GLOBAL ATLANTIC FINANCIAL LIMITED

(AN INDIRECT SUBSIDIARY OF

GLOBAL ATLANTIC FINANCIAL GROUP LIMITED)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SEPTEMBER 30, 2019 AND DECEMBER 31, 2018

GLOBAL ATLANTIC FINANCIAL LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

($ in millions, except share data)	September 30, 2019 (unaudited)	December 31, 2018
Assets		
Investments:		
Fixed maturity securities, available-for-sale, at fair value (amortized cost: $45,775 and $42,016, respectively; variable interest entities: $908 and $503, respectively; and related party: $161 and $115, respectively)	$ 49,260	$ 42,107
Fixed maturity securities, trading, at fair value (amortized cost: $924 and $813, respectively)	993	797
Equity securities at fair value (cost: $53 and $181, respectively)	58	183
Mortgage and other loan receivables (portion at fair value: $214 and $195, respectively; variable interest entities: $706 and $249, respectively; and related party: $214 and $107, respectively)	12,112	10,144
Policy loans	625	624
Derivative assets	716	208
Funds withheld receivable at interest (portion at fair value: $358 and $346, respectively; related party: $31 and $28, respectively)	2,420	2,451
Other investments (portion at fair value: $534 and $482, respectively; variable interest entities: $4,681 and $3,995, respectively; and related party: $147 and $159, respectively)	5,388	4,635
Total investments	71,572	61,149
Cash and cash equivalents (variable interest entities: $139 and $88, respectively)	1,873	1,253
Accrued investment income (variable interest entities: $33 and $23, respectively)	536	467
Reinsurance recoverable (portion at fair value: $1,353 and $1,249, respectively; related party: $– and $2, respectively)	4,252	4,175
Deferred policy acquisition costs	1,596	1,891
Value of business acquired	399	668
Other assets (variable interest entities: $53 and $3, respectively)	553	493
Separate account assets	5,336	5,144
Total assets	$ 86,117	$ 75,240

(continued)

GLOBAL ATLANTIC FINANCIAL LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	September 30, 2019	December 31, 2018
($ in millions, except share data)	*(unaudited)*	
Liabilities		
Policyholder liabilities:		
Future policyholder benefits (portion at fair value: $1,298 and $1,192, respectively; related party: $2,515 and $2,572, respectively)	$ 5,036	$ 4,568
Outstanding claims (portion at fair value: $21 and $18, respectively)	181	204
Contractholder deposit funds and other policyholder liabilities (portion at fair value: $2,589 and $1,771, respectively; related party: $5,042 and $5,599, respectively)	64,012	57,345
Total policyholder liabilities	69,229	62,117
Debt	1,032	901
Tax payable to former parent company	89	98
Collateral on derivative instruments	579	138
Funds withheld payable at interest (portion at fair value: $45 and $21, respectively)	2,140	2,132
Accrued expenses and other liabilities (portion at fair value: $36 and $27, respectively; variable interest entities: $186 and $106, respectively; and related party: $21 and $17, respectively)	1,227	826
Reinsurance liabilities (related party: $67 and $77, respectively)	296	395
Separate account liabilities	5,336	5,144
Total liabilities	$ 79,928	$ 71,751
Commitments and contingencies (Note 12)		
Redeemable non-controlling interests (Note 9)	$ 124	$ —
Shareholder's equity		
Common stock, $1 par value, 100,000,000 shares authorized, 304 shares issued and outstanding, respectively	$ —	$ —
Additional paid-in capital	1,657	1,658
Retained earnings	2,253	1,818
Accumulated other comprehensive income (loss)	2,091	(57)
Total Global Atlantic Financial Limited shareholder's equity	6,001	3,419
Non-controlling interests	64	70
Total shareholder's equity	6,065	3,489
Total liabilities, redeemable non-controlling interests and shareholder's equity	$ 86,117	$ 75,240

See accompanying notes to unaudited consolidated financial statements.

GLOBAL ATLANTIC FINANCIAL LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
($ in millions, except per share data)	*(unaudited)*		*(unaudited)*	
Revenues				
Premiums (related party: $11 and $49, for the three months, respectively, and $28 and $2,630, for the nine months, respectively)	$ 290	$ 50	$ 479	$ 1,445
Policy fees (related party: $3 and $2, for the three months, respectively, and $12 and $6, for the nine months, respectively)	334	298	917	934
Net investment income (related party investment income: $10 and $14, for the three months, respectively, and $20 and $44, for the nine months, respectively; related party investment expense: $4 and $3, for the three months, respectively, and $11 and $9, for the nine months, respectively)	766	657	2,167	1,784
Net investment gains (losses) (related party: $– and $1, for the three months, respectively, and $(2) and $5, for the nine months, respectively)	107	65	485	(5)
Other income	14	17	43	43
Total revenues	1,511	1,087	4,091	4,201
Benefits and expenses				
Policy benefits and claims (related party: $88 and $112, for the three months, respectively, and $232 and $2,718, for the nine months, respectively)	1,111	735	2,946	3,171
Amortization of policy acquisition costs	100	41	191	195
Interest expense	17	15	48	42
Insurance expenses (related party: $2 and $2, for the three months, respectively, and $6 and $3, for the nine months, respectively)	23	21	69	70
General and administrative expenses (related party: $2 and $3, for the three months, respectively, and $7 and $4, for the nine months, respectively)	120	129	349	368
Total benefits and expenses	1,371	941	3,603	3,846
Income before income taxes	140	146	488	355
Income tax (benefit) expense	(10)	12	41	45
Net income	150	134	447	310
Less: net income (losses) attributable to non-controlling interests and redeemable non-controlling interests	6	—	12	(54)
Net income attributable to Global Atlantic Financial Limited shareholder	$ 144	$ 134	$ 435	$ 364
Earnings per share:				
Basic	$ 473,685	$ 440,789	$ 1,430,921	$ 1,197,368
Diluted	$ 473,685	$ 440,789	$ 1,430,921	$ 1,197,368

See accompanying notes to unaudited consolidated financial statements.

GLOBAL ATLANTIC FINANCIAL LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
($ in millions)	*(unaudited)*		*(unaudited)*	
Net income	$ 150	$ 134	$ 447	$ 310
Other comprehensive income (loss), before taxes:				
Unrealized gains (losses) on securities and other investments for the period	909	(139)	3,470	(1,320)
Less: reclassification adjustment for gains included in net income	14	—	17	64
Unrealized gains (losses) on available-for-sale securities and other investments	895	(139)	3,453	(1,384)
Net effect of unrealized (losses) gains on policyholder balances	(277)	46	(818)	305
Other comprehensive income (loss), before taxes	618	(93)	2,635	(1,079)
Income tax (expense) benefit related to other comprehensive income (loss)	(114)	26	(487)	217
Other comprehensive income (loss) before non-controlling interests and redeemable non-controlling interests, net of tax	504	(67)	2,148	(862)
Comprehensive income (loss)	654	67	2,595	(552)
Less: total comprehensive income (loss) attributable to non-controlling interests and redeemable non-controlling interests:				
Net income (loss)	6	—	12	(54)
Total comprehensive income (loss) attributable to non-controlling interests and redeemable non-controlling interests	6	—	12	(54)
Comprehensive income (loss) attributable to Global Atlantic Financial Limited shareholder	$ 648	$ 67	$ 2,583	$ (498)

See accompanying notes to unaudited consolidated financial statements.

GLOBAL ATLANTIC FINANCIAL LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF REDEEMABLE NON-CONTROLLING INTERESTS AND SHAREHOLDER'S EQUITY (Unaudited)

For the three months ended September 30, 2019 and 2018	Redeemable non-controlling interests	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total Global Atlantic Financial Ltd shareholder's equity	Non-controlling interest	Total shareholder's equity
($ in millions)								
Balance as of June 30, 2018	$ —	$ —	$ 1,646	$ 1,614	$ 348	$ 3,608	$ 73	$ 3,681
Net income	—	—	—	134	—	134	—	134
Other comprehensive loss	—	—	—	—	(67)	(67)	—	(67)
Equity-based compensation	—	—	4	—	—	4	—	4
Capital contribution and other activity from non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	(1)	(1)
Balance as of September 30, 2018	$ —	$ —	$ 1,650	$ 1,748	$ 281	$ 3,679	$ 72	$ 3,751
Balance as of June 30, 2019	$ 119	$ —	$ 1,650	$ 2,109	$ 1,587	$ 5,346	$ 65	$ 5,411
Net income	5	—	—	144	—	144	1	145
Other comprehensive income	—	—	—	—	504	504	—	504
Equity-based compensation	—	—	7	—	—	7	—	7
Capital contribution and other activity from non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	1	1
Distribution to non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	(3)	(3)
Balance as of September 30, 2019	$ 124	$ —	$ 1,657	$ 2,253	$ 2,091	$ 6,001	$ 64	$ 6,065

(continued)

GLOBAL ATLANTIC FINANCIAL LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF REDEEMABLE NON-CONTROLLING INTERESTS AND SHAREHOLDER'S EQUITY (Unaudited) (*Continued*)

For the nine months ended September 30, 2019 and 2018	Redeemable non-controlling interests	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total Global Atlantic Financial Ltd shareholder's equity	Non-controlling interest	Total shareholder's equity
($ in millions)								
Balance as of December 31, 2017	$ —	$ —	$ 1,656	$ 1,383	$ 1,144	$ 4,183	$ 54	$ 4,237
Cumulative effect adjustment	—	—	—	1	(1)	—	—	—
Net income	—	—	—	364	—	364	(54)	310
Other comprehensive loss	—	—	—	—	(862)	(862)	—	(862)
Equity-based compensation	—	—	(6)	—	—	(6)	—	(6)
Capital contributions and other activity from non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	72	72
Balance as of September 30, 2018	$ —	$ —	$ 1,650	$ 1,748	$ 281	$ 3,679	$ 72	$ 3,751
Balance as of December 31, 2018	$ —	$ —	$ 1,658	$ 1,818	$ (57)	$ 3,419	$ 70	$ 3,489
Net income	7	—	—	435	—	435	5	440
Other comprehensive income	—	—	—	—	2,148	2,148	—	2,148
Equity-based compensation	—	—	(1)	—	—	(1)	—	(1)
Capital contributions and other activity from non-controlling interests and redeemable non-controlling interests	117	—	—	—	—	—	(5)	(5)
Distribution to non-controlling interests and redeemable non-controlling interests	—	—	—	—	—	—	(6)	(6)
Balance as of September 30, 2019	$ 124	$ —	$ 1,657	$ 2,253	$ 2,091	$ 6,001	$ 64	$ 6,065

See accompanying notes to unaudited consolidated financial statements.

GLOBAL ATLANTIC FINANCIAL LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,	
	2019	2018
($ in millions)	*(unaudited)*	
Cash flows from operating activities		
Net income	$ 447	$ 310
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Changes in fair value of equity securities and other investments	(28)	(14)
Changes in fair value of trading fixed maturity securities	(86)	11
Net investment (gains) losses (related party: $3 and $5, respectively)	39	(194)
Change in fair value of derivatives and other derivative-related activity	321	460
Net accretion and amortization (related party: $10 and $–, respectively)	36	(53)
Interest credited to policyholder account balances less policy fees	956	845
Deferred income tax (benefit) expense	(30)	46
Changes in operating assets and liabilities:		
Reinsurance transactions and acquisitions, net of cash provided (used) (related party: $– and $380, respectively)	151	398
Change in premiums, notes receivable and reinsurance recoverable, net of reinsurance premiums payable	(95)	233
Change in deferred policy acquisition costs	(397)	(303)
Change in accrued investment income	(59)	(50)
Change in policyholder liabilities and accruals, net	490	(223)
Other, net (related party: $1 and $–, respectively)	(37)	58
Net cash provided by operating activities	1,708	1,524
Cash flows from investing activities		
Proceeds from disposals of available-for-sale fixed maturity securities	8,459	8,590
Proceeds from maturities of available-for-sale fixed maturity securities	695	384
Proceeds from disposals of trading fixed maturity securities	528	237
Proceeds from maturities of trading fixed maturity securities	52	—
Proceeds from disposals of equity securities	1,077	457
Proceeds from mortgage and other loan receivables sold, matured or collected (related party: $98 and $–, respectively)	3,492	1,670
Proceeds from disposals of other investments (related party: $1 and $4, respectively)	454	638
Purchase of available-for-sale fixed maturity securities	(11,339)	(9,281)
Purchase of trading fixed maturity securities	(641)	(281)
Purchase of equity securities	(958)	(586)
Purchase of mortgage and other loan receivables (related party: $119 and $67, respectively)	(5,431)	(4,307)
Purchase of other investments (related party: $165 and $86, respectively)	(914)	(2,847)
Other, net	53	82
Net cash used in investing activities	$ (4,473)	$ (5,244)

(continued)

GLOBAL ATLANTIC FINANCIAL LIMITED AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (*Continued*)

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
($ in millions)	*(unaudited)*	
Cash flows from financing activities		
Settlement of repurchase agreements	$ (1,905)	$ (1,689)
Proceeds from issuance of repurchase agreements	1,906	1,690
Reinsurance transactions, net of cash provided (used) (related party: $– and $1,073, respectively)	356	1,111
Additions to contractholder deposit funds	10,124	7,068
Withdrawals from contractholder deposit funds	(7,184)	(4,196)
Issuance of long-term debt	125	—
Payment of debt principal and origination fees	—	(3)
Payment of tax payable to former parent company	(8)	(3)
Capital contributions from non-controlling interests and redeemable non-controlling interests	103	57
Distribution to non-controlling interests and redeemable non-controlling interests	(6)	—
Other, net	(7)	(8)
Net cash provided by financing activities	3,504	4,027
Net change in cash, cash equivalents and restricted cash	739	307
Cash, cash equivalents and restricted cash, beginning of period	1,253	1,357
Cash, cash equivalents and restricted cash, end of period	$ 1,992	$ 1,664
Supplemental cash flow information		
Cash and cash equivalents per consolidated balance sheets	$ 1,873	$ 1,536
Restricted cash included in other assets per consolidated balance sheets	119	128
Total cash, cash equivalents and restricted cash	$ 1,992	$ 1,664
Cash paid for interest	$ 40	$ 34
Income taxes paid	143	26
Non-cash transactions		
Available-for-sale fixed maturity securities acquired through reinsurance agreements	$ 1,476	$ 5,560
Trading fixed maturity securities acquired through reinsurance agreements	—	807
Mortgage loans acquired through reinsurance agreements	—	954
Policyholder liabilities and accruals acquired through reinsurance agreements	373	2,619
Contractholder deposit funds acquired through reinsurance agreements	1,623	6,589

See accompanying notes to unaudited consolidated financial statements.

GLOBAL ATLANTIC FINANCIAL LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(1) Nature of business and basis of presentation

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

Our CEO and members of our current management team founded the Company in 2004 as the "Reinsurance Group" within The Goldman Sachs Group, Inc., or "Goldman Sachs." In May 2013, the Company separated from Goldman Sachs and became an independent company domiciled in Bermuda.

The Company focuses exclusively on two markets in the U.S.: retirement and life. The Company's two reportable segments reflect the markets in which it operates.

- The Retirement segment's principal products are fixed-rate annuities and fixed-indexed annuities. The Company also provides block reinsurance to institutions. In this segment, the Company primarily generates income by earning a spread between its asset yield and the cost of policyholder benefits, as well as fees earned on certain policies.
- The Life segment's principal products are indexed universal life and preneed life. The Company also provides block reinsurance to institutions. In this segment, the Company primarily generates income from premiums, fees and investment income, net of the cost of policyholder benefits.

The Company reports items not allocated to the Retirement and Life segments in Corporate & Other, such as unallocated general and administrative expenses and net investment income, debt costs and the results of regulatory closed blocks where the economic performance of assets are largely passed on to policyholders through dividends.

The unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or "U.S. GAAP," on a basis consistent with reporting interim financial information. The accompanying interim consolidated financial statements are unaudited and reflect all material adjustments necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods presented in conformity with U.S. GAAP. The December 31, 2018 consolidated balance sheet data was derived from audited consolidated financial statements which include all disclosures required by U.S. GAAP. Therefore, these interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto. The results of operations for the three and nine months ended September 30, 2019 are not necessarily indicative of the results for any subsequent periods or the entire fiscal year ending December 31, 2019.

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

The Company has completed a conversion to a new life insurance administration system. In a limited number of cases, as a result of the conversion, the Company is using estimates for certain policyholder balances recorded in the consolidated financial statements. Any variances to the estimates will be recorded in future periods if estimates are revised or no longer utilized.

Change in accounting principle

During the fourth quarter of 2018, the Company changed its accounting policy associated with how the Hypothetical Liquidation at Book Value, or "HLBV," method of accounting is applied to allocate earnings to its non-controlling interests in certain of its renewable energy investments. The Company considered this change to be a preferable accounting policy. The adoption of this accounting policy change was applied retroactively, increasing the net loss attributable to non-controlling interests by $28 million for the nine months ended September 30, 2018, and had corresponding increases to policy fees, policy benefits and claims, amortization of policy acquisition costs and income tax expenses of $2 million, $1 million, $4 million and $5 million, respectively. No periods prior to 2018 were impacted by this change in accounting policy.

(2) Significant accounting policies and practices

Principles of consolidation

The accompanying unaudited consolidated financial statements include the accounts of the Company and all other entities in which the Company has a controlling financial interest. All 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. See Note 3—"Investments" for additional information on the Company's investments in unconsolidated VIEs.

Non-controlling interests and redeemable non-controlling interests

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

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

Accounting standards adopted during the period

Leasing transactions

In February 2016, the Financial Accounting Standards Board, or "FASB," issued new guidance on leasing transactions. For lessees, the primary change in guidance affects operating leases. The guidance requires a lessee of an operating lease with a term of more than 12 months to recognize an asset, representing a lessee's right to use the leased asset during the lease term, and a corresponding liability, representing the present value of lease payments, on its balance sheets. For lessors, the guidance is largely unchanged from previous U.S. GAAP requirements. The guidance also requires new disclosures. The Company adopted this standard using a modified retrospective approach effective January 1, 2019 and recognized $48 million of right-to-use assets (net of $17 million in deferred rent and lease incentives) and $65 million in lease liabilities. The Company's adoption included the election of practical expedients, in particular not reassessing whether expired or existing contracts are, or contain, leases, not reassessing the lease classification for expired or existing leases, not reassessing initial direct costs for existing leases, and using hindsight in determining the lease term. The Company also has partially owned and consolidated subsidiaries that report results on a three month lag. For these subsidiaries, on April 1, 2019, the Company recognized a $37 million right-to-use asset and a corresponding $37 million lease liability.

Targeted improvements to accounting for hedging activities

In August 2017, the FASB issued new guidance to better align risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The amendments also include certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. Disclosure requirements have also been modified. The Company adopted the standard effective January 1, 2019. The adoption of this new guidance did not have a significant impact on the Company's consolidated financial statements.

Interim disclosure requirement for changes in shareholder's equity

In August 2018, the SEC issued a final rule to amend certain disclosure requirements that were redundant, duplicative, overlapping or superseded by other SEC disclosure requirements. The amendments generally eliminate or otherwise reduce certain disclosure requirements of various SEC rules and regulations. However, in some cases, the amendments require additional information to be disclosed, including amendments to require the presentation of shareholder's equity for the current and comparative quarters and year-to-date interim periods. The final rule was published in the Federal Register on October 5, 2018, resulting in a November 5, 2018 effective date. The SEC staff, however, released transition guidance that they would not object to registrants first presenting the changes in shareholder's equity in their Form 10-Q for the quarter beginning after the effective date of the amendments (i.e., first quarter of 2019). The Company adopted the new rule effective January 1, 2019. The new required presentation has been reflected on the consolidated statements of redeemable non-controlling interests and shareholder's equity.

Future application of accounting standards

Credit losses on financial instruments

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

The Company is currently evaluating the impact of this guidance on its consolidated financial statements. The Company has identified models to estimate expected lifetime credit losses on its loan portfolios, and is in the process of testing these models and related inputs. The Company is also developing a process for the evaluation of credit risk and measurement of an allowance on its reinsurance recoverable and funds withheld receivable at interest that considers, among other things, relevant credit enhancement and collateral maintenance provisions in the reinsurance arrangements. Required increases in expected credit losses on financial instruments measured at amortized cost including loan receivables and reinsurance recoverables will be recognized as a cumulative effect adjustment to retained earnings upon adoption, and will depend in part on the economic environment and forecasts at that time. The Company plans to adopt the standard on January 1, 2020.

Targeted improvements to the accounting for long-duration contracts

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

On October 16, 2019, the FASB affirmed that the new guidance will be effective for public business entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted. For changes related to the liability for future policy benefits and deferred acquisition costs, the new guidance requires adoption using a modified retrospective approach upon transition with an option to elect a retrospective approach. For changes related to market risk benefits, the new guidance requires a retrospective approach.

The Company intends to implement this standard using the modified retrospective approach with an adoption date of January 1, 2022 and a transition date of January 1, 2020. (The Company will not early adopt the guidance). The Company has completed the design and planning phase of its implementation effort and has begun detailed implementation activities. The Company continues to evaluate the impact of this guidance but anticipates that the new standard will have a material impact on the Company’s consolidated financial statements. The new guidance is expected to increase financial statement volatility primarily due to the requirement to measure market risk benefits at fair value with changes in value attributable to changes in an entity’s non-performance recognized in other comprehensive income. In addition, the new guidance is expected to have a significant impact on the Company’s systems, processes and controls.

(3) Investments

Fixed maturity securities

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

As of September 30, 2019	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
($ in millions)				
AFS fixed maturity securities portfolio by type:				
U.S. government and agencies	$ 193	$ 24	$ —	$ 217
U.S. state, municipal and political subdivisions	2,111	462	—	2,573
Corporate[1]	20,685	1,710	(39)	22,356
Residential mortgage-backed securities, or "RMBS"	9,738	932	(38)	10,632
Commercial mortgage-backed securities, or "CMBS"	3,450	227	(2)	3,675
Collateralized loan obligations, or "CLOs"	3,464	4	(64)	3,404
All other structured securities[2]	6,134	279	(10)	6,403
Total AFS fixed maturity securities	$ 45,775	$ 3,638	$ (153)	$ 49,260

(1) Includes related party corporate AFS fixed maturity securities with amortized cost, gross unrealized gains, gross unrealized losses and fair value of $136 million, $25 million, $0 million and $161 million, respectively.
(2) Includes asset-backed securities, or "ABS," and collateralized bond obligations, or "CBOs."

As of December 31, 2018	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
($ in millions)				
AFS fixed maturity securities portfolio by type:				
U.S. government and agencies	$ 273	$ 13	$ (11)	$ 275
U.S. state, municipal and political subdivisions	2,116	163	(11)	2,268
Corporate[1]	16,792	154	(710)	16,236
RMBS	8,229	726	(74)	8,881
CMBS	3,305	42	(51)	3,296
CLOs	5,282	—	(198)	5,084
All other structured securities[2]	6,019	89	(41)	6,067
Total AFS fixed maturity securities	$ 42,016	$ 1,187	$ (1,096)	$ 42,107

(1) Includes related party corporate AFS fixed maturity securities with amortized cost, gross unrealized gains, gross unrealized losses and fair value of $119 million, $0 million, $(4) million and $115 million, respectively.
(2) Includes ABS and CBOs.

As of September 30, 2019 and December 31, 2018, there were no non-credit other-than-temporary impairment, or "OTTI," losses reflected within the fair value of AFS fixed maturity securities.

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.

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

As of September 30, 2019	Cost or amortized cost	Fair value
($ in millions)		
Due in one year or less[1]	$ 547	$ 547
Due after one year through five years[2]	3,922	4,000
Due after five years through ten years[3]	6,151	6,479
Due after ten years[4]	12,369	14,120
Subtotal	22,989	25,146
RMBS	9,738	10,632
CMBS	3,450	3,675
CLOs	3,464	3,404
All other structured securities	6,134	6,403
Total AFS fixed maturity securities	$ 45,775	$ 49,260

(1) Includes related party AFS fixed maturity securities with amortized cost and fair value of $1 million and $1 million, respectively.
(2) Includes related party AFS fixed maturity securities with amortized cost and fair value of $14 million and $14 million, respectively.
(3) Includes related party AFS fixed maturity securities with amortized cost and fair value of $2 million and $2 million, respectively.
(4) Includes related party AFS fixed maturity securities with amortized cost and fair value of $119 million and $144 million, respectively.

Securities in a continuous unrealized loss position

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

	Less than 12 months		12 months or more		Total	
As of September 30, 2019	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
($ in millions)						
AFS fixed maturity securities portfolio by type:						
U.S. government and agencies	$ 42	$ —	$ 2	$ —	$ 44	$ —
U.S. state, municipal and political subdivisions	50	—	1	—	51	—
Corporate	1,558	(14)	643	(25)	2,201	(39)
RMBS	878	(18)	484	(20)	1,362	(38)
CMBS	102	(1)	49	(1)	151	(2)
CLOs	1,212	(20)	1,772	(44)	2,984	(64)
All other structured securities	274	(2)	518	(8)	792	(10)
Total	$ 4,116	$ (55)	$ 3,469	$ (98)	$ 7,585	$ (153)

As of December 31, 2018	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
($ in millions)						
AFS fixed maturity securities portfolio by type:						
U.S. government and agencies	$ 31	$ —	$ 141	$ (11)	$ 172	$ (11)
U.S. state, municipal and political subdivisions	390	(7)	79	(4)	469	(11)
Corporate	9,608	(458)	2,356	(252)	11,964	(710)
RMBS	1,979	(54)	592	(20)	2,571	(74)
CMBS	1,014	(19)	791	(32)	1,805	(51)
CLOs	4,464	(182)	514	(16)	4,978	(198)
All other structured securities	1,708	(21)	518	(20)	2,226	(41)
Total	$ 19,194	$ (741)	$ 4,991	$ (355)	$ 24,185	$ (1,096)

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 $19 million and $39 million as of September 30, 2019 and December 31, 2018, respectively. The single largest unrealized loss on AFS fixed maturity securities was $3 million and $5 million as of September 30, 2019 and December 31, 2018, respectively. The Company had 1,258 and 5,472 securities in an unrealized loss position as of September 30, 2019 and December 31, 2018, respectively.

As of September 30, 2019 and December 31, 2018, AFS fixed maturity securities in an unrealized loss position for over 12 months consisted of 510 and 1,296 debt securities, respectively. These debt securities primarily relate to corporate fixed maturity securities, and other ABS, which have depressed values due primarily to an increase in interest rates since the purchase of these securities. Unrealized losses were not recognized in earnings 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.

Mortgage and other loan receivables

Mortgage and other loan receivables consist of the following:

($ in millions)	September 30, 2019	December 31, 2018
Commercial mortgage loans[1]	$ 6,268	$ 5,461
Residential mortgage loans	3,427	2,648
Other loan receivables[2][3]	2,432	2,046
Total mortgage and other loan receivables	12,127	10,155
Allowance for loan losses	(15)	(11)
Total mortgage and other loan receivables, net of allowance for loan losses	$ 12,112	$ 10,144

(1) Includes $0 million and $88 million of loans carried at fair value using the fair value option as of September 30, 2019 and December 31, 2018, respectively. The fair value option was elected for these loans for asset-liability matching purposes. These loans had unpaid principal balances of $0 million and $87 million as of September 30, 2019 and December 31, 2018, respectively.

(2) As of September 30, 2019 and December 31, 2018, respectively, other loan receivables consisted primarily of warehouse facilities backed by residential and commercial real estate of $1.3 billion and $1.6 billion, consumer loans of $691 million and $229 million, and renewable energy development loans of $363 million and $143 million. Renewable energy development loans include related party loans with a carrying value of $214 million and $107 million as of September 30, 2019 and December 31, 2018, respectively.

(3) Includes $214 million and $107 million of loans carried at fair value using the fair value option as of September 30, 2019 and December 31, 2018, respectively. These loans had unpaid principal balances of $211 million and $107 million as of September 30, 2019 and December 31, 2018, respectively.

The maturity distribution by contractual maturity for residential and commercial mortgage loans is as follows as of September 30, 2019:

Years ($ in millions)	Residential	Commercial	Total mortgage loans
Remainder of 2019	$ 27	$ 125	$ 152
2020	734	336	1,070
2021	163	646	809
2022	107	661	768
2023	708	925	1,633
2024	104	631	735
2025 and thereafter	1,584	2,944	4,528
Total	$ 3,427	$ 6,268	$ 9,695

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

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

Mortgage loans - carrying value by geographic region	September 30, 2019	December 31, 2018
($ in millions)		
Pacific	$ 2,483	$ 1,892
South Atlantic	1,703	1,580
West South Central	2,024	1,313
Middle Atlantic	1,024	791
East North Central	530	535
Mountain	517	438
New England	364	343
East South Central	225	227
West North Central	143	146
Other regions	682	844
Total by geographic region	$ 9,695	$ 8,109

Mortgage loans - carrying value by property type	September 30, 2019	December 31, 2018
($ in millions)		
Residential	$ 3,486	$ 2,706
Office building	2,506	1,952
Industrial	1,142	1,023
Apartment	1,122	986
Retail	743	850
Other property types	490	398
Warehouse	206	194
Total by property type	$ 9,695	$ 8,109

Allowance for loan losses

The Company evaluates all of its mortgage loans for impairment. This evaluation considers the borrower's ability to pay and the value of the underlying collateral.

Changes in the allowance for loan losses are summarized below:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
($ in millions)				
Balance, at beginning of period	$ 14	$ 10	$ 11	$ 4
Provisions, net of releases	3	—	7	9
Charge-offs, net of recoveries	(2)	(1)	(3)	(4)
Balance, as of end of period	$ 15	$ 9	$ 15	$ 9

As of September 30, 2019 and December 31, 2018 the Company had $81 million and $65 million, respectively, of mortgage loans that were 90 days or more past due or in the process of foreclosure. The Company ceases accrual of interest on loans that are more than 90 days past due, and recognizes income as cash is received. As of September 30, 2019 and December 31, 2018 there were $37 million and $23 million, respectively, of mortgage loans that were non-income producing.

As of both September 30, 2019 and December 31, 2018, the Company had less than $1 million of other loan receivables that were delinquent by more than 120 days or in default.

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 September 30, 2019 and December 31, 2018:

	September 30, 2019		December 31, 2018	
Loan-to-value	**Carrying value**	**Percentage of commercial mortgage loans**	**Carrying value**	**Percentage of commercial mortgage loans**
($ in millions, except percentages)				
70% and less	$ 5,770	92%	$ 5,224	96%
71% - 90%	498	8%	237	4%
Total commercial mortgage loans	$ 6,268	100%	$ 5,461	100%

The weighted average loan-to-value ratio for the Company's residential mortgage loans was 83% and 87% as of September 30, 2019 and December 31, 2018, respectively.

Other investments

Other investments consist of the following:

	September 30, 2019	December 31, 2018
($ in millions)		
Investments in renewable energy[(1)(2)(3)]	$ 2,357	$ 2,135
Investments in transportation and other leased assets[(4)]	1,752	1,321
Other investment partnerships	515	450
Investments in real estate	382	346
Life settlement contracts, single premium immediate annuities and other investments	272	277
Federal Home Loan Bank common stock	110	106
Total other investments	$ 5,388	$ 4,635

(1) Net of accumulated depreciation attributed to consolidated renewable energy assets of $32 million and $16 million as of September 30, 2019 and December 31, 2018, respectively.
(2) Includes related party balance of $147 million and $159 million as of September 30, 2019 and December 31, 2018, respectively.
(3) Includes an equity investment in Origis USA, LLC of $40 million and $42 million carried at fair value using the fair value option as of September 30, 2019 and December 31, 2018, respectively.
(4) Net of accumulated depreciation of $137 million and $83 million as of September 30, 2019 and December 31, 2018, respectively.

The total amount of other investments accounted for using the equity method of accounting was $1.7 billion as of both September 30, 2019 and December 31, 2018. 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 $41 million and $56 million as of September 30, 2019 and December 31, 2018, 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 $153 million and $138 million as of September 30, 2019 and December 31, 2018, respectively.

Variable interest entities

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

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

	September 30, 2019	December 31, 2018
($ in millions)		
Assets of consolidated variable interest entities:		
Investments:		
AFS fixed maturity securities, at fair value	$ 908	$ 503
Mortgage and other loan receivables	706	249
Other investments:		
Investments in renewable energy	2,290	2,067
Investments in transportation and other leased assets	1,752	1,321
Life settlement contracts and single premium immediate annuities	223	228
Investments in real estate	381	344
Other investment partnerships	35	35
Total other investments	4,681	3,995
Total investments	6,295	4,747
Cash and cash equivalents	139	88
Accrued investment income	33	23
Other assets	53	3
Total assets of consolidated variable interest entities	$ 6,520	$ 4,861
Liabilities of consolidated variable interest entities:		
Accrued expenses and other liabilities	$ 186	$ 106
Total liabilities of consolidated variable interest entities	186	106
Redeemable non-controlling interests	124	—
Non-controlling interests of consolidated variable interest entities	64	70
Total liabilities, redeemable non-controlling interests and non-controlling interests of consolidated variable interest entities	$ 374	$ 176

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

	September 30, 2019		December 31, 2018	
	Carrying amount	Maximum exposure to loss[(1)]	Carrying amount	Maximum exposure to loss[(1)]
($ in millions)				
Other investment partnerships	$ 475	$ 522	$ 409	$ 471
Investments in renewable energy partnerships	67	67	68	68
Total	$ 542	$ 589	$ 477	$ 539

(1) The maximum exposure to loss relating to other limited and renewable energy partnership interests is equal to the carrying amounts plus any unfunded commitments.

Federal Home Loan Bank investment and funding agreements

Certain of the Company's subsidiaries are members of regional banks in the Federal Home Loan Bank, or "FHLB," system. These subsidiaries have also entered into funding agreements with their respective FHLB. The funding agreements are issued in exchange for cash. The funding agreements require that the Company pledges eligible assets, such as commercial mortgage loans, as collateral. With respect to certain classes of eligible assets, the FHLB holds the pledged eligible assets in custody at the respective FHLB. The liabilities for the funding agreements are included in contractholder deposit funds and other policyholder liabilities in the consolidated balance sheets. Information related to the FHLB investment and funding agreements is as follows:

	Investment in common stock		Funding agreements issued to FHLB member banks		Collateral	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
($ in millions)						
FHLB Indianapolis	$ 69	$ 64	$ 1,544	$ 1,344	$ 2,412	$ 2,361
FHLB Des Moines	27	27	420	420	781	775
FHLB Boston	14	15	238	239	486	484
Total	$ 110	$ 106	$ 2,202	$ 2,003	$ 3,679	$ 3,620

Other

As of September 30, 2019 and December 31, 2018, the Company had exposure to two separate issuers that exceeded 10% of the Company's shareholder's equity. The carrying value of the Company's 33% interest in SP Solar Holdings I, LP, a holding Company for 26 operating renewable energy plants, was $1.1 billion and $1.2 billion as of September 30, 2019 and December 31, 2018, respectively. Separately, the Company held $636 million and $610 million of investments in the AAA and AA rated tranches of a single collateralized loan obligation.

As of September 30, 2019 and December 31, 2018, the cost or amortized cost and fair value of the assets on deposit with various state and governmental authorities were $143 million and $168 million, and $144 million and $154 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 which change due to expectations in projected cash flows, dividend income from common and preferred stock, earnings from investments accounted for under equity method accounting, and lease income on other investments.

The components of net investment income were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
($ in millions)				
Fixed maturity securities - interest and other income	$ 555	$ 525	$ 1,636	$ 1,406
Equity securities - dividends and other income	2	2	6	4
Mortgage and other loan receivables	155	101	407	244
Income from funds withheld at interest	2	5	9	45
Policy loans	9	11	27	31
Investments in transportation and other leased assets	45	33	125	87
Investments in renewable energy	39	31	49	62
Investments in real estate	3	—	8	—
Short-term and other investment income	29	7	94	61
Gross investment income[(1)]	839	715	2,361	1,940
Less investment expenses:				
Investment management and administration[(2)]	40	31	108	88
Transportation and renewable energy asset depreciation and maintenance	30	24	80	60
Interest expense on derivative collateral and repurchase agreements	3	3	6	8
Net investment income	$ 766	$ 657	$ 2,167	$ 1,784

(1) Includes income from related parties of $10 million and $20 million, and $14 million and $44 million for the three and nine months ended September 30, 2019 and 2018, respectively.

(2) Includes expenses from Goldman Sachs Asset Managements LP, or "GSAM," an affiliate of Goldman Sachs, a related party, and Centaurus Renewable Energy, a related party, of $4 million and $11 million, and $3 million and $9 million for the three and nine months ended September 30, 2019 and 2018, respectively.

The Company had no fixed maturity securities in a non-accrual status as of September 30, 2019 or December 31, 2018. The Company had no fixed maturity securities which were non-income producing as of September 30, 2019 or December 31, 2018.

Net investment gains (losses)

Net investment gains (losses) were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
($ in millions)				
AFS fixed maturity securities	$ 14	$ —	$ 17	$ 64
Trading fixed maturity securities	17	—	86	—
Derivatives	74	78	294	(34)
Funds withheld receivable at interest	(3)	(1)	22	(19)
Other investments[(1)]	8	(11)	74	(13)
Impairment of life settlement contracts	(3)	(1)	(8)	(3)
Net investment gains (losses)	$ 107	$ 65	$ 485	$ (5)

(1) Includes gains (losses) from related parties of $0 million and $(2) million, and $1 million and $5 million for the three and nine months ended September 30, 2019 and 2018, respectively.

Other-than-temporary impairments

Available-for-sale fixed maturity securities

The table below presents a roll-forward of the cumulative credit loss component of OTTI losses recognized in net investment gains (losses) in the consolidated statements of income on fixed maturity securities still held by the Company:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
($ in millions)				
Balance, at beginning of period	$ 14	$ 14	$ 19	$ 15
Additions:				
Initial impairments – credit loss OTTI recognized on securities not previously impaired	—	—	—	—
Additional impairments – credit loss OTTI recognized on securities previously impaired	—	—	—	—
Reductions:				
Due to sales (or maturities, pay downs or prepayments) during the period of securities previously impaired as credit loss OTTI	—	—	(5)	(1)
Balance, at end of period	$ 14	$ 14	$ 14	$ 14

Other investment impairment

As part of its periodic review of life settlement contracts for impairment, the Company determined several contracts were impaired for the three and nine months ended September 30, 2019 and 2018 because the sum of the carrying value plus expected future premium payments exceeded the expected contract value. Consequently, the Company recorded impairments on those life settlement contracts of $3 million and $8 million, and $1 million and $3 million for the three and nine months ended September 30, 2019 and 2018, respectively, which are included in net investment gains (losses) in the consolidated statements of income.

Proceeds and gross gains and losses from voluntary sales

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
($ in millions)				
AFS fixed maturity securities:				
Proceeds from voluntary sales	$ 2,348	$ 355	$ 6,219	$ 6,538
Gross gains	29	8	67	122
Gross losses	(36)	(3)	(79)	(52)

(4) Derivative instruments

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

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

The restricted cash which was held in connection with open derivative transactions with exchange brokers was $77 million and $54 million as of September 30, 2019 and December 31, 2018, respectively.

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

As of September 30, 2019	Notional value	Derivative assets	Derivative liabilities
($ in millions)			
Equity market contracts	$ 14,561	$ 628	$ 3
Interest rate contracts	5,554	167	114
Embedded derivative – funds withheld at interest	—	38	45
Foreign currency contracts	38	2	—
Impact of netting[(1)]		(81)	(81)
Fair value included within total assets		$ 754	
Embedded derivative – indexed universal life products			723
Embedded derivative – annuity products			1,322
Fair value included within total liabilities			$ 2,126

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

As of December 31, 2018	Notional value	Derivative assets	Derivative liabilities
($ in millions)			
Equity market contracts	$ 11,801	$ 173	$ 4
Interest rate contracts	4,492	81	71
Embedded derivative – funds withheld at interest	—	68	21
Foreign currency contracts	29	2	—
Impact of netting[1]		(48)	(48)
Fair value included within total assets		$ 276	
Embedded derivative – indexed universal life products			526
Embedded derivative – annuity products			786
Fair value included within total liabilities			$ 1,360

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

The amounts of derivative gains and losses recognized for the three and nine months ended September 30, 2019 and 2018, respectively, are reported in the consolidated statements of income as follows:

	Three months ended September 30,		Nine months ended September 30,	
Derivative contracts not designated as hedges	2019	2018	2019	2018
($ in millions)				
Net investment gains (losses)				
Over-the-counter, or "OTC," Consumer Price Index swaps	$ —	$ —	$ —	$ 3
Equity and fixed income futures	38	(89)	(81)	(116)
Listed equity index options	(10)	2	(36)	—
OTC equity index options	30	160	378	164
Interest rate swaptions	29	(10)	80	(49)
OTC total return swaps	—	(1)	(2)	(1)
Other	8	—	10	(5)
Embedded derivatives	(21)	16	(55)	(30)
Total included in net investment gains (losses)	$ 74	$ 78	$ 294	$ (34)

(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 at 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 at the measurement date for identical, unrestricted assets and liabilities.

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

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

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

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

As of September 30, 2019	Level 1	Level 2	Level 3	Total
($ in millions)				
Assets:				
AFS fixed maturity securities:				
U.S. government and agencies	$ 139	$ 65	$ 13	$ 217
U.S. state, municipal and political subdivisions	—	2,573	—	2,573
Corporate[1]	—	20,309	2,047	22,356
Structured securities	—	21,823	2,291	24,114
Total AFS fixed maturity securities	139	44,770	4,351	49,260
Trading fixed maturity securities:				
U.S. government and agencies	—	1	3	4
U.S. state, municipal and political subdivisions	—	40	—	40
Corporate	9	633	35	677
Structured securities	—	270	2	272
Total trading fixed maturity securities	9	944	40	993
Equity securities	—	—	58	58
Mortgage and other loan receivables[2]	—	—	214	214
Other investments[3]	—	—	422	422
Funds withheld receivable at interest	—	320	38	358
Reinsurance recoverable	—	—	1,353	1,353
Derivative assets:				
Equity market contracts	33	595	—	628
Interest rate contracts	—	167	—	167
Foreign currency contracts	—	2	—	2
Impact of netting[4]	(2)	(79)	—	(81)
Total derivative assets	31	685	—	716
Separate account assets	5,336	—	—	5,336
Total assets at fair value	$ 5,515	$ 46,719	$ 6,476	$ 58,710
Liabilities:				
Policyholder liabilities	$ —	$ —	$ 453	$ 453
Closed block policy liabilities	—	—	1,410	1,410
Funds withheld payable at interest	—	—	45	45
Derivative instruments payable:				
Equity market contracts	2	1	—	3
Interest rate contracts	14	100	—	114
Impact of netting[4]	(2)	(79)	—	(81)
Total derivative instruments payable	14	22	—	36
Embedded derivative – indexed universal life products	—	—	723	723
Embedded derivative – annuity products	—	—	1,322	1,322
Total liabilities at fair value	$ 14	$ 22	$ 3,953	$ 3,989

(1) Includes related party balance of $161 million in Level 2 for corporate AFS fixed maturity securities.
(2) Includes related party balance of $214 million in Level 3 for mortgage and other loan receivables.
(3) Other investments excluded from the fair value hierarchy include certain real estate and private equity funds for which fair value is measured at net asset value per share as a practical expedient. As of September 30, 2019, the fair value of these investments was $112 million.
(4) Represents netting of derivative exposures covered by qualifying master netting agreements.

As of December 31, 2018	Level 1	Level 2	Level 3	Total
($ in millions)				
Assets:				
AFS fixed maturity securities:				
U.S. government and agencies	$ 185	$ 77	$ 13	$ 275
U.S. state, municipal and political subdivisions	—	2,268	—	2,268
Corporate[1]	1	14,787	1,448	16,236
Structured securities	—	20,618	2,710	23,328
Total AFS fixed maturity securities	186	37,750	4,171	42,107
Trading fixed maturity securities:				
U.S. government and agencies	72	12	3	87
U.S. state, municipal and political subdivisions	—	61	—	61
Corporate	6	380	62	448
Structured securities	—	194	7	201
Total trading fixed maturity securities	78	647	72	797
Equity securities	93	—	90	183
Mortgage and other loan receivables[2]	—	88	107	195
Other investments[3]	—	—	386	386
Funds withheld receivable at interest	—	278	68	346
Reinsurance recoverable	—	—	1,249	1,249
Derivative assets:				
Equity market contracts	23	150	—	173
Interest rate contracts	49	32	—	81
Foreign currency contracts	—	2	—	2
Impact of netting[4]	(18)	(30)	—	(48)
Total derivative assets	54	154	—	208
Separate account assets	5,144	—	—	5,144
Total assets at fair value	$ 5,555	$ 38,917	$ 6,143	$ 50,615
Liabilities:				
Policyholder liabilities	$ —	$ —	$ 364	$ 364
Closed block policy liabilities	—	—	1,305	1,305
Funds withheld payable at interest	—	—	21	21
Derivative instruments payable:				
Equity market contracts	4	—	—	4
Interest rate contracts	17	54	—	71
Impact of netting[4]	(18)	(30)	—	(48)
Total derivative instruments payable	3	24	—	27
Embedded derivative – indexed universal life products	—	—	526	526
Embedded derivative – annuity products	—	—	786	786
Total liabilities at fair value	$ 3	$ 24	$ 3,002	$ 3,029

(1) Includes related party balance of $115 million in Level 2 for corporate AFS fixed maturity securities.
(2) Includes related party balance of $107 million in Level 3 for mortgage and other loan receivables.
(3) Other investments excluded from the fair value hierarchy include certain real estate and private equity funds for which fair value is measured at net asset value per share as a practical expedient. As of December 31, 2018, the fair value of these investments was $96 million.
(4) Represents netting of derivative exposures covered by qualifying master netting agreements.

Fair value techniques and inputs

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

Investments

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

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

Derivative instruments

Derivative instruments such as exchange-traded futures and options are valued at their quoted market price. Most of the OTC 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, London Interbank Offered Rate, or "LIBOR," basis curves and repurchase rates. Valuations for option based interest rate derivatives are based on option pricing models, which utilize significant inputs that may include the swap yield curve, LIBOR basis curves and interest rate volatility.

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

Funds withheld at interest, reinsurance assets and insurance liabilities

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

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

Fair value of assets and liabilities

Significant unobservable inputs

The tables below present the ranges of significant unobservable inputs used to value the Company's Level 3 financial assets and liabilities, and includes only those items for which information is reasonably available, such as data from internal determinations of fair value. These ranges represent the significant unobservable inputs that were used in the valuation of each type of financial asset and liability. Weighted averages in the tables below are calculated by weighting each input by the relative fair value of the respective financial instruments. The ranges and weighted averages of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one financial asset or liability. Accordingly, the ranges of inputs presented below do not represent uncertainty in, or possible ranges of, fair value measurements of the Company's Level 3 financial assets and liabilities as of September 30, 2019 and December 31, 2018:

As of September 30, 2019				
Level 3 assets	**Level 3 assets ($ in millions)**	**Valuation techniques and significant unobservable inputs**	**Range of significant unobservable inputs (weighted average, or "WA")**	**Impact of an increase in the input on fair value**
Corporate fixed maturity securities	$14	Market comparables – liquidity premium	0.25%	Decrease
Structured securities	943	Consensus pricing – liquidity premium	0.21%	Decrease
		Discounted cash flows – liquidity premium	0.01% to 0.16% (WA 0.11%)	Decrease
		Market comparables – liquidity premium	0.20% to 2.60% (WA 0.71%)	Decrease
Equity securities	40	Discounted cash flows-discount rate	17.50%	Decrease
Other investments	382	Discounted cash flows-capitalization rate	5.36% to 6.29% (WA 5.61%)	Increase
		Discounted cash flows-discount rate	8.00%	Decrease
		Discounted cash flows-vacancy rate	6.49%	Decrease

As of September 30, 2019				
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**
Funds withheld receivable at interest	38	Discounted cash flow – duration/weighted average life	0 to 21 years (WA 10.6 years)	Increase
		Discounted cash flow - contractholder persistency	4.8% to 7.9% (WA 6.0%)	Increase
		Nonperformance risk	0.36% to 1.25%	Decrease
Reinsurance recoverable	1,353	Present value of expenses paid from the open block plus the cost of capital held in support of the liabilities.	The average expense assumption is between $10 and $78 per policy, increased by inflation.	Increase
		Unobservable inputs are a market participant's view of the expenses, a risk margin on the uncertainty of the level of expenses and a cost of capital on the capital held in support of the liabilities.	Expense risk margin: 9.42%	Decrease
			Cost of capital: 3.7% to 11.65%	Increase
		Discounted cash flow - mortality rate	3.0% to 9.0%	Decrease
		Discounted cash flow - surrender rate	2.5% to 3.5%	Decrease

As of December 31, 2018				
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	$58	Market comparables — liquidity premium	0.25% to 0.80% (WA 0.72%)	Decrease
Structured securities	1,583	Consensus pricing — liquidity premium	0.21%	Decrease
		Discounted cash flows — spreads	0.10% to 1.20% (WA 0.22%)	Decrease
		Discounted cash flows — liquidity premium	0.08% to 0.24% (WA 0.18%)	Decrease
		Market comparables — liquidity premium	1.95% to 2.60% (WA 2.06%)	Decrease
Equity securities	32	Net asset value — liquidity premium	$0.31 to $0.50 (WA $0.40) (per share)	Decrease
Other investments	344	Discounted cash flows-capitalization rate	5.38% to 6.23% (WA 5.58%)	Increase
		Discounted cash flows-discount rate	8.00%	Decrease
		Discounted cash flows-vacancy rate	6.65%	Decrease
Funds withheld receivable at interest	68	Discounted cash flow - duration/weighted average life	0 to 18 years (WA 9.5 years)	Increase
		Discounted cash flow - contractholder persistency	4.8% to 7.9% (WA 6.0%)	Increase

As of December 31, 2018				
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**
Reinsurance recoverable	1,249	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 $16 and $78 per policy, increased by inflation.	Increase
		Unobservable inputs are a market participant's view of the expenses, a risk margin on the uncertainty of the level of expenses and a cost of capital on the capital held in support of the liabilities.	Nonperformance risk: 0.31%	Increase
			Expense risk margin: 9.42%	Decrease
			Cost of capital: 3.7% to 12.17%	Increase
		Discounted cash flow - mortality rate	3.0% to 9.0%	Decrease
		Discounted cash flow - surrender rate	2.5% to 3.5%	Decrease

As of September 30, 2019				
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**
Policyholder liabilities	$453	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 is 0.09%	Decrease
		Policyholder behavior is also a significant unobservable input, including lapse, surrender and mortality.	Lapse rate is 0.7% to 1.4%	Decrease
			Surrender rate is 0.7% to 2.1%	Increase
			Mortality rate is 0.3% to 21.1%	Increase
Closed block policy liabilities	1,410	Present value of expenses paid from the open block plus the cost of capital held in support of the liabilities.	The average expense assumption is between $10 and $78 per policy, increased by inflation.	Increase
		Nonperformance risk	0.36% to 1.25%	Decrease
		Unobservable inputs are a market participant's view of the expenses, a risk margin on the uncertainty of the level of expenses and a cost of capital on the capital held in support of the liabilities.	Expense risk margin: 9.42%	Decrease
			Cost of capital: 3.7% to 11.65%	Increase
		Discounted cash flow - mortality rate	3.0% to 9.0%	Decrease
		Discounted cash flow - surrender rate	2.5% to 3.5%	Decrease

As of September 30, 2019				
Level 3 liabilities	**Level 3 liabilities ($ in millions)**	**Valuation techniques and significant unobservable inputs**	**Range of significant unobservable inputs (WA)**	**Impact of an increase in the input on fair value**
Funds withheld payable at interest	45	Discounted cash flow - duration/weighted average life	0 to 21 years (WA 10.75 years)	Decrease
		Discounted cash flow - contractholder persistency	4.8% to 7.9% (WA 6.0%)	Decrease
		Nonperformance risk	0.36% to 1.25%	Decrease
Embedded derivative – indexed universal life products	723	Policy persistency is a significant unobservable input.	Lapse rate: 5.01%	Decrease
			Mortality rate: 0.13%	Decrease
		Future costs for options used to hedge the contract obligations	Option budget assumption: 3.90%	Increase
		Nonperformance risk	0.36% to 1.25%	Decrease
Embedded derivative – annuity products	1,322	Policyholder behavior is a significant unobservable input, including utilization and lapse.	Utilization: Fixed-indexed annuity WA 3.54%; Variable annuity: 0% to 65%	Decrease
			Surrender rate: Fixed-indexed annuity WA 9.84%; Variable annuity: 2.66% to 26.68%	Decrease
			Mortality rate: Fixed-indexed annuity WA 1.78%; Variable annuity: 1.12% to 8.55%	Decrease
		Future costs for options used to hedge the contract obligations	Option budget assumption: Fixed-indexed annuity WA 2.02%; Variable annuity: n/a	Increase
		Nonperformance risk	0.36% to 1.25%	Decrease

As of December 31, 2018				
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**
Policyholder liabilities	$364	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 is 0.09%	Decrease
		Policyholder behavior is also a significant unobservable input, including lapse, surrender and mortality.	Lapse rate is 0.7% to 1.4%	Decrease
			Surrender rate is 0.7% to 2.1%	Increase
			Mortality rate is 0.3% to 21.1%	Increase

As of December 31, 2018				
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	1,305	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 $16 and $78 per policy, increased by inflation.	Increase
		Unobservable inputs are a market participant's view of the expenses, a risk margin on the uncertainty of the level of expenses and a cost of capital on the capital held in support of the liabilities.	Nonperformance risk: 0.31%	Increase
			Expense risk margin: 9.42%	Decrease
			Cost of capital: 3.7% to 12.17%	Increase
		Discounted cash flow - mortality rate	3.0% to 9.0%	Decrease
		Discounted cash flow - surrender rate	2.5% to 3.5%	Decrease
Funds withheld payable at interest	21	Discounted cash flow - duration/weighted average life	0 to 18 years (WA 9.6 years)	Decrease
		Discounted cash flow - contractholder persistency	4.8% to 7.9% (WA 6.0%)	Decrease
Embedded derivative – indexed universal life products	526	Policy persistency is a significant unobservable input.	Lapse rate: 5%	Decrease
			Mortality rate: 0.14%	Decrease
		Future costs for options used to hedge the contract obligations	Option budget assumption: 3.9%	Increase
Embedded derivative – annuity products	786	Policyholder behavior is a significant unobservable input, including utilization and lapse.	Utilization: Fixed-indexed annuity WA 4.51%; Variable annuity: 0% to 65%	Decrease
			Surrender rate: Fixed-indexed annuity WA 9.06%; Variable annuity: 2.86% to 20.66%	Decrease
			Mortality rate: Fixed-indexed annuity WA 1.69%; Variable annuity: 1.06% to 8.65%	Decrease
		Future costs for options used to hedge the contract obligations	Option budget assumption: Fixed-indexed annuity WA 1.97%; Variable annuity: n/a	Increase

Transfers between levels

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

The tables below set forth a summary of changes in the fair value of the Company's Level 3 assets and liabilities for the three and nine months ended September 30, 2019 and 2018, respectively. The tables reflect gains and losses for the three and nine months for all assets and liabilities categorized as Level 3 as of September 30, 2019 and 2018:

Three months ended September 30, 2019	Balance, at beginning of period	Net realized and unrealized gains / losses included in income	Net unrealized gains / losses included in OCI	Net settlements / purchases	Transfers into Level 3	Transfers out of Level 3	Balance, at end of period
($ in millions)							
Assets:							
AFS fixed maturity securities:							
U.S. government and agencies	$ 13	$ —	$ —	$ —	$ —	$ —	$ 13
Corporate fixed maturity securities	1,870	—	(95)	272	—	—	2,047
Structured securities	2,247	—	34	10	—	—	2,291
Total AFS fixed maturity securities	4,130	—	(61)	282	—	—	4,351
Trading fixed maturity securities:							
U.S. government and agencies	3	—	—	—	—	—	3
Corporate fixed maturity securities	35	—	—	—	—	—	35
Structured securities	2	—	1	(1)	—	—	2
Total trading fixed maturity securities	40	—	1	(1)	—	—	40
Equity securities	58	—	—	—	—	—	58
Mortgage and other loan receivables	168	—	—	46	—	—	214
Other investments	418	1	—	3	—	—	422
Funds withheld receivable at interest	36	2	—	—	—	—	38
Reinsurance recoverable	1,311	42	—	—	—	—	1,353
Total assets	$ 6,161	$ 45	$ (60)	$ 330	$ —	$ —	$ 6,476
Liabilities:							
Policyholder liabilities	$ 414	$ 41	$ —	$ (2)	$ —	$ —	$ 453
Closed block policy liabilities	1,369	36	5	—	—	—	1,410
Funds withheld payable at interest	23	22	—	—	—	—	45
Embedded derivative – indexed universal life products	721	16	—	(14)	—	—	723
Embedded derivative – annuity products	1,201	43	—	78	—	—	1,322
Total liabilities	$ 3,728	$ 158	$ 5	$ 62	$ —	$ —	$ 3,953

Three months ended September 30, 2018	Balance, at beginning of period	Net gains / losses included in income	Net unrealized gains / losses included in OCI	Net settlements / purchases	Transfers into Level 3	Transfers out of Level 3	Balance, at end of period
($ in millions)							
Assets:							
AFS fixed maturity securities:							
U.S. government and agencies	$ 12	$ —	$ —	$ —	$ —	$ —	$ 12
Corporate fixed maturity securities	1,347	(2)	90	(92)	9	—	1,352
Structured securities	2,101	(2)	387	(186)	—	—	2,300
Total AFS fixed maturity securities	3,460	(4)	477	(278)	9	—	3,664
Trading fixed maturity securities:							
U.S. government and agencies	3	—	—	—	—	—	3
Corporate fixed maturity securities	80	—	(4)	—	2	—	78
Structured securities	1	—	—	6	—	—	7
Total trading fixed maturity securities	84	—	(4)	6	2	—	88
Equity securities	93	—	(1)	(2)	—	—	90
Other investments	163	4	—	154	—	—	321
Funds withheld receivable at interest	80	14	—	—	—	—	94
Reinsurance recoverable	1,313	(28)	—	—	—	—	1,285
Total assets	$ 5,193	$ (14)	$ 472	$ (120)	$ 11	$ —	$ 5,542
Liabilities:							
Policyholder liabilities	$ 365	$ (11)	$ —	$ (4)	$ —	$ —	$ 350
Closed block policy liabilities	1,358	(22)	—	—	—	—	1,336
Funds withheld payable at interest	17	(2)	—	—	—	—	15
Embedded derivative – indexed universal life products	730	127	—	(27)	—	—	830
Embedded derivative – annuity products	590	37	—	89	—	—	716
Total liabilities	$ 3,060	$ 129	$ —	$ 58	$ —	$ —	$ 3,247

Nine months ended September 30, 2019	Balance, at beginning of period	Net realized and unrealized gains / losses included in income	Net unrealized gains / losses included in OCI	Net settlements / purchases	Transfers into Level 3	Transfers out of Level 3	Balance, at end of period
($ in millions)							
Assets:							
AFS fixed maturity securities:							
U.S. government and agencies	$ 13	$ —	$ —	$ —	$ —	$ —	$ 13
Corporate fixed maturity securities	1,448	—	(216)	785	30	—	2,047
Structured securities	2,710	—	(77)	233	157	(732)	2,291
Total AFS fixed maturity securities	4,171	—	(293)	1,018	187	(732)	4,351
Trading fixed maturity securities:							
U.S. government and agencies	3	—	—	—	—	—	3
Corporate fixed maturity securities	62	—	(6)	(21)	—	—	35
Structured securities	7	—	(1)	(1)	—	(3)	2
Total trading fixed maturity securities	72	—	(7)	(22)	—	(3)	40
Equity securities	90	(1)	—	(14)	—	(17)	58
Mortgage and other loan receivables	107	—	—	107	—	—	214
Other investments	386	14	—	22	—	—	422
Funds withheld receivable at interest	68	(30)	—	—	—	—	38
Reinsurance recoverable	1,249	104	—	—	—	—	1,353
Total assets	$ 6,143	$ 87	$ (300)	$ 1,111	$ 187	$ (752)	$ 6,476
Liabilities:							
Policyholder liabilities	$ 364	$ 92	$ —	$ (3)	$ —	$ —	$ 453
Closed block policy liabilities	1,305	101	4	—	—	—	1,410
Funds withheld payable at interest	21	24	—	—	—	—	45
Embedded derivative – indexed universal life products	526	243	—	(46)	—	—	723
Embedded derivative – annuity products	786	223	—	313	—	—	1,322
Total liabilities	$ 3,002	$ 683	$ 4	$ 264	$ —	$ —	$ 3,953

Nine months ended September 30, 2018	Balance, at beginning of period	Net realized and unrealized gains / losses included in income	Net unrealized gains / losses included in OCI	Net settlements / purchases	Transfers into Level 3	Transfers out of Level 3	Balance, at end of period
($ in millions)							
Assets:							
AFS fixed maturity securities:							
U.S. government and agencies	$ —	$ —	$ —	$ 12	$ —	$ —	$ 12
Corporate fixed maturity securities	598	(2)	(185)	932	9	—	1,352
Structured securities	1,562	6	(240)	972	—	—	2,300
Total AFS fixed maturity securities	2,160	4	(425)	1,916	9	—	3,664
Trading fixed maturity securities:							
U.S. government and agencies	—	—	—	3	—	—	3
Corporate fixed maturity securities	—	—	(4)	80	2	—	78
Structured securities	—	—	—	7	—	—	7
Total trading fixed maturity securities	—	—	(4)	90	2	—	88
Equity securities	90	—	(2)	2	—	—	90
Other investments	—	13	—	308	—	—	321
Funds withheld receivable at interest	130	(36)	—	—	—	—	94
Reinsurance recoverable	1,383	(98)	—	—	—	—	1,285
Total assets	$ 3,763	$ (117)	$ (431)	$ 2,316	$ 11	$ —	$ 5,542
Liabilities:							
Policyholder liabilities	$ 373	$ (24)	$ —	$ 1	$ —	$ —	$ 350
Closed block policy liabilities	1,436	(103)	3	—	—	—	1,336
Funds withheld payable at interest	22	(7)	—	—	—	—	15
Embedded derivative – indexed universal life products	755	156	—	(81)	—	—	830
Embedded derivative – annuity products	535	(20)	—	201	—	—	716
Total liabilities	$ 3,121	$ 2	$ 3	$ 121	$ —	$ —	$ 3,247

Three months ended September 30, 2019	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
($ in millions)					
Assets:					
AFS fixed maturity securities:					
Corporate fixed maturity securities	$ 220	$ —	$ (46)	$ 98	$ 272
Structured securities	47	—	(13)	(24)	10
Total AFS fixed maturity securities	267	—	(59)	74	282
Trading fixed maturity securities:					
Corporate fixed maturity securities	1	—	(1)	—	—
Structured securities	—	—	—	(1)	(1)
Total trading fixed maturity securities	1	—	(1)	(1)	(1)
Mortgage and other loan receivables	46	—	—	—	46
Other investments	3	—	—	—	3
Total assets	$ 317	$ —	$ (60)	$ 73	$ 330
Liabilities:					
Policyholder liabilities	$ —	$ —	$ —	$ (2)	$ (2)
Embedded derivative – indexed universal life products	—	24	—	(38)	(14)
Embedded derivative – annuity products	—	78	—	—	78
Total liabilities	$ —	$ 102	$ —	$ (40)	$ 62

Three months ended September 30, 2018	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
($ in millions)					
Assets:					
AFS fixed maturity securities:					
Corporate fixed maturity securities	$ 218	$ —	$ (57)	$ (253)	$ (92)
Structured securities	372	—	(5)	(553)	(186)
Total AFS fixed maturity securities	590	—	(62)	(806)	(278)
Trading fixed maturity securities:					
Corporate fixed maturity securities	1	—	—	(1)	—
Structured securities	6	—	—	—	6
Total trading fixed maturity securities	7	—	—	(1)	6
Equity securities	1	—	—	(3)	(2)
Other investments	154	—	—	—	154
Total assets	$ 752	$ —	$ (62)	$ (810)	$ (120)
Liabilities:					
Policyholder liabilities	$ —	$ (4)	$ —	$ —	$ (4)
Embedded derivative – indexed universal life products	—	21	—	(48)	(27)
Embedded derivative – annuity products	—	89	—	—	89
Total liabilities	$ —	$ 106	$ —	$ (48)	$ 58

Nine months ended September 30, 2019	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
($ in millions)					
Assets:					
AFS fixed maturity securities:					
Corporate fixed maturity securities	$ 1,710	$ —	$ (186)	$ (739)	$ 785
Structured securities	1,181	—	(436)	(512)	233
Total AFS fixed maturity securities	2,891	—	(622)	(1,251)	1,018
Trading fixed maturity securities:					
Corporate fixed maturity securities	11	—	(54)	22	(21)
Structured securities	3	—	(4)	—	(1)
Total trading fixed maturity securities	14	—	(58)	22	(22)
Equity securities	—	—	(14)	—	(14)
Mortgage and other loan receivables	107	—	—	—	107
Other investments	22	—	—	—	22
Total assets	$ 3,034	$ —	$ (694)	$ (1,229)	$ 1,111
Liabilities:					
Policyholder liabilities	$ —	$ —	$ —	$ (3)	$ (3)
Embedded derivative – indexed universal life products	—	70	—	(116)	(46)
Embedded derivative – annuity products	—	313	—	—	313
Total liabilities	$ —	$ 383	$ —	$ (119)	$ 264

Nine months ended September 30, 2018	Purchases	Issuances	Sales	Settlements	Net settlements / purchases
($ in millions)					
Assets:					
AFS fixed maturity securities:					
U.S. government and agencies	$ 12	$ —	$ —	$ —	$ 12
Corporate fixed maturity securities	1,321	—	(77)	(312)	932
Structured securities	1,769	—	(29)	(768)	972
Total AFS fixed maturity securities	3,102	—	(106)	(1,080)	1,916
Trading fixed maturity securities:					
U.S. government and agencies	3	—	—	—	3
Corporate fixed maturity securities	81	—	—	(1)	80
Structured securities	7	—	—	—	7
Total trading fixed maturity securities	91	—	—	(1)	90
Equity securities	5	—	—	(3)	2
Other investments	308	—	—	—	308
Total assets	$ 3,506	$ —	$ (106)	$ (1,084)	$ 2,316
Liabilities:					
Policyholder liabilities	$ —	$ 1	$ —	$ —	$ 1
Embedded derivative – indexed universal life products	—	80	—	(161)	(81)
Embedded derivative – annuity products	—	201	—	—	201
Total liabilities	$ —	$ 282	$ —	$ (161)	$ 121

Financial instruments not carried at fair value

The following tables present carrying amounts and fair values of the Company's financial instruments which are not carried at fair value as of September 30, 2019 and December 31, 2018. All remaining balance sheet amounts (including accrued investment income) excluded from the tables below are not considered financial instruments:

As of September 30, 2019	Carrying value	Fair value hierarchy			Fair value
		Level 1	Level 2	Level 3	
($ in millions)					
Financial assets:					
Mortgage and other loan receivables	$ 11,898	$ —	$ 8,346	$ 3,939	$ 12,285
Policy loans	625	—	—	710	710
FHLB common stock	110	—	110	—	110
Other investments	8	—	—	8	8
Funds withheld receivable at interest	2,062	—	2,062	—	2,062
Life settlement contracts and single premium immediate annuity assets	263	—	—	313	313
Cash and cash equivalents	1,873	1,873	—	—	1,873
Other assets - restricted cash	119	119	—	—	119
Total financial assets	$ 16,958	$ 1,992	$ 10,518	$ 4,970	$ 17,480
Financial liabilities:					
Other contractholder deposit funds	$ 10,746	$ —	$ 10,888	$ —	$ 10,888
Supplementary contracts without life contingencies	25	—	—	25	25
Funding agreements issued to FHLB member banks	2,202	—	2,202	—	2,202
Funds withheld payable at interest	2,095	—	2,095	—	2,095
Debt	1,032	—	—	1,077	1,077
Tax payable to former parent company	89	—	—	89	89
Total financial liabilities	$ 16,189	$ —	$ 15,185	$ 1,191	$ 16,376

As of December 31, 2018	Carrying value	Fair value hierarchy			Fair value
		Level 1	Level 2	Level 3	
($ in millions)					
Financial assets:					
Mortgage and other loan receivables	$ 9,949	$ —	$ 7,076	$ 2,901	$ 9,977
Policy loans	624	—	—	693	693
FHLB common stock	106	—	106	—	106
Other investments	9	—	—	9	9
Funds withheld receivable at interest	2,105	—	2,105	—	2,105
Life settlement contracts and single premium immediate annuity assets	267	—	—	308	308
Cash and cash equivalents	1,253	1,253	—	—	1,253
Other assets - restricted cash	80	80	—	—	80
Total financial assets	$ 14,393	$ 1,333	$ 9,287	$ 3,911	$ 14,531
Financial liabilities:					
Other contractholder deposit funds	$ 9,829	$ —	$ 9,795	$ —	$ 9,795
Supplementary contracts without life contingencies	26	—	—	26	26
Funding agreements issued to FHLB member banks	2,003	—	2,003	—	2,003
Funds withheld payable at interest	2,111	—	2,111	—	2,111
Debt	901	—	—	892	892
Tax payable to former parent company	98	—	—	98	98
Total financial liabilities	$ 14,968	$ —	$ 13,909	$ 1,016	$ 14,925

(6) Deferred policy acquisition costs, value of business acquired, unearned revenue reserves and unearned front-end loads

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

	Nine months ended September 30,	
	2019	2018
($ in millions)		
Balance, at beginning of period	$ 1,891	$ 1,103
Acquisition/Reinsurance	—	297
Deferrals	398	303
Amortized to expense during the period[(1)]	(148)	(148)
Adjustment for unrealized investment (gains) losses during the period	(545)	180
Balance, as of end of period	$ 1,596	$ 1,735

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

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

	Nine months ended September 30,	
	2019	2018
($ in millions)		
Balance, at beginning of period	$ 668	$ 550
Amortized to expense during the period[(1)]	(43)	(47)
Adjustment for unrealized investment (gains) losses during the period	(226)	153
Balance, as of end of period	$ 399	$ 656

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

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

	Nine months ended September 30,	
	2019	2018
($ in millions)		
Balance, at beginning of period	$ 316	$ 103
Deferrals	103	95
Amortized to expense during the period[(1)]	(77)	(57)
Adjustment for unrealized investment (gains) losses during the period	(231)	132
Balance, as of end of period	$ 111	$ 273

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

(7) Debt

Debt was comprised of the following:

	September 30, 2019		December 31, 2018	
	Amount	Rate	Amount	Rate
($ in millions, except interest rates)				
Senior notes assumed through acquisition, due April 2021	$ 150	8.63%	$ 150	8.63%
Term loan, due December 2021[(1)]	225	3.43%	100	3.85%
Revolving credit facility, due May 2023	405	3.61%	405	4.01%
Subordinated debentures, due October 2046	250	9.50%	250	9.50%
Total debt – principal	1,030		905	
Purchase accounting adjustments[(2)]	4		6	
Debt issuance costs, net of accumulated amortization[(3)]	(2)		(10)	
Debt	$ 1,032		$ 901	

(1) On June 27, 2019, Global Atlantic (Fin) Company, or “FinCo,” a Delaware corporation, and the Company entered into a Joinder Agreement to the Term Loan Credit Agreement pursuant to which FinCo borrowed for general corporate purposes, and the Company guaranteed, a $125 million term loan on the same terms and with the same maturity as the existing $100 million term loan.

(2) The amortization of the purchase accounting adjustment related to the acquired senior notes was less than $1 million and approximately $2 million for both the three and nine months ended September 30, 2019 and 2018, respectively.

(3) The amortization of the debt issuance costs was less than $1 million and approximately $2 million for both the three and nine months ended September 30, 2019 and 2018, respectively.

(8) Accumulated other comprehensive income

Information regarding amounts reclassified out of each component of accumulated other comprehensive income (loss) for the three and nine months ended September 30, 2019 and 2018 were as follows:

Components of accumulated other comprehensive income (loss)	Consolidated statements of income and consolidated statements of comprehensive income (loss) location	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
($ in millions)					
Net unrealized investment gains (losses) on AFS fixed maturity securities and other investments:					
Net unrealized investment gains (losses)	Net investment gains (losses)				
Net unrealized investment gains (losses), before income tax		$ 14	$ —	$ 17	$ 64
Income tax expense (benefit)		3	—	4	13
Net unrealized investment gains (losses), net of income tax, reclassified		$ 11	$ —	$ 13	$ 51

(9) 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 $124 million at September 30, 2019 as determined by the HLBV method. The estimated redemption value of redeemable non-controlling interests is calculated as the discounted cash flows subsequent to the expected flip date of the respective renewable energy partnership. The flip date represents the date at which the allocation of income and cash flows among the investors in the partnership is adjusted, pursuant to the redeemable non-controlling interest investors having achieved an agreed-upon return. The flip date of the Company’s renewable energy partnerships determines when the redeemable non-controlling interests are eligible to be redeemed. Eligible redemption dates range from 2022 to 2027. For the redeemable non-controlling interests outstanding at September 30, 2019, the estimated redemption value that would be due at the respective redemption dates is $7 million.

(10) Equity-based compensation

The components of compensation expense related to equity-based compensation were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
($ in millions)				
Service-based restricted share awards, or "RSAs"	$ 5	$ 5	$ 16	$ 14
Performance-based RSAs	1	—	2	—
Total equity-based compensation expense	$ 6	$ 5	$ 18	$ 14
Deferred tax asset	$ 2	$ 1	$ 4	$ 3

No equity-based compensation costs were capitalized during the three and nine months ended September 30, 2019 and 2018, respectively.

The following table presents the Company's service and performance-based unrecognized compensation expense related to equity-based compensation and the expected weighted average period over which these expenses will be recognized as of September 30, 2019:

	Expense	Weighted average period (years)
($ in millions)		
RSAs:		
Service-based	$ 42	2.52
Performance-based	9	3.54
Unrecognized compensation expense, as of end of period	$ 51	

Equity-classified awards

Restricted share awards

On March 1, 2019, the Company granted certain RSAs under the Annual Incentive Plan, having both service-based and performance-based vesting criteria. Such RSAs cliff-vest in three years, conditioned upon the grantee's continued employment through the vest date and the satisfaction of internal performance measures, with the opportunity for additional grants in the event that target performance measures are exceeded. As of the grant date, the target performance measures are expected to be met. As such, the unamortized expense related to these RSAs are included in the table above and the new grants are included in the table of RSA activity below.

The table below presents the activity related to RSAs and performance-based RSAs for the nine months ended September 30, 2019:

	Restricted shares	Weighted average grant date fair value per share
Outstanding balance, as of beginning of period	1,877,365	$24.35
Granted	1,934,068	22.09
Forfeited	(47,495)	23.57
Vested and issued	(536,116)	23.07
Vested and withheld for taxes	(342,330)	23.07
Outstanding balance, as of end of period	2,885,492	23.24

(11) Income taxes

The provision for income taxes represents federal and state income taxes. The effective tax rate for the three and nine months ended September 30, 2019 was (7.1)% and 8.4%, respectively. The effective tax rate for the three and nine months ended September 30, 2018 was 8.2% and 12.7%, respectively. The effective tax rate on income before income taxes for the three and nine months ended September 30, 2019 and 2018 differs from the U.S. federal statutory rate primarily due to certain Bermuda-based earnings, separate account dividends-received deductions, and tax credits for low income housing and renewable energy investments.

As of September 30, 2019, the Company maintained its valuation allowance of $3 million against a portion of the deferred tax assets of its non-life insurance company subsidiaries. The non-life insurance company subsidiaries have a history of losses and insufficient sources of future income in order to recognize a portion of their deferred tax assets. All other deferred tax assets are more likely than not to be realized based on expectations as to our future taxable income and considering all other available evidence, both positive and negative.

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

The Company's U.S. domiciled subsidiaries' federal income tax returns are routinely audited by the Internal Revenue Service, or "IRS," and when appropriate, provisions are made in the consolidated financial statements in anticipation of the results of these audits. The tax years under examination by the IRS vary by company; however the earliest tax year that remains open is 2011. In 2018, the IRS completed an audit of several of the Company's U.S. domiciled non-insurance entities' 2013 to 2015 federal income tax returns; the audit did not result in any material adjustments to such tax returns. In 2018, the IRS started an audit of several of the Company's U.S. domiciled insurance entities' 2014 to 2016 federal income tax returns; to date, no material proposed adjustments have been identified in connection with this audit.

(12) Commitments and contingencies

Commitments

The Company enters into lease contracts, the most significant being leases of office space for its operations and land leases for its consolidated solar subsidiaries. The Company reports these leases as right-to-use assets with a corresponding lease liability in other assets and accrued expenses and other liabilities in the consolidated balance sheets, respectively. The lease liability represents the present value of the lease payments to be made over the lease term and is calculated using a discount rate equal to the Company's incremental borrowing rate, which ranges from 4.5% to 5.9% depending on the term. As of September 30, 2019, the Company has a right-to-use asset of $84 million (net of $19 million in deferred rent and lease incentives) and a corresponding lease liability of $103 million.

The Company has commitments to purchase or fund investments of $1.0 billion and $673 million as of September 30, 2019 and December 31, 2018, respectively. These commitments include those related to commercial mortgage loans, other lending facilities and investments in limited partnerships, joint ventures and LLCs. The commitment periods vary, with most extending for the next 3 years, but some extend longer. Some of these investment commitments may be subject to conditions that must be met prior to funding.

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

Contingencies

Guarantees

In connection with a 5-year $1 billion revolving credit facility, or "RCF," entered into by FinCo, the Company has agreed to jointly and severally guarantee, together with any subsidiary guarantors, payment and performance of FinCo's obligations under the RCF when due if not promptly paid by FinCo for the benefit of the lenders. The guarantees provided by the Company and any subsidiary guarantors are released when all commitments and obligations under the RCF have been paid in full or when the RCF commitments expire or are terminated upon the merger of certain subsidiary guarantors with or into FinCo in accordance with the terms set forth in the RCF. As of September 30, 2019, the Company was the only guarantor under the RCF.

In connection with a 3-year $225 million term loan entered into by FinCo, the Company has agreed to jointly and severally guarantee payment and performance of FinCo's obligations under the Term Loan Credit Agreement when due if not promptly paid by FinCo for the benefit of the lenders. The guarantees provided by the Company are released when all obligations under the Term Loan Credit Agreement have been paid in full. As of September 30, 2019, the Company was the only guarantor of the term loan.

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

In connection with a Tax Benefit Payment Agreement entered into between FinCo, as payor, and Goldman Sachs, as payee, Global Atlantic Financial Life Limited, or "GAFLL," a Bermuda exempted company, and Global Atlantic Financial Group Limited, or "GAFG," the Company's ultimate parent, have agreed to guarantee the payment and performance of FinCo, for the benefit of Goldman Sachs. See Note 14—"Related party transactions" for additional information.

In lieu of funding certain investments in loan facilities to borrowers in cash, the Company has arranged for third-party banks to issue letters of credit on behalf of the borrowers in the amount of $159 million, with expiration dates to August 2020. For accounting purposes, these letters of credit are considered guarantees of certain obligations of the borrowers. If a letter of credit were drawn, the Company would be obligated to repay the issuing third-party bank, and the Company would recognize a loan receivable from the borrowers on its balance sheet. The Company monitors the likelihood of these letters of credit being drawn, and any related contingent obligation. As of September 30, 2019, there was no liability recognized for a contingent obligation.

GAFG has guaranteed the obligations of the Company's indirect subsidiary Global Atlantic Equipment Management, LLC pursuant to servicing agreements related to the servicing of certain aviation and rail assets. The guarantees expired subsequent to the end of the reporting period, on November 7, 2018.

In 2014, GAFG provided a guarantee, or "Guarantee," to the limited purpose captive insurance subsidiary Cape Verity II LLC, or "Cape Verity II," to finance the non-economic portion of its reserves. On May 1, 2019 and in connection with an agreement with a third party to finance such reserves, the parties terminated the Guarantee effective as of April 1, 2019. No payments were made under the Guarantee prior to its termination.

In 2013, the Company's limited purpose captive insurance subsidiary Cape Verity III entered into a note agreement with a third party. As a part of this agreement, GAFLL will provide a guarantee of related fee and indemnification obligations of Accordia Life and Annuity Company, or "Accordia." Under the guarantee, GAFLL agreed to guarantee payment, on demand, of fee and indemnification obligations related to the note, subject to certain conditions. To date, GAFLL has not paid any amounts pursuant to the guarantee. On May 1, 2019, the Company assumed this guarantee from GAFLL effective as of April 1, 2019.

Legal matters

The Company is involved from time to time in judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its business. 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.

In connection with the process of converting over 500,000 in-force life insurance policies from systems managed by Athene Holdings Limited, or "Athene," to the platform of one of our third party service providers, DXC, or the "Conversion," the Company expects to incur a variety of litigation and regulatory costs. The Company has received formal and informal inquiries from state regulators concerning the administration of policies, policyholder complaints and possible violations of state insurance or consumer protection laws, which have resulted in and may result in additional fines, monetary settlements or proceedings. For example, on June 13, 2018, the Company's subsidiary Accordia received notice of a regulatory matter from the California Department of Insurance regarding administration issues relating to certain California life insurance policies reinsured by Accordia which are administered by DXC. In addition, on June 28, 2018 a subsidiary of Athene and the Company's subsidiary First Allmerica Financial Life Insurance Company entered into a consent order with the New York State Department of Financial Services, or "NYSDFS," relating to the NYSDFS' market conduct examination findings that related primarily to disruptions in servicing caused by the Conversion. Pursuant to the consent order, Athene paid the NYSDFS a fine of $15 million and is also taking corrective actions and providing remediation to policyholders impacted by the Conversion. Under the agreements between the Company's subsidiaries and Athene, the Company provides indemnities to Athene, including for fines and penalties resulting from violations of law. The Company paid Athene an amount equal to the NYSDFS fine. As of September 30, 2019, the Company also included in its reserve for all regulatory, litigation and related matters an amount for costs related to certain aspects of the corrective actions agreed to under the consent order. The Company may be required to indemnify Athene for additional amounts.

The Company has also been named in several lawsuits involving Conversion-related issues and may face additional claims in the future. Accordia is a defendant in a putative policyholder class action, *Clapp, et al. v. Accordia Life and Annuity Company, et al.*, in the Central District of Illinois, and until recently, was a defendant in a putative policyholder class action *McGuire v. Accordia Life and Annuity Company, et al.*, in the Central District of California. Both cases alleged injuries to policyholders related to billing issues stemming from the Conversion. In December 2018, the parties in the *McGuire* action filed a joint stipulation of dismissal without prejudice. The plaintiffs in the *Clapp* action have filed an amended complaint alleging claims on behalf of a nationwide class, subsuming the claims previously brought in the *McGuire* action. On June 7, 2019, the court preliminarily approved of the settlement agreement the Company entered into in May 2019 with the plaintiffs in the *Clapp* matter. Under the settlement we will provide policyholder remediation, including a claim review process with third party review upon request of a policyholder. The settlement remains subject to final approval by the court. A hearing is scheduled for December 2, 2019, for final approval of the settlement. We do not expect to incur any additional costs under the settlement agreement that have not already been accrued as of September 30, 2019.

An independent life insurance producer has also filed a class action complaint in the Southern District of Iowa against GAFG, Accordia and DXC. The plaintiff seeks to represent a class of Accordia independent producers whom he claims were harmed by, and unable to receive renewal commissions due to, the Conversion. The Company denies that any agent has been or will ultimately be injured as a result of the allegations in the complaint.

Although the Company's ultimate legal and financial responsibility and our actual future expenditures to address Conversion 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 $36 million and $45 million as of September 30, 2019 and December 31, 2018, respectively.

Financing arrangements

The Company has financing arrangements with unaffiliated third parties to support the reserves of its affiliated captive reinsurers. Total fees expensed associated with these credit facilities were $4 million and $13 million, and $4 million and $13 million for the three and nine months ended September 30, 2019 and 2018, respectively, and are included in insurance expenses in the consolidated statements of income. As of September 30, 2019 and December 31, 2018, the total capacity of the financing arrangements with third parties was $2.0 billion and $966 million, respectively.

There were no outstanding or unpaid balances from the financing arrangements with unaffiliated third parties as of both September 30, 2019 and December 31, 2018.

Separation agreement

In connection with our separation from Goldman Sachs in 2013, GAFG entered into a separation agreement pursuant to which, among other things, GAFG (1) accepted and assumed all assets, equity interests and liabilities related to the operations of the “Reinsurance Group” within Goldman Sachs; and (2) granted certain rights to Goldman Sachs intended to facilitate Goldman Sachs’ compliance with the Bank Holding Company Act of 1956, as amended, or the “BHCA.” All such obligations have been incurred as of September 30, 2019 and have been appropriately reflected in the consolidated financial statements (unaudited). Additionally, for so long as the Company is considered a "subsidiary" of Goldman Sachs for purposes of the BHCA, the Company will continue to grant the above mentioned rights to Goldman Sachs.

(13) Reinsurance

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

Effective August 13, 2019, the Company entered into a coinsurance agreement with a third party whereby it assumed approximately $65 million of payout group annuity reserves. Subsequently, the Company assumed a block of payout group annuities with $120 million of reserves as part of the same agreement on August 29, 2019.

Effective January 1, 2019, the Company entered into a coinsurance agreement with a third party whereby it assumed approximately $1.6 billion of fixed annuity reserves.

Effective December 12, 2018, the Company entered into a coinsurance agreement with a third party whereby it assumed approximately $31 million of payout group annuity reserves. Subsequently, blocks of business were assumed as part of the same agreement during 2019. The Company assumed $109 million of reserves on March 28, 2019 and $69 million of reserves on July 3, 2019.

Effective June 1, 2018, the Company entered into a coinsurance agreements with related parties, Talcott Resolution Life Insurance Company and Talcott Resolution Life and Annuity Insurance Company (formerly Hartford Life Insurance Company and Hartford Life and Annuity Insurance Company), subsidiaries of Talcott Resolution Life, Inc., whereby it assumed approximately $8.7 billion of fixed annuity and payout annuity reserves.

Concurrent with the aforementioned coinsurance agreement, the Company also ceded approximately $1.2 billion of reserves to a third party on a funds withheld basis.

Effective May 1, 2018, the Company entered into a reinsurance agreement whereby it ceded $654 million of the fixed fund exposures of certain variable annuity contracts on a modified coinsurance basis.

Effective January 1, 2018, the Company entered into a coinsurance agreement with a third party, whereby the Company assumed approximately $416 million of fixed annuity reserves.

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

	September 30, 2019	December 31, 2018
($ in millions)		
Policyholder liabilities:		
Direct	$ 48,799	$ 43,168
Assumed(1)	20,430	18,949
Total policyholder liabilities	69,229	62,117
Ceded(2)	(4,210)	(4,121)
Net policyholder liabilities	$ 65,019	$ 57,996

(1) Includes related party balance of $7.6 billion and $8.2 billion as of September 30, 2019 and December 31, 2018, respectively.
(2) Reported within reinsurance recoverable within the consolidated balance sheets.

The Company determines the appropriate amount of reinsurance based on evaluation of the risks accepted and on market conditions (including the availability and pricing of reinsurance). The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk. Based on its review of its reinsurers' financial statements and reputations in the reinsurance marketplace, the Company held no allowance for bad debts as of September 30, 2019 and December 31, 2018.

As of September 30, 2019 and December 31, 2018, the Company had $2.4 billion and $2.5 billion of funds withheld receivable at interest, respectively, with five counterparties related to modified coinsurance and funds withheld contracts. The assets supporting these receivables were held in trusts and not part of the respective counterparty's general accounts.

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
($ in millions)				
Premiums:				
Direct	$ 36	$ 32	$ 134	$ 120
Assumed(1)	274	68	439	2,677
Ceded	(20)	(50)	(94)	(1,352)
Net premiums	$ 290	$ 50	$ 479	$ 1,445

(1) Includes related party balance of $11 million and $28 million, and $49 million and $2.6 billion for the three and nine months ended September 30, 2019 and 2018, respectively.

($ in millions)	Three months ended September 30, 2019		Three months ended September 30, 2018		Nine months ended September 30, 2019		Nine months ended September 30, 2018	
Policy fees:								
Direct	$	248	$	212	$	653	$	674
Assumed[(1)]		86		86		264		260
Net policy fees	$	334	$	298	$	917	$	934

(1) Includes related party balance of $3 million and $12 million, and $2 million and $6 million for the three and nine months ended September 30, 2019 and 2018, respectively.

($ in millions)	Three months ended September 30, 2019		Three months ended September 30, 2018		Nine months ended September 30, 2019		Nine months ended September 30, 2018	
Policy benefits and claims:								
Direct	$	597	$	229	$	1,915	$	979
Assumed[(1)]		621		568		1,360		3,536
Ceded		(107)		(62)		(329)		(1,344)
Net policy benefits and claims	$	1,111	$	735	$	2,946	$	3,171

(1) Includes related party balance of $88 million and $232 million, and $112 million and $2.7 billion for the three and nine months ended September 30, 2019 and 2018, respectively.

The Company holds collateral for and provides collateral to our reinsurance clients. The Company held $2.1 billion of collateral on behalf of our reinsurers as of both September 30, 2019 and December 31, 2018. As of both September 30, 2019 and December 31, 2018, reinsurers held collateral of $1.3 billion on behalf of the Company. A significant portion of the collateral that the Company provides to its reinsurance clients is provided in the form of assets held in a trust for the benefit of the counterparty. As of September 30, 2019, these trusts were required to hold, and held in excess of, $17.0 billion of assets to support reserves of $15.8 billion. As of December 31, 2018, these trusts were required to hold, and held in excess of, $15.5 billion of assets to support reserves of $14.4 billion.

(14) Related party transactions

On September 24, 2018, the Company and Origis Energy, or “Origis,” a utility-scale renewable energy developer, entered into a series of agreements whereby the Company invested in a minority equity position in Origis USA, LLC, or “Origis USA,” the holding company for Origis, and agreed to provide development financing for renewable energy projects that the Company may purchase in the future subject to certain conditions. These agreements enable the Company to exercise significant influence over the operating and financial policies of Origis USA. The Company reported a loan receivable of $211 million and $107 million and an equity investment of $40 million and $42 million in Origis USA as of September 30, 2019 and December 31, 2018, respectively. In addition, in lieu of funding certain loans to Origis in cash, the Company has arranged for third-party banks to issue letters of credit on behalf of Origis in the amount of $10 million as of September 30, 2019. See Note 12—“Commitments and contingencies” for more information on the Company’s arrangement of letters of credit.

Effective June 1, 2018, the Company entered into coinsurance agreements with Talcott Resolution Life Insurance Company and Talcott Resolution Life and Annuity Insurance Company (formerly Hartford Life Insurance Company and Hartford Life and Annuity Insurance Company), subsidiaries of Talcott Resolution Life, Inc., whereby it assumed approximately $8.7 billion of fixed deferred annuities, payout annuities and structured settlement contracts. In addition, on May 31, 2018, the Company also purchased a $150 million limited partnership interest in the acquisition vehicle formed in connection with the sale of The Hartford's run-off life and annuity business, now referred to as Talcott Resolution. As a result of this ownership interest, the aforementioned reinsurance transaction is considered a transaction with an affiliate. The Company reported assumed policyholder liabilities for the reinsurance agreement of $7.6 billion and $8.2 billion as of September 30, 2019 and December 31, 2018, respectively. The Company recorded assumed premiums of $11 million and $28 million, and $49 million and $2.6 billion for the three and nine months ended September 30, 2019 and 2018, respectively. The Company reported assumed policy benefits and claims of $88 million and $232 million, and $112 million and $2.7 billion for the three and nine months ended September 30, 2019 and 2018, respectively.

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

The Company has certain investments in renewable energy entities that are LLCs where an affiliate of Centaurus Capital LP, or "Centaurus," a shareholder of our ultimate parent GAFG, is the managing member. In connection with the acquisition of a renewable energy project from Centaurus Renewable Energy, or "CRE," an affiliate of Centaurus, the Company has recorded $13 million and $14 million payable to CRE as of September 30, 2019 and December 31, 2018, respectively. The Company also purchased from Centaurus controlling interests in projects that we now consolidate, and co-invested in investments with Centaurus where we have an equity method investment. The Company purchased $132 million of controlling interests for both the three and nine months ended September 30, 2019. The amount of purchases of controlling interests totaled $0 million and $57 million for the three and nine months ended September 30, 2018. The Company did not purchase any equity method investments in entities controlled by Centaurus for the three and nine months ended September 30, 2019. The Company purchased equity method investments in entities controlled by Centaurus of $0 million and $29 million for the three and nine months ended September 30, 2018.

In May 2018, we entered into a Forward Flow Agreement with Clenera, LLC, or "Clenera," and CRE. Pursuant to the agreement, Clenera and CRE granted us the exclusive right, subject to existing rights, during the twelve-month exclusivity period that terminated June 1, 2019, to acquire (i) 100% of the equity interests in any entity that owns an identified group of renewable energy projects and (ii) certain other renewable energy projects in which Clenera or CRE thereafter acquire rights. CRE has the option to fund the construction of each such renewable energy project, in which case we may acquire these projects from CRE for an agreed yield. If CRE does not elect to fund construction, we may elect to do so, in which case we would pay Clenera a per watt fee for each such project. Clenera and Centaurus are entitled to carried interest on projects for which we fund construction after we attain a specified return. In exchange for the grant of the exclusive purchase rights, we paid Clenera $7 million for the twelve-month exclusivity period.

During the three and nine months ended September 30, 2019 and 2018, the Company purchased structured securities directly from Goldman Sachs at a cost of $0 million and $39 million, and $3 million and $11 million, respectively.

The Company has investment management service agreements with GSAM. GSAM provides investment management services across the Company. The Company recorded expenses for these agreements of $3 million and $10 million, and $3 million and $9 million for the three and nine months ended September 30, 2019 and 2018, respectively, and had $8 million and $3 million payable as of September 30, 2019 and December 31, 2018, respectively.

On April 30, 2013, GAFG, GAFLL and FinCo entered into a Tax Benefit Payment Agreement with Goldman Sachs. The agreement was the result of transactions entered into prior to the separation from Goldman Sachs that resulted in approximately a $234 million tax liability relating to the Company. Under this agreement, FinCo has agreed to pay Goldman Sachs $214 million over a 25-year period, subject to certain deferral conditions. This agreement represents payments to Goldman Sachs corresponding to taxes paid on the Company's behalf prior to the separation from Goldman Sachs. This payable was established on the Company's balance sheet at its present value of $140 million at April 30, 2013. As of September 30, 2019 and December 31, 2018, the liability under this agreement was $89 million and $98 million, respectively. The Company recognized $1 million and $3 million, and $1 million and $3 million for the three and nine months ended September 30, 2019 and 2018, respectively, in related interest expense in the consolidated statements of income. The Company made principal payments of $8 million and $3 million as of September 30, 2019 and 2018, respectively.

The Company has a service agreement with GAFLL which can be terminated by either party upon applicable notice. Under the agreement, the Company recorded expenses related to certain employee compensation plans of $0 million and $1 million for the three and nine months ended September 30, 2018. The Company did not record any expenses related to certain employee compensation plans for the three and nine months ended September 30, 2019.

The Company had a receivable of $0 million and $3 million from GAFLL as of September 30, 2019 and December 31, 2018, respectively, related to potential IPO transaction costs incurred by the Company. The Company had a payable of $24 million and $12 million to GAFG as of September 30, 2019 and December 31, 2018, respectively, relating to payables associated with equity-based compensation awards the Company settled in GAFG ordinary shares.

The Company held related party investments in its portfolio as of September 30, 2019 and December 31, 2018 as follows:

		As of September 30, 2019		
Type	**Balance sheet classification**	**Asset carrying value**	**Accrued interest**	**Total balance sheet amount**
($ in millions)				
Investments in renewable energy entities managed by an affiliate of Centaurus	Other investments	$ 147	$ —	$ 147
Goldman Sachs Group bonds	AFS fixed maturity securities	161	3	164
Origis loan receivable	Mortgage and other loan receivables	214	—	214
Total related party investments		$ 522	$ 3	$ 525

		As of December 31, 2018		
Type	**Balance sheet classification**	**Asset carrying value**	**Accrued interest**	**Total balance sheet amount**
($ in millions)				
Investments in renewable energy entities managed by an affiliate of Centaurus	Other investments	$ 159	$ —	$ 159
Goldman Sachs Group bonds	AFS fixed maturity securities	115	1	116
Origis loan receivable	Mortgage and other loan receivables	107	—	107
Total related party investments		$ 381	$ 1	$ 382

In addition to the foregoing related party investments, the Company also invested in funds managed by a related party as of September 30, 2019 and December 31, 2018, as follows:

Type	Balance sheet classification	As of September 30, 2019 Asset carrying value	Accrued interest	Total balance sheet amount
($ in millions)				
Goldman Sachs money market funds	Cash and cash equivalents	$ 266	$ —	$ 266
Total related party investments		$ 266	$ —	$ 266

Type	Balance sheet classification	As of December 31, 2018 Asset carrying value	Accrued interest	Total balance sheet amount
($ in millions)				
Goldman Sachs money market funds	Cash and cash equivalents	$ 862	$ —	$ 862
Goldman Sachs exchange traded funds	Equity securities	47	—	47
Total related party investments		$ 909	$ —	$ 909

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

Type	Three months ended September 30, 2019	2018	Nine months ended September 30, 2019	2018
($ in millions)				
Net investment income:				
Investments in renewable energy entities managed by an affiliate of Centaurus	$ 3	$ 1	$ (7)	$ 22
Origis loan receivable	4	—	10	—
Goldman Sachs Group bonds	2	1	5	5
Goldman Sachs money market funds	1	12	12	16
Goldman Sachs exchange traded funds	—	—	—	1
Total net investment income	$ 10	$ 14	$ 20	$ 44
Net investment (losses) gains:				
Investments in renewable energy entities managed by an affiliate of Centaurus	$ —	$ —	$ —	$ 4
Goldman Sachs Group bonds	—	1	—	2
Goldman Sachs exchange traded funds	—	—	(2)	(1)
Total net investment (losses) gains	$ —	$ 1	$ (2)	$ 5

(15) Earnings per share

The following table sets forth the computation of basic and diluted earnings per share:

($ in millions, except for share and per share amounts)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Net income attributable to Global Atlantic Financial Limited shareholder	$ 144	$ 134	$ 435	$ 364
Participating common shares at the end of the period	304	304	304	304
Net income attributable to Global Atlantic Financial Limited shareholder - basic and diluted	$ 144	$ 134	$ 435	$ 364
Weighted average common shares outstanding – basic	304	304	304	304
Weighted average common shares outstanding – diluted	304	304	304	304
Earnings per share:				
Basic	$ 473,685	$ 440,789	$ 1,430,921	$ 1,197,368
Diluted	$ 473,685	$ 440,789	$ 1,430,921	$ 1,197,368

As of September 30, 2019 and 2018, there were no dilutive equity-based compensation awards referenced to the shares of the Company, or any other sources of dilution to the Company's issued and outstanding common stock. There were also no share amounts excluded from the calculation of "Earnings per share – Diluted" as no shares had an as-converted effect of being anti-dilutive.

(16) Segment information

The Company operates its core business strategies out of two reportable segments: Retirement and Life. In addition, certain other operations are reported within Corporate & Other.

In the Retirement segment, the Company's principal retirement products are fixed-rate annuities, fixed-indexed annuities and annuity block reinsurance. These retirement products help consumers save for and provide income during retirement. The Company offers its retirement products through its retail distribution partners, primarily banks and broker-dealers, as well as through block reinsurance.

In the Life segment, the Company's life insurance products are indexed universal life, preneed life and life block reinsurance. These life products can be used for a wide range of purposes, including savings and estate planning. The Company offers its life products through its retail distribution partners, primarily independent insurance agencies and funeral homes, as well as through block reinsurance.

Corporate & Other includes items not allocated to the Retirement and Life segments, such as unallocated general and administrative expenses, net investment income on assets not attributable to the Retirement and Life segments, debt costs and regulatory closed blocks where the economic performance of assets are largely passed on to policyholders through dividends.

Segment revenues and adjusted operating earnings before income taxes

Segment revenues and segment adjusted operating earnings, before income taxes, are internal measures used by the chief operating decision maker to evaluate and assess the results of our segments.

Segment operating revenue, is an internal measure used to evaluate our financial performance of our segments. Our segment operating revenue equals revenue, as reported, adjusted to eliminate the impact of the following adjustments: (1) investment gains (losses), inclusive of renewable asset income (loss) and strategic equity investment income (loss); (2) the change in the fair value of derivatives associated with fixed-indexed annuities, indexed universal life contracts and variable annuities; and (3) transaction, conversion and integration expenses included in revenue (primarily related to reinsurance ceded premium expense which is reported net of premium revenue). These adjustments are reported gross of income tax.

Segment operating revenues are reconciled to total revenues as presented in the consolidated statements of income as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
($ in millions)				
Revenues by segment:				
Retirement	$ 913	$ 576	$ 2,277	$ 2,832
Life	462	433	1,306	1,303
Corporate & Other	10	11	38	41
Segment revenues	1,385	1,020	3,621	4,176
Adjustments:				
Investment gains (losses)	54	(11)	130	(7)
Change in the fair value of derivatives for fixed-indexed annuities, indexed universal life contracts and variable annuities	72	78	344	32
Transaction, conversion and integration expenses	—	—	(4)	—
Total adjustments	126	67	470	25
Total revenues	$ 1,511	$ 1,087	$ 4,091	$ 4,201

Adjusted operating earnings, before income taxes, is an internal measure used to evaluate our financial performance of our segments. Our adjusted operating earnings, before income taxes, equals income before income taxes adjusted to eliminate the impact of the following adjustments: (1) investment gains (losses), inclusive of renewable energy asset income (loss) and strategic equity investment income (loss); (2) change in the fair value of derivatives and embedded derivatives associated with fixed-indexed annuities, indexed universal life contracts and variable annuities; and (3) transaction, conversion and integration expenses. These adjustments are reported gross of income tax and, where applicable, net of offsets related to (1) DAC, VOBA, URR and DSI amortization; (2) changes to reserves for certain guaranteed benefits; and (3) policy fees to cover benefits.

Segment adjusted operating earnings before income taxes are reconciled to income before income taxes as presented in the consolidated statements of income as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
($ in millions)				
Adjusted operating earnings, before income taxes, by segment:				
Retirement	$ 184	$ 153	$ 494	$ 401
Life	(21)	30	37	96
Corporate & Other	(20)	(20)	(54)	(37)
Total adjusted operating earnings, before income taxes	143	163	477	460
Adjustments:				
Investment gains, net of offsets	21	6	59	6
Change in the fair value of derivatives and embedded derivatives for fixed indexed annuities, indexed universal life contracts and variable annuities, net of offsets	(13)	(1)	(2)	(22)
Transaction, conversion and integration expenses	(11)	(22)	(46)	(89)
Total adjustments	(3)	(17)	11	(105)
Income before income taxes	$ 140	$ 146	$ 488	$ 355

Segment assets

Total assets for each of the Company's segments were as follows:

	September 30, 2019	December 31, 2018
($ in millions)		
Total assets by segment:		
Retirement	$ 58,640	$ 51,357
Life	18,076	17,591
Corporate & Other	9,401	6,292
Total assets	$ 86,117	$ 75,240

(17) Subsequent event

The Company evaluated all events and transactions through November 11, 2019, the date the accompanying consolidated financial statements were issued, that would merit recognition or disclosures in the consolidated financial statements.

Issuance of senior unsecured notes

Subsequent to the end of the quarter, on October 7, 2019, FinCo, a wholly-owned subsidiary of the Company, issued $500 million aggregate principal amount 4.400% Senior Notes due 2029, or the "Notes." The Notes were issued pursuant to an Indenture, dated as of October 7, 2019, or the "Base Indenture," among FinCo, as issuer, the Company, as guarantor, and U.S. Bank National Association, as trustee, or the "Trustee," as supplemented by the First Supplemental Indenture, dated as of October 7, 2019, or the "First Supplemental Indenture," among FinCo, the Company and the Trustee. The Notes are fully and unconditionally guaranteed on a senior unsecured basis by the Company.

The Notes bear interest at a rate of 4.400% per year. Interest on the Notes is payable on April 15 and October 15 of each year, beginning on April 15, 2020. The Notes will mature on October 15, 2029. FinCo may, at its option, redeem some or all of the Notes at any time (i) prior to July 15, 2029 at a redemption price equal to 100% of the principal amount of the 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 July 15, 2029 at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to the date of redemption.

On October 8, 2019 the Company used a portion of the proceeds from the Notes to repay $405 million of outstanding revolving borrowings under the Revolving Credit Facility.

The Company intends to use the remainder of the net proceeds from the issuance for working capital and other general corporate purposes.