consolidated financial statements

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of an insurance company's required capital on a statutory basis and is based on a formula calculated by applying factors to various assets, premium and statutory reserve items. The formula is intended to take into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk and business risk. Regulatory action is tied to maintaining certain levels of a company's surplus deficit under the RBC formula or company action level RBC, or "CAL RBC." All of the Company's U.S. insurance subsidiaries individually exceeded CAL RBC for 2023 and 2022.

Certain of the Company's regulated insurance subsidiaries are required to file financial statements with U.S. state regulatory authorities prepared on an accounting basis prescribed or permitted by their domiciliary state. Statutory surplus computed under those methodologies differ from equity reported in accordance with U.S. GAAP primarily because fixed maturity securities are required to be carried at cost or amortized cost, embedded derivatives on funds withheld reinsurance balances are not recognized, policy acquisition costs are expensed when incurred and asset valuation and interest maintenance reserves are required to be held. Life insurance reserves are calculated based upon different assumptions and the recognition of deferred tax assets is based on different recoverability assumptions.

The Company's insurance entities cede certain term life and universal life insurance statutory reserves to wholly-owned captives on coinsurance and funds withheld coinsurance bases. The reserves are secured by cash, invested assets and financing provided by highly rated third parties. As of December 31, 2023 and 2022, the Company's wholly-owned captives assumed statutory reserves of \$7.0 billion and \$6.8 billion, respectively, from the Company's insurance entities. In the states of Vermont and Iowa, the affiliated reinsurers have adopted prescribed practices allowing for the outstanding principal of a contingent note or a parental guarantee serving as collateral in connection with a reinsurance credit to be included in surplus as admitted assets. As of both December 31, 2023 and 2022, assets admitted under these practices increased surplus by \$2.3 billion.

### Bermuda

Global Atlantic Re and Global Atlantic Assurance Limited, or "Global Atlantic Assurance," are subsidiaries of the Company. Beginning in 2018, Global Atlantic Re is treated as a U.S. domestic insurance company under IRC Section 953(d) and began filing Form 1120 L for the tax year ended December 31, 2018. Prior to 2018, Global Atlantic Re was a Bermuda tax exempted company. Global Atlantic Assurance is a Bermuda tax exempted company. Together we refer to both companies as "our Bermuda insurance subsidiaries." Our Bermuda insurance subsidiaries are subject to the Bermuda Insurance Act 1978, as amended and related regulations, or the "Bermuda Insurance Act."

The Bermuda Insurance Act limits the ability of our Bermuda insurance subsidiaries to pay dividends or make capital distributions by stipulating certain margin and solvency requirements and by requiring approval from the Bermuda Monetary Authority, or the "BMA," prior to a reduction of 15% or more of an insurer's total statutory capital as reported on its prior year statutory balance sheet. Moreover, an insurer must submit an affidavit to the BMA, sworn by at least two directors and the principal representative in Bermuda of the respective Bermuda insurance subsidiary, at least seven days prior to payment of any dividend which would exceed 25% of an insurer's total statutory capital and surplus as reported on its prior year statutory balance sheet. The affidavit must state that, in the opinion of those swearing, the declaration of such dividend has not caused the insurer to fail to meet its relevant margins (a "Bermuda Dividend Affidavit"). Accordingly, our Bermuda insurance subsidiaries may distribute up to (1) 100% of statutory surplus plus (2) an amount less than 15% of statutory

## Notes to the consolidated financial statements

capital, upon providing the BMA with a Bermuda Dividend Affidavit and meeting applicable solvency requirements, without BMA approval.

With respect to margin and solvency requirements, the Bermuda Insurance Act prohibits our Bermuda insurance subsidiaries from declaring or paying any dividends during any financial year if it is in breach of its solvency margin or if the declaration or payment of such dividends would cause such a breach. If the insurer has failed to meet its minimum solvency margin on the last day of any financial year, such insurer will also be prohibited, without the approval of the BMA, from declaring or paying any dividends during the next financial year. Our Bermuda insurance subsidiaries are also prohibited from declaring or paying a dividend where it has failed to comply with its enhanced capital requirement, until such noncompliance is rectified. Both of the Company's Bermuda reinsurance subsidiaries individually exceeded their enhanced capital requirements.

The following table sets forth statutory and dividend information of our Bermuda insurance subsidiaries:

	As of and for the years ended	
	December 31,	
	2023	2022
<b>(\$ in millions)</b>		
<b>Global Atlantic Re</b>		
Statutory net income	\$ 260	\$ 288
Capital and surplus	2,708	1,296
Dividends and capital distributions permitted without approval during the following year	1,897	619
<b>Global Atlantic Assurance</b>		
Statutory net (loss) income	\$ (144)	\$ 149
Capital and surplus	740	926
Dividends and capital distributions permitted without approval during the following year	267	314

Neither of our Bermuda insurance subsidiaries declared or paid a dividend in 2023 or 2022. In 2023, Global Atlantic Assurance returned capital amounting to \$314 million.

In 2024, Global Atlantic Re has the capacity to declare a dividend of \$1.9 billion and Global Atlantic Assurance has the capacity to declare a dividend of \$267 million, in either case without BMA approval subject to providing the BMA a Bermuda Dividend Affidavit, meeting applicable margin and solvency requirements and complying with Bermuda law more generally.

The Bermuda Insurance Act requires our Bermuda insurance subsidiaries to prepare and file statutory financial statements with the BMA in accordance with BMA prescribed or permitted practices that may differ from U.S. GAAP. For example, Bermuda statutory surplus differs from U.S. GAAP primarily due to a modification that permits our Bermuda insurance subsidiaries to not measure the embedded derivative included within certain funds withheld coinsurance agreements at fair value.

The Bermuda Insurance Act also requires our Bermuda insurance subsidiaries to maintain certain measures of solvency and liquidity. The Bermuda statutory financial statements form the basis for assessing our Bermuda insurance subsidiaries' liquidity, minimum solvency margin and class of registration. These financial statements in turn form the basis for the

## Notes to the consolidated financial statements

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preparation of the insurer's economic balance sheet. Economic balance sheet is a principles-based valuation approach to determine an insurer's capital adequacy and is used as the basis for determination of the Bermuda insurance subsidiary's enhanced capital requirement.

### 18. Related party transactions

The Company has investment management service agreements with KKR. KKR provides investment management services across the Company. The Company recorded expenses for these agreements of \$446 million and \$306 million for the years ended December 31, 2023 and 2022, respectively, and had \$115 million and \$90 million payable due to KKR as of December 31, 2023 and 2022, respectively. In addition, the Company may enter into agreements with KKR portfolio companies that are affiliated companies for investment management or other services. Related to such agreements, the Company recognized \$4 million of expense for the year ended December 31, 2023, and less than \$1 million payable due as of that date.

The Company has agreements to lease office space from KKR. The Company recorded expenses for these agreements of \$9 million for both of the years ended December 31, 2023 and 2022, and had \$6 million and \$9 million payable due to KKR as of December 31, 2023 and 2022, respectively.

In 2022, the Company and Panamint Capital, or "Panamint," a utility-scale renewable energy developer, entered into a series of agreements whereby the Company invested in a minority equity position in Panamint and agreed to provide financing to its operations. In addition, the Company has the option to purchase projects sourced by Panamint and finance related redevelopment work. The agreements with Panamint enable the Company to exercise significant influence over the operating and financial policies of Panamint. The Company reported a fixed maturity investment of \$7 million and an equity method investment of \$1 million in Panamint as of December 31, 2023.

During third quarter 2023, the Company purchased controlling interests in projects sourced by Panamint that we now consolidate. Panamint is operating and will redevelop the projects, in exchange for certain fees and a minority equity stake in the projects. The amount of these purchases of controlling interests totaled \$121 million. These project investments are reported in Other investments.

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

On December 13, 2021, the Company acquired an equity interest in Avenue One Holdings ("Avenue One") that enables the Company to exercise significant influence. Avenue One provides services related to certain real estate investments held by the Company, including sourcing, renovating and managing properties. The Company paid \$28 million and \$53 million to Avenue One during the years ended December 31, 2023 and 2022, respectively, for the sourcing, renovation and management of properties. Amounts related to sourcing and renovating properties are recognized in the cost of the real estate on the balance sheet, and the management fees are recognized in net investment income. As of December 31, 2023 and 2022, there was \$1 million and \$3 million, respectively, payable outstanding to Avenue One under the related services agreement.

Notes to the consolidated financial statements

The Company has provided financing to a related party, Parasol Renewable Energy Holdings, LLC, in which the Company owns a 20% equity share. The financing is used to fund the development of renewable energy projects. The loan used to fund the projects was paid off in December 2022. The Company reported an equity investment of \$33 million and \$112 million as of December 31, 2023 and 2022, respectively.

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

Type	Balance sheet classification	As of December 31, 2023		
		Asset carrying value	Accrued interest	Total balance sheet amount
<i>(\$ in millions)</i>				
KKR-issued investments	AFS fixed maturity securities	\$ 2,702	\$ 44	\$ 2,746
KKR-issued investments	Trading fixed maturity securities	592	10	602
KKR-issued investments	Other investments	1	—	1
<b>Total related party investments</b>		<b>\$ 3,295</b>	<b>\$ 54</b>	<b>\$ 3,349</b>

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

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

	Years ended	
	December 31, 2023	December 31, 2022
<i>(\$ in millions)</i>		
<b>Net investment loss:</b>		
Parasol Renewable Energy loan receivables	\$ 2	\$ 3
KKR investment management	(446)	(306)
KKR debt securities	186	145
Avenue One management fees	(3)	(1)
<b>Total net investment loss</b>	<b>\$ (261)</b>	<b>\$ (159)</b>
<b>Net investment-related (losses) gains</b>		
Parasol Renewable Energy investments	\$ (44)	\$ 78
KKR securities	3	(72)
<b>Total net investment-related gain (loss)</b>	<b>\$ (41)</b>	<b>\$ 6</b>



**Notes to the consolidated financial statements**

**19. Commitments and contingencies**

**Commitments**

The Company has operational servicing agreements with third-party administrators for policy administration over certain fixed-rate annuities, universal life, variable annuity, variable universal life, whole life, and term life policies. Additionally, the Company is party to a third-party professional services agreement regarding the management of aspects of the Company's reinsurance portfolio. The Company leases office space for its operations.

As of December 31, 2023, purchase commitments under agreements with third-party administrators and other service providers and lease commitments were as follows:

Years	Amounts
	(\$ in millions)
2024	\$ 53
2025	43
2026	32
2027	23
2028	19
Thereafter	98
<b>Total</b>	<b>\$ 268</b>

The Company enters into lease contracts, the most significant being leases of office space for its operations and land leases for its consolidated solar and real estate subsidiaries. The Company reports these leases as right-to-use assets with a corresponding lease liability in other assets 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 7.8% depending on the term. As of December 31, 2023, the Company has a right-to-use asset of \$176 million (net of \$21 million in deferred rent and lease incentives) and a corresponding lease liability of \$197 million. As of December 31, 2022, the Company has a right-to-use asset of \$183 million (net of \$22 million in deferred rent and lease incentives) and a corresponding lease liability of \$205 million.

The Company has commitments to purchase or fund investments of \$5.5 billion and \$5.2 billion as of December 31, 2023 and 2022, respectively. These commitments include those related to 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 \$49 million for current expected credit losses as of December 31, 2023.

In addition, the Company has entered into certain forward flow agreements to purchase loans. Our obligations under these agreements 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.



## Notes to the consolidated financial statements

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### Contingencies

#### Guarantees

In the ordinary course of business, Global Atlantic enters into contracts that contain a variety of representations, warranties and covenants, including indemnifications and guarantees related to the purchase or sale of assets and businesses. These various arrangements may have a variety of triggering events, such as the occurrence of specified business contingencies, or breaches of representations, warranties or covenants provided by Global Atlantic. These arrangements are typically subject to various time limitations, defined by the contract or by operation of law, such as statutes of limitation. In some cases, the maximum potential obligation is subject to contractual limitations, while in other cases such limitations are not specified or are not applicable.

In connection with the \$750 million Subordinated Debentures due 2051 issued by FinCo, the Company has agreed to fully and unconditionally guarantee the notes on a subordinated, unsecured basis.

In connection with the \$650 million Senior Notes due 2033 issued by FinCo, the Company has agreed to fully and unconditionally guarantee the notes on a senior unsecured basis.

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

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

In connection with the 5-year \$1.0 billion RCF entered into by FinCo on August 4, 2021, the Company has agreed to jointly and severally guarantee, together with any subsidiary guarantors, payment and performance of FinCo's obligations under the RCF when due if not promptly paid by FinCo for the benefit of the lenders. The guarantees provided by the Company and any subsidiary guarantors are released when all commitments and obligations under the RCF have been paid in full or when the RCF commitments expire or are terminated upon the merger of certain subsidiary guarantors with or into FinCo in accordance with the terms set forth in the RCF. In September 2022, FinCo entered into an amendment of the GA Credit Agreement to adjust the interest rates based on the term SOFR and to make certain conforming changes related to converting the facility from interest rates based on LIBOR to interest rates based on SOFR. As of December 31, 2023, the Company was the only guarantor under the RCF.

In connection with a Tax Benefit Payment Agreement entered into between FinCo, as payor, and Goldman Sachs, as payee, in 2013, GAFLL and GAFG have agreed to guarantee the payment and performance of FinCo, for the benefit of Goldman Sachs. In connection with the KKR transaction, effective February 1, 2021, GAFLL merged with and into GAFG and is no longer a party to the agreement. See Note 18 — "Related party transactions" for additional information on the Tax Benefit Payment Agreement.

## Notes to the consolidated financial statements

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In lieu of funding certain investments in loan facilities to third party borrowers in cash, the Company has arranged or participated in letters of credit issued by third-party banks on behalf of the borrowers in the amount of \$15 million, as of December 31, 2023, with expiration dates between May 2024 and November 2024. The Company has available lines of credit that would allow for additional letters of credit to be issued on behalf of certain borrowers, up to \$160 million, as of December 31, 2023. For accounting purposes, these letters of credit are considered guarantees of certain obligations of the borrowers. If a letter of credit were to be drawn, the Company would be obligated to repay the issuing third-party bank, and the Company would recognize a loan receivable from the borrowers on its balance sheet. The Company monitors the likelihood of these letters of credit being drawn, and any related contingent obligation. As of both December 31, 2023 and 2022, the expected credit loss on the contingent liability associated with these letters of credit was not material. See Note 18 —“Related party transactions” for additional information on the letters of credit.

### Legal matters

The Company is currently and expects to become from time to time involved in litigation and regulatory actions. Litigation, including class actions, or regulatory actions could result in the payment of substantial settlements, increase costs, require changes to operations, divert management attention, cause reputational harm or make it more challenging to attract and retain customers, employees and agents at the Company. Such matters include pending examinations, including related to policy administration, and class action lawsuits, including related to safeguarding of customer data. Given the inherent difficulty of predicting the outcome of the Company’s litigation and regulatory matters, particularly in cases or proceedings in which substantial or indeterminate damages or fines are sought, the Company cannot estimate losses or ranges of losses for cases or proceedings where there is only a reasonable possibility that a loss may be incurred.

Although the Company’s ultimate legal and financial responsibility and our actual future expenditures to address regulatory, litigation and related matters cannot be estimated at this time and could prove to be materially different from the amount that we accrue or reserve for, the Company believes that certain liabilities are probable and can be reasonably estimated and accordingly has recorded a total reserve for all regulatory, litigation and related matters of approximately \$5 million as of both December 31, 2023 and 2022.

### Financing arrangements

The Company has financing arrangements with unaffiliated third parties to support the reserves of its affiliated special purpose reinsurers. Total fees associated with these financing arrangements were \$20 million for both the years ended December 31, 2023 and 2022, and are included in insurance expenses in the consolidated statements of income. As of both December 31, 2023 and 2022, the total capacity of the financing arrangements with third parties was \$2.3 billion.

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

## 20. Subsequent events

The Company evaluated all events and transactions through March 1, 2024, the date the accompanying consolidated financial statements were available to be issued, that would

## Notes to the consolidated financial statements

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merit recognition or disclosures in the consolidated financial statements, and other than the matter disclosed below, there were none.

### **KKR purchase of remaining non-controlling interests in TGAFG**

On January 2, 2024, KKR acquired all of the remaining minority equity interests of Global Atlantic that KKR did not already own. At the closing of the transaction (the “Closing”), Global Atlantic became a wholly-owned subsidiary of KKR. The total cash purchase price for the minority equity interests of Global Atlantic that KKR did not already own was approximately \$2.6 billion, which is subject to certain post-Closing purchase price adjustments. Additionally, in connection with the Closing, certain Global Atlantic employees rolled over a majority of their equity interests in Global Atlantic and received restricted holdings units issued by KKR Holdings III, which are subject to certain post-Closing purchase price adjustments. The outstanding debt securities of Global Atlantic remain solely outstanding obligations of Global Atlantic and were not assumed or guaranteed by other parts of KKR.

Lastly, on February 19, 2024, subsequent to the end of the reporting period, the Company received an additional capital contribution from KKR of \$200 million.

### **Global Atlantic purchase of certain investments from its parent, KKR**

In January 2024 Global Atlantic acquired a non-controlling limited partnership interest in two investment funds from its ultimate parent company KKR, the Diversified Core Infrastructure Fund (“DCIF”) and the KKR Property Partners Americas Fund (“KPPA”), for \$555 million and \$385 million, respectively.

In addition, Global Atlantic, as lender, entered into a \$1 billion credit agreement with a KKR affiliate..