UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED December 31, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER 033-44202

Fortitude Life Insurance & Annuity Company

(Exact Name of Registrant as Specified in its Charter)

Arizona	**06-1241288**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

Ten Exchange Place
Suite 2210
Jersey City, NJ 07302
(615) 981-8801
(Address and Telephone Number of Registrant's Principal Executive Offices)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE
SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of the Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes ☐ No ☒

As of March 27, 2025, 25,000 shares of the registrant's Common Stock (par value $100) consisting of 100 voting shares and 24,900 non-voting shares, were outstanding. As of such date, Fortitude Group Holdings, LLC, a Delaware limited liability company, owned all of the registrant's Common Stock.

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

Certain of the statements included in this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Words such as “expects,” “believes,” “anticipates,” “plans,” “assumes,” “estimates,” “projects,” “intends,” “should,” “will,” “shall” or variations of such words are generally part of forward-looking statements. Forward-looking statements are made based on management’s current expectations and beliefs concerning future developments and their potential effects upon Fortitude Life Insurance & Annuity Company (FLIAC). There can be no assurance that future developments affecting FLIAC will be those anticipated by management. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and there are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements, including, among others: (1) the ongoing impact of the uncertain and evolving economic environment on the global economy, financial market and our business; (2) losses on investments or financial contracts due to deterioration in credit quality or value, or counterparty default; (3) losses on insurance products due to mortality experience or policyholder behavior experience that differs significantly from our expectations when we price our products; (4) changes in interest rates and equity prices that may (a) adversely impact the profitability of our products, the value of separate accounts supporting these products or the value of assets we manage, (b) result in losses on derivatives we use to hedge risk or increase collateral posting requirements and (c) limit opportunities to invest at appropriate returns; (5) guarantees within certain of our products which are market sensitive and may decrease our earnings or increase the volatility of our results of operations or financial position; (6) liquidity needs resulting from (a) derivative collateral market exposure, (b) asset/liability mismatches, (c) the lack of available funding in the financial markets or (d) unexpected cash demands due to severe mortality calamity or lapse events; (7) financial or customer losses, or regulatory and legal actions, due to inadequate or failed processes or systems, external events, and human error or misconduct such as (a) disruption of our systems and data, (b) an information security breach, (c) a failure to protect the privacy of sensitive data, (d) reliance on third-parties or (e) labor and employment matters; (8) changes in the regulatory landscape, including related to (a) financial sector regulatory reform, (b) changes in tax laws, (c) fiduciary rules and other standards of care, (d) state insurance laws and developments regarding group-wide supervision, capital and reserves, or (e) privacy and cybersecurity regulation; (9) technological changes which may adversely impact companies in our investment portfolio or cause insurance experience to deviate from our assumptions; (10) ratings downgrades; (11) market conditions that may adversely affect the sales or persistency of our products; (12) competition; and (13) reputational damage. FLIAC does not intend, and is under no obligation, to update any particular forward-looking statement included in this document. See “Risk Factors” included in this Annual Report on Form 10-K for discussion of certain risks relating to our business and investment in our securities.

PART 1

Item 1. Business

Overview

Fortitude Life Insurance & Annuity Company ("FLIAC", "we", or the "Company"), with its principal offices in Jersey City, New Jersey, is a wholly-owned subsidiary of Fortitude Group Holdings, LLC ("FGH") and an indirect wholly-owned subsidiary of FGH Parent L.P. ("FGP"). Prior to April 1, 2022, the Company (previously named Prudential Annuities Life Assurance Corporation ("PALAC")) was a wholly-owned subsidiary of Prudential Annuities, Inc ("PAI"), an indirect wholly-owned subsidiary of Prudential Financial, Inc. ("Prudential Financial"), a New Jersey Corporation. On April 1, 2022, PAI completed the sale of its equity interest in the Company to FGH. As a result, the Company is no longer an affiliate of Prudential Financial or any of its affiliates.

Product Information

The Company has issued variable, index-linked, and fixed deferred and immediate annuities for individuals and groups in the United States of America and Puerto Rico. In addition, the Company has a relatively small in-force block of variable life insurance policies. Beginning in 2021, and concluding prior to the acquisition by FGH on April 1, 2022, the Company ceased all new sales of its insurance products. The Company may resume selling new products or issuing new contracts in the future but currently has no intention to do so.

The Company surrendered its New York license effective December 31, 2015, and reinsured the majority of its New York business to The Prudential Insurance Company of America ("Prudential Insurance"). The license surrender relieved the Company of the requirement to hold New York statutory reserves on its business in excess of the statutory reserves required by its domiciliary regulator, the Arizona Department of Insurance and Financial Institutions ("Arizona DIFI"). For the small portion of New York business retained by the Company, a custodial account has been established to hold collateral assets in an amount equal to a percentage of the reserves associated with such business, as calculated in accordance with PALAC's New York Regulation 109 Plan approved by the New York State Department of Financial Services.

Business Segmentation

Following the acquisition by FGH, the Company separated its business into two reportable segments, which are referred to as the "Retained Business" and the "Ceded Business".

The Retained Business consists of variable annuity products with guaranteed lifetime withdrawal benefit features as well as smaller blocks of variable annuity products with certain other living benefit and death benefit features. The Retained Business also includes variable universal life and fixed payout annuity products. The Retained Business is actively managed by FLIAC management and retains the full economic benefits and risks.

The Ceded Business represents certain business (primarily registered index-linked annuities and fixed annuities, which includes fixed indexed and fixed deferred annuities, and other variable annuities) where 100 percent of the assets and liabilities have been fully ceded to The Prudential Insurance Company of America ("Prudential Insurance") and Pruco Life Insurance Company ("Pruco Life") under existing coinsurance and modified coinsurance agreements. See "Reinsurance" herein Item 1 for further information.

Novation of Ceded Business

In 2022, in accordance with applicable state law, a program was instituted to novate a significant portion of the Ceded Business policies from FLIAC to Pruco Life. The program did not have an impact on total equity or net income but has resulted in the reduction of certain activity/balances associated with these policies. During the year ended December 31, 2023, approximately $641 million of account value, which generally approximates fair values of insurance liabilities, was transferred out of the Company as a result of the novation program.

There was no significant novation activity during 2024 and we do not expect significant future novation activity under the program. Since the acquisition of the Company in April 2022, approximately 73 percent of account value in the Ceded Business has been novated to Pruco Life under this program.

Revenues and Profitability

Our revenues primarily come in the form of:

- Policy charges and fee income representing mortality, expense, and other fees for various insurance-related options and features based on the average daily net asset value of the annuity separate accounts, account value, premium, or guaranteed value, as applicable.
- Fee income from administrative services and distribution fees from certain mutual funds that underlie our variable products. We also receive income in the form of revenue-sharing from advisers who provide asset management services to the underlying mutual funds. Such income is generally determined as a percentage of the average assets attributable to our products in the underlying funds.
- Investment income.

Our profitability is substantially impacted by assumptions made at the time FGH acquired the Company, which were based on:

- An evaluation of the risks assumed and consideration of applicable risk management strategies, including hedging and reinsurance costs.
- Assumptions regarding investment returns and contractholder behavior, including persistency, benefit utilization and the timing and efficiency of withdrawals for contracts with living benefit features, as well as other assumptions.

Competition

We compete with other providers of retirement savings and accumulation products, including larger, more well-established insurance and financial services companies. Although the Company is not actively selling new policies, we believe our existing product features and customer service capabilities, supplemented with our risk management strategies, provide an attractive value for the retention of existing customers.

Retained Business Strategies

We manage the Retained Business with a focus on long-term economics and a willingness to sustain short-term volatility in our earnings, while remaining consistent with our risk appetite framework. Our overall business strategy is to generate above-market risk adjusted returns by:

- Ensuring we have a strong statutory balance sheet following capital market stresses, including but not limited to, sharp reductions in equity prices and interest rates and increases in credit spreads,
- Leveraging our investment capabilities to deploy a portion of our asset portfolio into private fixed income securities with a sufficiently wide spread to comparable public securities, and
- Investing in high-quality liquid public fixed income securities and preserving a cash balance sufficient to pay current claims and expenses, while maintaining collateral to satisfy margin requirements in connection with the derivative transactions forming our Asset Liability Matching (ALM) strategy, as described below.

The primary risk exposures of our Retained Business relate to actual deviations from, or changes to, the pricing assumptions developed at acquisition for these products, including capital markets assumptions such as equity market returns, interest rates and market volatility, along with actuarial assumptions such as contractholder mortality, the timing and amount of annuitization and withdrawals, and contract lapses. For these risk exposures, achievement of our expected returns is subject to the risk that actual experience will differ from the pricing assumptions developed at acquisition for these products. We have developed and implemented a risk management strategy to mitigate the potential adverse effects of fluctuations in capital markets, specifically equity markets and interest rates, primarily through a combination of i) Product Design Features and ii) our ALM strategy.

Product Design Features

Certain contractual design features for our Retained Business products help us manage our risk. For example, a portion of the variable annuity contracts with guaranteed benefit riders includes an asset transfer feature which automatically transfers assets between certain variable investment sub-accounts selected by the annuity contractholder to, depending on the benefit feature, a fixed-rate account in the general account or a bond fund sub-account within the separate account. The purpose of the asset transfer feature is to reduce our risk under the guaranteed benefit riders by reducing our exposure to equity market risk and market volatility. The transfers are based on a static mathematical formula used with the particular benefit which considers a number of factors, including, but not limited to, the impact of investment performance on the contractholder's total account value. Other risk-reducing product design features include, among others, asset allocation restrictions, minimum issuance age requirements and certain limitations on the amount of contractholder purchase payments.

ALM Strategy

We employ an ALM strategy that utilizes a combination of both fixed income instruments and derivatives to meet expected claims associated with our variable annuity living and death benefit guarantees. The economic liability we manage with this ALM strategy consists of expected living and death benefit claims net of expected separate account fee revenue. For the portion of our ALM strategy executed with derivatives, we enter into a range of exchange-traded and over-the-counter ("OTC") equity, interest rate and credit derivatives, including, but not limited to the following:

- Interest rate contracts: swaps, swaptions, futures, forwards, options, caps and floors;
- Equity contracts: futures, options, and total return swaps;
- Foreign exchange contracts: futures, options, forwards and swaps; and
- Credit contracts: single and index reference credit default swaps.

The intent of our ALM strategy is to more efficiently manage the capital and liquidity associated with these products. We explicitly consider liquidity and risk-based capital as well as current market conditions in our asset/liability management strategies. See Item 7A "Quantitative and Qualitative Disclosures About Market Risk" for discussion regarding interest and equity risks.

Reinsurance

The Company has historically entered into reinsurance agreements as both a ceding entity and an assuming entity. As of December 31, 2024, the Company is only involved with reinsurance agreements for which it is a ceding entity. As a ceding entity, the exposure to the risks reinsured is reduced by transferring certain rights and obligations of the underlying insurance product to a counterparty. We enter into reinsurance agreements as the ceding entity for a variety of reasons but primarily do so to reduce exposure to loss, reduce risk volatility, provide additional capacity for future growth and for capital management purposes for certain of our optional living benefit features. Under ceded reinsurance, we remain liable to the underlying policyholder if a third-party reinsurer is unable to meet its obligations. We evaluate the financial condition of reinsurers, monitor the concentration of counterparty risk and maintain collateral, as appropriate, to mitigate this exposure.

For additional information on our reinsurance agreements, see Note 8 to the Financial Statements.

Regulation

Overview

Our business is subject to comprehensive regulation and supervision. The purpose of these regulations is primarily to protect our customers and the overall financial system. Many of the laws and regulations to which we are subject are regularly re-examined. Existing or future laws and regulations and interpretations thereof may become more restrictive or otherwise adversely affect our operations or profitability, increase compliance costs, or increase potential regulatory exposure. In recent years we have experienced, and expect to continue to experience, extensive changes in the laws and regulations, and regulatory frameworks, applicable to our businesses. We cannot predict how current or future initiatives will further impact existing laws, regulations and regulatory frameworks.

State insurance laws regulate many aspects of our business. The Company is domiciled in Arizona and its principal insurance regulatory authority is the Arizona DIFI. Generally, our insurance products must be approved by the insurance regulators in the state in which they are sold. Our insurance products are also substantially affected by federal and state tax laws.

The primary regulatory frameworks applicable to the Company are described further below under the following section headings:

- Dodd-Frank Wall Street Reform and Consumer Protection Act
- ERISA
- Fiduciary Rules and other Standards of Care
- U.S. State Insurance Holding Company Regulation
- U.S. Insurance Operations
    - State Insurance Regulation
    - U.S. Federal Securities Regulation Affecting Insurance Operations
- Retirement Product Regulation
- Derivatives Regulation
- Privacy and Cybersecurity Regulation
- Anti-Money Laundering and Anti-Bribery Laws
- Unclaimed Property Laws
- Taxation
- International and Global Regulatory Initiatives

Existing and future accounting rules may also impact our results of operations or financial condition. For a discussion of accounting pronouncements and their potential impact on our business, see Note 2 to the Financial Statements.

Dodd-Frank Wall Street Reform and Consumer Protection Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") increased the potential for federal regulation of our businesses. The Financial Stability Oversight Council ("FSOC" or the "Council") may designate certain financial companies as a non-bank financial company (a "Designated Financial Company") subject to supervision by the Board of Governors of the Federal Reserve System ("FRB"). In October 2017, the U.S. Department of the Treasury released a report titled "A Financial System That Creates Economic Opportunities - Asset Management and Insurance" which recommended, among other things, that primary federal and state regulators should focus on potential systemic risks arising from products and activities, and on implementing regulations that strengthen the asset management and insurance industries as a whole, rather than focus on an entity-based regulatory regime. The report also affirmed the role of the U.S. state-based system of insurance regulation. In November 2023, FSOC revised its interpretive guidance regarding the approach FSOC intends to take in making Designated Financial Company determinations. The guidance removed certain prerequisites to the exercise of the Council's Designated Financial Company determination authority, including rescinding the prioritization of an activities-based approach. Simultaneously, FSOC adopted a separate analytic framework that explains the Council's substantive approach to identifying, assessing, and responding to certain potential risks to U.S. financial stability. From time to time Congress has also introduced legislation which if enacted, would amend certain provisions of Dodd-Frank, including by requiring the Council to prioritize the use of an activities-based approach to mitigate identified systemic risks.

The Council maintains the authority to designate entities, including the Company, for FRB supervision if it determines that either (i) material financial distress at the entity, or (ii) the nature, scope, size, scale, concentration, interconnectedness, or mix of the entity's activities, could pose a threat to domestic financial stability. The Company continues to believe it does not meet the standards for designation.

We cannot predict whether Treasury reports, interpretive guidance, new legislation or other initiatives aimed at revising Dodd-Frank and regulation of the financial system will ultimately form the basis for changes to laws or regulations impacting the Company.

ERISA

The Employee Retirement Income Security Act of 1974 ("ERISA") is a comprehensive federal statute that applies to U.S. employee benefit plans sponsored by private employers and labor unions. Plans subject to ERISA include pension and profit sharing plans and welfare plans, including health, life and disability plans. ERISA provisions include reporting and disclosure rules, standards of conduct that apply to plan fiduciaries and prohibitions on transactions known as "prohibited transactions," such as conflict-of-interest transactions and certain transactions between a benefit plan and a party in interest. ERISA also provides for civil and criminal penalties and enforcement. FLIAC's insurance business provides service to employee benefit plans subject to ERISA.

Fiduciary Rules and Other Standards of Care

The Company may be impacted by rules regarding the standard of care applicable to sales of our products and the provision of advice to our customers. In recent years, many of these rules have been revised or reexamined, as described below. Any standards issued by the U.S. Department of Labor ("DOL"), the Securities and Exchange Commission ("SEC"), the National Association of Insurance Commissioners ("NAIC") or state regulators may affect our business, results of operations, cash flows and financial condition. Inconsistencies among applicable standards could increase this impact.

DOL Fiduciary Rules

On April 25, 2024, the DOL adopted final rule amendments to broaden the circumstances under which fiduciary duties are imposed, and to impose additional conditions on existing prohibited transaction exemptions. However, the DOL's fiduciary rules have been stayed pending the outcome of litigation in two cases that have been consolidated by the Fifth Circuit. We cannot predict the final outcome of the challenge to the DOL's fiduciary rules. The DOL's fiduciary rules, if implemented, may negatively impact our business or the insurance industry.

U.S. State Standard of Care Regulation

Various states have also adopted laws raising the standard of care owed by broker-dealers, investment advisers, or insurance agents to their customers when recommending an annuity product. For example, at least 48 states have adopted revisions to their suitability laws that generally track the NAIC's revisions to its Suitability in Annuity Transactions Model Regulation, which imposes a requirement that any recommendation of an annuity product be in the consumer's best interest. As changes are adopted by our state regulator(s) and made applicable to us or the third-party firms that distribute our products, they could have an adverse impact on our business. In states that have adopted these increased standards with respect to annuity recommendations, this may lead to an increased risk of regulatory enforcement actions or potentially private claims.

SEC Standard of Care Regulation

The SEC adopted rules, titled "Regulation Best Interest," effective on June 30, 2020 (i) imposing a "best interest" standard of care on broker-dealers making recommendations regarding securities transactions, including with regard to SEC-registered insurance products, to their customers and (ii) requiring broker-dealers and investment advisers to provide a written summary of the relationship between a broker-dealer or investment adviser, as applicable, and its customer. Since its adoption, Regulation Best Interest has been and continues to be a focus of SEC examinations and enforcement activity.

U.S. State Insurance Holding Company Regulation

We are subject to the Arizona insurance holding company law which requires us to register with the insurance department and to furnish annually financial and other information about the operations of the Company. Generally, all transactions with affiliates that affect the Company must be fair and reasonable and, if material, require prior notice and approval or non-disapproval by the Arizona DIFI.

Group-Wide Supervision

Effective April 1, 2024, the Bermuda Monetary Authority ("BMA") made a final determination that it is appropriate for the BMA to be the group supervisor for FGP. As a result of the BMA's determination to be group supervisor of FGP, it will be subject to group capital standards, additional examination as an insurance group, and participation in supervisory college activities as determined by the BMA and other competent authorities supervising the entities in the insurance group. The Arizona DIFI will remain the supervisor of FLIAC along with its affiliated U.S. insurance subsidiaries under FGP and will coordinate its activities with the BMA regarding overall supervision of FGP. We do not expect FLIAC to incur significant additional costs resulting from the BMA's designation as group supervisor for FGP but the Company may be subject to additional examinations and inquiries from the BMA as part of their routine supervision process.

Additional areas of focus regarding group-wide supervision of insurance holding companies include the following:

- *Group Capital Calculation*. The NAIC has developed and adopted a U.S. group capital calculation that uses a risk-based capital ("RBC") aggregation methodology. The calculation is intended to serve as an additional tool to help state regulators assess potential risks within and across insurance group. While we are not currently subject to these group capital calculation requirements, we could become subject to them in the future and their potential future impact on us is uncertain.

- *Macroprudential Framework*. The NAIC is developing a macroprudential framework intended to: (1) improve state insurance regulators' ability to monitor and respond to the impact of external financial and economic risks on insurers; (2) better monitor and respond to risk emanating from or amplified by insurers that might be transmitted externally; and (3) increase public awareness of NAIC/state monitoring capabilities regarding macroprudential trends. As part of this initiative, the areas identified by the NAIC for potential enhancement include liquidity reporting and stress testing, resolution and recovery, capital stress testing, and counterparty exposure and concentration.

- *Examination*. State insurance departments conduct periodic examinations of the books and records, financial reporting, policy filings and market conduct of insurance companies domiciled in their states, generally once every three to five years under guidelines promulgated by the NAIC. At the time of filing, there was one open financial examination covering FLIAC, which is expected to be closed in 2025.

We cannot predict what, if any, additional requirements and compliance costs any new group-wide standards will impose on FGH or FLIAC.

U.S. Insurance Operations

Generally, our insurance products must be approved by the insurance regulators in the state in which they are sold. Our insurance products are substantially affected by federal and state tax laws.

State Insurance Regulation

State insurance regulators have broad powers with respect to all aspects of the insurance business including: (1) licensing to transact business; (2) licensing agents; (3) admittance of assets to statutory surplus; (4) regulating premium rates for certain insurance products; (5) approving policy forms; (6) regulating unfair trade and claims practices; (7) establishing reserve requirements and solvency standards; (8) fixing maximum interest rates on life insurance policy loans and minimum accumulation or surrender values; (9) regulating the type, amounts and valuations of investments permitted; (10) regulating reinsurance transactions, including the role of captive reinsurers; (11) data privacy and cybersecurity and (12) other matters.

State insurance laws and regulations require the Company to file financial statements with state insurance departments everywhere it does business in accordance with accounting practices and procedures prescribed or permitted by these departments. The Company's operations and accounts are subject to examination by those departments at any time.

Financial Regulation

Dividend Payment Limitations. The Arizona insurance law regulates the amount of dividends that may be paid by the Company. See Note 12 to the Financial Statements for a discussion of dividend restrictions.

Risk-Based Capital. We are subject to RBC requirements that are designed to enhance regulation of insurers' solvency. The RBC calculation, which regulators use to assess the sufficiency of an insurer's statutory capital, measures the risk characteristics of a company's assets, liabilities and certain off-balance sheet items. In general, RBC is calculated by applying factors to various asset, premium, claim, expense and reserve items. Within a given risk category, these factors are higher for those items with greater underlying risk and lower for items with lower underlying risk. Insurers that have less statutory capital than required are considered to have inadequate capital and are subject to varying degrees of regulatory action depending upon the level of capital inadequacy.

Areas of the RBC framework that have recently been subject to reexamination or revision include the following:

- *Bond Factors*. In August 2021, the NAIC adopted the Moody's Analytics proposed revisions to the RBC C-1 factors for invested assets effective for the year-end 2021 RBC calculation. The revisions included expanding the NAIC designations used in the RBC calculation from six bond structures to twenty. Since its adoption, the new factors have not materially impacted our RBC calculations. More recently, the NAIC adopted a principles-based bond definition, effective January 1, 2025, to provide a framework for enhanced clarity and consistency of bond reporting. The new standard requires a determination of whether a security represents a creditor relationship based its substance, rather than solely the legal form of the instrument, and may result in certain structured securities formerly classified as bonds being accounted for as a riskier category of investment. Based on an evaluation of our investment holdings, we do not anticipate that the new standards will materially impact our RBC calculation.

- *Longevity/Mortality Risk*. In 2021, the NAIC's Life Risk-Based Capital Working Group adopted longevity risk factors for some annuity products and a correlation adjustment between longevity and mortality risk factors. The Company assumes this longevity risk primarily in its individual annuities business. In 2022, the NAIC also adopted updates to the existing mortality risk factors in RBC.

- *Economic Scenario Generator ("Generator")*. In 2017, the American Academy of Actuaries notified the NAIC that it did not have the resources to maintain its Generator used in regulatory reserve and capital calculations. In 2020, the NAIC selected a third-party vendor to provide, maintain, and support the Generator prescribed for life and annuity statutory reserve and capital calculations. Further changes to or replacements of the Generator could impact our business.

Due to the ongoing nature of the NAIC's activities regarding RBC, we cannot determine the ultimate timing of the proposed changes or their impact on RBC or on our financial position.

Insurance Reserves and Regulatory Capital.

State insurance laws require us to analyze the adequacy of our reserves annually. Our appointed actuary must submit an opinion that our reserves, when considered in light of the assets we hold with respect to those reserves, make adequate provision for our contractual obligations and related expenses.

Market Conduct Regulation

State insurance laws and regulations include numerous provisions governing the marketplace activities of insurers, including provisions governing the form and content of disclosure to consumers, illustrations, advertising, sales practices and complaint handling, as well as underwriting and claims activity. State regulatory authorities generally enforce these provisions through periodic market conduct examinations. We have been subject to market conduct examinations relating to our marketplace activities, including with respect to the policies and procedures we use to locate guaranteed group annuity customers and establish related reserves. Market conduct examinations by state regulatory authorities have resulted and may in the future result in us increasing statutory reserves, changing operational processes and procedures, and being subject to fines or other discipline.

Climate Issues

In 2020, the NAIC established a Climate and Resiliency Task Force under the Executive Committee to coordinate domestic and international discussions and engagement on climate-related risk and resiliency issues. Charges for the Task Force include: considering appropriate climate risk disclosures within the insurance sector; evaluating financial regulatory approaches to climate risk and resiliency, including stress testing, scenario modeling, and solvency implications; considering innovative insurer solutions to climate risk and resiliency; identifying sustainability, resilience and mitigation issues and solutions related to the insurance industry; and considering pre-disaster mitigation and resiliency and the role of state insurance regulators in resiliency. To date, the Task Force has not adopted any regulatory requirements but may do so in the future as it advances its work. The NAIC has generally modified its Insurer Climate Risk Disclosure survey, which is used by several states, to align with aspects of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) framework, a recognized framework of recommendations that were developed to enhance climate-related disclosures. The NAIC is also considering potential enhancements to existing regulatory tools relative to the solvency effects of climate which may be incorporated into the NAIC's Financial Analysis Handbook, the Financial Condition Examiners Handbook and the ORSA Guidance Manual.

Insurance Guaranty Association Assessments

Each state has insurance guaranty association laws under which insurers doing business in the state are members and may be assessed by state insurance guaranty associations for certain obligations of insolvent insurance companies to policyholders and claimants. Typically, states assess each member insurer in an amount related to the member insurer's proportionate share of the business written by all member insurers in the state. The majority of state guaranty association laws provide a tax offset for a percentage of the assessment against future years' premium taxes. We cannot predict the amount and timing of future assessments on the Company under these laws.

U.S. Federal Securities Regulation Affecting Insurance Operations

The U.S. federal securities laws are primarily intended to ensure the integrity of the financial markets and protect investors, and they generally grant regulatory agencies broad rulemaking and enforcement powers, including the power to limit or restrict the conduct of business for failure to comply with such laws and regulations. Our variable and registered index-linked annuities products, as well as certain of our fixed interest annuity contracts and fixed interest allocation options subject to a market value adjustment, generally are "securities" within the meaning of federal securities laws and generally are required to be registered under the federal securities laws and are subject to regulation by the SEC and the Financial Industry Regulatory Authority ("FINRA"). The registration of our non-variable annuity products triggers certain reporting requirements under the Securities Exchange Act of 1934. As a result, we are subject to extensive regulation under the Securities Act of 1933, the Securities Exchange Act of 1934, and the Investment Company Act of 1940 and the SEC's rules and regulations thereunder. In the future, we may choose to rely on the exemption provided by Rule 12h-7 under the Securities Exchange Act of 1934 to cease filing periodic and current reports that are otherwise required under the Securities Exchange Act of 1934. Federal securities regulation also affects investment advice, sales and related activities with respect to these products. The SEC and FINRA may from time to time make inquiries and conduct examinations regarding our compliance with securities and other laws and regulations. We will cooperate with such inquiries and examinations and take corrective action when warranted.

On March 6, 2024, the SEC adopted new rules designed to enhance reporting company disclosures related to the risks and impacts of climate-related matters. The new rules require disclosures of climate-related risks and risk management as well as the board and management's governance of such risks. In addition, the rules include requirements to disclose the financial effects of severe weather events and other natural conditions in the financial statements. Larger registrants will also be required to disclose information about greenhouse gas emissions, which will be subject to a phased-in assurance requirement. Petitions seeking review of the new rules were filed in multiple courts of appeal, and on April 4, 2024, the SEC voluntarily stayed the implementation of the final rules pending the outcome of the Eighth Circuit's judicial review of the consolidated petitions. We cannot predict the result of the judicial review.

Federal Insurance Office

Dodd-Frank established a Federal Insurance Office ("FIO") within the Department of the Treasury headed by a director appointed by the Secretary of the Treasury. While the FIO does not have general supervisory or regulatory authority over the business of insurance, the FIO director performs various functions with respect to insurance, including serving as a non-voting member of the Council, monitoring the insurance sector and representing the U.S. on prudential aspects of international insurance matters, including at the International Association of Insurance Supervisors ("IAIS").

Recent Tax Law Changes Related to Retirement Plans and Products

In December 2019, Congress enacted the Setting Every Community up for Retirement Enhancement ("SECURE") Act. The SECURE Act is intended to help promote retirement plan coverage and increase retirement plan savings, as well as facilitate access to guaranteed lifetime income solutions. The SECURE Act addresses coverage issues by making it easier for small businesses to participate in pooled employer plans and requires coverage of certain long-term, part-time workers. The SECURE Act addresses savings issues by raising the cap on amounts contributed through auto-enrollment, increasing the maximum age for required minimum distributions to 72 and removing the age cap (70) for making IRA contributions. The SECURE Act also made it easier for employers to include guaranteed lifetime income as part of their plan by providing an annuity provider selection safe harbor, as well as providing for the portability of participant investments in annuity products. In addition, the SECURE Act included provisions that enable participants to withdraw, penalty-free, up to $5,000 for expenses attendant to the birth or adoption of a child and limit the ability of certain IRA beneficiaries to defer tax recognition of their inheritance beyond ten years.

In December 2022, SECURE Act 2.0 ("SECURE 2.0") was enacted. SECURE 2.0 contains numerous significant changes for retirement plans, plan sponsors, and retirement plan providers. For example, SECURE 2.0 contains provisions related to, among many other things, increasing the required minimum distribution age, reducing required minimum distribution penalties, and removing required minimum distribution barriers for annuities. Many of the provisions in SECURE 2.0 went effective in 2023, but SECURE 2.0 will not be completely implemented until 2027. The Internal Revenue Service ("IRS") has issued additional guidance addressing specific issues arising from the implementation of the provisions of SECURE 2.0.

Derivatives Regulation

FLIAC uses derivatives for various purposes, including hedging interest rate, foreign currency and equity market exposures. Dodd-Frank established a framework for regulation of the over-the-counter derivatives markets. This framework sets out requirements regarding the clearing and reporting of derivatives transactions, as well as collateral posting requirements for uncleared swaps.

We continue to monitor the potential hedging cost impacts of new initial margin requirements, and increased capital requirements for derivatives transactions. Additionally, the increased need to post cash collateral in connection with mandatorily cleared swaps may also require the liquidation of higher yielding assets for cash, resulting in a negative impact on investment income.

Privacy and Cybersecurity Regulation

We are subject to laws, regulations and directives that require financial institutions and other businesses to protect the security and confidentiality of personal information, including health-related and customer information, and to notify their customers and other individuals of their policies and practices relating to the collection and disclosure of personal information. In addition, we must comply with applicable privacy laws, regulations, and directives concerning the transfer or use of personal information. These laws, regulations, and directives also, among other things:

- require protections regarding the use and disclosure of certain information such as national identifier numbers (e.g., social security numbers);
- require periodic disclosure of privacy policies and practices to customers and consumers;
- require notice to affected individuals, regulators and others if there is a breach of the security of certain personal or confidential information;
- require financial institutions and creditors to implement effective programs to detect, prevent, and mitigate identity theft;
- require the proper disposal of customer and consumer information;
- regulate the process by which financial institutions make telemarketing calls and send e-mail, text, or fax messages to consumers and customers;
- require oversight of third parties that have access to, and handle, personal or confidential information;
- provide individuals with rights over their personal information, such as the right to obtain portable copies of or request the deletion of their personal information; and
- prescribe the permissible uses of certain personal information, including customer information and consumer report information.

General regulatory and legislative activity in the areas of privacy, data protection and information and cybersecurity continues to increase worldwide. Financial regulators continue to focus on data privacy and cybersecurity, have communicated heightened expectations with respect to security and regulatory compliance, and have increased emphasis in this area in their examinations of regulated entities. For example, the E.U.'s General Data Protection Regulation ("GDPR") confers substantial privacy rights on individuals in the E.U. and establishes significant penalties for violations, and several international countries have adopted GDPR-like regulations. In the U.S., many states have adopted comprehensive privacy and data protection laws. Insurance regulatory activity related to privacy, data protection and cybersecurity also continues to increase.

In October 2017, the NAIC adopted the Insurance Data Security Model Law. The model law requires that insurance companies establish a cybersecurity program and includes specific technical safeguards as well as requirements regarding governance, incident planning, data management, system testing, vendor oversight and regulator notification. At least 26 states have either implemented the model law, or have otherwise adopted similar laws. The NAIC is also drafting a new Privacy Protection Model Act (to replace and modernize the Insurance Information and Privacy Protection Model Act and the Privacy of Consumer Financial and Health Information Model Regulation) that would include stronger provisions related to consumer rights, consent, and notification as well as third-party service agreements, data retention and deletion policies, and data sharing agreements.

In 2023, the SEC adopted final rules requiring reporting companies to disclose material cybersecurity incidents and their processes regarding cybersecurity risk management, strategy, and governance. The following are the key requirements applicable to the Company: (i) current disclosure of material cybersecurity incidents on Form 8-K and (ii) Annual disclosure on Form 10-K of information about cybersecurity risk management, strategy, and governance.

See "Cybersecurity" contained in Item 1C for further information.

The SEC has also proposed new Rule 38a-2, which if adopted would require investment companies registered under the Investment Company Act of 1940, such as the separate accounts that support our variable annuities and variable life insurance policies, to adopt and implement a comprehensive set of written policies and procedures designed to address cybersecurity risks and to disclose in variable annuity and variable life insurance prospectuses information about any significant cybersecurity incident that has occurred in the past two fiscal years. In addition, significant amendments to Regulation S-P, the SEC's privacy of consumer information and safeguarding customer information rules applicable to registered investment companies, went effective as of August 2, 2024. The amendments broadened the scope of information that must be protected and imposed extensive new obligations related to incident response and prevention, the notification of affected individuals, and the oversight of third party vendors.

The Company actively monitors regulatory developments in these areas, and may be subject to increased compliance costs and regulatory requirements as they become effective. As our compliance obligations continue to grow with the introduction and enforcement of new laws, there may be an increased risk to the Company of regulatory enforcement actions or potentially private claims.

Anti-Money Laundering and Anti-Bribery Laws

Our business is subject to various anti-money laundering and financial transparency laws and regulations that seek to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering. In addition, under current U.S. law and regulations we may be prohibited from dealing with certain individuals or entities in certain circumstances and we may be required to monitor customer activities, which may affect our ability to attract and retain customers. We are also subject to various laws and regulations relating to corrupt and illegal payments to government officials and others, including the U.S. Foreign Corrupt Practices Act. The obligation of financial institutions, including the Company, to identify their clients, to monitor for and report suspicious transactions, to monitor dealings with government officials, to respond to requests for information by regulatory authorities and law enforcement agencies, and to share information with other financial institutions, has required the implementation and maintenance of internal practices, procedures and controls.

Unclaimed Property Laws

We are subject to the laws and regulations of states and other jurisdictions concerning the identification, reporting and escheatment of unclaimed or abandoned funds, and we are subject to audit and examination for compliance with these requirements. For additional discussion of these matters, see Note 13 to the Financial Statements.

Taxation

U.S. Taxation

The principal differences between the Company's actual income tax expense and the applicable statutory federal income tax rate are generally deductions for non-taxable investment income, including the Dividends Received Deduction ("DRD"), and intercompany cost allocations. The applicable statutory federal income tax rate is 21%. A future increase in the applicable statutory federal income tax rate above 21% would adversely impact the Company's tax position. In addition, as discussed further below, the tax attributes of our products may impact both the Company's and our customers' tax positions. See "Income Taxes" in Note 2 to the Financial Statements and Note 9 to the Financial Statements for a description of the Company's tax position. As discussed further below, new tax legislation and other potential changes to the tax law may impact the Company's tax position and the attractiveness of our products.

On August 16, 2022, the U.S. enacted The Inflation Reduction Act of 2022, which provides among other provisions a new corporate alternative minimum tax ("CAMT"). The CAMT is effective for taxable years beginning after December 31, 2022 and generally applies to taxpayers with average annual financial statement income exceeding $1 billion over a three-year period. The Company is below the $1 billion threshold and is not subject to the CAMT rules for the year ended December 31, 2024, and is not expected to be subject to the provisions in future years.

U.S. federal tax law generally permits tax deferral on the inside build-up of investment value of certain retirement savings, annuities and life insurance products until there is a contract distribution and, in general, excludes from taxation the death benefit paid under a life insurance contract. It is possible that some individuals with overall lower effective tax rates could be less attracted to the tax deferral aspect of the Company's products. A general reduction in individual tax rates and elimination of certain individual deductions may also impact the Company, depending on whether current and potential customers have more or less after-tax income to save for retirement and manage their mortality and longevity risk through the purchase of the Company's products. Congress from time to time may enact other changes to the tax law that could make our products less attractive to consumers, including legislation that would modify the tax favored treatment of retirement savings, life insurance and annuities products.

The products we sell have different tax characteristics and, in some cases, generate tax deductions and credits for the Company. Changes in either the U.S. or foreign tax laws may negatively impact the deductions and credits available to the Company, including the ability of the Company to claim foreign tax credits with respect to taxes withheld on our investments supporting separate account products. These changes would increase the Company's actual tax expense and reduce its net income.

The profitability of certain products is significantly dependent on these characteristics and our ability to continue to generate taxable income, which is taken into consideration when pricing products and is a component of our capital management strategies. Accordingly, changes in tax law, our ability to generate taxable income, or other factors impacting the availability or value of the tax characteristics generated by our products, could impact product pricing, increase our tax expense or require us to implement other actions that could be disruptive to our businesses.

International and Global Regulatory Initiatives

In addition to the adoption of Dodd-Frank in the United States, lawmakers around the world are actively exploring steps to avoid future financial crises. In many respects, this work is being led by the Financial Stability Board ("FSB"), which consists of representatives of national financial authorities of the G20 nations. The G20, the FSB and related bodies have developed proposals to address such issues as financial group supervision, capital and solvency standards, systemic economic risk, corporate governance including executive compensation, and a host of related issues.

The IAIS developed the Common Framework for the Supervision of Internationally Active Insurance Groups ("ComFrame"). Through ComFrame, the IAIS seeks to promote effective and globally consistent supervision of the insurance industry through uniform standards for insurer corporate governance, enterprise risk management and other control functions, group-wide supervision and group capital adequacy. The non-capital related components of ComFrame were adopted by the IAIS in November 2019. On December 5, 2024, the IAIS adopted the Insurance Capital Standard ("ICS"), which is the capital adequacy component of ComFrame, as well as updates to the existing components of ComFrame related to climate risk, the assessment and mitigation of systemic risk, and valuation and capital adequacy. The IAIS will begin developing a detailed ICS assessment methodology in 2025 for use in monitoring future progress in the implementation of the ICS.

As a standard setting body, the IAIS does not have direct authority to require insurance companies to comply with the policy measures it develops, including the ICS. However, we could become subject to these policy measures if they were adopted by either our group supervisor or supervisors of FGH, which could impact the manner in which the Company deploys its capital, structures and manages its businesses, and otherwise operates.

Human Capital Resources

The Company has no employees. Services to the Company are primarily provided by employees of FGH as described under "Expense Charges and Allocations" in Note 11 to the Financial Statements.

Item 1A. Risk Factors

You should carefully consider the following risks. These risks are not exclusive, and additional risks to which we are subject include, but are not limited to, the factors mentioned under "Forward-Looking Statements" above and the risks of our business described elsewhere in this Annual Report on Form 10-K. Many of these risks are interrelated and could occur under similar business and economic conditions, and the occurrence of certain of them may in turn cause the emergence or exacerbate the effect of others. Such a combination could materially increase the severity of the impact of these risks on our business, results of operations, financial condition and liquidity.

Overview

The Company's risk management framework documents the definition, potential manifestation, and management of its risks. The Company has categorized its risks into tactical and strategic risks. Tactical risks may cause damage to the Company, and the Company seeks to manage and mitigate them through models, metrics and the overall risk framework. The Company's tactical risks include investment, insurance, market, liquidity, and operational risk. Strategic risks can cause the Company's fundamental business model to change, either through a shift in the businesses in which it is engaged or a change in execution. The Company's strategic risks include regulatory and technological changes and other external factors. These risks, as well as the sub-risks that may impact the Company, are discussed below.

Investment Risk

Our investment portfolios are subject to the risk of loss due to default or deterioration in credit quality or value. We are exposed to investment risk through our investments, which primarily consist of public and private fixed maturity securities, mortgage loans, equity securities, and alternative assets, which include private equity, hedge funds, and real estate. We are also exposed to investment risk through a potential counterparty default.

Investment risk may result from: (1) economic conditions; (2) adverse capital market conditions, including disruptions in individual market sectors or a lack of buyers in the marketplace; (3) volatility; (4) credit spread changes; (5) benchmark interest rate changes; and (6) declines in value of underlying collateral. These factors may impact the credit quality, liquidity and value of our investments and derivatives, potentially resulting in higher capital charges and potentially non tax-deductible unrealized or realized losses. Also, certain investments we hold, regardless of market conditions, are relatively illiquid and our ability to promptly sell these assets for their full value may be limited. Additionally, our valuation of investments may include methodologies, inputs and assumptions which are subject to change and different interpretation and could result in changes to investment valuations that may materially impact our results of operations or financial condition. For information about the valuation of our investments, see "Application of Critical Accounting Estimates" in Item 7 and Note 4 to the Financial Statements in Item 8 for further information.

Our investment portfolio is subject to credit risk, which is the risk that an obligor (or guarantor) is unable or unwilling to meet its contractual payment obligations on its fixed maturity security, loan or other obligations. Credit risk may manifest in an idiosyncratic manner (i.e., specific to an individual borrower or industry) or through market-wide credit cycles. Financial deterioration of the obligor increases the risk of default and may increase the capital charges required under such regimes as risk-based capital regulations, or other constructs that may require us to hold the investment and in turn, potentially limit our overall capital flexibility. Credit defaults (as well as credit impairments, realized losses on credit-related sales, and increases in credit related reserves) may result in losses which adversely impact earnings, income tax obligations, capital and our ability to appropriately match our liabilities and meet future obligations.

Our Company is subject to counterparty risk, which is the risk that the counterparty to a transaction could default or deteriorate in creditworthiness before or at the final settlement of a transaction. In the normal course of business, we enter into financial contracts to manage risks (such as derivatives to manage market risk and reinsurance treaties to manage insurance risk), improve the return on investments (such as securities lending and repurchase transactions) and provide sources of liquidity or financing (such as credit agreements, securities lending agreements and repurchase agreements). These transactions expose the Company to counterparty risk. Counterparties include commercial banks, investment banks, broker-dealers and insurance and reinsurance companies. In the event of a counterparty deterioration or default, the magnitude of the losses will depend on then current market conditions and the length of time required to enter into a replacement transaction with a new counterparty. Losses are likely to be higher under stressed conditions.

Our investment portfolio is subject to equity risk, which is the risk of loss due to deterioration in market value of public equity or alternative assets. We include public equity and alternative assets (including private equity, hedge funds and real estate) in our portfolio constructions, as these asset classes can provide returns over longer periods of time, aligning with the long-term nature of certain of our liabilities. Public equity and alternative assets have varying degrees of price transparency. Equities traded on stock exchanges (public equities) have significant price transparency, as transactions are often required to be disclosed publicly. Assets for which price transparency is more opaque include private equity (joint ventures/limited partnerships) and direct real estate. As these investments typically do not trade on public markets and indications of realizable market value may not be readily available, valuations can be infrequent and/or more volatile. A sustained decline in public equity and alternative markets may reduce the returns earned by our investment portfolio through lower than expected dividend income, property operating income, and capital gains, thereby adversely impacting earnings, income tax obligations, capital, and product pricing assumptions. These assets may also produce volatility in earnings as a result of uneven distributions on the underlying investments.

Our investment portfolio may be impacted by the uncertain and evolving economic environment. In recent years, the financial markets have experienced periods of significant volatility and negative returns, contributing to an uncertain and evolving economic environment. The performance of the markets in recent years has been impacted by several interrelating factors such as, but not limited to, rising inflation, changes in interest rates, bank failures, geopolitical turmoil, and actions by governmental authorities (e.g., federal government shutdowns, changes in federal government spending, imposition of new international trade policies). It is not possible to predict the future performance of the markets with any certainty. The uncertain and evolving economic environment could increase the risk of loss on our investments.

Insurance Risk

We have significant liabilities for policyholders' benefits which are subject to insurance risk. Insurance risk is the risk that actual experience deviates adversely from our insurance assumptions, including mortality and policyholder behavior assumptions. We provide a variety of insurance products that are designed to help customers protect against a variety of financial uncertainties. Our insurance products protect customers against their potential risk of loss by transferring those risks to the Company, where those risks can be managed more efficiently through pooling and diversification over a larger number of independent exposures. During this transfer process, we assume the risk that actual losses experienced in our insurance products deviates significantly from what we expect. More specifically, insurance risk is concerned with the deviations that impact our future liabilities. Our profitability may decline if mortality experience or policyholder behavior experience differ significantly from our expectations when we priced our products at acquisition. In addition, if we experience higher than expected claims our liquidity position may be adversely impacted, and we may incur losses on investments if we are required to sell assets in order to pay claims. If it is necessary to sell assets at a loss, our results of operations and financial condition could be adversely impacted. For a discussion of the impact of changes in insurance assumptions on our financial condition, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Accounting Policies and Pronouncements - Application of Critical Accounting Estimates - Insurance Liabilities”.

Certain of our insurance products are subject to mortality risk, which is the risk that actual deaths experienced deviate adversely from our expectations. Mortality risk is a biometric risk that can manifest in the following ways:

- *Mortality calamity* is the risk that mortality rates in a single year deviate adversely from what is expected as the result of specific events, such as natural or man-made disasters, military actions, or terrorism. A mortality calamity event will reduce our earnings and capital and we may be forced to liquidate assets before maturity in order to pay the excess claims. Mortality calamity risk is more pronounced in respect of specific geographic areas (including major metropolitan centers, where we have concentrations of customers), concentrations of employees or significant operations. Ultimate losses depend on several factors, including the rates of mortality and morbidity among various segments of the insured population, the collectability of reinsurance, the possible macroeconomic effects on our investment portfolio, the effect on lapses and surrenders of existing policies, as well as other variables.

- *Mortality trend* is the risk that mortality improvements in the future deviate adversely from what is expected. Mortality trend is a long-term risk in that it can emerge gradually over time. For example, as a result of the COVID-19 pandemic, it is possible that long-term deviations from mortality assumptions may emerge in the coming years. Longevity products, such as annuities, experience adverse impacts due to higher-than-expected mortality improvement. Mortality products, such as life insurance, experience adverse impacts due to lower-than-expected improvement. If this risk were to emerge, the Company would update assumptions used to calculate reserves for in-force business, which may result in additional assets needed to meet the higher expected annuity claims or earlier expected life claims. An increase in reserves due to revised assumptions has an immediate impact on our results of operations and financial condition; however, economically the impact is generally long-term as the excess outflow is paid over time.

- *Mortality base* is the risk that actual base mortality deviates adversely from what is expected in pricing and valuing our products. Base mortality risk can arise from a lack of credible data on which to base the assumptions.

Certain of our insurance products are subject to policyholder behavior risk, which is the risk that actual policyholder behavior deviates adversely from what is expected. Policyholder behavior risk includes the following components:

- *Lapse calamity* is the risk that lapse rates over the short-term deviate adversely from what is expected, for example, surrenders of certain insurance products may increase following a downgrade of our financial strength ratings, adverse publicity or a change in economic conditions. Only certain products are exposed to this risk. Products that offer a cash surrender value that resides in the general account could pose a potential short-term lapse calamity risk. Surrender of these products can impact liquidity, and it may be necessary in certain market conditions to sell assets to meet surrender demands. Lapse calamity can also impact our earnings through its impact on estimated future profits.

- *Policyholder behavior efficiency* is the risk that the behavior of our customers or policyholders deviates adversely from what is expected. Policyholder behavior efficiency risk arises through product features which provide some degree of choice or flexibility for the policyholder, which can impact the amount and/or timing of claims. Such choices include surrender, lapse, partial withdrawal, policy loan, utilization, and premium payment rates for contracts with flexible premiums. While some behavior is driven by macro factors such as market movements, policyholder behavior at a fundamental level is driven primarily by policyholders' individual needs, which may differ significantly from product to product depending on many factors including the features offered, the approach taken to market each product, and competitor pricing. For example, persistency (the probability that a contract will remain in force) within our annuities business may be significantly impacted by the value of guaranteed minimum benefits contained in many of our variable annuity products being higher than current account values in light of poor market performance as well as other factors. Many of our products also provide our customers with wide flexibility with respect to the amount and timing of premium deposits and the amount and timing of withdrawals from the policy's value. Results may vary based on differences between actual and expected premium deposits and withdrawals for these products. The pricing of certain of our variable annuity products that contain certain living benefit guarantees is also based on assumptions about utilization rates, or the percentage of contracts that will utilize the benefit during the contract duration, including the timing of the first withdrawal. Results may vary based on differences between actual and expected benefit utilization. We may also be impacted by customers seeking to sell their benefits. In particular, third-party investor strategies in our annuities business could adversely affect the profitability of existing business. Policyholder behavior efficiency is generally a long-term risk that emerges over time. An increase in reserves due to revised assumptions has an immediate impact on our results of operations and financial condition; however, from an economic or cash flow perspective, the impact is generally long-term as the excess outflow is paid over time.

Our ability to reprice products is limited, and may not compensate for deviations from our expected insurance assumptions. Although some of our products permit us to increase premiums or adjust other charges and credits during the life of the policy or contract, the adjustments permitted under the terms of the policies or contracts may not be sufficient to maintain profitability or may cause the policies or contracts to lapse. Many of our products do not permit us to increase premiums or adjust other charges and credits or limit those adjustments during the life of the contract. Even if permitted under the policy or contract, we may not be able or willing to raise premiums or adjust other charges sufficiently, or at all. Accordingly, significant deviations in actual experience from our pricing assumptions could have an adverse effect on the profitability of our products.

Market Risk

The profitability of many of our insurance and annuity products are subject to market risk. Market risk is the risk of loss from changes in interest rates and equity prices.

The profitability of many of our insurance and annuity products depends in part on the value of the separate accounts supporting these products, which can fluctuate substantially depending on market conditions.

Derivative instruments we use to hedge and manage interest rate and equity market risks associated with our products and businesses, and other risks might not perform as intended or expected resulting in higher than expected realized losses and stresses on liquidity. Market conditions can limit availability of hedging instruments, require us to post additional collateral, and further increase the cost of executing product related hedges and such costs may not be recovered in the pricing of the underlying products being hedged.

Market risk may limit opportunities for investment of available funds at appropriate returns, including due to the interest rate environment, or other factors, with possible negative impacts on our overall results. Limited opportunities for attractive investments may lead to holding cash for long periods of time and increased use of derivatives for duration management and other portfolio management purposes. The increased use of derivatives may increase the volatility of our U.S. GAAP results and our statutory capital.

Our investments, results of operations and financial condition may also be adversely affected by developments in the global economy, and in the U.S. economy (including as a result of actions by the Federal Reserve with respect to monetary policy, and adverse political developments). Global or U.S. economic activity and financial markets may in turn be negatively affected by adverse developments or conditions in specific geographical regions.

For a discussion of the impact of changes in market conditions on our financial condition see Item 7A "Quantitative and Qualitative Disclosures About Market Risk".

Our insurance and annuity products, and our investment returns, are subject to interest rate risk, which is the risk of loss arising from asset/liability duration mismatches within our general account investments. The risk of mismatch in asset/liability duration is mainly driven by the specific dynamics of product liabilities. Some product liabilities are expected to have only modest risk related to interest rates because cash flows can be matched by available assets in the investable space. The interest rate risk emerges primarily from their tail cash flows (30 years or more), which cannot be matched by assets for sale in the marketplace, exposing the Company to future reinvestment risk. In addition, certain of our products provide for recurring premiums which may be invested at interest rates lower than the rates included in our pricing assumptions. Market-sensitive cash flows exist with other product liabilities including products whose cash flows can be linked to market performance through secondary guarantees, minimum crediting rates, and/or changes in insurance assumptions.

Our exposure to interest rates can manifest over years as in the case of earnings compression or in the short term by creating volatility in both earnings and capital. For example, some of our products expose us to the risk that changes in interest rates will impact the spread between the amounts that we are required to pay under contracts and the rate of return we are able to earn on our general account investments supporting these contracts.

When interest rates decline or remain low we must invest in lower-yielding instruments, potentially reducing net investment income. This risk is increased as more policyholders may retain their policies in a low rate environment. Since many of our policies and contracts have guaranteed minimum crediting rates or limit the resetting of crediting rates, the spreads could decrease or go negative.

Alternatively, when interest rates rise, we may not be able to replace the assets in our general account with the higher-yielding assets as quickly as needed to fund the higher crediting rates necessary to keep these products and contracts competitive. It is possible that fewer policyholders may retain their policies and annuity contracts as they pursue higher crediting rates, which could expose the Company to losses and liquidity stress. Rapid rises in interest rates may cause our interest maintenance reserve ("IMR") to decrease or become negative if fixed income securities are sold at a capital loss. In 2023, the NAIC issued temporary guidance that allows the admittance of 10 percent of negative IMR. Previous guidance disallowed all negative IMR; however, if our IMR balance becomes negative, our statutory surplus would still be affected negatively. This interim guidance is effective until December 31, 2025. The NAIC is developing a long-term solution regarding the accounting treatment of a negative IMR, which may nullify the interim guidance prior to its expiration. At this time, the outcome of this initiative is uncertain.

In recent years, the interest rate environment has been significantly volatile. Our mitigation efforts with respect to interest rate risk are primarily focused on maintaining an investment portfolio with diversified maturities that has a key rate duration profile that is approximately equal to the key rate duration profile of our liability and surplus benchmarks; however, these benchmarks are based on estimates of the liability cash flow profiles which are complex and could turn out to be inaccurate, especially when markets are volatile. In addition, there are practical and capital market limitations on our ability to accomplish this matching. Due to these and other factors we may need to liquidate investments prior to maturity at a loss in order to satisfy liabilities or be forced to reinvest funds in a lower rate environment.

Guarantees within certain of our products, in particular our variable annuities, are market sensitive and may decrease our earnings or increase the volatility of our results of operations or financial position under U.S. GAAP. Certain of our products, particularly our variable annuity products, include guarantees of minimum surrender values or income streams for stated periods or for life, which may be in excess of account values. Certain of our products, particularly certain index-linked annuity products, include interest crediting guarantees based on the performance of an index. Downturns in equity markets, increased equity volatility, increased credit spreads, or (as discussed above) reduced interest rates could result in an increase in the valuation of liabilities associated with such guarantees, resulting in increases in reserves and reductions in net income. We use a variety of hedging and risk management strategies, including product features, to mitigate these risks in part and we may periodically change our strategies over time. These strategies may, however, not be fully effective. In addition, we may be unable or may choose not to fully hedge these risks. Hedging instruments may not effectively offset the costs of guarantees or may otherwise be insufficient in relation to our obligations. Hedging instruments also may not change in value correspondingly with associated liabilities due to equity market or interest rate conditions, non-performance risk or other reasons. We may choose to hedge these risks on a basis that does not correspond to their anticipated or actual impact upon our results of operations or financial position under U.S. GAAP. Changes from period to period in the valuation of these policy benefits, and in the amount of our obligations effectively hedged, will result in volatility in our results of operations and financial position under U.S. GAAP and our statutory capital levels. Estimates and assumptions we make in connection with hedging activities may fail to reflect or correspond to our actual long-term exposure from our guarantees. Further, the risk of increases in the costs of our guarantees not covered by our hedging and other capital and risk management strategies may become more significant due to changes in policyholder behavior driven by market conditions or other factors. The above factors, individually or collectively, may have a material adverse effect on our results of operations, financial condition or liquidity.

Our valuation of the liabilities for the minimum benefits contained in many of our variable annuity products requires us to consider the market perception of our risk of non-performance, and a decrease in our own credit spreads resulting from ratings upgrades or other events or market conditions could cause the recorded value of these liabilities to increase, which in turn could adversely affect our results of operations and financial position.

Liquidity Risk

As a financial services company, we are exposed to liquidity risk, which is the risk that the Company is unable to meet near-term obligations as they come due.

Liquidity risk is a manifestation of events that are driven by other risk types (market, insurance, investment, operational). A liquidity shortfall may arise in the event of insufficient funding sources or an immediate and significant need for cash or collateral. In addition, it is possible that expected liquidity sources may be unavailable or inadequate to satisfy the liquidity demands described below.

The Company has four primary sources of liquidity exposure and associated drivers that trigger material liquidity demand. Those sources are:

- *Derivative collateral market exposure:* Abrupt changes to interest rate, equity, and/or currency markets may increase collateral requirements to counterparties and create liquidity risk for the Company.
- *Asset liability mismatch:* There are liquidity risks associated with liabilities coming due prior to the matching asset cash flows. Structural maturities mismatch can occur in activities such as securities lending, where the liabilities are effectively overnight open transactions used to fund longer term assets.
- *Wholesale funding:* We depend upon the financial markets for funding. These sources might not be available during times of stress, or may only be available on unfavorable terms, which can result in a decrease in our profitability, higher capital requirements, and a significant reduction in our financial flexibility.
- *Insurance cash flows:* We face potential liquidity risks from unexpected cash demands due to severe mortality calamity, customer withdrawals or lapse events. If such events were to occur, the Company may face unexpectedly high levels of claim payments to policyholders.

For a discussion of the Company's liquidity and sources and uses of liquidity see “Liquidity and Capital Resources” in Item 7.

Operational Risk

Our operations are exposed to the risk of loss resulting from inadequate or failed processes or systems, human error or misconduct, and as a result of external events.

An operational risk failure may result in one or more actual or potential impacts to the Company. While the Company has policies and procedures in place to monitor vendors' operational risks and assess their risk mitigation efforts, there is no guarantee that our vendors will always be able to avoid operational risk failure.

Operational Risk Types

- *Processes* - Processing failure; failure to safeguard or retain documents/records; errors in valuation/pricing models and processes; project management or execution failures; improper sales practices; improper administration of our products.
- *Systems* - Failures during the development and implementation of new systems; systems failures.
- *People* - Internal fraud, breaches of employment law, unauthorized activities; loss or lack of key personnel, inadequate training; inadequate supervision.
- *External Events* - External crime; cyber-attack; outsourcing risk; vendor risk; natural and other disasters; changes in laws/regulations.
- *Legal* - Legal and regulatory compliance failures.

Potential Impacts

- *Financial losses* - The Company experiences a financial loss. This loss may originate from various causes including, but not limited to, transaction processing errors and fraud.
- *Client Service impacts* - The Company may not be able to service customers. This may result if the Company is unable to continue operations during a business continuation event or if systems are compromised due to malware or virus.
- *Regulatory fines or sanctions* - When the Company fails to comply with applicable laws or regulations, regulatory fines or sanctions may be imposed. In addition, possible restrictions on business activities may result.
- *Legal actions* - Failure to comply with laws and regulations also exposes the Company to litigation risk. This may also result in financial losses.
- *Reputational harm* - Failure to meet regulator, customer, investor and other stakeholder expectations may cause reputational harm.

Liabilities we may incur as a result of operational failures are described further under “Contingent Liabilities” in Note 13 to the Financial Statements. In addition, certain pending regulatory and litigation matters affecting us, and certain risks to our businesses presented by such matters, are discussed in Note 13 to the Financial Statements. We may become subject to additional regulatory and legal actions in the future.

***Key Enterprise Operational Risks* -** Key enterprise operational risks include, among others, the following:

We are subject to business continuation risk, which is the risk that our operations, systems or data may be disrupted. We may experience a business continuation event as a result of, among other things, the following:

- Severe pandemic.
- Geo-political risks, including armed conflict and civil unrest.
- Terrorist events.
- Significant natural or accidental disasters.
- Cyber-attacks.

We depend heavily on our telecommunication, information technology and other operational systems and on the integrity and timeliness of data we use to run our businesses and service our customers. These systems may fail to operate properly or become disabled as a result of events or circumstances wholly or partly beyond our control.

Further, we face the risk of operational and technology failures by others, including clearing agents, exchanges and other financial intermediaries and of vendors and parties to which we outsource the provision of services or business operations.

While we maintain business continuity policies and procedures, there is no guarantee that they will be effective in mitigating or eliminating the risks described above.

We may not adequately maintain information security. Organized cyber-attack activity continues to be a significant threat to the financial services sector, including the Company. Publicly-reported cybersecurity threats and incidents have dramatically increased in recent years, and financial services companies and their third-party service providers are increasingly the targets of cyber-attacks. The techniques used to attack systems and networks change frequently, are becoming more sophisticated, can originate from a wide variety of sources, and are often not recognized until after they have been launched. Protecting both "structured" and "unstructured" sensitive information is a constant need. However, the risks associated with cyber-attacks cannot be fully mitigated using technology or otherwise.

Risks associated with cyber-attacks come in numerous forms, such as the following:

- Unsuspecting employees represent a primary avenue for external parties to gain access to our network and systems. Many attacks, even from sophisticated actors, include rudimentary techniques such as coaxing an internal user to click on a malicious attachment or link to introduce malware or steal their username and password (i.e., phishing).
- The use of remote or flexible work arrangements, remote access tools, and mobile technology have expanded potential targets for cyber-attack.
- Wrongdoers often seek to encrypt data (i.e., ransomware) or disrupt communications (i.e., denial of service) for the purposes of extortion.
- The rapid evolution of artificial intelligence technologies may increase the risk of cyber-attacks and data breaches if such technologies are deployed by threat actors.
- Financial services companies are increasingly being targeted by hackers and fraudulent actors seeking to monetize personal data or extort money.
- Nation-state sponsored organizations often engage in cyber-attacks, not only for monetization purposes, but also to gain information about foreign citizens and governments or to influence or cause disruptions in commerce or political affairs.
- We have also seen continued non-technical attempts to commit fraud or solicit information via call centers and interactive voice response systems.
- We rely on third parties to provide services as described further below. While we have certain standards for all vendors that provide us services, our vendors, and in turn, their own service providers, may become subject to a security breach, including as a result of their failure to perform in accordance with contractual arrangements.
- There may be an increased risk of cyber-attacks during periods of geo-political or military conflict.
- It is possible that a cybersecurity incident could persist for an extended period of time without detection.

We have implemented a cybersecurity program to mitigate these and other cybersecurity risks, which includes a variety of physical, technical and administrative controls. However, we cannot guarantee that our cybersecurity program will be effective in preventing or mitigating all cybersecurity risks. A material cybersecurity incident could still occur, which could have a significant negative impact on our business. Although we maintain cyber-security insurance coverage against costs resulting from cybersecurity incidents, it is possible losses will exceed the amount available under our coverage.

See "Cybersecurity" contained with in Item 1C for further information regarding our cybersecurity program.

We may not adequately ensure the privacy of personal information. In the course of our ordinary business we collect, store and share with various third-parties (e.g., service providers, reinsurers, etc.) substantial amounts of private and confidential information, including in some instances sensitive information, including health-related information. We are subject to the risk that the privacy of this information may be compromised, including as a result of an information security breach described above. Any compromise or perceived compromise of our security by us or by one of our vendors could damage our reputation, cause the termination of relationships with marketing partners and insurance carriers, reduce demand for our services and subject us to significant liability and expense as well as regulatory action and lawsuits, which would harm our business, operating results and financial condition.

Third parties (outsourcing providers, vendors and suppliers) present added operational risk to our enterprise. The Company's business model relies heavily on the use of third parties to deliver contracted services in a broad range of areas. This presents the risk that the Company could not meet legal, regulatory, financial or customer obligations in the event that our third-party vendors fail to deliver contracted services, or that the Company may be exposed to reputational damage due to actions or inactions of our third-party vendors. We monitor the performance of our third-party vendors, but there is no guarantee that our monitoring activities will always prevent or detect failures by our vendors.

As a financial services company, we are exposed to model risk, which is the risk of financial loss or reputational damage or adverse regulatory impacts caused by model errors or limitations, incorrect implementation of models, or misuse of or overreliance upon models. Models are utilized by our businesses and corporate areas primarily to project future cash flows associated with pricing products, calculating reserves and valuing assets, as well as in evaluating risk and determining capital requirements, among other uses. These models may not operate properly and may rely on assumptions and projections that are inherently uncertain. As our businesses continue to grow and evolve, the number and complexity of models we utilize expands, increasing our exposure to error in the design, implementation or use of models, including the associated input data and assumptions. Furthermore, our models might change as the result of the new or changing laws or regulations.

The development and adoption of artificial intelligence ("AI"), including generative artificial intelligence ("Generative AI"), and its use and anticipated use by us or by third-parties on whom we rely, may increase the operational risks discussed above or create new operational risks that we are not currently anticipating. AI technologies offer potential benefits in areas such as customer service personalization and process automation. We may use AI and Generative AI in our operations. We also expect third-parties on whom we rely to do the same. AI and Generative AI, as relatively new technologies, may expose us to risks related to their misuse (*e.g.*, misinformation, privacy concerns, cybersecurity). Those risks may be heightened by the speed at which such technologies are being adopted in the financial services sector and more broadly, as well as by the lack of established laws, regulations or standards governing their use. Misuse could expose the Company to legal or regulatory risk, damage customer relationships, or cause reputational harm. Our competitors may also adopt AI or Generative AI more quickly or more effectively than we do, which could cause competitive harm.

Strategic Risk

We are subject to the risk of events that can cause our fundamental business model to change, either through a shift in the businesses in which we are engaged or a change in our execution. In addition, tactical risks may become strategic risks. For example, we have considered and must continue to consider the impact of the evolving interest rate environment on our business.

Changes in the regulatory landscape may be unsettling to our business model. New laws and regulations are being considered in the U.S. at an increasing pace, as there has been greater scrutiny on financial regulation over the past several years. In addition, there are significant legal, regulatory and tax uncertainties following the 2024 U.S. presidential election, and we cannot predict the nature, timing and economic effects of any potential policy changes under the new administration. Proposed or unforeseen changes in law or regulation may adversely impact our business. See "Business - Regulation" for a discussion of certain recently enacted and pending proposals by international, federal and state regulatory authorities and their potential impact on our business, including in the following areas:

- Financial sector regulatory reform.
- U.S. federal, state and local tax laws.
- Fiduciary rules and other standards of care.
- Our regulation under U.S. state insurance laws and developments regarding group-wide supervision and capital standards, accounting rules, RBC factors for invested assets and reserves for variable annuities and other products.
- Privacy and cybersecurity regulation.

Changes in accounting rules applicable to our business may also have an adverse impact on our results of operations or financial condition.

Changes in technology and other external factors may be unsettling to our business model. We believe the following aspects of technological and other changes would significantly impact our business model. There may be other unforeseen changes in technology and the external environment which may have a significant impact on our business model.

- *Interaction with Customers.* Technology is moving rapidly and as it does, it puts pressure on existing business models. Some of the changes we can anticipate are increased choices about how customers want to interact with the Company or how they want the Company to interact with them.
- *Investment Portfolio*. Technology may have a significant impact on the companies in which the Company invests. For example, environmental concerns spur scientific inquiry which may reposition the relative attractiveness of wind or sun power over oil and gas. The transportation industry may favor alternative modes of conveyance of goods which may shift trucking or air transport out of favor. Consumers may change their purchasing behavior to favor online activity which would change the role of malls and retail properties.
- *Medical Advances*. The Company is exposed to the impact of medical advances in two major ways. Genetic testing and the availability of that information unequally to consumers and insurers can bring anti-selection risks. Specifically, data from genetic testing can give our prospective customers a clearer view into their future, allowing them to select products protecting them against likelihoods of mortality or longevity with more precision. Also, technologies that extend lives will challenge our actuarial assumptions especially in the annuity-based businesses.

The following items are examples of other factors which could have a meaningful impact on our business.

- *The changing competitive landscape may adversely affect the Company.* If we elect to begin selling new policies in the future, we may face intense competition from insurance companies and diversified financial institutions, both for the ultimate customers for our products and, in many businesses, for distribution through non-affiliated distribution channels. Technological advances, changing customer expectations, including related to digital offerings, access to customer data or other changes in the marketplace may present opportunities for new or smaller companies without established products or distribution channels to meet consumers' increased expectations more efficiently than us. Fintech and insurtech companies and companies in other industries with greater access to customers and data have the potential to disrupt industries globally, and many participants have been partially funded by industry players.

- *We are exposed to risks related to climate conditions.* Our business could be negatively impacted by increased costs, or financial losses on investments, arising from events related to climate conditions (i.e., long-term weather patterns). For example, climate conditions may produce changes in public policy, systemic risk to financial systems, short-term or long-term market disruptions, changes in mortality/morbidity experience, availability of reinsurance, changes in consumer behavior, business disruptions, more frequent and severe weather events, and increased regulatory requirements. Climate conditions could also impact the types of assets in which we invest. For example, regulators could require us to invest less in carbon-based industries, even if those investments produce better returns. In addition, real estate investments may expose us to greater climate risk, as changing climate conditions may negatively impact market prices or supply and demand, and may make damaging weather events more likely or frequent. We cannot predict with certainty the long-term impacts of changing climate conditions on our business.

- *We are exposed to risks relating to the evolving landscape of ESG standards*. Customers, regulators, and other market participants may evaluate our business or other practices according to a variety of ESG standards, expectations or metrics, all of which may evolve, may be subjective or underdeveloped in nature, and may reflect contrasting or conflicting values. Standard-setting organizations and regulators, including, but not limited to, the NAIC, SEC, and state insurance regulators, have proposed or adopted, or may propose or adopt, ESG rules or standards that would apply to our business. Compliance with new regulations and regulatory developments may significantly increase our compliance costs. In addition, certain organizations that provide information to investors have developed ratings for evaluating companies on their approach to different ESG matters. Due to the sometimes conflicting, uncertain and subjective ESG regulatory and market environment, we may be seen as acting inconsistently with ESG standards or values from the perspective of certain customers, regulators or other constituents. As a result, we may face adverse regulatory, investor, customer, media, or public scrutiny leading to business, reputational, or legal challenges.

- *Market conditions and other factors may adversely increase expenses. Examples include:*
  - A change in market conditions, such as high inflation and high interest rates, could cause a change in consumer sentiment and behavior adversely affecting persistency of our savings and protection products. Conversely, low inflation and low interest rates could cause persistency of these products to vary from that anticipated and adversely affect profitability. Similarly, changing economic conditions and unfavorable public perception of financial institutions can influence customer behavior, including increasing claims or surrenders in certain products.
  - Lapses and surrenders of certain insurance products may increase if a market downturn, increased market volatility or other market conditions result in customers becoming dissatisfied with their investments or products.
- *Our reputation may be adversely impacted if any of the risks described in this section are realized.* Reputational risk could manifest from any of the risks as identified in the Company's risk identification process. Failure to effectively manage risks across a broad range of risk issues exposes the Company to reputational harm. If the Company were to suffer a significant loss in reputation, both policyholders and counterparties could seek to exit existing relationships. Additionally, large changes in credit worthiness, especially credit ratings, could impact access to funding markets while creating additional collateral requirements for existing relationships. The mismanagement of any such risks may potentially damage our reputational asset. Our business is anchored in the strength of our brand, our alignment to our values, and our proven commitment to keep our promises to our customers. Any negative public perception, founded or otherwise, can be widely and rapidly shared over social media or other means, and could cause damage to our reputation.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Cybersecurity Program Overview

FLIAC prioritizes the security of its electronic information systems and the data residing therein. In order to respond to the risks posed by a variety of cybersecurity threats, including security breaches, cyber-attacks, and other cybersecurity incidents, FLIAC has implemented a Cybersecurity Program (the "Program") managed by our Chief Information Security Officer ("CISO") and the CISO's Information Security Team. The Program is designed to protect and preserve the confidentiality, integrity, and continued availability of the electronic information systems that we own or use, and all electronic information owned by or in the care of the Company. The Program is based on industry leading frameworks including the National Institute of Standards and Technology ("NIST") Cyber Security Framework ("CSF") and NIST 800-53. The NIST CSF provides standards, guidelines, and best practices on managing cybersecurity risk and for the organization, improvement, and assessment of the Program.

The Program governs all FLIAC internal systems, as well as third parties providing service to the Company, and is based on the following five pillars:

- *Identify* - The first pillar of the Program is to identify the organization's critical assets, vulnerabilities, and potential threats. This involves conducting a thorough quantitative and qualitative risk assessment and asset inventory based on the organization's information systems, data repositories, and network infrastructure. Additionally, it involves categorizing and classifying the importance of different assets, assessing their potential impact on the organization if compromised, and identifying applicable regulatory compliance requirements. This pillar of the Program also involves regular engagement with the broader security community and monitoring of new and emerging cyber threat information.

- *Protect* - After identifying the assets and vulnerabilities, FLIAC applies comprehensive asset protection methods allowing for accurate risk mitigation techniques. This includes deploying a range of security controls such as firewalls, intrusion detection systems, antivirus software, encryption mechanisms, and access controls. The goal is to establish multiple layers of defense to prevent unauthorized access, data breaches, cyber-attacks, and other cybersecurity incidents. Employee awareness training (including phishing simulation exercises to train employees to recognize and report phishing attacks) and secure coding practices also fall under this component to ensure a culture of security throughout the Company.

- *Detect* – The Program focuses on the timely detection of any suspicious activities or security breaches. This involves implementing security monitoring systems, intrusion detection systems, and log analysis tools to continuously monitor network traffic, system logs, and user behavior. Real-time alerts and security incident management processes help in identifying potential security incidents promptly.

- *Respond* – If a security incident is detected, a response plan is triggered to minimize the impact and contain the threat. This component involves establishing an incident response team and defining incident response procedures. The team is trained to respond promptly, investigate the incident, mitigate the damage or harm, and restore normal operations. Communication plans, escalation protocols, legal considerations, regulatory requirements, (including appropriate and timely reporting and disclosure of cybersecurity incidents to regulators and affected individuals), and coordination with external entities, like regulators, law enforcement, vendors and other key stakeholders, are also part of the response process.

- *Recover* - The final pillar of the Program focuses on recovering from a security incident and restoring normal operations. This includes activities such as system restoration, data recovery, and analyzing the incident to identify lessons learned and improve future incident response capabilities. It also involves assessing residual risks, updating security controls, and continuously monitoring and testing the Company's security posture to ensure readiness for potential future incidents.

Cybersecurity risk management under the Program is an integrated part of the Company’s overall management of operational risk, as described further below under “Cybersecurity Risk Management Governance.” The Company did not experience any material cybersecurity incidents during the period covered by this report. Nor did the Company identify any risks from cybersecurity threats that have materially affected or are reasonably likely to materially affect the Company, including its business strategy, results of operations, or financial condition. However, the Company recognizes that cybersecurity risks are constantly evolving, and the Company continuously monitors and adapts to these risks to protect its systems and data. It is possible that the Company will experience a material cybersecurity incident in the future. For more information on operational and cybersecurity risks, see “Item 1A. Risk Factors – Operational Risk” earlier in this report.

Vendor Risk Management

The Program seeks to ensure that each vendor (or third-party service provider) with whom the Company does business meets the Company’s standards for protecting and preserving the confidentiality, integrity, and continued availability of electronic information systems and data. The Company requires vendors to meet threshold requirements for cybersecurity controls, such as access controls, logging and monitoring, and encryption. The Company’s contracts with vendors require the implementation and maintenance of such controls, and obligate vendors to promptly report all cybersecurity incidents to the Company. Based on the overall risk level associated with a particular vendor, the Company’s contract with a service provider may require enhanced or heightened controls. The CISO’s Information Security Team performs risk-based initial and periodic due diligence of vendors, during which the Information Security Team evaluates, assesses, and otherwise reviews vendor cybersecurity controls. The results of such reviews are reported to the CISO. Any cybersecurity incidents involving vendors will be escalated and acted upon in accordance with the Program.

Cybersecurity Risk Management Governance

The CISO is responsible for managing the Program. The CISO reports to the Company’s Chief Information Officer and regularly engages with the Chief Risk Officer on matters related to the Program. Cybersecurity risks are evaluated by Company management alongside and consistent with other operational risks, with the CISO and the Information Security Team providing subject matter expertise on the identification, assessment, and tracking of cybersecurity risks under the Program. In addition, the Company regularly engages external consultants in connection with evaluating and enhancing the Program and the Company’s overall management of cybersecurity threats. For example, the Company engages external consultants to assist the Company in identifying evolving technologies and threats, developing action plans, performing penetration tests, conducting exercises, and conducting periodic reviews.

The Board of Directors (the “Board”) is responsible for oversight of the Company’s management of operational risks, including cybersecurity threats. The Board receives a comprehensive report at least annually from the Chief Information Officer and the CISO. The comprehensive annual report covers matters related to the Program, such as enhancements, incident reporting, performance metrics, status reports, oversight of third-party service providers, and the results of Program reviews, including exercises and response readiness assessments led by external consultants. The report also includes information about significant and emerging cybersecurity threats that may affect the Company. In addition to a comprehensive annual cybersecurity report, the Board receives periodic interim reports from the Chief Information Officer and the CISO. To the extent cybersecurity controls are related to internal controls over financial reporting, such controls are also considered in the context of Management's annual assessment of the effectiveness of internal controls over financial reporting.

The CISO, supported by the Information Security Team, is responsible for implementing and managing the Program. The CISO has served in various roles in information technology and information security for over 25 years and has broad and extensive experience in multiple industries including financial services, healthcare, and higher education. The CISO holds a graduate degree in IT management and has attained the professional certifications of Certified Information Systems Security Professional (CISSP), Certified Information Security Manager (CISM), Boardroom Certified Qualified Technology Expert (QTE), and is a Distinguished Fellow with the Information Systems Security Association (ISSA).

Item 2. Properties

The Company occupies office space through lease agreements primarily in Jersey City, New Jersey and Brentwood, Tennessee.

Item 3. Legal Proceedings

See Note 13 to the Financial Statements under "Litigation and Regulatory Matters" for a description of certain pending litigation and regulatory matters affecting us, and certain risks to our businesses presented by such matters.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company is a wholly-owned subsidiary of Fortitude Group Holdings, LLC ("FGH"). There is no public market for the Company's common stock.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following analysis of our financial condition and results of operations in conjunction with the "Forward-Looking Statements" included below the Table of Contents, "Risk Factors", and the Financial Statements included in this Annual Report on Form 10-K.

Overview

The Company was established in 1969 and has been a provider of annuity contracts for the individual market in the United States. The Company's products have been sold primarily to individuals to provide for long-term savings and retirement needs and to address the economic impact of premature death, estate planning concerns and supplemental retirement income.

The Company has sold a wide array of annuities, including deferred and immediate variable and index-linked annuities. Some of our annuity products include (1) fixed interest rate allocation options, subject to a market value adjustment, that are registered with the United States Securities and Exchange Commission (the "SEC"), or (2) fixed-rate allocation options subject to a limited market value adjustment or no market value adjustment and not registered with the SEC. The Company has ceased offering new products and has ceased offering new contracts for existing products, although it may decide to begin offering new products or contracts in the future. For more information on products, see "Item 1 Business - Products".

Prior to April 1, 2022, the Company was a wholly-owned subsidiary of Prudential Annuities, Inc ("PAI"), an indirect wholly-owned subsidiary of Prudential Financial, Inc. ("Prudential Financial"). On April 1, 2022, PAI completed the sale of its equity interest in the Company to FGH. As a result, the Company is no longer an affiliate of Prudential Financial or any of its affiliates.

Following the acquisition of FLIAC, purchase accounting was applied to FGH's financial statements and we have elected to "push down" the basis to FLIAC in accordance with Accounting Standards Codification ("ASC") 805, Business Combinations. The application of push-down accounting created a new basis of accounting for all assets and liabilities based on fair value at the date of acquisition. As a result, FLIAC's financial position, results of operations, and cash flows subsequent to the acquisition are not comparable with those prior to April 1, 2022, and therefore have been segregated to indicate pre-acquisition and post-acquisition periods. The pre-acquisition period through March 31, 2022 is referred to as the Predecessor Company. The post-acquisition period, April 1, 2022 and forward, includes the impact of push-down accounting and is referred to as the Successor Company.

Fair Value of Insurance Liabilities - Actuarial Assumption Updates

In the third quarter of both 2024 and 2023, the Company completed its annual review of actuarial assumptions related to its fair value of insurance liabilities. Based on those reviews, the Company updated certain assumptions associated with its variable annuity contracts with guaranteed benefits in each period, which resulted in an increase (decrease) in its fair value of insurance liabilities of $(3) million and $116 million during the third quarters of 2024 and 2023, respectively. The 2023 increase was driven by updates to assumptions regarding policyholder behavior, primarily to reflect lower observed surrender rates.

The impact of the respective assumption updates on the Consolidated Statement of Operations was included within "Policyholder benefits and changes in fair value of insurance liabilities".

The assumptions used in establishing our insurance liabilities are generally based on the Company's experience, industry experience, market observable data, and/or other factors, as applicable. The Company evaluates its actuarial assumptions at least annually and updates them as appropriate, unless a material change that the Company feels is indicative of a long-term trend is observed in an interim period. Generally, the Company does not expect trends to change significantly in the short-term and, to the extent these trends may change, the Company expects such changes to be gradual over the long-term. See Note 7 contained in the "Notes to Financial Statements" contained in Item 8 for further discussion regarding significant assumptions related to our fair value of insurance liabilities.

Goodwill Impairment

As a result of our actuarial assumption update, the Company identified a triggering event in the third quarter of 2023 regarding its goodwill impairment analysis for the Retained Business. Following a qualitative analysis that indicated the fair value of the reporting unit may be lower than its carrying value, the Company performed a quantitative analysis that involved both discounted cash flow techniques and market price comparisons to establish fair values on its underlying assets and liabilities. After performing this quantitative analysis, the Company determined that the goodwill was fully impaired, and accordingly, recorded a non-cash goodwill impairment of $93 million through the Consolidated Statement of Operations. Following this impairment, there was no remaining goodwill.

Novation of Ceded Business

In 2022, in accordance with applicable state law, a program was instituted to novate a significant portion of the Ceded Business policies from FLIAC to Pruco Life. The program did not have an impact on total equity or net income but has resulted in the reduction of certain activity/balances associated with these policies. During the year ended December 31, 2023, approximately $641 million of account value, which generally approximates fair values of insurance liabilities, was transferred out of the Company as a result of the novation program.

There was no significant novation activity during 2024 and we do not expect significant future novation activity under the program. Since the acquisition of the Company in April 2022, approximately 73 percent of account value has been novated to Pruco Life under this program.

Revenues and Expenses

The Company earns revenues principally from contract fees, mortality and expense fees, and asset administration fees from annuity and investment products, all of which primarily result from the sale and servicing of annuity products. The Company also earns net investment income from the investment of general account and other funds. The Company's operating expenses principally consist of annuity benefit guarantees provided, reserves established for anticipated future annuity benefit guarantees, and costs of managing risk related to these products. The Company's operating expenses also include interest credited to policyholders' account balances, general business expenses, reinsurance premiums, and commissions and other costs of servicing the various products it sold.

Impact of a Changing Interest Rate Environment

As a financial services company, market interest rates are a key driver of the Company's results of operations and financial condition. Changes in interest rates can affect our results of operations and/or our financial condition in several ways, including favorable or adverse impacts to:

- investment-related activity, including: investment income returns, net interest margins, net investment spread results, new money rates, mortgage loan prepayments and bond redemptions;
- the recoverability of deferred tax assets related to losses on our fixed maturity securities portfolio;
- hedging costs and other risk mitigation activities;
- insurance reserve levels and market experience true-ups;
- customer account values, including their impact on fee income; and
- policyholder behavior, including surrender or withdrawal activity.

For more information on interest rate risks, see "Risk Factors - Market Risk".

Accounting Policies & Pronouncements

Application of Critical Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP") requires the application of accounting policies that often involve a significant degree of judgment. Management, on an ongoing basis, reviews estimates and assumptions used in the preparation of financial statements. If management determines that modifications in assumptions and estimates are appropriate given current facts and circumstances, the Company's results of operations and financial position as reported in the Financial Statements could change significantly. The following sections discuss the accounting policies applied in preparing the Company's financial statements that management believes are/were most dependent on the application of estimates and assumptions and require management's most difficult, subjective or complex judgments.

INSURANCE LIABILITIES

We have elected the fair value option on the entirety of our insurance contracts, which include liabilities for guarantee benefits related to certain long-duration life and annuity contracts. The fair values of insurance liabilities associated with variable annuity contracts with guaranteed benefits are calculated as the present value of future expected benefit payments to customers, anticipated future trail commissions paid to agents and certain administrative expenses less the present value of future expected rider fees, mortality and expense charges, contract charges and the anticipated future reimbursement of certain asset management fees. Since there is no observable active market for the transfer of these obligations, the valuations are calculated using internally developed models with option pricing techniques. The models are based on a risk neutral valuation framework and incorporate premiums for risks inherent in valuation techniques, inputs, and the general uncertainty around the timing and amount of future cash flows. The determination of these risk premiums requires the use of management's judgment.

The significant inputs to the valuation models include capital market assumptions, such as interest rate levels and volatility assumptions, as well as actuarially-determined assumptions, including contractholder behavior, such as lapse rates, benefit utilization rates, withdrawal rates, and mortality rates. Further information regarding these assumptions are below.

The following table summarizes the impact that could result on our insurance liabilities, related to our variable annuity products, which are recorded at fair value, from changes in certain key assumptions. The information below is for illustrative purposes and includes only the immediate hypothetical direct impact on December 31, 2024 balances of changes in a single assumption and not changes in any combination of assumptions. Additionally, the illustration of the insurance assumption impacts below reflects a parallel shift in the insurance assumptions; however, these may be non-parallel in practice. Changes in current assumptions could result in impacts to financial statement balances that are in excess of the amounts illustrated.

	December 31, 2024	
	(in millions)	
Hypothetical change in insurance liabilities due to changes in actuarially-determined assumptions		
Mortality		
Increase by 1%	$	(19)
Decrease by 1%	$	19
Lapse		
Increase by 10%	$	(25)
Decrease by 10%	$	25
Hypothetical change in insurance liabilities due to changes in capital market conditions		
NPR credit spread		
Increase by 50 basis points	$	(101)
Decrease by 50 basis points	$	131
Equity Volatility		
Increase by 1%	$	6
Decrease by 1%	$	(7)

The impacts presented within the above table exclude the related impacts of our asset/liability management strategy, which seeks to offset the changes in the balances presented within this table and is primarily composed of investments and derivatives. For information regarding the impacts related to changes in both interest rate and equity market movements, see Item 7A "Quantitative and Qualitative Disclosures About Market Risk".

The assumptions used in establishing our insurance liabilities are generally based on the Company's experience, industry experience, market observable data, and/or other factors, as applicable. We evaluate our actuarial assumptions at least annually and update them, as appropriate, unless a material change that we feel is indicative of a long-term trend is observed in an interim period. Generally, we do not expect trends to change significantly in the short-term, and to the extent these trends may change, we expect such changes to be gradual over the long term. See Note 7 Insurance Liabilities within "Item 8 Financial Statements and Supplementary Data" for further discussion regarding the significant assumptions noted above as well as certain other significant assumptions not included in the above analysis.

VALUATION OF INVESTMENTS

Our investment portfolio consists of public and private fixed maturity securities, mortgage loans, other invested assets, and derivative financial instruments. Derivatives are financial instruments whose values are derived from interest rates, foreign exchange rates, financial indices, or the values of securities. Derivative financial instruments we generally use include swaps, futures, forwards, and options and may be exchange-traded or contracted in the over-the-counter ("OTC") market.

We present at fair value in the statements of financial position our fixed maturity securities, certain investments within "Other invested assets," such as derivatives and the majority of our private equity partnership investments. For additional information regarding the key estimates and assumptions surrounding the determination of fair value of fixed maturity securities, as well as derivative instruments, and other investments, see Note 4 to the Financial Statements.

The degree of judgment utilized in measuring the fair value of financial instruments generally correlates to the level of pricing observability. Financial instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices in active markets generally have more pricing observability and less judgment utilized in measuring fair value. The market sources from which we obtain or derive the fair values of our assets and liabilities carried at market value include quoted market prices for actual trades, price quotes from third party pricing vendors, price quotes we obtain from outside brokers, discounted cash flow, and observable prices for similar publicly traded or privately traded issues that incorporate the credit quality and industry sector of the issuer. Our fair value measurements could differ significantly based on the valuation technique and available inputs.

Inputs to valuation techniques refer broadly to the assumptions that market participants use in pricing assets or liabilities, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value and/or the risk inherent in the inputs to the valuation technique. We use observable and unobservable inputs in measuring the fair value of our financial instruments. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are developed based on the best information available in the circumstances, and reflect our evaluation of the assumptions market participants would use in pricing the asset or liability.

When observable price quotations are not available, indicative broker quotes, asset manager pricing, or third-party valuation specialist pricing is used for valuation. Fair value can be determined based on discounted cash flow models using discount rates based on credit spreads, yields or price levels of comparable securities, adjusted for illiquidity and structure. The significant unobservable inputs used in the fair value measurement of these investments are liquidity discount rates applied to each of the net tangible book value multiples used in the internal valuation models, and discount rates applied to the expected cash flows of the underlying entities in various scenarios. These unobservable inputs in isolation can cause significant increases or decreases in fair value. Generally, an increase in the liquidity discount rate or discount rates would result in a decrease in the fair value of these private investments.

INCOME TAX

Our effective tax rate is based on income, non-taxable and non-deductible items, tax credits, statutory tax rates and tax planning opportunities available in the various jurisdictions in which we operate. Inherent in determining our annual tax rate are judgments regarding business plans, planning opportunities, and expectations about future outcomes.

The primary drivers for the difference between the Company's effective tax rate and the federal statutory rate during 2024 were changes in the valuation allowance on deferred tax assets and non-taxable investment income associated with the Dividends Received Deduction (“DRD”) and intercompany cost allocations.

Valuation Allowance on Deferred Tax Assets

As of December 31, 2024 the Company had a valuation allowance of $50 million regarding realized and unrealized capital losses on our fixed maturity securities portfolio. A portion of the deferred tax asset relates to unrealized capital losses for which the carryforward period has not yet begun, and as such, when assessing its recoverability, we consider our ability and intent to hold the underlying securities to recovery. The amount of the deferred tax asset considered realizable may be adjusted if projections of future taxable income, including the character of that taxable income during the requisite carryforward period, are updated or if objective negative evidence exists that outweighs the positive evidence.

The evaluation of the recoverability of our deferred tax asset and the need for a valuation allowance requires us to weigh all positive and negative evidence to reach a conclusion that it is more likely than not that all or some portion of the deferred tax asset will not be realized. The weight given to the evidence is commensurate with the extent to which it can be objectively verified. The more negative evidence that exists, the more positive evidence is necessary and the more difficult it is to support a conclusion that a valuation allowance is not needed.

In evaluating the need for a valuation allowance, the Company considers many factors, including:

(1) the nature of the deferred tax assets and liabilities;
(2) whether they are ordinary or capital;
(3) the timing of their reversal;
(4) taxable income in prior carryback years;
(5) projected taxable earnings exclusive of reversing temporary differences and carryforwards;
(6) the length of time that carryovers can be utilized;
(7) any unique tax rules that would impact the utilization of the deferred tax assets; and
(8) any tax planning strategies that the Company would employ to avoid a tax benefit from expiring unused.

Although realization is not assured, management believes it is more likely than not that the deferred tax assets, net of valuation allowances, will be realized.

Adoption of New Accounting Pronouncements

Changes to U.S. GAAP are established by the Financial Accounting Standards Board (“FASB”) in the form of Accounting Standard Updates (“ASU”) to the FASB Accounting Standards Codification (“ASC”). We consider the applicability and impact of all ASUs. ASUs listed below include those that have been adopted during the current fiscal year and/or those that have been issued but not yet adopted as of December 31, 2024 and as of the date of this filing. ASUs not listed below were assessed and determined to be either not applicable or not material.

ASUs adopted as of December 31, 2024

Standard	Description	Effective date and method of adoption	Effect on the financial statements or other significant matters
ASU 2023-07*, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*	This ASU improved reportable segment disclosure requirements, primarily through enhanced disclosures regarding a company's significant segment expenses and certain other items. The update also required expanded disclosures regarding the chief operating decision maker ("CODM") and the information they are provided when assessing segment performance and allocating resources.	The Company adopted this update for annual reporting periods on January 1, 2024 using the retrospective method and will adopt the update for interim reporting periods beginning January 1, 2025.	This adoption of the update for annual periods expanded the Company's disclosures but did not have an impact on its financial position or results of operations. See Note 3 for further information regarding these "annual" disclosures. When adopted for interim reporting periods, this update will expand the Company's disclosures, but will not have an impact on its financial position or results of operations.

ASU issued but not yet adopted as of December 31, 2024

Standard	Description	Effective date and method of adoption	Effect on the financial statements or other significant matters
ASU 2024-03*, Income Statement - Reporting Comprehensive Income (Topic 220): Expense Disaggregation Disclosures*	This ASU requires additional disclosures regarding certain expense types included in the income statement. The requirements include disclosure of the amounts associated with 1. purchases of inventory, 2. employee compensation, 3. depreciation and 4. intangible asset amortization. These disclosures should be included in each relevant expense caption. Furthermore, entities must disclose specific expenses, gains, or losses already required under US GAAP, offer a qualitative description of amounts not separately quantified, and present the total amount of selling expenses along with a definition of these expenses in their annual reports.	Effective for annual reporting periods beginning January 1, 2027, and interim reporting periods beginning January 1, 2028, using either the prospective or retrospective method. Early adoption is permitted	The Company is currently evaluating the potential impact of this update on its financial position, results of operations, and disclosures.
ASU 2023-09*, Income Taxes (Topic 740): Improvements to Income Tax Disclosures*	This ASU improves income tax disclosure requirements by requiring 1. the use of consistent categories and greater disaggregation of information in the rate reconciliation and 2. income taxes paid disaggregated by jurisdiction.	Effective for annual reporting periods beginning January 1, 2025, using either the prospective or retrospective method. Early adoption is permitted	The update is expected to expand the Company's disclosures but will not have an impact on the Company's financial position or results of operations.

CHANGES IN FINANCIAL POSITION

December 31, 2024 to December 31, 2023 Comparison

Retained Business

Assets decreased $1,632 million from $27,225 million at December 31, 2023 to $25,593 million at December 31, 2024. The decrease was primarily driven by lower separate account assets resulting from surrenders and withdrawals, partially offset by an increase in fair values due primarily to higher equity market movements. Also contributing to the overall decline in assets was the payment of $300 million of dividends to FGH during 2024, partially offset by proceeds from borrowings related to repurchase agreements.

Liabilities decreased $1,419 million from $25,863 million at December 31, 2023 to $24,444 million at December 31, 2024. The decrease was primarily driven by lower separate account liabilities which corresponds with the decrease in separate account assets discussed above. Also, contributing to the decrease was a decline in the fair value of insurance liabilities resulting from higher interest rate and equity market movements, partially offset by liabilities associated with borrowings related to repurchase agreements.

Equity decreased $213 million from $1,362 million at December 31, 2023 to $1,149 million at December 31, 2024, due primarily to the payment of $300 million of dividends to FGH during 2024, partially offset by net income of $72 million and a $15 million increase in the after-tax impact of our own-credit risk (OCR) on the fair value of insurance liabilities, reflected in accumulated other comprehensive loss. See "Capital" within the "Liquidity and Capital Resources" herein Item 2 for further information regarding the distribution to FGH.

Ceded Business

Assets and liabilities both increased $18 million from $4,328 million at December 31, 2023 to $4,346 million at December 31, 2024, with increases in net cash and investments regarding assets, and higher insurance liabilities regarding liabilities, mostly offset by a decline in separate account assets and liabilities.

There was no equity within our Ceded Business at both December 31, 2023 and December 31, 2024 as the assets are fully offset by the liabilities.

RESULTS OF OPERATIONS - SUCCESSOR COMPANY

As previously noted, the Company's results of operations subsequent to the acquisition are not comparable with those prior to April 1, 2022. As a result, the following discussion regarding the results of operations of the Successor Company will not be compared to previous periods and will be based solely on activity for the period subsequent to the acquisition.

INCOME (LOSS) FROM OPERATIONS BEFORE INCOME TAXES

Comparison of Year Ended December 31, 2024 to Year Ended December 31, 2023

Retained Business

Income from operations before income taxes was $104 million for the year ended December 31, 2024, compared to a loss from operations before income taxes of $10 million for the year ended December 31, 2023. The change was driven primarily by favorable changes in the fair value of insurance liabilities due to higher interest rate and equity market movements, partially offset by higher investment losses. Also contributing to the change between years were the 2023 impacts of the $116 million actuarial assumption update and the $93 million goodwill impairment.

Ceded Business

There was no impact to income from operations before income taxes as all revenues and expenses are ceded to Prudential Insurance or Pruco Life.

Nine months ended December 31, 2022

Retained Business

The loss from operations before income taxes of $320 million was driven primarily by investment losses in the fixed maturity securities portfolio resulting from higher interest rates and derivatives losses on interest rate swaps, which were partially offset by gains on equity options. Also contributing to the overall loss were elevated general, administrative and other expenses driven by acquisition-related expenses that we do not expect to recur in future periods.

Partially offsetting the drivers of the loss from operations before income taxes were favorable policyholder benefits and changes in the fair value of insurance liabilities, policy charges and fee income, asset management and service fees, and net investment income.

Ceded Business

There was no impact to loss from operations before income tax as all revenues and expenses are ceded back to Prudential Insurance or Pruco Life.

REVENUES, BENEFITS, AND EXPENSES

Comparison of Year Ended December 31, 2024 to Year Ended December 31, 2023

Retained Business

Revenues were $(90) million for the year ended December 31, 2024 compared to $190 million during the year ended December 31, 2023. The change was primarily driven by higher investment losses related to fixed maturity securities.

Benefits and expenses were $(194) million for the year ended December 31, 2024 compared to $200 million during the year ended December 31, 2023. The change was primarily driven by favorable changes in the fair value of insurance liabilities, excluding changes in OCR, due to higher interest rate and equity market movements. Also contributing to the change between years were the 2023 impacts of the $116 million actuarial assumption update and the $93 million goodwill impairment.

Ceded Business

There was no impact to income from operations before income taxes as all revenues and expenses are ceded to Prudential Insurance or Pruco Life.

Nine months ended December 31, 2022

Retained Business

Revenues were $(276) million for the nine months ended December 31, 2022, driven primarily by investment losses in the fixed maturity securities portfolio resulting from higher interest rates and derivatives losses on interest rate swaps which were partially offset by gains on equity options. Partially offsetting the impact of the investment losses were policy charges and fee income, asset management and service fees, and net investment income.

Benefits and expenses were $44 million for the nine months ended December 31, 2022 and primarily driven by policyholders' benefits offset by the decrease in the fair value of insurance liabilities. Also contributing to benefits and expenses for the period were general, administrative and other expenses driven by acquisition-related expenses that we do not expect to recur in future periods.

Ceded Business

As a result of the reinsurance agreements with Prudential Insurance and Pruco Life, revenues, which were comprised primarily of net investment losses, were fully offset by expenses, which were comprised of policyholder benefits and changes in the fair value of insurance liabilities.

RESULTS OF OPERATIONS - PREDECESSOR COMPANY

LOSS FROM OPERATIONS BEFORE INCOME TAXES

The following table illustrates the net impact on our results of operations from changes in the U.S. GAAP embedded derivative liability and hedge positions under the Asset Liability Management ("ALM") strategy, and the related amortization of DAC and other costs, for the periods indicated:

	Three Months Ended March 31
	2022
U.S. GAAP embedded derivative and hedging positions	
Change in value of U.S.GAAP liability, pre-NPR(2)	$ 459
Change in the NPR adjustment	156
Change in fair value of hedge assets, excluding capital hedges(3)	(392)
Change in fair value of capital hedges(4)	39
Other	218
Realized investment gains (losses), net, and related adjustments	480
Market experience updates(5)	(57)
Charges related to realized investments gains (losses), net	(97)
Net impact from changes in the U.S. GAAP embedded derivative and hedge positions, after the impact of NPR, DAC and other costs(6)	$ 326

(1) Positive amount represents income; negative amount represents a loss.
(2) Represents the change in the liability (excluding NPR) for our variable annuities which is measured utilizing a valuation methodology that is required under U.S. GAAP. This liability includes such items as risk margins which are required by U.S. GAAP but not included in our best estimate of the liability.
(3) Represents the changes in fair value of the derivatives utilized to hedge potential claims associated with our variable annuity living benefit guarantees.
(4) Represents the changes in fair value of equity derivatives of the capital hedge program intended to protect a portion of the overall capital position of our business against exposure to the equity markets.
(5) Represents the immediate impacts in current period results from changes in current market conditions on estimates of profitability.
(6) Excludes amounts from the changes in unrealized gains and losses from fixed income instruments recorded in other comprehensive income (versus net income) of $(70) million for the three months ended March 31, 2022.

For the three months ended March 31, 2022, the gain of $326 million was driven by a favorable impact related to the U.S. GAAP liability before NPR, net of change in fair value of hedge assets (excluding capital hedge) largely due to rising interest rates.

Income Taxes

For discussion on income tax related items, see “Business - Regulation” and Note 9 to the Financial Statements.

Liquidity and Capital Resources

Overview

Liquidity is a measure of a company's ability to generate cash flows sufficient to meet the short-term and long-term cash requirements of the Company. Capital refers to the long-term financial resources available to support the operations of our business, fund business growth, and provide a cushion to withstand adverse circumstances. Our ability to generate and maintain sufficient liquidity and capital depends on the profitability of our business, general economic conditions, our ability to borrow and our access to capital markets.

Effective and prudent liquidity and capital management is a priority across the organization. Management monitors the liquidity of the Company on a daily basis and projects borrowing and capital needs over a multi-year time horizon. We use a Risk Appetite Framework ("RAF") to ensure that all risks taken by the Company aligns with our capacity and willingness to take those risks. The RAF provides a dynamic assessment of capital and liquidity stress impacts and is intended to ensure that sufficient resources are available to absorb those impacts. We believe that our capital and liquidity resources are sufficient to satisfy the capital and liquidity requirements of the Company.

Our businesses are subject to comprehensive regulation and supervision by domestic and international regulators. These regulations currently include requirements (many of which are the subject of ongoing rule-making) relating to capital, leverage, liquidity, stress-testing, overall risk management, credit exposure reporting and credit concentration. For information on these regulatory initiatives and their potential impact on us, see Item 1 "Business - Regulation" and Item 1A "Risk Factors".

Capital

We manage FLIAC to regulatory capital levels and utilize the risk-based capital ("RBC") ratio as a primary measure of capital adequacy. RBC is calculated based on statutory financial statements and risk formulas consistent with the practices of the National Association of Insurance Commissioners ("NAIC"). RBC considers, among other things, risks related to the type and quality of the invested assets, insurance-related risks associated with an insurer's products and liabilities, equity market and interest rate risks and general business risks. RBC determines the minimum amount of capital required of an insurer to support its operations and underwriting coverage. The ratio of a company's Total Adjusted Capital ("TAC") to RBC is the corresponding RBC ratio. RBC ratio calculations are intended to assist insurance regulators in measuring an insurer's solvency and ability to pay future claims. The reporting of RBC measures is not intended for the purpose of ranking any insurance company or for use in connection with any marketing, advertising or promotional activities, but is available to the public. The Company's capital levels substantially exceed the minimum level required by applicable insurance regulations. Our regulatory capital levels may be affected in the future by changes to the applicable regulations, proposals for which are currently under consideration by both domestic and international insurance regulators.

The regulatory capital level of the Company can be materially impacted by interest rate and equity market fluctuations, changes in the values of derivatives, the level of impairments recorded, and credit quality migration of the investment portfolio, among other items. In addition, the reinsurance of business or the recapture of business subject to reinsurance arrangements due to defaults by, or credit quality migration affecting, the reinsurers or for other reasons could negatively impact regulatory capital levels. The Company's regulatory capital level is also affected by statutory accounting rules, which are subject to change by each applicable insurance regulator.

Dividends and Distributions to Parent

During the first quarter of 2024, a $150 million dividend was approved by the Company's board of directors, $75 million of which was considered an ordinary dividend and not subject to approval by the Arizona Department of Insurance and Financial Institutions ("DIFI") prior to payment. The other $75 million was conditioned upon the Company receiving written approval from the Arizona DIFI prior to payment. In April 2024, the Company received written approval from the Arizona DIFI and the entire $150 million dividend was distributed in cash to FGH in the second quarter of 2024.

During the third quarter of 2024, a $150 million dividend was approved by the Company's board of directors, which was conditioned upon the Company receiving written approval from the Arizona DIFI prior to payment. In October 2024, the

Company received written approval from the Arizona DIFI and the entire $150 million dividend was distributed in cash to FGH in the fourth quarter of 2024.

Distribution to Parent

During 2023, the Company made a $45 million distribution to its parent company, FGH, as a result of updated information regarding certain tax assets related to the acquisition of FLIAC, which resulted in an offsetting reduction to "Additional paid-in capital".

Capital Contributions

FGH, the direct parent of the Company, may make additional capital contributions to FLIAC, as needed, to enable the Company to comply with its reserve requirements and fund expenses in connection with its business. FGH is under no obligation to make such contributions and its assets do not back the benefits payable under the Company's annuity contracts and life insurance policies.

The Company did not receive capital contributions from FGH during the year ended December 31, 2024 and 2023 or the nine months ended December 31, 2022. In addition, prior to the acquisition, the Predecessor Company did not receive capital contributions from PAI during the three months ended March 31, 2022 or the year ended December 31, 2021.

Liquidity

Our liquidity is managed to ensure stable, reliable and cost-effective sources of cash flows to meet all of our obligations. Liquidity is provided by a variety of sources, as described more fully below, including portfolios of liquid assets. Our investment portfolios are integral to the overall liquidity of the Company. We use a projection process for cash flows from operations to ensure sufficient liquidity to meet projected cash outflows, including claims.

Liquidity is measured against internally-developed benchmarks that take into account the characteristics of both the asset portfolio and the liabilities that they support. We consider attributes of the various categories of liquid assets (for example, type of asset and credit quality) in calculating internal liquidity measures to evaluate our liquidity under various stress scenarios, including company-specific and market-wide events. We continue to believe that cash generated by ongoing operations and the liquidity profile of our assets provide sufficient liquidity under reasonably foreseeable stress scenarios.

The principal sources of the Company's liquidity are premiums and certain annuity considerations, investment and fee income, investment maturities, sales of investments, borrowings from its parent and affiliates, and banking relationships through secured or unsecured agreements. The principal uses of that liquidity include benefits, claims, and payments to policyholders and contractholders in connection with surrenders, withdrawals and net policy loan activity. Other uses of liquidity include commissions, general and administrative expenses, purchases of investments, the payment of dividends and returns of capital to the Predecessor parent company, hedging and reinsurance activity and payments in connection with financing activities.

In managing liquidity, we consider the risk of policyholder and contractholder withdrawals of funds earlier than our assumptions when selecting assets to support these contractual obligations. We also consider the risk of future collateral requirements under stressed market conditions in respect of the derivatives we utilize.

Liquid Assets

Liquid assets include cash and cash equivalents, short-term investments, fixed maturity securities, and public equity securities. As of December 31, 2024 and 2023, the Company had liquid assets of approximately $5.6 billion and $6.2 billion, respectively, which includes $1.5 billion of modified coinsurance assets contained within the Ceded business, for each respective period. The portion of liquid assets comprised cash and cash equivalents and short-term investments was approximately $0.6 billion and $1.0 billion as of December 31, 2024 and 2023, respectively.

Intercompany Liquidity Agreement

FLIAC entered into an intercompany liquidity agreement with FGH and its affiliates that allows the Successor Company to borrow or loan funds of up to $300 million to meet the short-term liquidity and other capital needs of itself and FGH and its affiliates. During the years ended December 31, 2024 and 2023, the Company borrowed a cumulative total of $80 million and $434 million, respectively, from FGH under the agreement, all of which was repaid in full during the respective years, plus interest.

In November 2023, the Successor Company loaned $150 million of funds to FGH under the agreement, which was repaid in full, plus interest, in December 2023.

During the nine months ended December 31, 2022, the Company borrowed against the agreement on two separate transactions, each of which was for $75 million. Both transactions were repaid in full, plus interest.

Letter of Credit Facility

In the fourth quarter of 2024, the Company entered into a standby letter of credit facility with an unaffiliated investment bank, allowing borrowings of up to $100 million until its expiration in December 2027. The facility includes customary representations and warranties, covenants, and events of default. In addition, borrowings are not contingent on the Company's credit ratings nor subject to material adverse change clauses, however, the Company will be required to maintain a minimum Company Action Level (CAL) Risk-based Capital (RBC) ratio of 250% to maintain the agreement. As of December 31, 2024, no amounts have been borrowed under the credit facility.

Repurchase Agreements and Securities Lending

In the normal course of business, we may enter into repurchase agreements and securities lending agreements with unaffiliated financial institutions, which are typically large or highly rated, to earn spread income and facilitate trading activity. Under these agreements, the Company transfers securities to the counterparty and receives cash as collateral. The cash received is generally invested in short-term investments or fixed maturity securities.

For repurchase agreements, a liability representing the amount that the securities will be repurchased is recorded in "Other liabilities" in our consolidated statement of financial position. For securities lending agreements, a liability representing the return of cash collateral is recorded in "Other liabilities" in our consolidated statement of financial position. As of December 31, 2024, the liabilities associated with our outstanding repurchase agreements were $1,200 million. There were no outstanding securities lending agreements as of December 31, 2024.

Financing Activities

Liquidity Regarding Hedging activities

We enter into a range of exchange-traded, cleared, and other OTC derivatives in order to hedge market sensitive exposures against changes in certain capital market risks. The portion of the risk management strategy comprising the hedging portion requires access to liquidity to meet the Company's payment obligations relating to these derivatives, such as payments for periodic settlements, purchases, maturities and terminations. These liquidity needs can vary materially due to, among other items, changes in interest rates, equity markets, mortality, and policyholder behavior.

The hedging portion of the risk management strategy may also result in derivative-related collateral postings to (when we are in a net pay position) or from (when we are in a net receive position) counterparties. The net collateral position depends on changes in interest rates and equity markets related to the amount of the exposures hedged. Depending on market conditions, the collateral posting requirements can result in material liquidity needs when we are in a net pay position.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market Risk

Market risk is defined as the risk of loss from changes in interest rates, equity prices, and foreign currency exchange rates resulting from asset/liability mismatches where the change in the value of our liabilities is not offset by the change in value of our assets. See Item 1A, "Risk Factors" for a discussion of how difficult conditions in the financial markets and the economy generally may materially adversely affect our business and results of our operations.

Market Risk Management

Management of market risk, which we consider to be a combination of both investment risk and market risk exposures, includes the identification and measurement of various forms of risk, the establishment of risk thresholds and the creation of processes intended to maintain risks within these thresholds while optimizing returns on the underlying assets or liabilities.

Our risk management process utilizes a variety of tools and techniques, including:

- Measurement of price sensitivity to market changes (e.g., interest rates, equity index prices, foreign exchange);
- Hedge Target definition;
- Asset/liability management, which includes our hedging programs; and
- Stress scenario testing related to our risk appetite framework

Measurement of Price Sensitivity to Market Changes

We measure the price sensitivity to market changes on a daily basis. Sensitivities of both assets and liabilities are gauged and these measurements form the basis for actions we take under our asset/liability and hedging programs. We measure both a target level of price sensitivity, as well as tolerance levels above and below the target, for each market change.

Hedge Target

The definition of the Hedge Target is critical for market risk management, as it specifies the measure of a liability and its attendant price sensitivities. We use a fair value-based measure of the liability as our hedge target. Consistent with our approach to risk manage the full economics of the business, we have established a hedge target that reflects the net present value of the full set of product cash flows. For most of the products in the business, this generally includes:

- Living benefit rider claims we expect to pay in the future;
- Living benefit rider fees we receive over time;
- Mortality and expense fees we receive on the base variable annuity contracts;
- Net revenue sharing income we contractually receive;
- Certain product-related expenses; and
- Guaranteed death benefits/fees

Asset/Liability Management

We manage assets to liability-based measures. For example, we identify target durations for assets based on Hedge Target characteristics and asset portfolios are managed to within ranges around them. This mitigates potential unanticipated economic losses from interest rate and equity price movements. We utilize a combination of fixed income securities and derivatives to implement asset/liability management.

To the extent that we identify a mismatch between asset and liability sensitivities, we enter into derivatives transactions to cover the difference. Derivatives are used to supplement risk mitigation provided by the fixed income securities portfolio. Our derivatives primarily include swaps, futures and options contracts that are exchange-traded or contracted in the OTC market.

Stress Scenario Testing Related to Our Risk Appetite Framework

We have established a risk appetite framework that limits the amount of market risks we can take after consideration of our asset/liability management initiatives. We run stress scenario tests periodically to assess the impact of extreme market movements on our balance sheet. This ensures that we have sufficient capital under stressed market conditions.

Market Risk Related to Interest Rates

We perform liability-driven investing and engage in careful asset/liability management. Asset/liability mismatches create the risk that changes in liability values will differ from the changes in the value of the related assets. Additionally, changes in interest rates may impact other items including, but not limited to, the following:

- Net investment spread between the amounts that we are required to pay and the rate of return we are able to earn on investments for certain products supported by general account investments;
- Asset-based fees earned on assets under management or contractholder account values;
- Estimated total gross profits;
- Net exposure to the guarantees provided under certain products; and
- Our capital levels.

In order to mitigate the impact that an unfavorable interest rate environment has on our net interest margins, we employ a proactive asset/liability management program, which includes strategic asset allocation and derivative strategies within a disciplined risk management framework. We seek to hedge the interest rate sensitivity of our liabilities with our fixed income assets and derivatives. Our asset/liability management program also helps manage duration gaps and other risks between assets and liabilities through the use of derivatives. We adjust this dynamic process as customer behavior changes and as changes in the market environment occur.

We use duration and convexity analyses to measure price sensitivity to interest rate changes. Duration measures the relative sensitivity of the fair value of a financial instrument to changes in interest rates. Convexity measures the rate of change in duration with respect to changes in interest rates. We use asset/liability management and derivative strategies to manage our interest rate exposure by matching the relative sensitivity of asset and liability values to interest rate changes, or controlling "duration mismatch" of assets and liability duration targets. In certain markets, capital market limitations that hinder our ability to acquire assets that approximate the duration of some of our liabilities are considered in setting duration targets. We consider risk-based capital as well as current market conditions in our asset/liability management strategies.

The Company also mitigates interest rate risk through a market value adjusted ("MVA") provision on certain of the Company's annuity products' fixed investment options. This MVA provision limits interest rate risk by subjecting the contractholder to a MVA when funds are withdrawn or transferred to variable investment options before the end of the guarantee period. In the event of rising interest rates, which generally make the fixed maturity securities underlying the guarantee less valuable, the MVA could be negative. In the event of declining interest rates, which generally make the fixed maturity securities underlying the guarantee more valuable, the MVA could be positive. The resulting increase or decrease in the value of the fixed option, from the calculation of the MVA, is designed to offset the decrease or increase in the market value of the securities underlying the guarantee.

We assess the impact of interest rate movements on the value of our Retained Business financial assets, financial liabilities and derivatives using hypothetical scenarios that assume either upward or downward 100 basis point parallel shifts in the yield curve from prevailing interest rates.

The following tables set forth the net estimated changes in fair value on these financial instruments from an immediate hypothetical 100 basis point upward and downward parallel shift. While the scenario is for illustrative purposes only and does not reflect our expectations regarding future interest rates or the performance of fixed income markets, it is a near-term, hypothetical change that illustrates the potential impact of such events. These scenarios do not measure the changes in value that could result from non-parallel shifts in the yield curve, which we would expect to produce different changes in discount rates for different maturities. As a result, the actual change in fair value from a 100 basis point change in interest rates could be different from that indicated by these calculations.

	December 31, 2024			
			Hypothetical Change in Fair Value	
	Notional	Fair Value	100 bps Decrease	100 bps Increase
	(in millions)			
Assets				
Retained Business				
Fixed maturity securities and mortgage loans		$ 3,985	$ 396	$ (328)
Liabilities				
Retained Business				
Derivatives	$ 41,472	$ 413	$ (304)	$ 238
Insurance Liabilities				
Variable annuity products		$ 1,913	$ 690	$ (541)
			$ 386	$ (303)
Net change			**$ 10**	**$ (25)**

	December 31, 2023			
			Hypothetical Change in Fair Value	
	Notional	Fair Value	100 bps Decrease	100 bps Increase
	(in millions)			
Assets				
Retained Business				
Fixed maturity securities and mortgage loans		$ 4,587	$ 468	$ (388)
Liabilities				
Retained Business				
Derivatives	$ 33,434	$ 465	$ (375)	$ 328
Insurance Liabilities				
Variable annuity products		$ 2,556	$ 882	$ (699)
			$ 507	$ (371)
Net change			**$ (39)**	**$ (17)**

Market Risk Related to Equity Prices

We have exposure to equity risk primarily through asset/liability mismatches, including our equity-based derivatives, and variable annuity contracts. We manage equity risk against benchmarks in respective markets. We benchmark our return on equity holdings against a blend of market indices, mainly the S&P 500 and Russell 2000 for U.S. equities. We benchmark foreign equities against the MSCI EAFE, a market index of European, Australian and Far Eastern equities. We target price sensitivities that approximate those of the benchmark indices. For equity investments within the separate accounts, the investment risk is borne by the separate account contractholder rather than by the Company.

We estimate our equity risk from an immediate hypothetical 10 percent change in equity benchmark levels. The following table sets forth the net estimated potential change in fair value from such a change in certain of our Retained Business financial assets, financial liabilities, and derivatives. While these scenarios are for illustrative purposes only and do not reflect our expectations regarding future performance of equity markets or of our equity portfolio, they do represent near-term, hypothetical changes that illustrate the potential impact of such events. In addition, these scenarios do not reflect the impact of basis risk, such as potential differences in the performance of the investment funds underlying the variable annuity products relative to the market indices we use as a basis for developing our hedging strategy. The impact of basis risk could result in larger differences between the change in fair value of the equity-based derivatives and the liability in comparison to these scenarios. In calculating these amounts, we exclude separate account equity securities.

	December 31, 2024			
			Hypothetical Change in Fair Value	
	Notional	Fair Value	10 percent decrease	10 percent increase
	(in millions)			
Liabilities				
Retained Business				
Derivative liabilities	$ 2,861	$ 45	$ (324)	$ 299
Insurance Liabilities - Variable annuity products		$ 1,913	$ 346	$ (312)
Net change			**$ 22**	**$ (13)**

	December 31, 2023			
			Hypothetical Change in Fair Value	
	Notional	Fair Value	10 percent decrease	10 percent increase
	(in millions)			
Liabilities				
Retained Business				
Derivatives	$ 2,221	$ 257	$ (364)	$ 275
Insurance Liabilities - Variable annuity products		$ 2,556	392	$ (355)
Net change			**$ 28**	**$ (80)**

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Fortitude Life Insurance & Annuity Company
FINANCIAL STATEMENTS INDEX

Management’s Annual Report on Internal Control Over Financial Reporting

Management of Fortitude Life Insurance & Annuity Company (the “Company”) is responsible for establishing and maintaining adequate internal control over financial reporting. Management conducted an assessment of the effectiveness, as of December 31, 2024, of the Company’s internal control over financial reporting, based on the framework established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment under that framework, management concluded that the Company’s internal control over financial reporting was effective as of December 31, 2024.

Our internal control over financial reporting is a process designed by or under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This Annual Report does not include an attestation report of the Company’s registered public accounting firm, PricewaterhouseCoopers LLP, regarding the internal control over financial reporting. Management’s report was not subject to attestation by the Company’s registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management’s report in this Annual Report.

March 27, 2025

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder of Fortitude Life Insurance & Annuity Company

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Fortitude Life Insurance & Annuity Company and its subsidiary (Successor Company) (the "Company") as of December 31, 2024 and 2023, and the related consolidated statements of operations and comprehensive income (loss), of equity and of cash flows for the years ended December 31, 2024 and 2023 and for the nine months ended December 31, 2022, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years ended December 31, 2024 and 2023 and for the nine months ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Retained Business Variable Annuity Contracts with Guaranteed Benefits, Included in Insurance Liabilities, at Fair Value

As described in Notes 2, 4, and 7 to the consolidated financial statements, as of December 31, 2024, the fair value of retained business variable annuity contracts with guaranteed benefits, included in insurance liabilities, at fair value was $1.9 billion. Management elected the fair value option on the entirety of the insurance liabilities. The change in fair value of these liabilities is reported in several line items within revenues and benefits and expenses in the consolidated statement of operations and comprehensive income (loss). Since there is no observable active market for the transfer of these obligations, the valuations are calculated using internally developed models with option pricing techniques. The models are based on a risk neutral valuation framework and incorporate premiums for risks inherent in valuation techniques, inputs, and the general uncertainty around the timing and amount of future cash flows. The determination of these risk premiums requires the use of management's judgment. The significant inputs to the valuation models include capital market assumptions, such as interest rate levels and volatility assumptions, as well as actuarially determined assumptions, including contractholder behavior, such as lapse rates, benefit utilization rates, withdrawal rates, and mortality rates.

The principal considerations for our determination that performing procedures relating to the valuation of retained business variable annuity contracts with guaranteed benefits, included in insurance liabilities, at fair value is a critical audit matter are (i) the significant judgment by management when developing the fair value estimate of the retained business variable annuity contracts with guaranteed benefits; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's internal models and aforementioned contractholder behavior assumptions; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, (i) testing management's process for developing the fair value estimate of retained business variable annuity contracts with guaranteed benefits, included in insurance liabilities, at fair value; (ii) evaluating the appropriateness of management's internal models; (iii) testing the completeness and accuracy of data used in the internal models; and (iv) evaluating the reasonableness of the aforementioned contractholder behavior assumptions. Evaluating the aforementioned contractholder behavior assumptions involved evaluating whether the assumptions used were reasonable considering industry knowledge and data, and historical Company data and experience. Professionals with specialized skill and knowledge were used to assist in evaluating the appropriateness of management's internal models and evaluating the reasonableness of the aforementioned contractholder behavior assumptions.

/s/ PricewaterhouseCoopers LLP

Nashville, Tennessee
March 27, 2025

We have served as the Company's auditor since 2003.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholder of Fortitude Life Insurance & Annuity Company

Opinion on the Financial Statements

We have audited the accompanying statements of operations and comprehensive income (loss), of equity and of cash flows of Fortitude Life Insurance & Annuity Company (formerly Prudential Annuities Life Assurance Corporation) (Predecessor Company) (the "Company") for the three months ended March 31, 2022, including the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the results of operations and cash flows of the Company for the three months ended March 31, 2022 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Nashville, Tennessee
March 22, 2023

We have served as the Company's auditor since 2003.

Fortitude Life Insurance & Annuity Company
Consolidated Statements of Financial Position
(in millions, except share data)

	December 31	
	2024	**2023**
ASSETS		
Fixed maturity securities, at fair value	$ 5,022	$ 5,210
Mortgage loans, at fair value	364	437
Short-term investments	8	21
Other invested assets (includes $354 and $141 of assets measured at fair value at December 31, 2024 and 2023, respectively)	395	211
Total investments	5,789	5,879
Cash and cash equivalents	563	940
Accrued investment income	58	60
Reinsurance recoverables, at fair value	163	206
Deposit asset, at fair value	364	438
Income taxes	76	99
Other assets: (Receivables from parent and affiliates: December 31, 2024 - $10; December 31, 2023 - $0)	69	61
Separate account assets, at fair value	22,857	23,870
TOTAL ASSETS	$ 29,939	$ 31,553
LIABILITIES AND EQUITY		
LIABILITIES		
Insurance liabilities, at fair value	$ 4,380	$ 5,003
Net modified coinsurance payable, at fair value	145	78
Liabilities associated with secured borrowing arrangements	1,200	967
Other liabilities (Payables to parent and affiliates: December 31, 2024 - $4; December 31, 2023 - $10)	208	273
Separate account liabilities, at fair value	22,857	23,870
TOTAL LIABILITIES	$ 28,790	$ 30,191
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 13)		
EQUITY		
Common stock, $100 par value; 25,000 shares authorized, issued and outstanding	$ 3	$ 3
Additional paid-in capital	1,714	1,714
Retained deficit	(518)	(290)
Accumulated other comprehensive loss	(50)	(65)
TOTAL EQUITY	1,149	1,362
TOTAL LIABILITIES AND EQUITY	$ 29,939	$ 31,553

See Notes to Consolidated Financial Statements

Fortitude Life Insurance & Annuity Company
Consolidated Statements of Operations and Comprehensive Income (Loss)
(in millions)

	Successor Company			Predecessor Company
	Year Ended December 31		Nine Months Ended December 31	Three Months Ended March 31
	2024	2023	2022	
REVENUES				
Premiums	$ 35	$ 27	$ 19	$ 8
Policy charges and fee income	452	456	365	97
Net investment income	292	315	255	99
Asset management and service fees	93	91	71	20
Other income (loss)	8	1	7	(19)
Investment gains (losses), net	(688)	(310)	(1,907)	481
TOTAL REVENUES	192	580	(1,190)	686
BENEFITS AND EXPENSES				
Policyholder benefits and changes in fair value of insurance liabilities	(83)	340	(1,010)	—
Policyholder benefits	—	—	—	26
Interest credited to policyholder account balances	—	—	—	85
Amortization of deferred policy acquisition costs	—	—	—	104
Commission expense	91	90	65	35
Goodwill impairment	—	93	—	—
General, administrative and other expenses	80	67	75	3
TOTAL BENEFITS AND EXPENSES	88	590	(870)	253
INCOME (LOSS) FROM OPERATIONS BEFORE INCOME TAXES	104	(10)	(320)	433
Less: Income tax expense (benefit)	32	(6)	(34)	77
NET INCOME (LOSS)	$ 72	$ (4)	$ (286)	$ 356
Other comprehensive income (loss), before tax:				
Changes in own-credit risk related to insurance liabilities	19	(223)	140	—
Net unrealized investment losses	—	—	—	(561)
Total	19	(223)	140	(561)
Less: Income tax expense (benefit) related to other comprehensive income (loss)	4	(47)	29	(118)
Other comprehensive income (loss), net of taxes	15	(176)	111	(443)
COMPREHENSIVE INCOME (LOSS)	$ 87	$ (180)	$ (175)	$ (87)

See Notes to Consolidated Financial Statements

Fortitude Life Insurance & Annuity Company
Consolidated Statements of Equity
(in millions)

	Successor Company				
	Common Stock	Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance, April 1, 2022	$ 3	$ 1,759	$ —	$ —	$ 1,762
Comprehensive income (loss):					
Net loss	—	—	(286)	—	(286)
Other comprehensive income, net of tax	—	—	—	111	111
Total comprehensive loss					(175)
Balance, December 31, 2022	$ 3	$ 1,759	$ (286)	$ 111	$ 1,587
Distribution to parent	—	(45)	—	—	(45)
Comprehensive loss:					
Net loss	—	—	(4)	—	(4)
Other comprehensive loss, net of tax	—	—	—	(176)	(176)
Total comprehensive loss					(180)
Balance, December 31, 2023	$ 3	$ 1,714	$ (290)	$ (65)	$ 1,362
Dividend to parent	—	—	(300)	—	(300)
Comprehensive income:					
Net income	—	—	72	—	72
Other comprehensive income, net of tax	—	—	—	15	15
Total comprehensive income					87
Balance, December 31, 2024	$ 3	$ 1,714	$ (518)	$ (50)	$ 1,149

	Predecessor Company				
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance, December 31, 2021	$ 3	$ 592	$ 917	$ 170	$ 1,682
Return of capital	—	(306)	—	—	(306)
Comprehensive income (loss):					
Net income	—	—	356	—	356
Other comprehensive loss, net of tax	—	—	—	(443)	(443)
Total comprehensive loss					(87)
Balance, March 31, 2022	$ 3	$ 286	$ 1,273	$ (273)	$ 1,289

See Notes to Consolidated Financial Statements

Fortitude Life Insurance & Annuity Company
Consolidated Statements of Cash Flows
(in millions)

	Successor Company			Predecessor Company
	Year Ended December 31		Nine Months Ended December 31	Three Months Ended March 31
	2024	2023	2022	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	$ 72	$ (4)	$ (286)	$ 356
Adjustments to reconcile net income (loss) to net cash from (used in) operating activities:				
Investment (gains) losses, net	688	310	1,907	(481)
Goodwill impairment	—	93	—	—
Interest credited to policyholders' account balances	—	—	—	85
Other, net	(8)	(30)	(24)	2
Change in:				
Insurance liabilities, at fair value	(392)	(568)	(7,751)	—
Deposit asset, at fair value	74	169	1,989	—
Net modified coinsurance receivable, at fair value	67	587	4,685	—
Future policy benefits	—	—	—	60
Accrued investment income	2	(11)	(21)	1
Deferred policy acquisition costs	—	—	—	104
Income taxes	19	(9)	184	142
Reinsurance recoverables	43	29	15	(39)
Derivatives, net	(762)	(584)	(220)	(1,079)
Other, net	(15)	3	(14)	(40)
Cash flows from (used in) operating activities	(212)	(15)	464	(889)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from the sale/maturity/prepayment of:				
Fixed maturity securities, at fair value	774	500	3,362	—
Fixed maturities, available-for-sale	—	—	—	422
Equity securities	—	—	—	95
Secured receivable	—	—	60	—
Mortgage loans	121	116	6	39
Other invested assets	7	387	4	1
Short-term investments	39	94	301	795
Payments for the purchase/origination of:				
Fixed maturity securities, at fair value	(808)	(783)	(4,312)	—
Fixed maturities, available-for-sale	—	—	—	(751)
Equity securities	—	—	(11)	—
Secured receivable	—	—	(7)	—
Mortgage loans	(27)	(369)	(203)	(13)
Other invested assets	(4)	(52)	(345)	—
Short-term investments	(30)	(88)	(42)	(94)
Derivatives, net	—	—	—	3
Other, net	1	3	(1)	—
Cash flows from (used in) investing activities	73	(192)	(1,188)	497

See Notes to Consolidated Financial Statements

Fortitude Life Insurance & Annuity Company
Consolidated Statements of Cash Flows (Continued)
(in millions)

	Successor Company			Predecessor Company
	Year Ended December 31		Nine Months Ended December 31	Three Months Ended March 31
	2024	2023	2022	
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net Policyholder's account deposits (withdrawals)	(212)	(197)	(176)	62
Drafts outstanding	(21)	19	(7)	(7)
Dividend to parent	(300)	—	—	(306)
Distribution to parent	—	(45)	—	0
Net proceeds (repayments) related to secured borrowing arrangements - securities lending	—	(106)	(99)	205
Net proceeds related to secured borrowing arrangements - repurchase agreements with maturities three months or less	294	204	200	—
Proceeds related to secured borrowing arrangements - repurchase agreements with maturities greater than three months	511	500	100	—
Repayments related to secured borrowing arrangements - repurchase agreements with maturities greater three months	(510)	(100)	—	—
Cash flows from (used in) financing activities	(238)	275	18	(46)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(377)	68	(706)	(438)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	940	872	1,578	2,016
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 563	$ 940	$ 872	$ 1,578
SUPPLEMENTAL CASH FLOW INFORMATION				
Income taxes paid (refunded), net	$ 13	$ 4	$ (217)	N/A
Interest paid	$ —	$ 2	$ —	N/A

__Significant Non-Cash Transactions__

During the year ended December 31, 2023 and the nine months ended December 31, 2022, the Successor Company had novations within its Ceded Business related to variable-indexed annuities under the reinsurance agreement with Pruco Life Insurance Company that resulted in the non-cash transfer of investments of $491 million and $4,635 million, respectively, with a corresponding offset to the modified coinsurance payable, which is presented on a net basis with the modified coinsurance receivable in the consolidated statement of cash flows and consolidated statement of financial position. There was no significant non-cash novation activity during the year ended December 31, 2024.

See Note 5 for disclosures regarding non-cash activity regarding collateral transferred under repurchase agreements related to the Successor Company.

There were no significant non-cash transactions during the three months ended March 31, 2022 related to the Predecessor Company.

See Notes to Consolidated Financial Statements

1. BUSINESS AND BASIS OF PRESENTATION

Fortitude Life Insurance & Annuity Company and its wholly-owned subsidiary (collectively, “FLIAC”, “we”, or the “Company”), with its principal offices in Jersey City, New Jersey, is a wholly-owned subsidiary of Fortitude Group Holdings, LLC (“FGH”) and an indirect wholly-owned subsidiary of FGH Parent L.P. (“FGP”). Prior to April 1, 2022, the Company (previously named Prudential Annuities Life Assurance Corporation (“PALAC”)) was a wholly-owned subsidiary of Prudential Annuities, Inc (“PAI”), an indirect wholly-owned subsidiary of Prudential Financial, Inc. (“Prudential Financial”), a New Jersey Corporation. On April 1, 2022, PAI completed the sale of its equity interest in the Company to FGH. As a result, the Company is no longer an affiliate of Prudential Financial or any of its affiliates. See “Basis of Presentation” for further information.

Basis of Presentation

The Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) on a basis consistent with reporting financial information in accordance with instructions to Form 10-K and Article 10 of Regulation S-X of the Securities and Exchange Commission (“SEC”). The accompanying Consolidated Financial Statements present the consolidated results of operations, financial condition, and cash flows of FLIAC. All intercompany transactions have been eliminated in consolidation. The financial statements of the Predecessor Company were not consolidated as it was a single entity prior to acquisition.

Following the acquisition of FLIAC, purchase accounting was applied to FGH's financial statements and the Company has elected to “push down” the basis to FLIAC in accordance with Accounting Standards Codification (“ASC”) 805, *Business Combinations*. The application of push-down accounting created a new basis of accounting for all assets and liabilities based on fair value at the date of acquisition. As a result, FLIAC's financial position, results of operations, and cash flows subsequent to the acquisition are not comparable with those prior to April 1, 2022, and therefore have been separated to indicate pre-acquisition and post-acquisition periods. The pre-acquisition period through March 31, 2022 is referred to as the Predecessor Company. The post-acquisition period, April 1, 2022 and forward, includes the impact of push-down accounting and is referred to as the Successor Company. See “Business Combination” further below for additional information regarding the acquisition. See also Note 2 for further discussion regarding the impacts of our application of push-down accounting.

In the opinion of management, all adjustments necessary for a fair statement of the financial position and results of operations have been made. All such adjustments are of a normal, recurring nature.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Business Combination

As referenced above, push-down accounting has been applied to FLIAC's consolidated financial statements, which resulted in the initial recognition of its assets and liabilities at fair value as of the acquisition date, April 1, 2022.

The total preliminary purchase consideration of the acquisition was $1,761 million, comprised of $1,748 million cash transferred for the purchase price and a $13 million cash reimbursement to the seller for transaction costs incurred. A bargain purchase gain was initially recognized in the amount of $5 million, representing the excess of the fair value of net assets acquired over the consideration paid.
During 2022, the following measurement period adjustments were made which impacted the initial bargain purchase gain:

- An increase to the preliminary purchase consideration by $1 million, which was comprised of an increase of $4 million related to the cash transferred for the purchase price offset by a decrease of $3 million related to the estimated cash reimbursement to the seller for transaction costs incurred. The final purchase consideration of the acquisition was $1,762 million.
- A reduction of $97 million in the deferred tax asset that was previously recognized on its acquisition-date balance sheet.

The net impact of these adjustments resulted in a change from the preliminary bargain purchase gain of $5 million at April 1, 2022 to a goodwill amount of $93 million. The entire goodwill balance was allocated to the Retained Business segment.

Also during 2022, the Successor Company made the following corrections to the previously reported fair value of assets acquired and liabilities assumed at the acquisition date. These corrections had no impact to net assets acquired, consideration paid, or goodwill.

- $94 million decrease to Reinsurance recoverables;
- $63 million increase to Net modified coinsurance receivable;
- $19 million decrease to Deposit asset; and
- $50 million decrease to Insurance liabilities.

The following table summarizes the final fair value of assets acquired and liabilities assumed at the acquisition date and represents amounts recognized for each major class of assets and liabilities, after application of push-down accounting.

	Successor Company April 1, 2022 (in millions)		
	Retained Business	Ceded Business	Total
ASSETS			
Total investments	$ 3,900	$ 6,907	$ 10,807
Cash and cash equivalents	941	637	1,578
Reinsurance recoverables	—	250	250
Net modified coinsurance receivable	—	68	68
Income taxes	255	—	255
Deposit asset	—	2,596	2,596
Other assets	61	35	96
Separate account assets	26,792	2,634	29,426
TOTAL ASSETS	$ 31,949	$ 13,127	45,076
LIABILITIES			
Insurance liabilities	$ 3,362	$ 10,249	$ 13,611
Other liabilities	126	244	370
Separate account liabilities	26,792	2,634	29,426
TOTAL LIABILITIES	30,280	13,127	43,407
Net assets acquired	1,669	—	1,669
Consideration	1,762	—	1,762
Goodwill	$ 93	$ —	$ 93

Goodwill Impairment

As a result of our actuarial assumption update, the Company identified a triggering event in the third quarter of 2023 regarding its goodwill impairment analysis for the Retained Business. Following a qualitative analysis that indicated the fair value of the reporting unit may be lower than its carrying value, the Company performed a quantitative analysis that involved both discounted cash flow techniques and market price comparisons to establish fair values on its underlying assets and liabilities. After performing this quantitative analysis, the Company determined that the goodwill was fully impaired, and accordingly, recorded a non-cash goodwill impairment of $93 million through the Consolidated Statement of Operations. Following this impairment, there was no remaining goodwill as of September 30, 2023.

The goodwill impairment was primarily driven by unfavorable actuarial assumption updates, as compared to its initial projections, related to the determination of the fair value of its insurance liabilities, and lower overall projected future earnings as a result of capital market volatility. See Note 7 for further information regarding the actuarial assumption update.

Revision to Previously Issued Consolidated Statements of Cash Flows

In 2024, we identified an error that impacted our previously issued consolidated statements of cash flows for the year ended December 31, 2023 and the nine months ended December 31, 2022. It was determined that certain proceeds and repayments related to repurchase agreements with original maturity dates greater than three months were incorrectly presented on a net basis rather than on a gross basis.

We assessed the materiality of the error on our prior period consolidated financial statements in accordance with SEC Staff Accounting Bulletin No. 99, Materiality, codified in ASC 250-10, *Accounting Changes and Error Corrections,* and concluded that this error was not material to the current period or any prior periods. However, we determined it was appropriate to correctly present and revise the consolidated statements of cash flows for the impacted periods. The consolidated statements of cash flows for the impacted interim periods during 2024 will also be revised when they are presented within the Quarterly Report on Form 10-Q for the interim periods in 2025.

The following is a summary of the impacted line items within the consolidated statements of cash flows. All revisions were contained within "Cash Flows from Financing Activities".

	Consolidated Statements of Cash Flows					
	Year Ended December 31, 2023			Nine Months Ended December 31, 2022		
	As Previously Reported	Adjustments	As Revised	As Previously Reported	Adjustments	As Revised
	(in millions)					
CASH FLOWS FROM FINANCING ACTIVITIES:						
Repurchase agreements	$ 604	$ (604)	$ —	$ 300	$ (300)	$ —
Net proceeds related to secured borrowing arrangements - repurchase agreements with maturities three months or less	—	204	204	—	200	200
Proceeds related to secured borrowing arrangements - repurchase agreements with maturities greater than three months	—	500	500	—	100	100
Repayments related to secured borrowing arrangements - repurchase agreements with maturities greater three months	—	(100)	(100)	—	—	—

2. SIGNIFICANT ACCOUNTING POLICIES AND PRONOUNCEMENTS

SUCCESSOR COMPANY

Fair Value Option

We have elected to apply the fair value option to several of FLIAC's assets and liabilities. We have made this election as it improves our operational efficiency and better aligns the recognition and measurement of our investments, insurance contracts, and associated reinsurance activity with how we manage the business. See Note 4 for further information.

Description of Significant Accounting Policies

ASSETS

Fixed maturity securities, at fair value - We have elected the fair value option on the entirety of our fixed maturity securities portfolio. Accordingly, realized and unrealized gains and losses on these investments are reported in "Investment gains (losses), net" on the consolidated statement of operations. Investments in fixed maturity securities are recorded on a trade-date basis, with any unsettled trades recorded in other assets or other liabilities on the consolidated balance sheets. Interest income, including amortization of premium and accretion of discount, is determined using the effective yield method and is reported in "Net investment income" on the consolidated statement of operations.

Mortgage loans, at fair value - We have elected the fair value option on the entirety of our mortgage loans portfolio which are comprised of commercial and residential mortgage loans. Interest income and prepayment fees are included in "Net investment income" on the consolidated statements of operations. Realized and unrealized gains and losses on these investments are reported in "Investments gains (losses), net" on the consolidated statements of operations.

Short-term investments - These investments primarily consist of highly liquid debt instruments with a maturity of twelve months or less and greater than three months when purchased. These investments are carried at fair value and include short-term debt securities issued by government sponsored or corporate entities.

Other invested assets - These investments primarily consist of the following:

- *Limited partnerships and limited liability companies ("LPs/LLCs")* - Interests in LPs/LLCs are accounted for using either the equity method of accounting, or at fair value. The Company's income from investments in LPs/LLCs accounted for using the equity method is included in "Net investment income." The carrying value of these investments is written down, or impaired, to fair value when a decline in value is considered to be other-than-temporary. In applying the equity method (including assessment for other than temporary impairment), the Company uses financial information provided by the investee. For the investments reported at fair value, which are primarily comprised of private equity investments, the Company uses the net asset value ("NAV"), a permitted practical expedient, as an estimate for fair value when it is not readily available. Changes in NAV are reported in "Net investment income" on the consolidated statement of operations.

- *Policy loans* - These investments represent funds loaned to policyholders up to the cash surrender value of the associated insurance policies and are carried at the unpaid principal balances due to the Company from the policyholders. Interest income on policy loans is recognized in "Net investment income" at the contract interest rate when earned. Policy loans are fully collateralized by the cash surrender value of the associated insurance policies.

- *Derivatives* - See "Other Accounting Policies" further below for discussion on derivative financial instruments.

Cash and cash equivalents - Cash and cash equivalents include cash on hand, amounts due from banks, certain money market investments, funds managed similar to regulated money market funds, and other debt instruments with maturities of three months or less when purchased.

Accrued investment income - Accrued investment income primarily includes accruals of interest and dividend income from investments that have been earned but not yet received.

Income taxes - Income taxes represents the net deferred tax asset and, when applicable, the Company's estimated taxes receivable related to the current year and open audit years. The Company's estimated taxes payable for the current year and open audit years, when applicable, are included in Other liabilities.

The Company filed tax returns for the period beginning the day after the acquisition date through December 31, 2022, and any resulting tax liability for the period is the responsibility of the Company. Pursuant to the acquisition agreement, any tax examinations and resulting tax liability for the Predecessor Company will be the sole responsibility of PAI.

Items required by tax regulations to be included in the tax return may differ from the items reflected in the financial statements. As a result, the effective tax rate reflected in the financial statements may be different than the actual rate applied on the tax return. Some of these differences are permanent such as expenses that are not deductible in the Company's tax return, and some differences are temporary, reversing over time, such as valuation of insurance reserves. Temporary differences create deferred tax assets and liabilities. Deferred tax assets generally represent items that can be used as a tax deduction or credit in future years for which the Company has already recorded the tax benefit in the consolidated statements of operations. Deferred tax liabilities generally represent tax expense recognized in the Company's financial statements for which payment has been deferred, or expenditures for which the Company has already taken a deduction in the Company's tax return but have not yet been recognized in the Company's financial statements.

The application of U.S. GAAP requires the Company to evaluate the recoverability of the Company's deferred tax assets and establish a valuation allowance, if necessary, to reduce the Company's deferred tax assets to an amount that is more likely than not expected to be realized. Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance.

U.S. GAAP prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that a company has taken or expects to take on tax returns. The application of this guidance is a two-step process. First, the Company determines whether it is more likely than not, based on the technical merits, that the tax position will be sustained upon examination. If a tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The second step is measurement. The Company measures the tax position as the largest amount of benefit that is greater than 50 percent likely to be realized upon ultimate resolution with a taxing authority that has full knowledge of all relevant information. This measurement considers the amounts and probabilities of the outcomes that could be realized upon ultimate settlement using the facts, circumstances, and information available at the reporting date. The Company classifies all interest and penalties related to tax uncertainties as income tax expense.

The Company's liability for income taxes includes a liability for unrecognized tax benefits, interest and penalties which relate to tax years still subject to review by the Internal Revenue Service ("IRS") or other taxing jurisdictions. Audit periods remain open for review until the statute of limitations has passed. Generally, for tax years which produce net operating losses, capital losses or tax credit carryforwards ("tax attributes"), the statute of limitations does not close, to the extent of these tax attributes, until the expiration of the statute of limitations for the tax year in which they are fully utilized. The completion of review or the expiration of the statute of limitations for a given audit period could result in an adjustment to the liability for income taxes.

See Note 9 for additional information regarding income taxes.

Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized. It is the excess of the cost of an acquisition over the fair value of the assets acquired and liabilities assumed at the date of acquisition. We review the carrying amount of goodwill for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying amount might not be recoverable. Goodwill impairment testing compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit to which the goodwill relates is less than the carrying amount of the reporting unit, an impairment charge is recognized for the amount by which the carrying amount exceeds the fair value of the reporting unit in an amount not to exceed the total amount of goodwill allocated to the reporting unit.

During the third quarter of 2023, the Company determined that the goodwill associated with its Retained Business was fully impaired. Accordingly, the Company recorded a non-cash goodwill impairment of $93 million through the Consolidated Statement of Operations. Following this impairment, there was no remaining goodwill. See Note 1 for further information.

Other assets consists primarily of accruals for asset management and service fees and receivables resulting from sales of securities that had not yet settled at the balance sheet date. Other assets also includes receivables from the Company's parent and affiliates.

Accounting Policies Specific to the Ceded Business

Reinsurance recoverables - We have elected the fair value option on the entirety of our reinsurance recoverables which represent receivables that back the insurance liabilities under the reinsurance agreement regarding the business reinsured to Prudential Insurance. The reinsurance recoverable is measured in a consistent manner with the associated insurance liabilities, which are recorded at fair value. Accordingly, the fair value of our reinsurance recoverable is determined by the fair value calculation of our insurance liabilities. See discussion regarding the significant accounting policies of insurance liabilities further below. Changes in reinsurance recoverables and the associated insurance liabilities are both recorded through "Policyholder benefits and changes in fair value of insurance liabilities" within the consolidated statements of operations. For additional information about these reinsurance arrangements see Note 8.

Net modified coinsurance receivable/payable - We have elected the fair value option on the entirety of our modified coinsurance agreement receivables and payables. Modified coinsurance receivables represent the reserve credits for the insurance liabilities covered under the reinsurance agreement with Pruco Life regarding our variable annuity base contracts with guaranteed benefits. The modified coinsurance receivable is measured in a consistent manner with the associated insurance liabilities, which are recorded at fair value. Accordingly, the fair value of our modified coinsurance receivable is determined by the fair value calculation of our insurance liabilities. See discussion regarding the significant accounting policies of insurance liabilities further below. Similarly, the modified coinsurance payable primarily represents the fair value of the assets backing the ceded insurance liabilities under the reinsurance agreement. Accordingly, the fair value of the modified coinsurance payable is measured in a consistent manner with the fair value of the assets under the reinsurance agreement. The modified coinsurance agreement receivables and payables are presented on a net basis within the consolidated statements of financial position.

Deposit asset - We have elected the fair value option on the entirety of our deposit asset, which represents assets, held in trust by the reinsurer, that back the insurance liabilities under the reinsurance agreement with Pruco Life regarding our fixed indexed annuities and fixed annuities with a guaranteed lifetime withdrawal income. The deposit asset is measured in a consistent manner with the associated insurance liabilities, which are recorded at fair value. Accordingly, the fair value of our deposit asset is determined by the fair value calculation of our insurance liabilities.

LIABILITIES

Insurance liabilities, at fair value - We have elected the fair value option on the entirety of our insurance contracts, which include liabilities for guarantee benefits related to certain long-duration life and annuity contracts, which are discussed more fully in Note 7. These liabilities include reserves for guaranteed minimum death benefits ("GMDB"), guaranteed minimum income benefits ("GMIB"), guaranteed minimum accumulation benefits ("GMAB"), guaranteed minimum withdrawal benefits ("GMWB") and guaranteed minimum income and withdrawal benefits ("GMIWB"). Also included within insurance liabilities are smaller blocks of variable universal life and fixed payout annuity products. Changes in the fair value of insurance contracts are reported in "Policyholder benefits and changes in fair value of insurance liabilities" on the consolidated statements of operations.

The assumptions used in establishing reserves are generally based on those a market participant would use and include the Company's experience, industry experience and/or other factors, as applicable. We evaluate, and update when applicable, our actuarial assumptions such as mortality and policyholder behavior assumptions, on an annual basis. Generally, we do not expect trends to change significantly in the short-term and, to the extent these trends may change, we expect such changes to be gradual over the long-term.

Liabilities related to secured borrowing arrangements

Securities repurchase agreements that satisfy certain criteria are treated as secured borrowing arrangements and are carried at the amounts at which the securities will be subsequently reacquired, as specified in the respective transactions. As part of securities repurchase agreements, the Company primarily transfers U.S. government and government agency securities to a third-party and receives cash as collateral, which is subsequently reinvested in higher yielding assets. The market value of the securities to be repurchased is monitored, and additional collateral is obtained where appropriate, to protect against credit exposure. The Company obtains collateral in an amount at least equal to 95% of the fair value of the securities sold. The securities to be repurchased are the same, or substantially the same, as those sold. The majority of these transactions are with highly rated financial institutions. Income and expenses related to these transactions, all of which are used to earn spread income, are reported within "Net investment income".

Securities lending transactions are used primarily to earn spread income or to facilitate trading activity. As part of securities lending transactions, the Company transfers U.S. and foreign debt and equity securities, as well as U.S. government and government agency securities, and receives cash as collateral. Cash proceeds from securities lending transactions are primarily used to earn spread income, and are typically invested in cash equivalents, short-term investments or fixed maturities. Securities lending transactions are treated as financing arrangements and are recorded at the amount of cash received. The Company obtains collateral in an amount equal to 102% and 105% of the fair value of the domestic and foreign securities, respectively. The Company monitors the market value of the securities loaned on a daily basis with additional collateral obtained as necessary. Substantially all of the Company's securities lending transactions are with large brokerage firms and large banks. Income and expenses associated with securities lending transactions used to earn spread income are reported as "Net investment income".

Other liabilities consists primarily of accrued expenses, technical overdrafts, payables resulting from purchases of securities that had not yet settled at the balance sheet date, and payables to the Company's parent and affiliates. Other liabilities may also include derivative instruments for which fair values are determined as described below under "Other Accounting Policies".

Commitments and contingent liabilities are accrued if it is probable that a liability has been incurred and an amount is reasonably estimable. Management evaluates whether there are incremental legal or other costs directly associated with the ultimate resolution of the matter that are reasonably estimable and, if so, they are included in the accrual. When applicable, these accruals are generally reported in "Other liabilities".

REVENUES AND BENEFITS AND EXPENSES

Insurance Revenue and Expense Recognition

Revenues for variable life and annuity contracts and supplemental contracts with life contingencies primarily consist of charges against contractholder account values or separate accounts for mortality and expense risks, administration fees, and surrender charges. Revenues for mortality and expense risk charges and administration fees are recognized as assessed against the contractholder and are included within "Policy charges and fee income" on the consolidated statements of operations. Surrender charge revenue is recognized when the surrender charge is assessed against the contractholder at the time of surrender and is also included in “Policy charges and fee income” on the consolidated statements of operations. Liabilities for variable life insurance contracts and the variable investment options on annuity contracts represent the account value of the contracts and are included in “Separate account liabilities”.

Revenues for fixed immediate annuity and fixed supplementary contracts with and without life contingencies consist of investment income earned from the investment of deposits in the Company’s general account portfolio. In addition, revenues for fixed immediate annuity contracts with life contingencies also consist of single premium payments recognized as annuity considerations when received.

Amounts received as payment for variable annuities and other contracts without life contingencies are reported as deposits to “Insurance liabilities” and/or “Separate account liabilities.” Benefits and expenses for these products include claims in excess of related account balances and expenses of contract administration.

Asset management and service fees principally include asset-based asset management fees, which are recognized in the period in which the services are performed.

Other income primarily includes foreign exchange gains and losses related to certain currency derivatives and the associated hedged items. Also included in other income are realized and unrealized activity related to certain private equity investments that are reported in “Other invested assets”.

Investment gains (losses), net includes unrealized and realized gains or losses on various investment classes, as outlined above, and also includes non-foreign exchange-related derivative gains or losses. The derivative gains or losses include the impact of maturities, terminations, and changes in fair value of the derivative instruments. For the Predecessor Company, derivative gains or losses also include changes in embedded derivatives.

OTHER ACCOUNTING POLICIES

Derivative Financial Instruments

Derivatives are financial instruments whose values are derived from interest rates, foreign exchange rates, financial indices, values of securities or commodities, credit spreads, market volatility, expected returns, and liquidity. Values can also be affected by changes in estimates and assumptions, including those related to counterparty behavior and non-performance risk (“NPR”) used in valuation models. Derivative financial instruments generally used by the Company include swaps, futures, forwards and options and may be exchange-traded or contracted in the over-the-counter (“OTC”) market. Certain of the Company's OTC derivatives are cleared and settled through central clearing counterparties, while others are bilateral contracts between the Company and a counterparty. Derivative positions are carried at fair value, generally by obtaining quoted market prices or a third-party valuation.

Derivatives are used to manage the interest rate and currency characteristics of assets or liabilities. Additionally, derivatives may be used to reduce exposure to interest rate, credit, foreign currency and equity risks associated with assets held or expected to be purchased or sold, and liabilities incurred or expected to be incurred.

The Successor Company does not designate any new derivatives as instruments that qualify for hedge accounting treatment. Accordingly, all realized and unrealized changes in the fair value of derivatives for Successor Company periods are recorded in current earnings within either “Investment gains (losses), net” or “Other income” on the consolidated statements of operations. Cash flows related to derivatives that function as economic hedges are classified in the consolidated statements of cash flows following the classification of the cash flows of the economically-hedged items.

Derivatives are recorded either as assets, within “Other invested assets,” or as liabilities, within “Other liabilities” on the consolidated statements of financial positions. The Company nets the fair value of all derivative financial instruments with counterparties for which a master netting arrangement has been executed. Cash collateral pledged in excess of derivative liabilities and cash collateral received in excess of derivative assets are recorded within “Other invested assets” and “Other liabilities”, respectively.

Separate account assets and liabilities - We have elected the fair value option on insurance contracts that hold both segregated assets, which are invested for certain contractholders, and segregated liabilities, which are equal and offsetting to the segregated assets, and represent the contractholders account balance in those segregated assets, and to a lesser extent, borrowings of the separate account. These assets and liabilities are reported at fair value and separately disclosed on the consolidated statements of financial condition. The contractholder has the option of directing funds within the separate accounts to a wide variety of investment options, most of which invest in mutual funds. The investment risk on the variable portion of a contract is borne by the contractholder, except to the extent of minimum guarantees by the Company, which are not separate account liabilities. The assets of each account are legally segregated and are not subject to claims that arise out of any other business of the Company.

The investment income and realized investment gains or losses from separate account assets accrue to the contractholders and are not included in the Company's consolidated statements of operations.

RECENT ACCOUNTING PRONOUNCEMENTS

Changes to U.S. GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of Accounting Standard Updates ("ASU") to the FASB Accounting Standards Codification ("ASC"). We consider the applicability and impact of all ASUs. ASUs listed below include those that have been adopted during the current fiscal year and/or those that have been issued but not yet adopted as of December 31, 2024 and as of the date of this filing. ASUs not listed below were assessed and determined to be either not applicable or not material.

ASUs adopted as of December 31, 2024

Standard	Description	Effective date and method of adoption	Effect on the financial statements or other significant matters
***ASU 2023-07**, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*	This ASU improved reportable segment disclosure requirements, primarily through enhanced disclosures regarding a company's significant segment expenses and certain other items. The update also required expanded disclosures regarding the chief operating decision maker ("CODM") and the information they are provided when assessing segment performance and allocating resources.	The Company adopted this update for annual reporting periods on January 1, 2024 using the retrospective method and will adopt the update for interim reporting periods beginning January 1, 2025.	This adoption of the update for annual periods expanded the Company's disclosures but did not have an impact on its financial position or results of operations. See Note 3 for further information regarding these "annual" disclosures. When adopted for interim reporting periods, this update will expand the Company's disclosures, but will not have an impact on its financial position or results of operations.

ASU issued but not yet adopted as of December 31, 2024

Standard	Description	Effective date and method of adoption	Effect on the financial statements or other significant matters
***ASU 2024-03**, Income Statement - Reporting Comprehensive Income (Topic 220): Expense Disaggregation Disclosures*	This ASU requires additional disclosures regarding certain expense types included in the income statement. The requirements include disclosure of the amounts associated with 1. purchases of inventory, 2. employee compensation, 3. depreciation and 4. intangible asset amortization. These disclosures should be included in each relevant expense caption. Furthermore, entities must disclose specific expenses, gains, or losses already required under US GAAP, offer a qualitative description of amounts not separately quantified, and present the total amount of selling expenses along with a definition of these expenses in their annual reports.	Effective for annual reporting periods beginning January 1, 2027, and interim reporting periods beginning January 1, 2028, using either the prospective or retrospective method. Early adoption is permitted	The Company is currently evaluating the potential impact of this update on its financial position, results of operations, and disclosures.
***ASU 2023-09**, Income Taxes (Topic 740): Improvements to Income Tax Disclosures*	This ASU improves income tax disclosure requirements by requiring 1. the use of consistent categories and greater disaggregation of information in the rate reconciliation and 2. income taxes paid disaggregated by jurisdiction.	Effective for annual reporting periods beginning January 1, 2025, using either the prospective or retrospective method. Early adoption is permitted	The update is expected to expand the Company's disclosures but will not have an impact on the Company's financial position or results of operations.

3. SEGMENT INFORMATION

FLIAC has two reportable segments, which we refer to as the "Retained Business" and the "Ceded Business."

The Retained Business consists of variable annuity products with guaranteed lifetime withdrawal benefit features as well as smaller blocks of variable annuity products with certain other living benefit and death benefit features. The Retained Business also includes variable universal life and fixed payout annuity products. The Retained Business is actively managed by FLIAC management and retains the full economic benefits and risks.

The Ceded Business represents certain business (primarily registered index-linked annuities and fixed annuities, which includes fixed indexed and fixed deferred annuities, and other variable annuities) where 100 percent of the assets and liabilities have been fully ceded to The Prudential Insurance Company of America ("Prudential Insurance") and Pruco Life Insurance Company ("Pruco Life") under existing coinsurance and modified coinsurance agreements. See Note 8 for further information.

Segment Reporting Considerations

The Retained Business and Ceded Business segments are reported in a manner consistent with the internal reporting package provided to the CODM, whose title and position is "Managing Director, FLIAC Business Leader." The CODM assesses performance for both the Retained and Ceded segments and decides how to allocate resources based upon consolidated comprehensive income (loss).

The CODM uses consolidated comprehensive income (loss) to assess financial performance, primarily through the quarterly monitoring of actual versus budgeted results. Included in this assessment is a review of the impacts on earnings related to:

- market movements and hedging performance regarding equity market and interest rate changes;
- liability valuations and changes in the fair value of guarantees;
- actuarial assumption updates; and
- operating expenses

Segment Balance Sheets

The following is the consolidated balance sheet by segment:

	December 31					
	2024			2023		
	Retained Business	Ceded Business	Total	Retained Business	Ceded Business	Total
	(in millions)					
ASSETS						
Total investments	$ 4,062	$ 1,727	$ 5,789	$ 4,680	$ 1,199	$ 5,879
Cash and cash equivalents	498	65	563	534	406	940
Accrued investment income	46	12	58	51	9	60
Reinsurance recoverables	—	163	163	—	206	206
Deposit asset	—	364	364	—	438	438
Income taxes	76	—	76	99	—	99
Other assets	69	—	69	61	—	61
Separate account assets	20,842	2,015	22,857	21,800	2,070	23,870
TOTAL ASSETS	$ 25,593	$ 4,346	$ 29,939	$ 27,225	$ 4,328	$ 31,553
LIABILITIES AND EQUITY						
LIABILITIES						
Insurance liabilities	$ 2,196	$ 2,184	$ 4,380	$ 2,835	$ 2,168	$ 5,003
Net modified coinsurance payable	—	145	145	—	78	78
Liabilities associated with secured borrowing arrangements	1,200	—	1,200	967	—	967
Other liabilities	206	2	208	261	12	273
Separate account liabilities	20,842	2,015	22,857	21,800	2,070	23,870
TOTAL LIABILITIES	24,444	4,346	28,790	25,863	4,328	30,191
EQUITY	1,149	—	1,149	1,362	—	1,362
TOTAL LIABILITIES AND EQUITY	$ 25,593	$ 4,346	$ 29,939	$ 27,225	$ 4,328	$ 31,553

Segment Income Statements

The following is the consolidated comprehensive income (loss) by segment. Historical information related to the Predecessor company has not been revised or provided and is not comparable following the election of push-down accounting as of April 1, 2022.

	Year Ended December 31					
	2024			2023		
	Retained Business	Ceded Business	Total	Retained Business	Ceded Business	Total
	(in millions)					
REVENUES						
Premiums	$ 35	$ —	$ 35	$ 27	$ —	$ 27
Policy charges and fee income	452	—	452	456	—	456
Net investment income (1)	230	62	292	240	75	315
Asset management and service fees	93	—	93	91	—	91
Other income (loss)	8	—	8	(1)	2	1
Investment gains (losses), net	(908)	220	(688)	(623)	313	(310)
TOTAL REVENUES	(90)	282	192	190	390	580
BENEFITS AND EXPENSES						
Policyholder benefits and changes in fair value of insurance liabilities	(365)	282	(83)	(50)	390	340
Commission expense	91	—	91	90	—	90
Goodwill impairment	—	—	—	93	—	93
General, administrative and other expenses (2)	80	—	80	67	—	67
TOTAL BENEFITS AND EXPENSES	(194)	282	88	200	390	590
INCOME (LOSS) FROM OPERATIONS BEFORE INCOME TAXES	104	—	104	(10)	—	(10)
Less: Income tax expense (benefit)	32	—	32	(6)	—	(6)
NET INCOME (LOSS)	$ 72	$ —	$ 72	$ (4)	$ —	$ (4)
Other comprehensive income (loss), before tax:						
Changes in own-credit risk related to insurance liabilities	19	—	19	(223)	—	(223)
Less: Income tax expense (benefit)	4	—	4	(47)	—	(47)
Other comprehensive income (loss), net of taxes	15	—	15	(176)	—	(176)
COMPREHENSIVE INCOME (LOSS)	$ 87	$ —	$ 87	$ (180)	$ —	$ (180)

(1) For the years ended December 31, 2024 and 2023, investment expenses within the Retained Business include $68 million and $33 million of expense related to liabilities associated with repurchase agreements.

(2) Represents "other segment items," which include expense charges and allocations from FGH, reinsurer expense allowances, professional service fees, and certain other miscellaneous expenses.

During the third quarter of 2023, the Company determined that the goodwill associated with its Retained Business was fully impaired. Accordingly, the Company recorded a non-cash goodwill impairment of $93 million through the consolidated statement of operations. Following this impairment, there was no remaining goodwill. See Note 1 for further information.

Fortitude Life Insurance & Annuity Company

	Nine Months Ended December 31, 2022		
	Retained Business	Ceded Business	Total
	(in millions)		
REVENUES			
Premiums	$ 19	$ —	$ 19
Policy charges and fee income	365	—	365
Net investment income	125	130	255
Asset management and service fees	71	—	71
Other income	5	2	7
Investment losses, net	(861)	(1,046)	(1,907)
TOTAL REVENUES	(276)	(914)	(1,190)
BENEFITS AND EXPENSES			
Policyholder benefits and changes in fair value of insurance liabilities	(96)	(914)	(1,010)
Commission expense	65	—	65
General, administrative and other expenses (1)	75	—	75
TOTAL BENEFITS AND EXPENSES	44	(914)	(870)
LOSS FROM OPERATIONS BEFORE INCOME TAXES	(320)	—	(320)
Less: Income tax benefit	(34)	—	(34)
NET LOSS	$ (286)	$ —	$ (286)
Other comprehensive income, before tax:			
Changes in own-credit risk related to insurance liabilities	140	—	140
Less: Income tax expense	29	—	29
Other comprehensive income, net of taxes	111	—	111
COMPREHENSIVE LOSS	$ (175)	$ —	$ (175)

(1) Represents "other segment items," which include expense charges and allocations from FGH, reinsurer expense allowances, professional service fees, and certain other miscellaneous expenses.

4. FAIR VALUE OF ASSETS AND LIABILITIES

Fair Value Measurement – Fair value represents the price 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 authoritative fair value guidance establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in measuring fair value. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities.

Level 2 - Fair value is based on significant inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities, and other market observable inputs.

Level 3 - Fair value is based on at least one significant unobservable input for the asset or liability. The assets and liabilities in this category may require significant judgment or estimation in determining the fair value.

Fair Value Option Election

As discussed in Note 2, we have elected to adopt the fair value option for several of our financial assets and liabilities. With respect to our insurance contracts, as a result of this election, we do not separately disclose on our consolidated balance sheets, or provide any associated disclosures, regarding liabilities for future policyholder benefits, market risk benefits, or deferred acquisition costs as required under ASC 944. See Note 14 for certain disclosures regarding our separate account assets and liabilities.

The following are the financial assets and liabilities for which we have elected the fair value option:

- Fixed maturity securities
- Mortgage loans
- Reinsurance recoverables
- Separate account assets and liabilities
- Net modified coinsurance receivable/payable
- Deposit asset
- Insurance liabilities

See further below for a discussion of the Company's valuation methodologies for assets and liabilities measured at fair value and the fair value hierarchy.

Assets and Liabilities by Hierarchy Level – The tables below present the balances of assets and liabilities reported at fair value on a recurring basis:

	December 31, 2024				
	Level 1	Level 2	Level 3	Netting (1)	Total
	(in millions)				
Total Business					
Assets					
Fixed maturity securities					
U.S Treasury securities and obligations of U.S. government authorities and agencies	$ —	$ 479	$ —	$ —	$ 479
Obligations of U.S. states and their political subdivisions	—	112	—	—	112
Foreign government bonds	—	1	—	—	1
U.S. corporate public securities	—	2,775	—	—	2,775
U.S. corporate private securities	—	148	272	—	420
Foreign corporate public securities	—	270	—	—	270
Foreign corporate private securities	—	29	68	—	97
Asset-backed securities (2)	—	618	81	—	699
Commercial mortgage-backed securities	—	34	—	—	34
Residential mortgage-backed securities	—	119	3	—	122
Total fixed maturity securities	—	4,585	424	—	5,009
Mortgage loans (3)	—	—	364	—	364
Short-term investments	—	8	—	—	8
Cash and cash equivalents	563	—	—	—	563
Other invested assets - derivatives	36	940	—	(649)	327
Deposit asset	—	—	364	—	364
Reinsurance recoverables	—	—	163	—	163
Subtotal excluding separate account assets	599	5,533	1,315	(649)	6,798
Separate account assets	—	22,857	—	—	22,857
Total assets	$ 599	$ 28,390	$ 1,315	$ (649)	$ 29,655
Liabilities					
Insurance liabilities	$ —	$ —	$ 4,380	$ —	$ 4,380
Other liabilities - derivatives	9	1,112	—	(1,035)	86
Net modified coinsurance payable	—	—	145	—	145
Separate account liabilities	—	22,857	—	—	22,857
Total liabilities	$ 9	$ 23,969	$ 4,525	$ (1,035)	$ 27,468

(1) "Netting" amounts represent offsetting considerations as disclosed in Note 6.
(2) Includes credit-tranched securities collateralized by syndicated bank loans, sub-prime mortgages, auto loans, credit cards, education loans and other asset types.
(3) As of December 31, 2024, the aggregate fair value of mortgage loans exceeded the aggregate unpaid principal by $10 million.

Excluded from the above chart are certain private equity funds, which are classified as other invested assets on the consolidated statements of financial position. Also excluded from the above chart are beneficial interests held through private equity funds that are classified as fixed maturity securities, for which fair value is measured at NAV per share (or its equivalent) as a practical expedient. At December 31, 2024, the fair values of these private equity funds and beneficial interests were $27 million and $13 million, respectively.

The table below present the balances of assets and liabilities reported at fair value on a recurring basis for the Retained Business:

	December 31, 2024				
	Level 1	Level 2	Level 3	Netting (1)	Total
	(in millions)				
Retained Business					
Assets					
Fixed maturity securities					
U.S Treasury securities and obligations of U.S. government authorities and agencies	$ —	$ 402	$ —	$ —	$ 402
Obligations of U.S. states and their political subdivisions	—	112	—	—	112
U.S. corporate public securities	—	1,969	—	—	1,969
U.S. corporate private securities	—	—	271	—	271
Foreign corporate public securities	—	107	—	—	107
Foreign corporate private securities	—	—	64	—	64
Asset-backed securities (2)	—	568	70	—	638
Commercial mortgage-backed securities	—	34	—	—	34
Residential mortgage-backed securities	—	8	3	—	11
Total fixed maturity securities	—	3,200	408	—	3,608
Mortgage loans (3)	—	—	364	—	364
Cash and cash equivalents	498	—	—	—	498
Other invested assets - derivatives	36	593	—	(615)	14
Subtotal excluding separate account assets	534	3,793	772	(615)	4,484
Separate account assets	—	20,842	—	—	20,842
Total assets	$ 534	$ 24,635	$ 772	$ (615)	$ 25,326
Liabilities					
Insurance liabilities	$ —	$ —	$ 2,196	$ —	$ 2,196
Other liabilities - derivatives	9	1,078	—	(1,001)	86
Separate account liabilities	—	20,842	—	—	20,842
Total liabilities	$ 9	$ 21,920	$ 2,196	$ (1,001)	$ 23,124

(1) “Netting” amounts represent offsetting considerations as disclosed in Note 6.
(2) Includes credit-tranched securities collateralized by syndicated bank loans, sub-prime mortgages, auto loans, credit cards, education loans and other asset types.
(3) As of December 31, 2024, the aggregate fair value of mortgage loans exceeded the aggregate unpaid principal by $10 million.

Excluded from the above chart are certain private equity funds, which are classified as other invested assets on the consolidated statements of financial position. Also excluded from the above chart are beneficial interests held through private equity funds that are classified as fixed maturity securities, for which fair value is measured at NAV per share (or its equivalent) as a practical expedient. At December 31, 2024, the fair values of these private equity funds and beneficial interests were $27 million and $13 million, respectively.

The table below present the balances of assets and liabilities reported at fair value on a recurring basis for the Ceded Business:

	December 31, 2024				
	Level 1	Level 2	Level 3	Netting (1)	Total
	(in millions)				
Ceded Business					
Assets					
Fixed maturity securities					
U.S Treasury securities and obligations of U.S. government authorities and agencies	$ —	$ 77	$ —	$ —	$ 77
Foreign government bonds	—	1	—	—	1
U.S. corporate public securities	—	806	—	—	806
U.S. corporate private securities	—	148	1	—	149
Foreign corporate public securities	—	163	—	—	163
Foreign corporate private securities	—	29	4	—	33
Asset-backed securities (2)	—	50	11	—	61
Residential mortgage-backed securities	—	111	—	—	111
Total fixed maturity securities	—	1,385	16	—	1,401
Short-term investments	—	8	—	—	8
Cash and cash equivalents	65	—	—	—	65
Other invested assets - derivatives	—	347	—	(34)	313
Deposit asset	—	—	364	—	364
Reinsurance recoverables	—	—	163	—	163
Subtotal excluding separate account assets	65	1,740	543	(34)	2,314
Separate account assets	—	2,015	—	—	2,015
Total assets	$ 65	$ 3,755	$ 543	$ (34)	$ 4,329
Liabilities					
Insurance liabilities	$ —	$ —	$ 2,184	$ —	$ 2,184
Other liabilities - derivatives	—	34	—	(34)	—
Net modified coinsurance payable	—	—	145	—	145
Separate account liabilities	—	2,015	—	—	2,015
Total liabilities	$ —	$ 2,049	$ 2,329	$ (34)	$ 4,344

(1) “Netting” amounts represent offsetting considerations as disclosed in Note 6.
(2) Includes credit-tranched securities collateralized by syndicated bank loans, sub-prime mortgages, auto loans, credit cards, education loans and other asset types.

Fortitude Life Insurance & Annuity Company

	December 31, 2023				
	Level 1	Level 2	Level 3	Netting(1)	Total
	(in millions)				
Total Business					
Assets					
Fixed maturity securities					
U.S Treasury securities and obligations of U.S. government authorities and agencies	$ —	$ 581	$ —	$ —	$ 581
Obligations of U.S. states and their political subdivisions	—	129	—	—	129
Foreign government bonds	—	1	—	—	1
U.S. corporate public securities	—	2,762	—	—	2,762
U.S. corporate private securities	—	146	245	—	391
Foreign corporate public securities	—	150	—	—	150
Foreign corporate private securities	—	31	57	—	88
Asset-backed securities (2)	—	706	246	—	952
Commercial mortgage-backed securities	—	12	—	—	12
Residential mortgage-backed securities	—	131	5	—	136
Total fixed maturity securities	$ —	$ 4,649	$ 553	$ —	$ 5,202
Mortgage loans (3)	—	—	437	—	437
Short-term investments	—	17	4	—	21
Cash and cash equivalents	940	—	—	—	940
Other invested assets - derivatives	—	811	—	(694)	117
Deposit asset	—	—	438	—	438
Reinsurance recoverables	—	—	206	—	206
Subtotal excluding separate account assets	940	5,477	1,638	(694)	7,361
Separate account assets	—	23,870	—	—	23,870
Total assets	$ 940	$ 29,347	$ 1,638	$ (694)	$ 31,231
Liabilities					
Insurance liabilities	—	—	5,003	—	5,003
Other liabilities - derivatives	71	1,230	—	(1,207)	94
Net modified coinsurance payable	—	—	78	—	78
Separate account liabilities	—	23,870	—	—	23,870
Total liabilities	$ 71	$ 25,100	$ 5,081	$ (1,207)	$ 29,045

(1) “Netting” amounts represent offsetting considerations as disclosed in Note 6.
(2) Includes credit-tranched securities collateralized by syndicated bank loans, sub-prime mortgages, auto loans, credit cards, education loans and other asset types.
(3) As of December 31, 2023, the aggregate unpaid principal of mortgage loans approximated fair value.

Excluded from the above chart are certain private equity funds, which are classified as other invested assets on the consolidated statements of financial position. Also excluded from the above chart are beneficial interests held through private equity funds that are classified as fixed maturity securities, for which fair value is measured at NAV per share (or its equivalent) as a practical expedient. At December 31, 2023, the fair values of these private equity funds and beneficial interests were $24 million and $8 million, respectively.

The table below present the balances of assets and liabilities reported at fair value on a recurring basis for the Retained Business:

	December 31, 2023				
	Level 1	Level 2	Level 3	Netting(1)	Total
	(in millions)				
Retained Business					
Assets					
Fixed maturity securities					
U.S Treasury securities and obligations of U.S. government authorities and agencies	$ —	$ 506	$ —	$ —	$ 506
Obligations of U.S. states and their political subdivisions	—	129	—	—	129
U.S. corporate public securities	—	2,099	—	—	2,099
U.S. corporate private securities	—	—	244	—	244
Foreign corporate public securities	—	124	—	—	124
Foreign corporate private securities	—	—	56	—	56
Asset-backed securities (2)	—	706	246	—	952
Commercial mortgage-backed securities	—	12	—	—	12
Residential mortgage-backed securities	—	23	5	—	28
Total fixed maturity securities	$ —	$ 3,599	$ 551	$ —	$ 4,150
Mortgage loans (3)	—	—	437	—	437
Cash and cash equivalents	534	—	—	—	534
Other invested assets	—	638	—	(638)	—
Subtotal excluding separate account assets	534	4,237	988	(638)	5,121
Separate account assets	—	21,800	—	—	21,800
Total assets	$ 534	$ 26,037	$ 988	$ (638)	$ 26,921
Liabilities					
Insurance liabilities	—	—	2,835	—	2,835
Other liabilities - derivatives	71	1,174	—	(1,151)	94
Separate account liabilities	—	21,800	—	—	21,800
Total liabilities	$ 71	$ 22,974	$ 2,835	$ (1,151)	$ 24,729

(1) “Netting” amounts represent offsetting considerations as disclosed in Note 6.

(2) Includes credit-tranched securities collateralized by syndicated bank loans, sub-prime mortgages, auto loans, credit cards, education loans and other asset types.

(3) As of December 31, 2023, the aggregate unpaid principal of mortgage loans approximated fair value.

Excluded from the above chart are certain private equity funds, which are classified as other invested assets on the consolidated statements of financial position. Also excluded from the above chart are beneficial interests held through private equity funds that are classified as fixed maturity securities, for which fair value is measured at NAV per share (or its equivalent) as a practical expedient. At December 31, 2023, the fair values of these private equity funds and beneficial interests were $24 million and $8 million, respectively.

The table below present the balances of assets and liabilities reported at fair value on a recurring basis for the Ceded Business:

	December 31, 2023				
	Level 1	Level 2	Level 3	Netting(1)	Total
	(in millions)				
Ceded Business					
Assets					
Fixed maturity securities					
U.S Treasury securities and obligations of U.S. government authorities and agencies	$ —	$ 75	$ —	$ —	$ 75
Foreign government bonds	—	1	—	—	1
U.S. corporate public securities	—	663	—	—	663
U.S. corporate private securities	—	146	1	—	147
Foreign corporate public securities	—	26	—	—	26
Foreign corporate private securities	—	31	1	—	32
Residential mortgage-backed securities	—	108	—	—	108
Total fixed maturity securities	$ —	$ 1,050	$ 2	$ —	$ 1,052
Short-term investments	—	17	4	—	21
Cash and cash equivalents	406	—	—	—	406
Other invested assets - derivatives (2)	—	173	—	(56)	117
Deposit asset	—	—	438	—	438
Reinsurance recoverables	—	—	206	—	206
Subtotal excluding separate account assets	406	1,240	650	(56)	2,240
Separate account assets	—	2,070	—	—	2,070
Total assets	$ 406	$ 3,310	$ 650	$ (56)	$ 4,310
Liabilities					
Insurance liabilities	—	—	2,168	—	2,168
Other liabilities - derivatives	—	56	—	(56)	—
Net modified coinsurance payable	—	—	78	—	78
Separate account liabilities	—	2,070	—	—	2,070
Total liabilities	$ —	$ 2,126	$ 2,246	$ (56)	$ 4,316

(1) "Netting" amounts represent offsetting considerations as disclosed in Note 6.

The methods and assumptions the Company uses to estimate the fair value of assets and liabilities measured at fair value on a recurring basis are summarized below.

Fixed Maturity Securities – Whenever available, we obtain quoted prices in active markets for identical assets at the balance sheet date to measure fixed maturity securities at fair value. We classify such securities within Level 2 of the fair value hierarchy. Market price data is generally obtained from dealer markets. We employ multiple independent third-party valuation service providers that gather, analyze, and interpret market information to derive fair value estimates for individual investments, based upon market-accepted methodologies and assumptions. The methodologies used by these independent third-party valuation service providers are reviewed and understood by management, through periodic discussion with and information provided by the independent third-party valuation service providers, and a vendor hierarchy is maintained by asset type based on historical pricing experience and vendor expertise. The Company ultimately uses the price from the pricing service highest in the vendor hierarchy based on the respective asset type. The pricing hierarchy is updated, as needed, for new financial products.

When observable price quotations are not available, indicative broker quotes, asset manager pricing, or third-party valuation specialist pricing is used for valuation. Fair value can be determined based on discounted cash flow models using discount rates based on credit spreads, yields or price levels of comparable securities, adjusted for illiquidity and structure. The significant unobservable inputs used in the fair value measurement of these investments are liquidity discount rates applied to each of the net tangible book value multiples used in the internal valuation models, and discount rates applied to the expected cash flows of the underlying entities in various scenarios. These unobservable inputs in isolation can cause significant increases or decreases in fair value. Generally, an increase in the liquidity discount rate or discount rates would result in a decrease in the fair value of these private investments. Asset manager overrides and indicative broker quotes are generally included in Level 3 in the fair value hierarchy.

Derivative Instruments (Other invested assets and other liabilities) – The fair values of derivative contracts can be affected by changes in interest rates, foreign exchange rates, credit spreads, market volatility, expected returns, liquidity and other factors.

The Company's exchange-traded futures and options include treasury and equity futures. Exchange-traded futures and options are valued using quoted prices in active markets and are classified within Level 1 in the fair value hierarchy.

The majority of the Company’s derivative positions are traded in the OTC derivative market and are classified within Level 2 in the fair value hierarchy. OTC derivatives classified within Level 2 are valued using models that utilize actively quoted or observable market inputs from external market data providers, third-party pricing vendors and/or recent trading activity. The Company’s policy is to use mid-market pricing in determining its best estimate of fair value. The fair values of most OTC derivatives, including interest rate and cross-currency swaps, currency forward contracts and credit default swaps are determined using discounted cash flow models.

The Company’s cleared interest rate swaps and credit derivatives linked to an index are valued using models that utilize actively quoted or observable market inputs, including the secured overnight financing rate ("SOFR"), obtained from external market data providers, third-party pricing vendors, and/or recent trading activity. These derivatives are classified as Level 2 in the fair value hierarchy.

Mortgage loans – Fair value for mortgage loans is based upon the present value of the expected future cash flows discounted at the appropriate U.S. Treasury rate or foreign government bond rate (for non-U.S. dollar-denominated loans) plus an appropriate credit spread for loans of similar quality, average life and currency. The quality ratings for these loans, a primary determinant of the credit spreads and a significant component of the pricing process, are based on the asset manager’s internally developed methodology. Certain commercial mortgage loans are valued incorporating additional factors, including the terms of the loans and the principal exit strategies for the loans, prevailing interest rates and credit risk.

Cash and cash equivalents – Cash and cash equivalents, including certain money market instruments, are primarily valued using unadjusted quoted prices in active markets that are accessible for identical assets.

Short-term investments - Fair values of short term investments are generally based on market observable inputs and are primarily classified as Level 2.

Separate account assets and liabilities – Separate account assets are comprised of mutual funds that contain various underlying investments such as fixed maturity securities, treasuries, and equity securities. These mutual funds generally transact regularly but do not typically trade in active markets because they are not publicly available, accordingly, fair values are based on transaction prices of identical fund shares. Separate account liabilities are recorded at the amount credited to the contractholder, which reflects the change in fair value of the corresponding separate account assets including contractholder deposits less withdrawals and fees.

Reinsurance recoverable – The reinsurance recoverable represents a recoverable that backs the insurance liabilities under the reinsurance agreement regarding the business reinsured to Prudential Insurance. The fair value of the reinsurance recoverable is measured in a consistent manner with the associated insurance liabilities, which are also recorded at fair value. Accordingly, the fair value of our reinsurance recoverable is determined by the fair value calculation of our insurance liabilities. See discussion of the fair value determination for insurance liabilities below.

Modified coinsurance agreement receivables and payables – The modified coinsurance receivable represents the reserve credits for the insurance liabilities covered under the reinsurance agreements regarding our variable annuity base contracts, along with guaranteed benefits. The modified coinsurance receivable is measured in a consistent manner with the associated insurance liabilities, which are also recorded at fair value. Accordingly, the fair value of our modified coinsurance receivable is determined by the fair value calculation of our insurance liabilities. See our discussion of the fair value determination for insurance liabilities below. Similarly, the modified coinsurance payable primarily represents the fair value of the cession of assets backing the ceded insurance liabilities under the reinsurance agreement. Accordingly, the fair value of the modified coinsurance payable is measured in a consistent manner with the fair value of the assets under the reinsurance agreement. See our discussion of the fair value determination for the respective assets within the modified coinsurance portfolio, which are included in our discussion of fair value herein.

Deposit asset – The deposit asset represents assets, held in trust by the reinsurer, that back the insurance liabilities under the reinsurance agreement regarding our fixed indexed annuities and fixed annuities with a guaranteed lifetime withdrawal income. The deposit is measured in a consistent manner with the associated insurance liabilities, which are recorded at fair value. Accordingly, the fair value of our deposit asset is determined by the fair value calculation of our insurance liabilities. See discussion of the fair value determination for insurance liabilities below.

Insurance liabilities, at fair value – Our insurance liabilities include guarantees primarily associated with the living benefit features of certain variable annuity contracts, including guaranteed minimum accumulation benefits (“GMAB”), guaranteed withdrawal benefits (“GMWB”), guaranteed minimum death benefits (“GMDB”) and guaranteed minimum income and withdrawal benefits (“GMIWB”). These are optional riders that are added to the base variable annuity contract, which includes Mortality and Expense charges (M&E) and contract charges. Fair values are calculated as the present value of future expected benefit payments to customers, anticipated future trail commissions paid to agents and certain administrative expenses less the present value of future expected rider fees, M&E charges, contract charges and the anticipated future reimbursement of certain asset management fees. Since there is no observable active market for the transfer of these obligations, the valuations are calculated using internally developed models with option pricing techniques. The models are based on a risk neutral valuation framework and incorporate premiums for risks inherent in valuation techniques, inputs, and the general uncertainty around the timing and amount of future cash flows. The determination of these risk premiums requires the use of management's judgment.

The significant inputs to the valuation models are primarily unobservable and include capital market assumptions, such as interest rate levels and volatility assumptions, as well as actuarially-determined assumptions, including contractholder behavior, such as lapse rates, benefit utilization rates, withdrawal rates, and mortality rates.

Quantitative Information Regarding Internally-Priced Level 3 Assets and Liabilities - The tables below present information about the significant unobservable inputs used for recurring fair value measurements regarding certain Level 3 assets and liabilities.

	December 31, 2024						
	Fair Value	Valuation Techniques	Unobservable Inputs	Minimum	Maximum	Weighted Average	Impact of Increase in Input on Fair Value(1)
	(in millions)						
Assets:							
Retained business							
Fixed maturity securities							
U.S. corporate private securities	$ 228	Discounted cash flow	Discount rate	4.96 %	8.92 %	6.78 %	Decrease
Foreign corporate private securities	42	Discounted cash flow	Discount rate	4.80 %	7.76 %	6.07 %	Decrease
Asset-backed securities	45	Discounted cash flow	Discount rate	6.68 %	12.29 %	8.33 %	Decrease
Mortgage loans							
Residential mortgage loans	286	Discounted cash flow	Discount rate	3.77 %	9.94 %	6.41 %	Decrease
Commercial mortgage loans	78	Discounted cash flow	Discount rate	6.04 %	7.32 %	6.92 %	Decrease
Total Mortgage loans	364						
Ceded business							
Foreign corporate private securities	4	Discounted cash flow	Discount rate	12.00 %	20.00 %	13.00 %	Decrease
Deposit asset	364	Fair values are determined using the same unobservable inputs as insurance liabilities.					
Reinsurance recoverables	163	Fair values are determined using the same unobservable inputs as insurance liabilities.					
Liabilities:							
Insurance liabilities							
Retained business (1)	$ 2,196	Discounted cash flow	Equity volatility curve	16 %	26 %		Increase
			Lapse rate	0.65 %	13 %		Decrease
			Spread over risk free	0.46 %	2.10 %		Decrease
			Utilization rate	87.5 %	100 %		Increase
			Withdrawal rate	See table footnote (2) below.			
			Mortality rate	0 %	16 %		Decrease
Ceded business (1)	2,184	Discounted cash flow	Equity volatility curve	16 %	26 %		Increase
			Lapse rate	0.65 %	13 %		Decrease
			Spread over risk free	0.50 %	0.50 %		Decrease
			Utilization rate	87.5 %	100 %		Increase
			Withdrawal rate	See table footnote (2) below.			
			Mortality rate	0 %	16 %		Decrease
Net modified coinsurance payable	145	Fair values are determined using the same unobservable inputs as insurance liabilities.					

Excluded from the above chart are certain level 3 assets that were valued by an external vendor and for which the unobservable inputs were not readily available. As of December 31, 2024, fixed maturity securities of $93 million and $12 million were excluded from the Retained business and Ceded business, respectively, under this criteria.

	December 31, 2023						
	Fair Value	Valuation Techniques	Unobservable Inputs	Minimum	Maximum	Weighted Average	Impact of Increase in Input on Fair Value(1)
	(in millions)						
Assets:							
Retained business							
Fixed maturity securities							
U.S. corporate private securities	$ 203	Discounted cash flow	Discount rate	5.19 %	9.36 %	6.93 %	Decrease
Foreign corporate private securities	36	Discounted cash flow	Discount rate	4.65 %	6.78 %	5.72 %	Decrease
Asset-backed securities	107	Discounted cash flow	Discount rate	6.37 %	12.17 %	7.96 %	Decrease
	113	Trade price	Trade price	N/A	N/A	N/A	Increase
Total asset-backed securities	220						
Mortgage loans							
Residential mortgage loans	361	Level yield	Market yield	6.43 %	11.61 %	7.94 %	Decrease
Commercial mortgage loans	76	Discounted cash flow	Discount rate	5.87 %	7.15 %	6.72 %	Decrease
Total Mortgage loans	437						
Ceded business							
Deposit asset	438	Fair values are determined using the same unobservable inputs as insurance liabilities.					
Reinsurance recoverables	206	Fair values are determined using the same unobservable inputs as insurance liabilities.					
Liabilities:							
Retained business							
Insurance liabilities (1)	$ 2,835	Discounted cash flow	Equity volatility curve	15 %	25 %		Increase
			Lapse rate	0.65 %	13 %		Decrease
			Spread over risk free	0.00 %	1.94 %		Decrease
			Utilization rate	87.5 %	100 %		Increase
			Withdrawal rate		See table footnote (2) below.		
			Mortality rate	0 %	16 %		Decrease
Ceded business							
Insurance liabilities (1)	$ 2,168	Discounted cash flow	Equity volatility curve	15 %	25 %		Increase
			Lapse rate	0.65 %	13 %		Decrease
			Spread over risk free	0.00 %	1.73 %		Decrease
			Utilization rate	87.5 %	100 %		Increase
			Withdrawal rate		See table footnote (2) below.		
			Mortality rate	0 %	16 %		Decrease
Net modified coinsurance payable	78	Fair values are determined using the same unobservable inputs as insurance liabilities.					

(1) See Note 7 - Insurance liabilities for further discussion regarding the unobservable inputs noted above.

(2) The withdrawal rate assumption estimates the magnitude of annual contractholder withdrawals relative to the maximum allowable amount under the contract. These assumptions vary based on the age of the contractholder, the tax status of the contract and the duration since the contractholder began lifetime withdrawals. As of December 31, 2024 and 2023, the minimum withdrawal rate assumption was 84% and 88% respectively and the maximum withdrawal rate assumption may be greater than 100%. The fair value of the liability will generally increase the closer the withdrawal rate is to 100% and decrease as the withdrawal rate moves further away from 100%.

Excluded from the above chart are certain level 3 assets that were valued by an external vendor and for which the unobservable inputs were not readily available. As of December 31, 2023, fixed maturity securities of $92 million and $6 million were excluded from the Retained business and Ceded business, respectively, under this criteria.

Interrelationships Between Unobservable Inputs – In addition to the sensitivities of fair value measurements to changes in each unobservable input in isolation, as reflected in the table above, interrelationships between these inputs may also exist, such that a change in one unobservable input may give rise to a change in another, or multiple, inputs. Examples of such interrelationships for significant internally-priced Level 3 assets and liabilities are as follows:

Corporate Securities – The rate used to discount future cash flows reflects current risk-free rates plus credit and liquidity spread requirements that market participants would use to value an asset. The discount rate may be influenced by many factors, including market cycles, expectations of default, collateral, term and asset complexity. Each of these factors can influence discount rates, either in isolation, or in response to other factors. During weaker economic cycles, as the expectations of default increases, credit spreads widen, which results in a decrease in fair value.

Insurance Liabilities, at fair value – The Company expects efficient benefit utilization and withdrawal rates to generally be correlated with lapse rates. However, behavior is highly dependent on the facts and circumstances surrounding the individual contractholder, such as their liquidity needs or tax situation, which could drive lapse behavior independent of other contractholder behavior assumptions. To the extent that more efficient contractholder behavior results in greater in-the-moneyness at the contract level, lapse rates may decline for those contracts. Similarly, to the extent that increases in equity volatility are correlated with overall declines in the capital markets, lapse rates may decline as contracts become more in-the-money.

Changes in Level 3 Assets and Liabilities – The following tables describe changes in fair values of Level 3 assets and liabilities, by reportable segment, and in the aggregate. In addition, the following tables include the portion of gains or losses included in income attributable to unrealized gains or losses related to those assets and liabilities still held at the end of their respective periods. When a determination is made to classify assets and liabilities within Level 3, the determination is based on significance of the unobservable inputs in the overall fair value measurement. All transfers are based on changes in the observability of the valuation inputs, including the availability of pricing service information that the Company can validate. Transfers into Level 3 are generally the result of unobservable inputs utilized within valuation methodologies and the use of indicative broker quotes for assets that were previously valued using observable inputs. Transfers out of Level 3 are generally due to the use of observable inputs in valuation methodologies as well as the availability of pricing service information for certain assets that the Company can validate.

Fortitude Life Insurance & Annuity Company

	Successor Company										
	Year Ended December 31, 2024										
	Fair Value, beginning of year	Total realized and unrealized gains (losses)	Purchases	Sales	Issuances	Settlements	Other	Transfers into Level 3	Transfers out of Level 3	Fair Value, end of year	Change in unrealized gains (losses) for assets still held(2)
	(in millions)										
Retained Business											
Fixed maturity securities											
U.S. corporate private securities	$ 244	$ —	$ 25	$ (45)	$ —	$ (3)	$ 50	$ —	$ —	$ 271	$ 5
Foreign corporate private securities	56	1	—	—	—	—	7	—	—	64	1
Residential mortgage-backed securities	5	—	—	—	—	(2)	—	—	—	3	—
Asset-backed securities	246	1	41	(153)	—	(7)	(58)	—	—	70	1
Mortgage loans											
Residential mortgage loans	361	11	26	—	—	(111)	(1)	—	—	286	11
Commercial mortgage loans	76	2	—	—	—	—	—	—	—	78	2
Ceded Business											
U.S. corporate private securities	1	—	1	—	—	(1)	—	—	—	1	—
Asset-backed securities	—	—	28	—	—	(7)	—	—	(10)	11	—
Foreign corporate private securities	1	—	4	—	—	(4)	3	—	—	4	—
Short-term investments	4	—	6	—	—	(10)	—	—	—	—	—
Deposit asset	438	(71)	—	—	—	—	(3)	—	—	364	—
Reinsurance recoverables	206	(43)	—	—	—	—	—	—	—	163	—
Net modified coinsurance payable	(78)	(67)	—	—	—	—	—	—	—	(145)	—

Fortitude Life Insurance & Annuity Company

	Successor Company										
	Year Ended December 31, 2023										
	Fair Value, beginning of period	Total realized and unrealized gains (losses)	Purchases	Sales	Issuances	Settlements	Other	Transfers into Level 3	Transfers out of Level 3	Fair Value, end of period	Change in unrealized gains (losses) for assets still held(2)
	(in millions)										
Retained Business											
Fixed maturity securities											
U.S. corporate private securities	$ 146	$ 1	$ 72	$ —	$ —	$ (1)	$ —	$ 26	$ —	$ 244	$ 1
Foreign corporate private securities	36	—	20	—	—	—	—	—	—	56	—
Residential mortgage-backed securities	—	—	5	—	—	—	—	—	—	5	—
Asset-backed securities	155	1	93	—	—	(3)	—	—	—	246	1
Mortgage loans											
Residential mortgage loans	161	—	326	—	—	(126)	—	—	—	361	—
Commercial mortgage loans	35	(2)	43	—	—	—	—	—	—	76	(2)
Ceded Business											
U.S. corporate private securities	—	—	1	—	—	—	—	—	—	1	—
Foreign corporate private securities	—	—	11	—	—	(10)	—	—	—	1	—
Short-term investments	—	—	4	—	—	—	—	—	—	4	—
Deposit asset	607	(12)	—	—	—	—	(157)	—	—	438	—
Reinsurance recoverables	235	(29)	—	—	—	—	—	—	—	206	—
Net modified coinsurance receivable (payable)	18	(96)	—	—	—	—	—	—	—	(78)	—

Table of Contents

	Predecessor Company			
	Three Months Ended March 31, 2022			
	Total realized and unrealized gains (losses)		Change in Unrealized gains (losses) for assets still held(2)	
	Realized investment gains (losses), net(1)	Included in other comprehensive income (losses)	Realized investment gains (losses), net	Included in other comprehensive income (losses)
	(in millions)			
Fixed maturities, available-for-sale	$ —	$ (12)	$ —	$ (12)
Other assets:				
Other assets	(21)	—	(6)	—
Reinsurance recoverables	201	—	222	—
Liabilities:				
Future policy benefits	715	—	686	—
Policyholders' account balances	124	—	89	—

(1) Realized investment gains on future policy benefits and reinsurance recoverables primarily represent the change in the fair value of the Company's living benefit guarantees on certain of its variable annuity contracts.

(2) Unrealized gains or losses related to assets still held at the end of the period do not include amortization or accretion of premiums and discounts.

	Year Ended December 31, 2024						
		Incurred losses					
	Fair Value, beginning of year	Reduction in estimates of ultimate losses	Increase in estimates of ultimate losses	Change in fair value (discount rate)	Fee income and paid losses	Other	Fair Value, end of year
	(in millions)						
Insurance liabilities							
Retained Business	$ 2,835	$ (864)	$ 511	$ (450)	$ 164	$ —	$ 2,196
Ceded Business	2,168	(269)	324	(48)	9	—	2,184
Total Insurance liabilities	$ 5,003	$ (1,133)	$ 835	$ (498)	$ 173	$ —	$ 4,380

	Year Ended December 31, 2023						
		Incurred losses					
	Fair Value, beginning of year	Reduction in estimates of ultimate losses	Increase in estimates of ultimate losses	Change in fair value (discount rate)	Fee income and paid losses	Other	Fair Value, end of year
	(in millions)						
Insurance liabilities							
Retained Business	$ 2,941	$ (1,347)	$ 817	$ 45	$ 384	$ (5)	$ 2,835
Ceded Business	2,605	(982)	490	7	48	—	2,168
Total Insurance liabilities	$ 5,546	$ (2,329)	$ 1,307	$ 52	$ 432	$ (5)	$ 5,003

	Nine Months Ended December 31, 2022						
		Incurred losses					
	Fair Value, beginning of period	Reduction in estimates of ultimate losses	Increase in estimates of ultimate losses	Change in fair value (discount rate)	Fee income and paid losses	Other	Fair Value, end of year
	(in millions)						
Insurance liabilities							
Retained Business	$ 3,362	$ (632)	$ 1,759	$ (1,863)	$ 282	$ 33	$ 2,941
Ceded Business	10,249	(7,463)	177	(403)	33	12	2,605
Total Insurance liabilities	$ 13,611	$ (8,095)	$ 1,936	$ (2,266)	$ 315	$ 45	$ 5,546

"Total realized and unrealized gains (losses)" related to our level 3 assets are included in earnings in Investment gains (losses). Activity within our level 3 liabilities is primarily recognized in earnings within Policyholder benefits and changes in fair value of insurance liabilities. However, the changes related to the Company's own-credit risk, included in "Change in fair value (discount rate)" above, is recorded in other comprehensive income (loss). Additionally, as noted in the following section, there are other components of the change in fair value that are recognized separately in the consolidated statements of operations.

Change in Fair Value of Insurance Contracts

The components of the change in fair value of our insurance contracts are reported in several line items within Revenues and Benefits and expenses in our Consolidated Statements of Income and Comprehensive Income (Loss). The revenue items include Premiums, Policy charges and fee income, and Asset management and service fees. The Benefits and expenses items include Policyholders' benefits and changes in fair value of insurance liabilities and commission expense. Policyholder benefits and changes in fair value of insurance liabilities includes the following changes in fair value of the assets and liabilities related to the insurance contracts for which we have elected the fair value option:

	December 31					
	2024			2023		
	Retained Business	Ceded Business	Total	Retained Business	Ceded Business	Total
	(in millions)					
Assets:						
Reinsurance recoverables	$ —	$ (43)	$ (43)	$ —	$ (29)	$ (29)
Modified coinsurance receivable	—	87	87	—	(238)	(238)
Deposit asset	—	(74)	(74)	—	(169)	(169)
Liabilities:						
Insurance liabilities	$ (639)	$ 16	$ (623)	$ (106)	$ (437)	$ (543)

Changes in insurance liabilities attributable to the Company's own-credit risk are recorded in other comprehensive income (loss). Changes in the modified coinsurance payable are reported in Policyholder benefits and changes in fair value of insurance liabilities, however, they are not included in the above chart as they relate to the investment portfolio within the modified coinsurance agreement.

Fair Value of Financial Instruments

The table below presents the carrying amount and fair value by fair value hierarchy level of certain financial instruments that are not reported at fair value. The financial instruments presented below are reported at carrying value on the Company’s Consolidated Statements of Financial Position. In some cases the carrying amount equals or approximates fair value.

	December 31, 2024				
	Fair Value				Carrying Amount
	Level 1	Level 2	Level 3	Total	Total
	(in millions)				
Assets:					
Accrued investment income	$ —	$ 58	$ —	$ 58	$ 58
Other invested assets - Other	26	—	11	37	37
Liabilities:					
Liabilities associated with secured borrowing arrangements					
Repurchase agreements	$ —	$ 1,220	$ —	$ 1,220	$ 1,200

	December 31, 2023				
	Fair Value				Carrying Amount
	Level 1	Level 2	Level 3	Total	Total
	(in millions)				
Assets:					
Accrued investment income	$ —	$ 60	$ —	$ 60	$ 60
Other invested assets - Other	50	—	11	61	61
Liabilities:					
Liabilities associated with secured borrowing arrangements					
Repurchase agreements	$ —	$ 825	$ —	$ 825	$ 967

The fair values presented above have been determined by using available market information and by applying market valuation methodologies, as described in more detail below.

Accrued investment income - The Company believes that due to the short-term nature of these assets, the carrying value approximates fair value.

Other invested assets - Other - Includes policy loans and cash collateral pledged in excess of derivative liabilities. For policy loans, which are classified within Level 3, carrying value generally approximates fair value. For cash collateral pledged in excess of derivative liabilities, which is classified as Level 1, due to the short-term nature of these transactions, the carrying value approximates fair value.

Liabilities associated with secured borrowing arrangements - Fair values for liabilities associated with repurchase agreements that have a maturity date greater than one year are determined using discounted cash flow analyses and incorporate interest rates associated with the repurchase agreement. The carrying amount of liabilities associated with repurchase agreements that have a maturity date of one year or less approximates fair value due to the short-term nature of these transactions.

5. INVESTMENTS

As discussed in Note 2, we have elected to apply the fair value option for FLIAC's entire portfolio of fixed maturity securities and mortgage loans. The impact of the election has resulted in the elimination of a significant portion of the required disclosures for available-for-sale securities and mortgage loans. Disclosures for historical periods under the Predecessor Company are retained at the end of this note under “Predecessor Company”.

See Note 4 for further discussion and disclosures of the fair values of these financial assets.

SUCCESSOR COMPANY

Other Invested Assets

The following table sets forth the composition of “Other invested assets”:

	December 31,					
	2024			2023		
	Retained Business	Ceded Business	Total	Retained Business	Ceded Business	Total
	(in millions)					
LPs/LLCs:						
Equity method:						
Private equity	$ —	$ 1	$ 1	$ —	$ 4	$ 4
Real estate-related	—	3	3	—	5	5
Subtotal equity method	—	4	4	—	9	9
Fair value:						
Private equity	27	—	27	24	—	24
Total LPs/LLCs	27	4	31	24	9	33
Derivative instruments	14	313	327	—	117	117
Other	37	—	37	61	—	61
Total other invested assets	$ 78	$ 317	$ 395	$ 85	$ 126	$ 211

Accrued Investment Income

The following table sets forth the composition of "Accrued investment income," as of the date indicated:

	December 31, 2024			December 31, 2023		
	Retained Business	Ceded Business	Total	Retained Business	Ceded Business	Total
	(in millions)					
Fixed maturity securities	$ 43	$ 12	$ 55	$ 48	$ 8	$ 56
Mortgage loans	1	—	1	3	—	3
Short-term investments and cash equivalents	2	—	2	—	1	1
Total accrued investment income	$ 46	$ 12	$ 58	$ 51	$ 9	$ 60

The aggregate fair value of mortgage loans that were 90 days or more past due and in non-accrual status was $3 million and $2 million as of December 31, 2024 and 2023, respectively. The aggregate unpaid principal balance for these loans approximated fair value as of both December 31, 2024 and 2023.

For the Successor Company, there were no write-downs on accrued investment income for the years ended December 31, 2024 and 2023 and the nine months ended December 31, 2022. For the Predecessor Company, there were no write-down on accrued investment income for the three months ended March 31, 2022.

Net Investment Income

The following table sets forth "Net investment income" by investment type, for the periods indicated:

	Year Ended December 31 2024			Year Ended December 31 2023			Nine Months Ended December 31 2022		
	Retained Business	Ceded Business	Total	Retained Business	Ceded Business	Total	Retained Business	Ceded Business	Total
	(in millions)								
Fixed maturity securities	$ 238	$ 56	$ 294	$ 221	$ 51	$ 272	$ 123	$ 94	$ 217
Equity securities	—	—	—	—	5	5	—	3	3
Secured receivable	—	—	—	—	—	—	—	18	18
Mortgage loans	29	—	29	23	—	23	2	—	2
Other invested assets	6	(1)	5	27	2	29	2	7	9
Short-term investments and cash equivalents	31	7	38	22	20	42	—	10	10
Gross investment income	$ 304	$ 62	$ 366	$ 293	$ 78	$ 371	$ 127	$ 132	$ 259
Less: investment expenses (1)	(74)	—	(74)	(53)	(3)	(56)	(2)	(2)	(4)
Net investment income	$ 230	$ 62	$ 292	$ 240	$ 75	$ 315	$ 125	$ 130	$ 255

(1) For the years ended December 31, 2024 and 2023, investment expenses within the Retained Business includes $68 million and $33 million of expense related to liabilities associated with repurchase agreements. There were no significant expenses incurred related to liabilities associated with repurchase agreements for the nine months ended December 31, 2022.

The activity included in the above charts include interest income on investments for which we have elected the fair value option, where applicable.

Investment Gains (Losses), Net

The following table sets forth “Investment gains (losses), net” by investment type, for the periods indicated:

	Year Ended December 31, 2024								
	Retained Business			Ceded Business			Total Business		
	Unrealized	Realized	Total	Unrealized	Realized	Total	Unrealized	Realized	Total
	(in millions)								
Fixed maturity securities	$ (177)	$ —	$ (177)	$ 1	$ —	$ 1	$ (176)	$ —	$ (176)
Mortgage loans	11	—	11	—	—	—	11	—	11
Derivatives	—	(742)	(742)	—	219	219	—	(523)	(523)
Total	$ (166)	$ (742)	$ (908)	$ 1	$ 219	$ 220	$ (165)	$ (523)	$ (688)

	Year Ended December 31, 2023								
	Retained Business			Ceded Business			Total Business		
	Unrealized	Realized	Total	Unrealized	Realized	Total	Unrealized	Realized	Total
	(in millions)								
Fixed maturity securities	$ 160	$ (35)	$ 125	$ 41	$ (22)	$ 19	$ 201	$ (57)	$ 144
Equity securities	—	—	—	5	—	5	5	—	5
Mortgage loans	2	—	2	—	—	—	2	—	2
Derivatives	—	(750)	(750)	—	289	289	—	(461)	(461)
Total	$ 162	$ (785)	$ (623)	$ 46	$ 267	$ 313	$ 208	$ (518)	$ (310)

	Nine Months Ended December 31, 2022								
	Retained Business			Ceded Business			Total Business		
	Unrealized	Realized	Total	Unrealized	Realized	Total	Unrealized	Realized	Total
	(in millions)								
Fixed maturity securities	$ (517)	$ (123)	$ (640)	$ 232	$ (501)	$ (269)	$ (285)	$ (624)	$ (909)
Equity securities	—	—	—	(27)	—	(27)	(27)	—	(27)
Secured receivable	—	—	—	—	(59)	(59)	—	(59)	(59)
Derivatives	—	(221)	(221)	—	(691)	(691)	—	(912)	(912)
Total	$ (517)	$ (344)	$ (861)	$ 205	$ (1,251)	$ (1,046)	$ (312)	$ (1,595)	$ (1,907)

Repurchase Agreements and Securities Lending Transactions

In the normal course of business, FLIAC sells securities under agreements to repurchase and enters into securities lending transactions. These balances are recorded within "Liabilities associated with secured borrowing arrangements" in the Consolidated Statements of Financial Position.

Repurchase Agreements

The following table sets forth, by type, the securities that we have agreed to repurchase, all of which are contained in the Retained Business. The below amounts represent the cash received under the outstanding repurchase agreements.

	December 31,							
	2024				2023			
	Up to 30 days	30-90 days	Greater than 90 days	Total	Up to 30 days	30-90 days	Greater than 90 days	Total
U.S. corporate public securities	$ 203	$ 495	$ 502	$ 1,200	$ 356	$ 108	$ 503	$ 967

The market value of the securities pledged as collateral under the repurchase agreements was $1,224 million and $999 million as of December 31, 2024 and 2023, respectively.

During the years ended December 31, 2024 and 2023, the Company returned (received) a net $62 million and $(52) million, respectively, of collateral, on a non-cash basis, related to liabilities associated with repurchase agreements. The collateral, in both years, was comprised of fixed maturity securities and short-term investments and were all contained within the Retained Business segment. There were no non-cash transactions related to liabilities associated with repurchase agreements during the nine months ended December 31, 2022.

Securities Lending Transactions

There were no outstanding securities lending agreements as of December 31, 2024 and 2023, respectively.

PREDECESSOR COMPANY

The following table sets forth the sources of proceeds and the associated investment gains (losses) and losses on write-downs related to available-for-sale fixed maturity securities for the Predecessor Company:

	Three Months Ended March 31, 2022 (in millions)
Fixed maturity securities, available-for-sale:	
Proceeds from sales (1)	$ 294
Proceeds from maturities/prepayments	108
Gross investment losses on sales and maturities	(21)

(1) Excludes activity from non-cash related proceeds due to the timing of trade settlements of $20 million for the three months ended March 31, 2022.

Allowance for Credit Losses

There was no change in the allowance for credit losses for fixed maturity securities, available-for-sale, during the three months ended March 31, 2022.

The allowance for credit losses for mortgage and other loans declined by $1 million during the three months ended March 31, 2022. The decrease in the period related to the improving credit environment.

Net Investment Income

The following table sets forth “Net investment income” by investment type for the periods indicated:

	Three Months Ended March 31, 2022 (in millions)
Fixed maturity securities (1)	$ 61
Equity securities	1
Commercial mortgage and other loans	11
Other invested assets	29
Short-term investments and cash equivalents	1
Gross investment income	103
Less: investment expenses	(4)
Net investment income	$ 99

(1) Includes fixed maturity securities classified as available-for-sale and trading by the Predecessor Company.

Investment Gains, Net

The following table sets forth “Investment gains, net” by investment type for the periods indicated:

	Three Months Ended March 31, 2022	
	(in millions)	
Fixed maturity securities (1)	$	(21)
Derivatives		502
Investment gains, net	$	481

(1) Includes fixed maturity securities classified by the Predecessor Company as available-for-sale and excludes fixed maturity securities classified by the Predecessor Company as trading.

6. DERIVATIVES, HEDGING, AND OFFSETTING

Types of Derivative Instruments and Derivative Strategies

The Company utilizes various derivative instruments and strategies to manage its risk. Commonly used derivative instruments include but are not necessarily limited to:

- Interest rate contracts: swaps, swaptions, futures, forwards, options, caps and floors
- Equity contracts: futures, options, and total return swaps
- Foreign exchange contracts: futures, options, forwards and swaps

See below for information on these contracts and the related strategies.

Interest Rate Contracts

Interest rate swaps, options, and futures are used by the Company to reduce risks from changes in interest rates, manage interest rate exposures arising from mismatches between assets and liabilities and to hedge against changes in their values it owns or anticipates acquiring or selling.

Interest rate swaps may be attributed to specific assets or liabilities or to a portfolio of assets or liabilities. The Company agrees with counterparties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed upon notional principal amount.

Interest rate options include swaptions and interest rate floors. Swaptions are options that give the holder the right but not obligation to enter into a specified interest rate swap. The Company uses these instruments for protection against the direction of future interest rates. Interest rate floors set an effective rate of interest on underlying reference rate and is used by the Company to provide protection against potential future declines in rates.

In standardized exchange-traded interest rate futures transactions, the Company purchases or sells a specified number of contracts, the values of which are determined by the daily market values of underlying referenced investments. The Company enters into exchange-traded futures with regulated futures commission's merchants who are members of a trading exchange.

Equity Contracts

Equity options, total return swaps, and futures are used by the Company to manage its exposure to the equity markets which impacts the value of assets and liabilities it owns or anticipates acquiring or selling.

Equity options are contracts which will settle in cash based on differentials in the underlying indices at the time of exercise and the strike price. The Company uses combinations of purchases and sales of equity index options to hedge the effects of adverse changes in equity indices within a predetermined range.

Total return swaps are contracts whereby the Company agrees with counterparties to exchange, at specified intervals, the difference between the return on an asset (or market index) and Secured Overnight Financing Rate ("SOFR") plus an associated funding spread based on a notional amount. The Company generally uses total return swaps to hedge the effect of adverse changes in equity indices.

In standardized exchange-traded equity futures transactions, the Company purchases or sells a specified number of contracts, the values of which are determined by the daily market values underlying referenced equity indices. The Company enters into exchange-traded futures with regulated futures commission's merchants who are members of a trading exchange.

Foreign Exchange Contracts

Currency derivatives, including currency swaps and forwards, are used by the Company to reduce risks from changes in currency exchange rates with respect to investments denominated in foreign currencies that the Company either holds or intends to acquire or sell.

Under currency forwards, the Company agrees with counterparties to deliver a specified amount of an identified currency at a specified future date. Typically, the price is agreed upon at the time of the contract and payment for such a contract is made at the specified future date. The Company executes forward sales of the hedged currency in exchange for U.S. dollars at a specified exchange rate. The maturities of these forwards correspond with the future periods in which the non-U.S. dollar-denominated earnings are expected to be generated.

Under currency swaps, the Company agrees with counterparties to exchange, at specified intervals, the difference between one currency and another at an exchange rate and calculated by reference to an agreed principal amount. Generally, the principal amount of each currency is exchanged at the beginning and termination of the currency swap by each party.

SUCCESSOR COMPANY

Primary Risks Managed by Derivatives

The table below provides a summary, by reporting segment, of the gross notional amount and fair value of derivative contracts by the primary underlying risks. Many derivative instruments contain multiple underlying risks. The fair value amounts below represent the value of derivative contracts prior to taking into account the netting effects of master netting agreements and cash collateral.

	December 31, 2024			December 31, 2023		
	Gross Notional Values/Units	Gross Fair Value		Gross Notional Values/Units	Gross Fair Value	
		Assets	Liabilities		Assets	Liabilities
Primary Underlying Risk/Instrument Type	(in millions)					
Retained Business						
Interest Rate						
Interest Rate Swaps	$ 40,347	$ 384	$ (822)	$ 31,096	$ 580	$ (923)
Interest Rate Options	215	—	(22)	215	10	(15)
Currency/Interest Rate						
Foreign Currency Swaps	46	3	—	102	5	—
Equity						
Equity Futures	(799)	36	(9)	(2,025)	—	(71)
Total Return Swaps	1,079	89	(67)	1,079	—	(143)
Equity Options	3,460	117	(167)	4,046	43	(94)
Total Derivatives, Retained Business	44,348	629	(1,087)	34,513	638	(1,246)
Ceded Business						
Interest Rate						
Interest Rate Swaps	285	15	(7)	605	22	(12)
Currency/Interest Rate						
Foreign Currency Swaps	33	4	—	37	3	—
Equity						
Total Return Swaps	250	1	—	281	—	—
Equity Options	2,468	327	(27)	2,847	148	(44)
Total Derivatives, Ceded Business	3,036	347	(34)	3,770	173	(56)
Total Derivatives (1)	$ 47,384	$ 976	$ (1,121)	$ 38,283	$ 811	$ (1,302)

(1) Recorded in “Other invested assets” and “Other liabilities” in the Consolidated Statements of Financial Position

Offsetting Assets and Liabilities

The following table presents recognized derivative instruments and liabilities associated with repurchase agreements, that are offset in the Consolidated Statements of Financial Position, and/or are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in the Consolidated Statements of Financial Position.

	December 31, 2024					
	Gross Amounts of Recognized Financial Instruments	Gross Amounts Offset in the Statements of Financial Position		Net Amounts Presented in the Statements of Financial Position	Financial Instruments/ Collateral(1)	Net Amount
		Counterparty Netting	Cash Collateral			
	(in millions)					
Offsetting of Financial Assets:						
Derivatives						
Retained Business	$ 629	$ (491)	$ (124)	$ 14	$ —	$ 14
Ceded Business	347	(34)	—	313	—	313
Total	$ 976	$ (525)	$ (124)	$ 327	$ —	$ 327
Offsetting of Financial Liabilities:						
Derivatives						
Retained Business	$ 1,087	$ (491)	$ (510)	$ 86	$ (86)	$ —
Ceded Business	34	(34)	—	—	—	—
Total Derivatives	$ 1,121	$ (525)	$ (510)	$ 86	$ (86)	$ —
Repurchase agreements	$ 1,200	$ —	$ —	$ 1,200	$ (1,200)	$ —

	December 31, 2023					
	Gross Amounts of Recognized Financial Instruments	Gross Amounts Offset in the Statements of Financial Position		Net Amounts Presented in the Statements of Financial Position	Financial Instruments/ Collateral(1)	Net Amount
		Counterparty Netting	Cash Collateral			
	(in millions)					
Offsetting of Financial Assets:						
Derivatives						
Retained Business	$ 638	$ (638)	$ —	$ —	$ —	$ —
Ceded Business	173	(56)	—	117	—	117
Total	$ 811	$ (694)	$ —	$ 117	$ —	$ 117
Offsetting of Financial Liabilities:						
Derivatives						
Retained Business	$ 1,246	$ (638)	$ (514)	$ 94	$ (94)	$ —
Ceded Business	56	(56)	—	—	—	—
Total	$ 1,302	$ (694)	$ (514)	$ 94	$ (94)	$ —
Repurchase agreements	$ 967	$ —	$ —	$ 967	$ (967)	$ —

(1) Amounts exclude the excess of collateral received/pledged from/to the counterparty.

The Company is exposed to credit-related losses in the event of non-performance by counterparties to financial derivative transactions with a positive fair value. FLIAC manages credit risk by (i) entering into derivative transactions with highly rated major international financial institutions and other creditworthy counterparties governed by master netting agreement, as applicable; (ii) trading through central clearing and OTC parties; (iii) obtaining collateral, such as cash and securities, when appropriate; and (iv) setting limits on single-party credit exposures which are subject to periodic management review. Substantially all of the Company's derivative agreements have zero thresholds which require daily full collateralization by the party in a liability position.

For repurchase agreements, the Company monitors the value of the securities and maintains collateral, as appropriate, to protect against credit exposure. Where the Company has entered into repurchase agreements with the same counterparty, in the event of default, the Company would generally be permitted to exercise rights of offset. See Note 2 for additional information on the Company's accounting policy for repurchase agreements.

Classification of Derivatives Activity

As part of our application of push-down accounting in connection with the acquisition of the Company, we have de-designated the Predecessor Company's hedging relationships for all of our derivative instruments, and accordingly, any related accumulated unrealized gains and losses that were previously recorded in Accumulated other comprehensive income (AOCI) were reset to zero at the acquisition date. Historical information has not been restated under the updated segmentation and is not comparable following the change in ownership on April 1, 2022.

The following tables provide the financial statement classification and impact of derivatives, by segment.

	Successor Company								
	Year Ended December 31						Nine Months Ended December 31		
	2024			2023			2022		
	Investment gains (losses), net	Other income	Total	Investment gains (losses), net	Other income	Total	Investment gains (losses), net	Other income	Total
	(in millions)								
Retained Business									
Interest Rate	$ (169)	$ —	$ (169)	$ (91)	$ —	$ (91)	$ (739)	$ —	$ (739)
Currency/Interest Rate	—	9	9	—	(5)	(5)	—	9	9
Credit	3	—	3	5	—	5	5	—	5
Equity	(576)	—	(576)	(664)	—	(664)	513	—	513
Subtotal	(742)	9	(733)	(750)	(5)	(755)	(221)	9	(212)
Ceded Business									
Interest Rate	3	—	3	67	—	67	(58)	—	(58)
Currency	—	—	—	—	—	—	—	2	2
Currency/Interest Rate	2	—	2	(2)	—	(2)	(22)	90	68
Credit	—	—	—	3	—	3	—	—	—
Equity	214	—	214	221	—	221	(611)	—	(611)
Subtotal	219	—	219	289	—	289	(691)	92	(599)
Total	$ (523)	$ 9	$ (514)	$ (461)	$ (5)	$ (466)	$ (912)	$ 101	$ (811)

PREDECESSOR COMPANY

	Predecessor Company			
	Three Months Ended March 31, 2022			
	Realized Investment Gains (Losses)	Net Investment Income	Other Income (loss)	Change in AOCI
	(in millions)			
Derivatives Designated as Hedge Accounting Instruments:				
Cash flow hedges				
Currency/Interest Rate	$ 1	$ 1	$ 2	$ 4
Derivatives Not Qualifying as Hedge Accounting Instruments:				
Interest Rate	(527)	—	—	—
Currency/Interest Rate	(6)	—	—	—
Credit	(12)	—	—	—
Equity	59	—	—	—
Embedded Derivatives (1)	986	—	—	—
Total Derivatives Not Qualifying as Hedge Accounting Instruments	500	—	—	—
Total	$ 501	$ 1	$ 2	$ 4

(1) Prior to the application of the fair value option election on its insurance liabilities, the Predecessor company accounted for certain product guarantees, primarily certain optional living benefit features of the variable annuity products including GMAB, GMWB, and GMIWB as embedded derivatives.

Presented below is a rollforward of current period cash flow hedges in AOCI before taxes:

Balance, December 31, 2021 (Predecessor Company)	$ 25
Amount recorded in AOCI - Currency/Interest Rate	9
Amount reclassified from AOCI to income - Currency/Interest Rate	(5)
Balance, March 31, 2022 (Predecessor Company)	$ 29

The changes in fair value of cash flow hedges were previously deferred in AOCI and were included in “Investment gains (losses), net” in the Statements of Operations and Comprehensive Income (Loss); these amounts were then reclassified to earnings when the hedged item affected earnings. As part of our application of push-down accounting in connection with the acquisition of the Company, we have de-designated the Predecessor Company's hedging relationships for all of our derivative instruments and accordingly any related accumulated unrealized gains and losses that were previously recorded in AOCI were reset to zero at the acquisition date.

The exposures the Company is hedging with these qualifying cash flow hedges include the variability of the payment or receipt of interest or foreign currency amounts on existing financial instruments.

There were no material amounts reclassified from AOCI into earnings relating to instances in which the Company discontinued cash flow hedge accounting because the forecasted transaction did not occur by the anticipated date or within the additional time period permitted by the authoritative guidance for the accounting for derivatives and hedging.

7. INSURANCE LIABILITIES

Our Retained Business insurance liabilities are primarily comprised of variable annuity contracts that include guaranteed benefits, including guaranteed minimum accumulation benefits ("GMAB"), guaranteed withdrawal benefits ("GMWB"), guaranteed minimum death benefits ("GMDB") and guaranteed minimum income and withdrawal benefits ("GMIWB"). Also included in the Retained Business are smaller blocks of variable universal life and fixed payout annuity products.

Our Ceded Business insurance liabilities are primarily comprised of registered index-linked annuities and fixed annuities, which includes both fixed indexed and fixed deferred annuities, and certain other variable annuities.

The remainder of our insurance liabilities are comprised of individual annuities and supplementary contracts with life contingencies.

The following represents the major components of our insurance liabilities, by segment:

	December 31,					
	2024			2023		
	Retained Business	Ceded Business	Total	Retained Business	Ceded Business	Total
	(in millions)					
Insurance Liabilities						
Variable annuity contracts with guaranteed benefits	$ 1,913	$ 177	$ 2,090	$ 2,556	$ 232	$ 2,788
Registered index-linked and Fixed annuity contracts	—	1,977	1,977	—	1,907	1,907
Other insurance contracts	283	30	313	279	29	308
Total Insurance Liabilities	$ 2,196	$ 2,184	$ 4,380	$ 2,835	$ 2,168	$ 5,003

Variable Annuity Contracts with Guaranteed Benefits

Description of Guaranteed Benefits

The GMAB features provide the contractholder with a guaranteed return of initial account value or an enhanced value if applicable. The most significant of the Company's GMAB features are the guaranteed return option features, which includes an automatic rebalancing element that reduces the Company's exposure to these guarantees.

The GMDB features provide certain guaranteed benefits in the event of the death of the contractholder.

The GMWB features provide the contractholder with access to a guaranteed remaining balance if the account value is reduced to zero through a combination of market declines and withdrawals. The guaranteed remaining balance is generally equal to the protected value under the contract, which is initially established as the greater of the account value or cumulative deposits when withdrawals commence, less cumulative withdrawals. The contractholder also has the option, after a specified time period, to reset the guaranteed remaining balance to the then-current account value, if greater. The contractholder accesses the guaranteed remaining balance through payments over time, subject to maximum annual limits.

The GMIWB features, taken collectively, provide a contractholder two optional methods to receive guaranteed minimum payments over time, a "withdrawal" option or an "income" option. The withdrawal option guarantees that a contractholder can withdraw an amount each year until the cumulative withdrawals reach a total guaranteed balance. The income option (which varies among the Company's GMIWBs) in general guarantees the contractholder the ability to withdraw an amount each year for life (or for joint lives, in the case of any spousal version of the benefit) where such amount is equal to a percentage of a protected value under the benefit. The contractholder also has the potential to increase this annual amount, based on certain subsequent increases in account value that may occur. The GMIWB can be elected by the contractholder at any time following contract issue prior to annuitization. Certain GMIWB features include an automatic rebalancing element that reduces the Company's exposure to these guarantees.

Fair Value Estimations of Insurance Liabilities

The fair values of insurance liabilities associated with variable annuity contracts with guaranteed benefits are calculated as the present value of future expected benefit payments to customers, anticipated future trail commissions paid to agents and certain administrative expenses less the present value of future expected rider fees, mortality and expense charges, contract charges and the anticipated future reimbursement of certain asset management fees. Since there is no observable active market for the transfer of these obligations, the valuations are calculated using internally developed models with option pricing techniques. The models are based on a risk neutral valuation framework and incorporate premiums for risks inherent in valuation techniques, inputs, and the general uncertainty around the timing and amount of future cash flows. The determination of these risk premiums requires the use of management's judgment.

In the third quarter of both 2024 and 2023, the Company completed its annual review of actuarial assumptions related to its fair value of insurance liabilities. Based on those reviews, the Company updated certain assumptions associated with its variable annuity contracts with guaranteed benefits in each period, which resulted in an increase (decrease) in its fair value of insurance liabilities of $(3) million and $116 million during the third quarters of 2024 and 2023, respectively. The 2023 increase was driven by updates to assumptions regarding policyholder behavior, primarily to reflect lower observed surrender rates.

The impact of the respective assumption updates on the Consolidated Statement of Operations was included within "Policyholder benefits and changes in fair value of insurance liabilities".

The significant inputs to the valuation models include capital market assumptions, such as interest rate levels and volatility assumptions, as well as actuarially-determined assumptions, including contractholder behavior, such as lapse rates, benefit utilization rates, withdrawal rates, and mortality rates. Further information regarding these assumptions are below. See also Note 4 for further quantitative information regarding these assumptions.

Capital market assumptions

- *Interest rate assumptions* - The spread over the risk-free rate swap curve represents the premium added to the proxy for the risk-free rate to reflect the Company's estimates of rates that a market participant would use to value the living benefits in both the accumulation and payout phases and index-linked interest crediting guarantees. This spread includes an estimate of NPR, which is the risk that the obligation will not be fulfilled by the Company. NPR is primarily estimated by utilizing the credit spreads associated with issuing funding agreements, adjusted for any illiquidity risk premium. In order to reflect the financial strength ratings of the Company, credit spreads associated with funding agreements, as opposed to credit spread associated with debt, are utilized in developing this estimate because funding agreements, living benefit guarantees, and index-linked interest crediting guarantees are insurance liabilities and are therefore senior to debt.

- *Equity volatility curve* - The equity volatility curve assumption is based on 1 and 2 year index-specific at-the-money implied volatilities grading to 10 year total variance. Increased volatility increases the fair value of the liability.

- *Equity correlation* - The model generates stochastic equity returns based on the inputted equity correlation. The assumption is based on historic 20 years of weekly index return data.

Actuarially-determined assumptions

- *Lapse rates* - Lapse rates for contracts with living benefit guarantees are adjusted at the contract level based on the in-the-moneyness of the living benefit and reflect other factors, such as the applicability of any surrender charges. Lapse rates are reduced when contracts are more in-the-money. Lapse rates for contracts with index-linked crediting guarantees may be adjusted at the contract level based on the applicability of any surrender charges, product type, and market related factors such as interest rates. Lapse rates are also generally assumed to be lower for the period where surrender charges apply.

- *Utilization rates* - The utilization rate assumption estimates the percentage of contracts that will utilize the benefit during the contract duration and begin lifetime withdrawals at various time intervals from contract inception. Utilization assumptions may vary by product type, tax status and age. The impact of changes in these assumptions is highly dependent on the product type, the age of the contractholder at the time of the sale, and the timing of the first lifetime income withdrawal.

- *Withdrawal rates* - The withdrawal rate assumption estimates the magnitude of annual contractholder withdrawals relative to the maximum allowable amount under the contract. These assumptions vary based on the age of the contractholder, the tax status of the contract and the duration since the contractholder began lifetime withdrawals.

- *Mortality rates* - Mortality rates may vary by product, age, and duration with a vast majority of policyholders with living benefits aged from 45 to 90 years old. A mortality improvement assumption is also incorporated into the overall mortality table. While the majority of living benefits have a minimum age requirement, certain other contracts do not have an age restriction. This results in contractholders with mortality rates approaching 0% for certain benefits.

8. REINSURANCE

Reinsurance is used as part of the Company's risk management and capital management strategies. Under ceded reinsurance, we remain liable to the underlying policyholder if a third-party reinsurer is unable to meet its obligations. We evaluate the financial condition of reinsurers, monitor the concentration of counterparty risk and maintain collateral, as appropriate, to mitigate this exposure.

SUCCESSOR COMPANY

Novation of Ceded Business

In 2022, in accordance with applicable state law, a program was instituted to novate a significant portion of the Ceded Business policies from FLIAC to Pruco Life. The program did not have an impact on total equity or net income but has resulted in the reduction of certain activity/balances associated with these policies. During the year ended December 31, 2023, approximately $641 million of account value, which generally approximates fair values of insurance liabilities, was transferred out of the Company as a result of the novation program.

There was no significant novation activity during 2024 and we do not expect significant future novation activity under the program. Since the acquisition of the Company in April 2022, approximately 73 percent of account value in the Ceded Business has been novated to Pruco Life under this program.

Fortitude Life Insurance & Annuity Company

Reinsurance amounts included in the consolidated statements of operations and comprehensive income (loss) for the Successor Company were as follows:

	Year Ended December 31		Nine Months Ended December 31
	2024	2023	2022
	(in millions)		
Premiums:			
Direct	$ 38	$ 31	$ 22
Ceded	(3)	(4)	(3)
Net premiums	$ 35	$ 27	$ 19
Policy charges and fee income:			
Direct	$ 490	$ 495	$ 398
Ceded	(38)	(39)	(33)
Net policy charges and fee income	$ 452	$ 456	$ 365
Asset management and service fees			
Direct	$ 93	$ 91	$ 71
Ceded	—	—	—
Net asset management and service fees	$ 93	$ 91	$ 71
Policyholders benefits and changes in fair value of insurance liabilities			
Direct	$ 364	$ 343	$ 247
Ceded	(94)	(58)	(62)
Net policyholders benefits	$ 270	$ 285	$ 185
Changes in fair value of insurance liabilities	(353)	55	(1,195)
Net policyholders benefits and changes in fair value of insurance liabilities	$ (83)	$ 340	$ (1,010)

Reinsurance amounts included in the consolidated statements of financial position are as follows:

	December 31, 2024				
	Registered Index-linked Annuities	New York Variable Annuities	Fixed Annuities (1)	Single Premium Immediate Annuities	Total
	(in millions)				
ASSETS					
Total investments	$ 1,682	$ 45	$ —	$ —	$ 1,727
Cash and cash equivalents	65	—	—	—	65
Accrued investment income	12	—	—	—	12
Reinsurance recoverables	—	133	—	30	163
Deposit asset	—	—	364	—	364
Other assets	—	—	—	—	—
Separate account assets	35	1,980	—	—	2,015
TOTAL ASSETS	$ 1,794	$ 2,158	$ 364	$ 30	$ 4,346
LIABILITIES					
Insurance liabilities	$ 1,613	$ 177	$ 364	$ 30	$ 2,184
Other liabilities	2	—	—	—	2
Net modified coinsurance payable	144	1	—	—	145
Separate account liabilities	35	1,980	—	—	2,015
TOTAL LIABILITIES	$ 1,794	$ 2,158	$ 364	$ 30	$ 4,346

	December 31, 2023				
	Registered Index-linked Annuities	New York Variable Annuities	Fixed Annuities (1)	Single Premium Immediate Annuities	Total
	(in millions)				
ASSETS					
Total investments	$ 1,140	$ 59	$ —	$ —	$ 1,199
Cash and cash equivalents	406	—	—	—	406
Accrued investment income	9	—	—	—	9
Reinsurance recoverables		176	—	30	206
Net modified coinsurance receivable	—	—	—	—	—
Deposit asset	—	—	438	—	438
Separate account assets	29	2,041	—	—	2,070
TOTAL ASSETS	$ 1,584	$ 2,276	$ 438	$ 30	$ 4,328
LIABILITIES					
Insurance liabilities	$ 1,468	$ 232	$ 438	$ 30	$ 2,168
Other liabilities	12	—	—	—	12
Net modified coinsurance payable	75	3	—	—	78
Separate account liabilities	29	2,041	—	—	2,070
TOTAL LIABILITIES	$ 1,584	$ 2,276	$ 438	$ 30	$ 4,328

(1) Includes fixed-indexed and fixed-deferred annuities.

Included in the registered index-linked annuities and the New York variable annuities products is a modified coinsurance payable of $1,757 million and $1,603 million as of December 31, 2024 and 2023, respectively, which is equal to the assets held in the modified coinsurance portfolio and is included in the net modified coinsurance receivable/payable.

PREDECESSOR COMPANY

Reinsurance amounts, included in the consolidated statements of operations and comprehensive income (loss) for the Predecessor Company, were as follows:

	Three Months Ended March 31
	2022
	(in millions)
Premiums:	
Direct	$ 9
Assumed	—
Ceded	(1)
Net premiums	8
Policy charges and fee income:	
Direct	102
Assumed	—
Ceded	(5)
Net policy charges and fee income	97
Asset management and service fees:	
Direct	22
Assumed	—
Ceded	(2)
Net asset management and service fees	20
Realized investment gains (losses), net:	
Direct	312
Assumed	—
Ceded	169
Realized investment gains (losses), net	481
Policyholders' benefits (including change in reserves):	
Direct	31
Assumed	—
Ceded	(5)
Net policyholders' benefits (including change in reserves)	26
Interest credited to policyholders’ account balances:	
Direct	91
Assumed	—
Ceded	(6)
Net interest credited to policyholders’ account balances	85
Reinsurance expense allowances and general and administrative expenses, net of capitalization and amortization	(41)

9. INCOME TAXES

SUCCESSOR COMPANY

Acquisition-Related Tax Elections

In conjunction with the acquisition of FLIAC, FGH and PAI agreed to make a joint election under Section 338(h)(10) of the U.S. Internal Revenue Code and under any similar provisions of state or local law (the “Section 338(h)(10) Election”) with respect to the purchase of the shares of FLIAC. Under this election, the parties agreed to treat the transaction for federal income tax purposes as if it had been structured as an asset sale and purchase. As a result of this election, the tax basis of the Company's assets and liabilities were reset to fair value at the time of the acquisition, which resulted in the elimination of previously established current and deferred income tax balances and the establishment of new balances that reflect the updated tax basis, including tax deductible intangible asset. See Note 1 for further information regarding the acquisition and the associated updated income tax balances.

Tax Law Changes

On August 16, 2022, the U.S. enacted The Inflation Reduction Act of 2022, which provides among other provisions a new corporate alternative minimum tax ("CAMT"). The CAMT is effective for taxable years beginning after December 31, 2022 and generally applies to taxpayers with average annual financial statement income exceeding $1 billion over a three-year period. The Company is below the $1 billion threshold and is not subject to the CAMT rules for the year ended December 31, 2024, and is not expected to be subject to the provisions in future years.

Effective Tax Rate

The following schedule discloses significant components of Income tax expense (benefit):

	Year Ended December 31,		Nine Months Ended December 31
	2024	2023	2022
	(in millions)		
Current tax expense (benefit):			
U.S. federal	$ 5	$ (14)	$ 18
State and local	1	—	—
Total	$ 6	$ (14)	$ 18
Deferred tax expense (benefit):			
U.S. federal	26	8	(52)
Income tax expense (benefit)	$ 32	$ (6)	$ (34)
Income tax expense (benefit) reported in equity related to:			
Other comprehensive income (loss)	4	(47)	29
Total income tax expense (benefit)	$ 36	$ (53)	$ (5)

Reconciliation of Expected Tax at Statutory Rates to Reported Income Tax Expense (Benefit)

The difference between income taxes expected at the U.S. federal statutory income tax rate of 21% applicable and the reported income tax expense (benefit) are summarized as follows:

	Year Ended December 31,		Nine Months Ended December 31
	2024	2023	2022
	(in millions)		
Expected federal income tax expense (benefit)	$ 22	$ (2)	$ (67)
Change in valuation allowance	14	(1)	37
Goodwill impairment	—	20	—
Non-taxable investment income (1)	(8)	(7)	(5)
Transfer pricing adjustment	(2)	(6)	—
State income taxes	1	—	—
Foreign taxes	—	(3)	—
Prior year true-up	3	(6)	—
Other	2	(1)	1
Reported income tax expense (benefit)	$ 32	$ (6)	$ (34)
Effective tax rate	31.0 %	63.9 %	10.7 %

(1) - Primarily related to the impact of non-taxable investment income associated with the Dividends Received Deduction ("DRD")

Fortitude Life Insurance & Annuity Company

Schedule of Deferred Tax Assets and Deferred Tax Liabilities

	As of December 31,	
	2024	2023
	(in millions)	
Deferred tax assets:		
Net operating loss	$ 107	$ 87
Investments	87	63
Intangibles	54	59
Capital loss carryforwards	35	32
Change in insurance liabilities - OCR component	13	17
Other	2	1
Total deferred tax assets	298	259
Deferred tax liabilities:		
Insurance reserves	(189)	(134)
Net deferred tax asset before valuation allowance	$ 109	$ 125
Valuation allowance	(50)	(36)
Net deferred tax asset	$ 59	$ 89
Current income tax receivable	17	10
Income taxes (1)	$ 76	$ 99

(1) - Income taxes as presented under "Assets" on the consolidated statements of financial position.

Valuation Allowance on Deferred Tax Assets

The evaluation of the recoverability of our deferred tax asset and the need for a valuation allowance requires us to weigh all positive and negative evidence to reach a conclusion that it is more likely than not that all or some portion of the deferred tax asset will not be realized. The weight given to the evidence is commensurate with the extent to which it can be objectively verified. The more negative evidence that exists, the more positive evidence is necessary and the more difficult it is to support a conclusion that a valuation allowance is not needed.

In evaluating the need for a valuation allowance, the Company considers many factors, including:

(1) the nature of the deferred tax assets and liabilities;
(2) whether they are ordinary or capital;
(3) the timing of their reversal;
(4) taxable income in prior carryback years;
(5) projected taxable earnings exclusive of reversing temporary differences and carryforwards;
(6) the length of time that carryovers can be utilized;
(7) any unique tax rules that would impact the utilization of the deferred tax assets; and
(8) any tax planning strategies that the Company would employ to avoid a tax benefit from expiring unused.

Although realization is not assured, management believes it is more likely than not that the deferred tax assets, net of valuation allowances, will be realized.

As of December 31, 2024 and 2023, the Company held a valuation allowance of $50 million and $36 million, respectively, regarding realized and unrealized capital losses on our fixed maturity securities portfolio. A portion of the deferred tax asset relates to unrealized capital losses for which the carryforward period has not yet begun, and as such, when assessing its recoverability, we consider our ability and intent to hold the underlying securities to recovery. The amount of the deferred tax asset considered realizable may be adjusted if projections of future taxable income, including the character of that taxable income during the requisite carryforward period, are updated or if objective negative evidence exists that outweighs the positive evidence. The increase in the valuation allowance is primarily due to the unrealized losses on certain of our fixed maturity securities that we no longer intend to hold to recovery.

Loss Carryforwards

The Company has capital loss carryforwards of $166 million as of December 31, 2024. Capital losses are being carried forward for five years and utilized against any future capital gains generated during that period. The capital loss carryforwards begin to expire in 2027.

The Company has net operating loss carryforwards of $507 million as of December 31, 2024. The net operating loss will be carried forward indefinitely.

Tax Audits and Unrecognized Tax Benefits

The Company filed tax returns for the period beginning the day after the acquisition through December 31, 2023. Pursuant to the acquisition agreement, any tax examinations and resulting tax liability for the Predecessor Company will be the sole responsibility of PAI.

We periodically evaluate uncertain tax positions to determine whether the tax positions are more likely than not to be realized as a tax benefit or expense in the current year. We also recognize interest and penalties related to uncertain tax benefits in U.S. Federal income tax expense. As of December 31, 2024 and 2023, there were no uncertain tax positions and no accruals for interest and penalties. The Company does not anticipate any significant changes within the next twelve months to its total unrecognized tax benefits related to tax years for which the statute of limitations has not expired.

PREDECESSOR COMPANY

With respect to the three months ended March 31, 2022, the Predecessor Company used a full year projected effective tax rate approach to calculate year-to-date taxes. In addition, certain items impacting total income tax expense are recorded in the periods in which they occur. The projected effective tax rate is the ratio of projected “Income tax expense (benefit)” divided by projected “Income (loss) from operations before income taxes”. The interim period tax expense (or benefit) is the difference between the year-to-date income tax provision and the amounts reported for the previous interim periods of the fiscal year.

The Predecessor Company's income tax provision amounted to an income tax expense of $77 million or 17.8 percent of income from operations before income tax, for three months ended March 31, 2022, respectively. The effective tax rate differed from the U.S. statutory tax rate of 21 percent primarily due to non-taxable investment income and tax credits.

10. EQUITY

SUCCESSOR COMPANY

Dividends to Parent

During the first quarter of 2024, a $150 million dividend was approved by the Company's board of directors, $75 million of which was considered an ordinary dividend and not subject to approval by the Arizona Department of Insurance and Financial Institutions ("DIFI") prior to payment. The other $75 million was conditioned upon the Company receiving written approval from the Arizona DIFI prior to payment. In April 2024, the Company received written approval from the Arizona DIFI and the entire $150 million dividend was distributed in cash to FGH in the second quarter of 2024.

During the third quarter of 2024, a $150 million extraordinary dividend was approved by the Company's board of directors, which was conditioned upon the Company receiving written approval from the Arizona DIFI prior to payment. In October 2024, the Company received written approval from the Arizona DIFI and the entire $150 million dividend was distributed in cash to FGH in the fourth quarter of 2024.

Distribution to Parent

During 2023, the Company made a $45 million distribution to its parent company, FGH, as a result of updated information regarding certain tax assets related to the acquisition of FLIAC, which resulted in an offsetting reduction to "Additional paid-in capital".

Fortitude Life Insurance & Annuity Company

Accumulated Other Comprehensive Income (Loss)

AOCI represents the cumulative OCI items that are reported separate from net income and detailed on the consolidated statements of operation and comprehensive income (loss).

As discussed in Note 1, we have elected to apply push-down accounting to the Successor Company at the acquisition date, April 1, 2022. As part of this election, accumulated unrealized gains and losses that were previously recorded in AOCI were reset to zero at the acquisition date. As also discussed in Note 1, we have elected to apply the fair value option on our entire portfolio of fixed maturity securities. As a result, all unrealized gains and losses related to our fixed maturity securities are recorded through earnings rather than AOCI. As discussed in Note 6, we have de-designated the hedging relationship for all of our derivative instruments. Accordingly, all changes in our derivative instruments are recorded through earnings.

As a result of the changes regarding the election of the fair value option noted above, AOCI is comprised entirely of changes in own-credit risk related to insurance liabilities for the Successor Company. See the consolidated statements of equity for additional information regarding this activity.

PREDECESSOR COMPANY

Dividends to Parent

In March 2022, the Predecessor Company paid an extra-ordinary dividend to PAI of $306 million, which was recorded as a return of capital.

Accumulated Other Comprehensive Income (Loss)

AOCI represents the cumulative OCI items that are reported separate from net income and detailed on the consolidated statements of operations and comprehensive income (loss).

The balance of and changes in each component of AOCI are as follows:

	Accumulated Other Comprehensive Income (Loss)		
	Foreign Currency Translation Adjustment	Net Unrealized Investment Gains (Losses)(1)	Total Accumulated Other Comprehensive Income (Loss)
		(in millions)	
Balance, December 31, 2021	$ (1)	$ 171	$ 170
Change in OCI before reclassifications	—	(576)	(576)
Amounts reclassified from AOCI	—	15	15
Income tax benefit	—	118	118
Balance, March 31, 2022	$ (1)	$ (272)	$ (273)

(1) Includes cash flow hedges of $29 million as of three months ended March 31, 2022

Table of Contents

Reclassifications out of Accumulated Other Comprehensive Income (Loss)

	Three Months Ended March 31
	2022
	(in millions)
Amounts reclassified from AOCI(1)(2):	
Net unrealized investment gains (losses):	
Cash flow hedges - Currency/Interest rate(3)	$ 5
Net unrealized investment losses on available-for-sale securities	(20)
Total net unrealized investment gains (losses)(4)	(15)
Total reclassifications for the period	$ (15)

(1) All amounts are shown before tax.
(2) Positive amounts indicate gains/benefits reclassified out of AOCI.
(3) See Note 6 for additional information on cash flow hedges.
(4) See table below for additional information on unrealized investment gains (losses), including the impact on DAC and other costs and future policy benefits and other liabilities.

Net Unrealized Investment Gains (Losses)

Net unrealized investment gains (losses) on available-for-sale fixed maturity securities and certain other invested assets and other assets are included in the Predecessor Company's statements of financial position as a component of AOCI. Changes in these amounts include reclassification adjustments to exclude from OCI those items that are included as part of "Net income (loss)" for a period that had been part of OCI in earlier periods. The amounts for the periods indicated below, split between amounts related to net unrealized investment gains (losses) on available-for-sale fixed maturity securities on which an allowance for credit losses has been recognized, and all other net unrealized investment gains (losses), are as follows:

	Net Unrealized Gains (Losses) on All Other Investments(1)	DAC and Other Costs(2)	Future Policy Benefits and Other Liabilities(3)	Income Tax Benefit (Expense)	Accumulated Other Comprehensive Income (Loss) Related To Net Unrealized Investment Gains (Losses)
			(in millions)		
Balance, December 31, 2021	$ 240	$ (15)	$ (7)	$ (47)	$ 171
Net investment gains (losses) on investments arising during the period	(591)	—	—	125	(466)
Reclassification adjustment for (gains) losses included in net income	15	—	—	(4)	11
Impact of net unrealized investment (gains)	—	9	6	(3)	12
Balance, March 31, 2022	$ (336)	$ (6)	$ (1)	$ 71	$ (272)

(1) Includes cash flow hedges. See Note 6 for information on cash flow hedges.
(2) "Other costs" primarily includes reinsurance recoverables, DSI and VOBA.
(3) "Other liabilities" primarily includes reinsurance payables and deferred reinsurance gains.

11. RELATED PARTY TRANSACTIONS

SUCCESSOR COMPANY

The Successor Company has transactions and relationships with affiliates. Although we seek to ensure that these transactions and relationships are fair and reasonable, it is possible that the terms of these transactions are not the same as those that would result from transactions among unrelated parties.

Expense Charges and Allocations

A portion of the Successor Company's expenses are allocations or charges from FGH. These expenses primarily relate to general and administrative expenses which include accounting, actuarial, risk management, and data processing services. FGH also provides the Company with personnel and certain other services. The allocation of costs for other services are based on estimated level of usage, transactions or time incurred in providing the respective services. During the year ended December 31, 2024, 2023 and the nine months ended December 31, 2022, FLIAC was allocated $42 million, $30 million, and $23 million, respectively, of costs for these services.

Affiliated Investment and Advisory Activities

As of April 1, 2022, FLIAC became affiliated with The Carlyle Group Inc. ("Carlyle"), whereby Carlyle, through an affiliated investment fund, has an equity investment in its parent, FGH. As of December 31, 2024, Carlyle's investment percentage in FGH was 38.5%. In addition, FLIAC entered into an investment management and consulting services agreement with an affiliate of Carlyle. During the nine months ended December 31, 2022, FLIAC incurred $10 million of costs from this Carlyle affiliate for services provided to the Successor Company in connection with FGH's purchase of the Company from Prudential Financial.

Certain of Carlyle's affiliates also provide investment management services for FLIAC pursuant to investment management agreements. Investment management fees are charged based on a percentage of assets under management and were $2 million and $5 million for the years ended December 31, 2024 and 2023, respectively, and de minimis for the nine months ended December 31, 2022. These fees are recorded within net investment income in the consolidated statements of operations.

As of December 31, 2024 and 2023, assets under management by Carlyle affiliates had a market value of $490 million and $529 million, respectively, and were comprised primarily of private credit fixed income securities. FLIAC recognized $42 million and $29 million of investment income related to these assets under management during the years ended December 31, 2024 and 2023, respectively. During the nine months ended December 31, 2022, FLIAC recognized $9 million of investment income related to these assets under management.

In connection with the investment management agreements, as of December 31, 2024 FLIAC has unfunded commitments of $44 million to fund private investments where one or more Carlyle entities serves as general partner to the fund.

Affiliated Asset Transfers

The Successor Company may participate in affiliated asset transfers with its parent and affiliates. Book and market value differences for trades with its parent and affiliates are recognized within Investment gains (losses), net. The table below shows affiliated asset trades for the year ended December 31, 2024 and 2023 and nine months ended December 31, 2022.

Affiliate	Date	Transaction	Security Type	Fair Value	Book Value	Investment Gains (Losses), net
				(in millions)		
Fortitude Reinsurance Company Ltd.	December 2024	Sale	Fixed Maturity Securities	$ 197	$ 202	$ (5)
Fortitude Reinsurance Company Ltd.	December 2024	Sale	Derivatives	10	5	5
Fortitude Reinsurance Company Ltd.	December 2023	Sale	Limited Partnership	26	26	—
Fortitude Reinsurance Company Ltd.	December 2023	Sale	Limited Partnership	47	47	—
Fortitude Reinsurance Company Ltd.	December 2023	Sale	Limited Partnership	24	14	10
Fortitude Reinsurance Company Ltd.	November 2023	Sale	Limited Partnership	135	135	—
Fortitude Reinsurance Company Ltd.	November 2023	Sale	Limited Partnership	56	56	—
Fortitude Reinsurance Company Ltd.	November 2023	Sale	Limited Partnership	37	33	4
Fortitude Re Investments, LLC	May 2023	Sale	Limited Partnership	12	12	—
Fortitude Re Investments, LLC	May 2023	Sale	Limited Partnership	7	7	—

We identified an immaterial error regarding the inclusion of $141 million of transactions during the nine months ended December 31, 2022 that were determined to not be affiliated asset transfers. These 2022 transactions were incorrectly included in the above table within our Form 10-K for both 2023 and 2022. We have revised this disclosure by removing these transactions from the above table.

PREDECESSOR COMPANY

The Predecessor Company had extensive transactions and relationships with Prudential Insurance and other former affiliates. Although the Predecessor Company sought to ensure that these transactions and relationships were fair and reasonable, it is possible that the terms of these transactions were not the same as those that would result from transactions among unrelated parties.

Expense Charges and Allocations

The Predecessor Company's expenses were allocations or charges from Prudential Insurance or other affiliates. These expenses were grouped into general and administrative expenses and agency distribution expenses.

The Predecessor Company paid commissions and certain other fees to Prudential Annuities Distributors, Inc ("PAD"), an affiliate of the Predecessor Company, in consideration for PAD's marketing and underwriting of the Predecessor Company's products. Commissions and fees were paid by PAD to broker-dealers who sold the Predecessor Company's products. Commissions and fees paid by the Predecessor Company to PAD were $29 million for the three months ended March 31, 2022.

The Predecessor Company was charged for its share of corporate expenses incurred by Prudential Financial to benefit its businesses, such as advertising, executive oversight, external affairs and philanthropic activity. The Predecessor Company's share of corporate expenses was $9 million for the three months ended March 31, 2022.

Affiliated Investment Management Expenses

The Predecessor Company paid investments management expenses in accordance with an agreement with PGIM, Inc. ("PGIM"), an affiliate of the Predecessor Company and investment manager to certain Predecessor Company general account and separate account assets. Investment management expenses paid to PGIM related to this agreement were $4 million for the three months ended March 31, 2022. These expenses were recorded as net investment income in the consolidated statements of operations.

Derivative Trades

In its ordinary course of business, the Predecessor Company entered into OTC derivative contracts with an affiliate, Prudential Global Funding, LLC ("PGF"). For these OTC derivative contracts, PGF had a substantially equal and offsetting position with an external counterparty. See Note 6 for additional information.

Affiliated Asset Management and Service Fees

The Predecessor Company had a revenue sharing agreement with AST Investment Services, Inc. ("ASTISI") and PGIM Investments LLC ("PGIM Investments") whereby the Predecessor Company received fee income based on policyholders' separate account balances invested in the Advanced Series Trust and The Prudential Series Fund. Income received from ASTISI and PGIM Investments related to this agreement was $22 million for the three months ended March 31, 2022. These revenues were recorded as asset management and service fees in the consolidated statements of operations.

Affiliated Asset Transfers

The Predecessor Company participated in affiliated asset trades with former parent and sister companies. Book and market value differences for trades with a parent and sister were recognized within investment gains (losses), net. The table below shows affiliated asset trades for the three months ended March 31, 2022.

Affiliate	Date	Transaction	Security Type	Fair Value	Book Value	Investment Gains (Losses), net
					(in millions)	
Pruco Life	January 2022	Sale	Fixed Maturity Securities	$ 4	$ 5	$ (1)
Prudential Financial	January 2022	Sale	Commercial Mortgage Loan	29	30	(1)
Pruco Life	January 2022	Sale	Derivatives	—	—	—
Pruco Life	February 2022	Sale	Fixed Maturity Securities	129	138	(9)
Prudential Financial	March 2022	Sale	Fixed Maturity Securities	33	33	—

Contributed Capital and Dividends

In March 2022, the Predecessor Company had a return of capital in the amount of $306 million to PAI.

12. STATUTORY NET INCOME AND SURPLUS AND DIVIDEND RESTRICTIONS

The Company is required to prepare statutory financial statements in accordance with accounting practices prescribed or permitted by the Arizona Department of Insurance and Financial Institutions ("Arizona DIFI"). Prescribed statutory accounting practices include publications of the National Association of Insurance Commissioners ("NAIC"), as well as state laws, regulations and general administrative rules. Statutory accounting practices primarily differ from U.S. GAAP by charging policy acquisition costs to expense as incurred, establishing future policy benefit liabilities using different actuarial assumptions and valuing investments, deferred taxes, and certain other assets on a different basis.

The Arizona DIFI approved a permitted accounting practice allowing the Company to admit the assets subject to certain long-term repurchase agreements with maturity dates greater than 365 days. This permitted practice has been granted through the year ending December 31, 2025, renewable annually thereafter, subject to certain conditions that have been met, and will continue to need to be met, by the Company for the duration of the permitted practice. See further below for additional information regarding the financial statement impacts of the permitted practice.

Statutory Net Income and Capital and Surplus

Statutory net income (loss) of the Company amounted to $28 million, $383 million and $(58) million for the years ended December 31, 2024, 2023, and 2022, respectively. Statutory capital and surplus of the Company amounted to $454 million and $750 million at December 31, 2024 and 2023, respectively.

If the above-mentioned permitted practice was not granted by the Arizona DIFI, the Company's capital and surplus as of December 31, 2024 and 2023 would have decreased by $502 million and $566 million, respectively. In addition, the impact to the Company's risk-based capital ratio would have triggered a regulatory event. The permitted practice had no impact on the Company's statutory net income.

Dividend Considerations

The Company is subject to Arizona law, which limits the amount of dividends that insurance companies can pay to stockholders. The maximum dividend, which may be paid in any twelve-month period without notification or approval, is limited to the lesser of 10% of statutory surplus, as of December 31 of the preceding year, or the net gain from operations of the preceding calendar year. See Note 10 for further information regarding dividend activity.

Deposits

As of both December 31, 2024 and 2023 there were fixed maturity securities of $7 million on deposit with governmental authorities or trustees as required by certain insurance laws.

13. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

As of December 31, 2024 and 2023, the Company had commitments totaling $224 million and $330 million, respectively, to purchase investments related to private fixed maturity securities and alternative investments. These amounts include unfunded commitments that are not unconditionally cancellable. See Note 11 for further information regarding certain commitments to related parties.

Contingent Liabilities

On an ongoing basis, the Company and its regulators review its operations including, but not limited to, sales and other customer interface procedures and practices, and procedures for meeting obligations to its customers and other parties. These reviews may result in the modification or enhancement of processes or the imposition of other action plans, including concerning management oversight, sales and other customer interface procedures and practices, and the timing or computation of payments to customers and other parties. In certain cases, if appropriate, the Company may offer customers or other parties remediation and may incur charges, including the cost of such remediation, administrative costs and regulatory fines.

The Company is subject to the laws and regulations of states and other jurisdictions concerning the identification, reporting and escheatment of unclaimed or abandoned funds, and is subject to audit and examination for compliance with these requirements. For additional discussion of these matters, see "Litigation and Regulatory Matters" below.

It is possible that the results of operations or the cash flows of the Company in a particular quarterly or annual period could be materially affected as a result of payments in connection with the matters discussed above or other matters depending, in part, upon the results of operations or cash flows for such period. Management believes, however, that ultimate payments in connection with these matters, after consideration of applicable reserves and rights to indemnification, should not have a material adverse effect on the Company's financial position.

Litigation and Regulatory Matters

The Company is subject to legal and regulatory actions in the ordinary course of its business. Pending legal and regulatory actions include proceedings specific to the Company and proceedings generally applicable to business practices in the industry in which it operates. The Company is subject to class action lawsuits and other litigation involving a variety of issues and allegations involving sales practices, claims payments and procedures, premium charges, policy servicing and breach of fiduciary duty to customers. The Company is also subject to litigation arising out of its general business activities, such as its investments, contracts, leases and labor and employment relationships, including claims of discrimination and harassment, and could be exposed to claims or litigation concerning certain business or process patents. In addition, the Company, along with other participants in the businesses in which it engages, may be subject from time to time to investigations, examinations and inquiries, in some cases industry-wide, concerning issues or matters upon which such regulators have determined to focus. In some of the Company's pending legal and regulatory actions, parties are seeking large and/or indeterminate amounts, including punitive or exemplary damages. The outcome of litigation or a regulatory matter, and the amount or range of potential loss at any particular time, is often inherently uncertain.

The Company establishes accruals for litigation and regulatory matters when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. For litigation and regulatory matters where a loss may be reasonably possible, but not probable, or is probable but not reasonably estimable, no accrual is established, but the matter, if material, is disclosed. The Company estimates that as of December 31, 2024, the aggregate range of reasonably possible losses in excess of recoveries from unaffiliated indemnitors regarding litigation and regulatory matters, for which such an estimate currently can be made, is not considered to be material and no accrual has been made regarding such matters. This estimate is not an indication of expected loss, if any, or the Company's maximum possible loss exposure on such matters. The Company reviews relevant information with respect to its litigation and regulatory matters on a quarterly and annual basis and updates its accruals, disclosures and estimates of reasonably possible loss based on such reviews.

Regulatory

Variable Products

Prior to its acquisition by FGH on April 1, 2022, the Company received regulatory inquiries and requests for information from state and federal regulators, including a subpoena from the U.S. Securities and Exchange Commission, concerning the appropriateness of variable product sales and replacement activity. The Company is cooperating with regulators and may become subject to additional regulatory inquiries and other actions related to this matter.

Summary

The Company's litigation and regulatory matters are subject to many uncertainties, and given their complexity and scope, their outcome cannot be predicted. It is possible that the Company's results of operations or cash flows in a particular quarterly or annual period could be materially affected by an ultimate unfavorable resolution of pending litigation and regulatory matters depending, in part, upon the results of operations or cash flows for such period. In light of the unpredictability of the Company's litigation and regulatory matters, it is also possible that in certain cases an ultimate unfavorable resolution of one or more pending litigation or regulatory matters could have a material adverse effect on the Company's financial statements. Management believes, however, that, based on information currently known to it, the ultimate outcome of all pending litigation and regulatory matters, after consideration of applicable reserves and rights to indemnification, is not likely to have a material adverse effect on the Company's financial statements.

14. SEPARATE ACCOUNTS

Separate Account Assets

The aggregate fair value of assets, by major investment category, supporting separate accounts is as follows:

	December 31,					
	2024			2023		
	Retained Business	Ceded Business	Total Business	Retained Business	Ceded Business	Total Business
	(in millions)					
Mutual funds:						
Equity	$ 14,256	$ 1,378	$ 15,634	$ 14,704	$ 1,396	$ 16,100
Fixed income	6,497	628	7,125	6,997	665	7,662
Other	89	9	98	99	9	108
Total mutual funds	$ 20,842	$ 2,015	$ 22,857	$ 21,800	$ 2,070	$ 23,870

Separate Account Liabilities

The balances of and changes in separate account liabilities, at fair value, are as follows:

	Year Ended December 31,					
	2024			2023		
	(in millions)					
	Retained Business	Ceded Business	Total Business	Retained Business	Ceded Business	Total Business
Balance, beginning of year	$ 21,800	$ 2,070	$ 23,870	$ 21,558	$ 2,043	$ 23,601
Deposits	37	4	41	29	6	35
Investment performance	2,258	216	2,474	3,012	275	3,287
Policy charges	(450)	(36)	(486)	(455)	(36)	(491)
Surrenders and withdrawals	(2,818)	(264)	(3,082)	(2,363)	(241)	(2,604)
Benefit payments	(45)	(3)	(48)	(36)	(2)	(38)
Net transfers from general account	60	28	88	53	25	78
Other	—	—	—	2	—	2
Balance, end of year	$ 20,842	$ 2,015	$ 22,857	$ 21,800	$ 2,070	$ 23,870
Cash surrender value	$ 20,830	$ 2,013	$ 22,843	$ 21,775	$ 2,067	$ 23,842

15. CREDIT AND LIQUIDITY AGREEMENTS

Letter of Credit Facility

In the fourth quarter of 2024, the Company entered into a standby letter of credit facility with an unaffiliated investment bank, allowing borrowings of up to $100 million until its expiration in December 2027. The facility includes customary representations and warranties, covenants, and events of default. In addition, borrowings are not contingent on the Company's credit ratings nor subject to material adverse change clauses, however, the Company will be required to maintain a minimum Company Action Level (CAL) Risk-based Capital (RBC) ratio of 250% to maintain the agreement. As of December 31, 2024, no amounts have been borrowed under the credit facility.

Intercompany Liquidity Agreement

FLIAC entered into an intercompany liquidity agreement with FGH and its affiliates that allows the Successor Company to borrow or loan funds of up to $300 million to meet the short-term liquidity and other capital needs of itself and FGH and its affiliates. During the years ended December 31, 2024 and 2023, the Company borrowed a cumulative total of $80 million and $434 million, respectively, from FGH under the agreement, all of which was repaid in full during the respective years, plus interest.

In November 2023, the Successor Company loaned $150 million of funds to FGH under the agreement, which was repaid in full, plus interest, in December 2023.

During the nine months ended December 31, 2022, the Company borrowed against the agreement on two separate transactions, each of which was for $75 million. Both transactions were repaid in full, plus interest.

16. DAC, VOBA, AND DSI - PREDECESSOR COMPANY

As discussed in Note 1, the Successor Company has elected to apply push-down accounting as of April 1, 2022, which resulted in the write-off of DAC, VOBA, and DSI. Accordingly, there is no outstanding DAC, VOBA, or DSI balance at either December 31, 2024 and 2023 and there was no corresponding activity subsequent to April 1, 2022. The following disclosures pertain only to the Predecessor Company.

Significant Accounting Policies:

Deferred policy acquisition costs represent costs directly related to the successful acquisition of new and renewal insurance and annuity business that have been deferred to the extent such costs are deemed recoverable from future profits. Such DAC primarily includes commissions, costs of policy issuance and underwriting, and certain other expenses that are directly related to successfully acquired contracts. In each reporting period, capitalized DAC is amortized to "Amortization of DAC", net of the accrual of imputed interest on DAC balances. DAC is subject to periodic recoverability testing. DAC, for applicable products, is adjusted for the impact of unrealized gains or losses on investments as if these gains or losses had been realized, with corresponding credits or charges included in AOCI.

DAC related to fixed and variable deferred annuity products are generally deferred and amortized over the expected life of the contracts in proportion to gross profits arising principally from investment margins, mortality and expense margins, and surrender charges, based on historical and anticipated future experience, which is updated periodically. The Company uses a reversion to the mean approach for equities to derive future equity return assumptions, however, if the projected equity return calculated using this approach is greater than the maximum equity return assumption, the maximum equity return is utilized, and if the projected equity return is negative, the return is floored at 0%. Gross profits also include impacts from the embedded derivatives associated with certain of the optional living benefit features of variable annuity contracts, and index-linked crediting features of certain annuity contracts and related hedging activities. Total gross profits include both actual gross profits and estimates of gross profits for future periods.

The Company regularly evaluates and adjusts DAC balances with a corresponding charge or credit to current period earnings, representing a cumulative adjustment to all prior periods' amortization, for the impact of actual gross profits and changes in the Company's projections of estimated future gross profits. Adjustments to DAC balances result from: (i) the annual review of assumptions that reflect the comprehensive review of the assumptions used in estimating gross profits for future periods; (ii) quarterly adjustments for current period experience (also referred to as "experience true-up" adjustments) that reflect the impact of differences between actual gross profits for a given period and the previously estimated expected gross profits for that period; and (iii) quarterly adjustments for market performance (also referred to as "experience unlocking") that reflect the impact of changes to the Company's estimate of total gross profits to reflect actual fund performance and market conditions.

For some products, policyholders can elect to modify product benefits, features, rights or coverages by exchanging a contract for a new contract or by amendment, endorsement, or rider to a contract, or by the election of a feature or coverage within a contract. These transactions are known as internal replacements. For internal replacement transactions, except those that involve the addition of a non-integrated contract feature that does not change the existing base contract, the unamortized DAC is immediately charged to expense if the terms of the new policies are not substantially similar to those of the former policies. If the new terms are substantially similar to those of the earlier policies, the DAC is retained with respect to the new policies and amortized over the expected life of the new policies.

Value of business acquired represents identifiable intangible assets to which a portion of the purchase price in a business acquisition is attributed under the application of purchase accounting. VOBA represents an adjustment to the stated value of inforce insurance contract liabilities to present them at fair value, determined as of the acquisition date. VOBA balances are subject to recoverability testing, in the manner in which it was acquired. The Company had established a VOBA asset primarily for its acquisition of American Skandia Life Assurance Corporation. The Company amortizes VOBA over the anticipated life of the acquired contracts using the same methodology and assumptions used to amortize DAC. The Company recorded amortization of VOBA in "General, administrative, and other expenses."

Deferred sales inducements represents various types of sales inducements to contractholders related to fixed and variable deferred annuity contracts. The Company defers sales inducements and amortizes them over the expected life of the policy using the same methodology and assumptions used to amortize DAC. Sales inducement balances are subject to periodic recoverability testing. The Company records amortization of DSI in "Interest credited to policyholders' account balances." DSI for applicable products is adjusted for the impact of unrealized gains or losses on investments as if these gains or losses had been realized, with corresponding credits or charges included in AOCI.

DAC

The balances of and changes in DAC are disclosed below:

	Three Months Ended March 31 2022 (in millions)
Balance, beginning of period	$ 567
Amortization - Impact of assumption and experience unlocking and true-ups	(69)
Amortization - All other	(35)
Change due to unrealized investment gains and losses	6
Balance, end of period	$ 469

VOBA

The balances of and changes in VOBA are disclosed below:

	Three Months Ended March 31 2022 (in millions)
Balance, beginning of period	$ 28
Amortization - Impact of assumption and experience unlocking and true-ups	(2)
Amortization - All other	(2)
Change due to unrealized investment gains and losses	1
Balance, end of period	$ 25

As noted above, due to the write-off of VOBA resulting from our election to apply push-down accounting, there is no future estimated VOBA amortization.

DSI

The balances of and changes in DSI are disclosed below:

	Three Months Ended March 31 2022 (in millions)
Balance, beginning of period	$ 295
Amortization - Impact of assumption and experience unlocking and true-ups	(37)
Amortization - All other	(17)
Change in unrealized investment gains and losses	3
Balance, end of period	$ 244

Item 9. Changes in and Disagreements with Independent Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Management's Annual Report on Internal Control Over Financial Reporting on the effectiveness of internal control over financial reporting as of December 31, 2024 is included in Part II, Item 8 of this Annual Report on Form 10-K.

In order to provide reasonable assurance that the information we must disclose in our filings with the SEC is recorded, processed, summarized, and reported on a timely basis, the Company's management, including our Chief Executive Officer and Chief Financial Officer, have reviewed and evaluated the effectiveness of our disclosure controls and procedures, as defined in the Securities Exchange Act of 1934, as amended ("Exchange Act") Rules 15d-15(e), as of December 31, 2024. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2024, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2024 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Corporate Governance

In carrying out its responsibilities, the Board of Directors provides oversight for the process of selecting and monitoring the performance of senior management, provides oversight for financial reporting and legal and regulatory compliance, determines the Company's governance guidelines, and implements its governance policies. The Board, together with management, is responsible for establishing FLIAC's values and code of conduct and for setting the Company's strategic direction and priorities.

Executive officers and directors complete a conflict of interest certification on an annual basis. This certification requires the executive officers and directors to represent that they have read the Code of Conduct, which contains the conflict of interests policy, and disclose any conflicts of interests. The Code of Conduct has been filed as an exhibit to this annual report on Form 10-K.

The Company's Board of Directors has determined that all of the Company 's audit committee members are financially literate and audit committee financial experts as defined by the SEC.

Except as noted in the following section, no Directors of the Company have held during the past five years an other directorship in any company with a class of securities registered pursuant to Section 12 of the Exchange Act or subject to the requirements of Section 15(d) of such Act or any company registered as an investment company under the Investment Company Act of 1940.

Directors and Executive Officers

Biographical information for each of FLIAC's directors and executive officers is set forth below:

Directors

Ciara A. Burnham, 58, Director. Ciara A. Burnham has served as a Director of FLIAC since April 1, 2022 and serves on the Audit Committee. Ms. Burnham also serves as a Director of Fortitude Re. In addition to her role as a Director of FLIAC, Ms. Burnham is a financial services executive, board director and investor with three decades of experience across the industry. Ms. Burnham serves on the boards of several financial services and fintech companies, and also works with non-profit organizations focused on ESG, social impact and education. Ms. Burnham spent two decades as a Senior Managing Director with Evercore, the global investment bank, where she worked across both the investment banking and investment management businesses. Ms. Burnham joined Evercore shortly after its inception and played a significant leadership role in the build-out of the firm's presence on a global basis. She has worked with early stage fintech companies as a senior advisor and partner with QED, a leading venture capital firm. Earlier in her career, Ms. Burnham was an equity research analyst with Sanford Bernstein and a consultant with McKinsey. Ms. Burnham received an A.B. cum laude from Princeton University and an M.B.A. with honors from Columbia Business School. She serves as Chair of the Board of Trustees for EDC, a leading non-profit working globally in education, healthcare and economic opportunity. Ms. Burnham is a member of the Advisory Boards of the Tamer Center for Social Enterprise and the Program for Financial Studies at Columbia Business School. We believe Ms. Burnham is a valuable member of our board because of her experience in the financial services industry and her work with non-profit organizations focused on ESG, social impact and education.

Douglas A. French, 65, Director. Douglas A. French has served as a Director of FLIAC since April 1, 2022. Mr. French serves on the Nominating and Compensation Committee. Mr. French also serves as a Director of Fortitude Re. In addition to his role as a Director of FLIAC, Mr. French is the recent Managing Principal of the Insurance and Actuarial Advisory Services practice of Ernst & Young LLP's Financial Services Organization. Mr. French has spent more than 35 years in actuarial consulting. Before joining Ernst & Young LLP in 1999, he was a principal and global practice director of a major actuarial consulting firm. As a senior consultant, Mr. French has drawn on his global experiences to assist life, health and property/casualty clients in mergers and acquisitions, strategic planning, enterprise risk and capital management, financial reporting and management, financial projections and modeling and distribution economics and effectiveness. Throughout his career, he has not only maintained his technical actuarial skills, but has also strived to understand the broader strategic implications and drivers for the insurance industry and its participants. His deep understanding of the industry allows him to translate concepts and business models into active strategies and tactics for his clients. Mr. French is a frequent speaker at industry seminars and author in industry publications. He is also a former Corporate Advisory Council member of the International Association of Black Actuaries, a College of Natural Sciences Advisory Council participant at the University of Texas at Austin and an Emeritus Trustee of The Actuarial Foundation. In 2018, Mr. French received the Society of Actuaries Distinguished Service Award for significant contributions to the actuarial profession. Mr. French holds a B.S. in Mathematics from the University of Texas at Austin. We believe Mr. French is a valuable member of our board because of his robust experience in actuarial consulting.

Richard Patching, 72, Director. Richard Patching has served as a Director of FLIAC since April 1, 2022. Mr. Patching serves on the Audit Committee and the Nominating and Compensation Committee. Mr. Patching also serves as a Director of Fortitude Re. In addition to his role as a Director of FLIAC, Mr. Patching is a Chartered Accountant and member of both the Bermuda and England & Wales Institutes. For almost 25 years Mr. Patching was a partner with PricewaterhouseCoopers (PwC) providing audit and advisory services to Bermuda's insurance and reinsurance industry, including several of its largest companies. In addition to conducting audits of statutory and regulatory filings, Mr. Patching led a wide range of assignments focused on, among other things, analyzing enterprise risk and providing internal audit services to a number of insurance entities. Mr. Patching was also appointed Territory Assurance Leader and subsequently acted as Managing Partner of the firm. For several years, he represented the Bermuda firm as a member of PwC's Global Insurance Leadership Team. Mr. Patching retired from PwC Bermuda in June 2014. He resides in Bermuda. We believe Mr. Patching is a valuable member of our board because of his experience working closely with companies in Bermuda's insurance and reinsurance industry.

Brian T. Schreiber, 59, Director. Brian T. Schreiber has served as a Director of FLIAC since April 1, 2022. Mr. Schreiber also serves as a Director of Fortitude Re. In addition to his role as a Director of FLIAC, Mr. Schreiber is a Managing Director and Head of Carlyle Insurance Solutions, a business unit at Carlyle. Prior to joining Carlyle, Mr. Schreiber spent 20 years at AIG in a variety of senior executive roles, including: Chief Strategy Officer, Deputy Chief Investment Officer, and Global Treasurer, and was a member of AIG's Operating Committee, Group Risk Committee and Investment Committee. He served as a board member of United Guaranty, AIG's mortgage insurance subsidiary, and Varagon Capital, AIG's middle market direct lending joint venture. Mr. Schreiber was a key member of AIG's executive leadership team that engineered and executed AIG's successful restructuring and recapitalization. He led AIG's divestiture, hedging and capital markets activities coming out of the financial crisis, executing over 120 transactions in debt, equity and M&A and raising over $200 billion. Prior to the 2008 financial crisis, Mr. Schreiber was responsible for leading approximately $60 billion of acquisitions and strategic investments for AIG, including SunAmerica, American General and Edison Insurance Japan. Prior to AIG, Mr. Schreiber invested in financial services companies for the Bass Brothers, was an investment banker in Lehman Brothers' Financial Institutions Group, and started his career as a research associate for Booz Allen Hamilton. Mr. Schreiber holds a B.S. from New York University's Stern School of Business and an M.B.A. from Columbia Business School, and he is a member of the Council on Foreign Relations. We believe Mr. Schreiber is a valuable member of our board because of his experience as an executive at other companies in the insurance industry and his general knowledge of the financial services industry.

Samuel J. Weinhoff, 74, Director. Samuel J. Weinhoff has served as a Director of FLIAC since April 1, 2022. Mr. Weinhoff serves on the Audit Committee and the Nominating and Compensation Committee. Mr. Weinhoff also serves as a Director of Fortitude Re. In addition to his role as a Director of FLIAC, Mr. Weinhoff has been an independent consultant to the insurance industry since 2000. Mr. Weinhoff began his insurance career at the Home Insurance Company in 1976 as a corporate planning analyst. He rose to the head of the corporate planning, reporting and analysis department and later became an excess casualty treaty reinsurance underwriter. Mr. Weinhoff joined the investment department of the Reliance Insurance Company in 1980. While there, he had responsibility for investing in financial institution equities. Mr. Weinhoff joined Lehman Brothers in 1985, first as an equity research analyst covering the insurance industry and later as an Investment Banker focused on insurance. In 1997, he joined Schroders & Co. as head of their U.S. financial institutions effort. Mr. Weinhoff has served on the board of directors of Infinity Property Casualty, one of the largest U.S. Hispanic auto insurers. He became head of their Audit Committee in 2008 and Lead Director in 2015. Mr. Weinhoff joined the board of directors of Allied World in 2006, where he has served as Chair of the Compensation Committee and a member of the Risk, Audit, Investment and Executive Committee. Mr. Weinhoff holds a B.A. in Economics from the University of Illinois and an M.B.A. from the Wharton School. We believe Mr. Weinhoff is a valuable member of our board because of his prior board experience and general knowledge of the insurance and reinsurance industry.

Alon Neches, 48, President, Chief Executive Officer and Director. Mr. Neches has served as the President, CEO and a Director of FLIAC since September 30, 2022. Mr. Neches also serves as President, Chief Executive Officer and Director of FGH Parent, L.P. (together with its subsidiaries, "FGP"), a position he has held since September 29, 2022. Mr. Neches has more than 20 years of experience as an operator, investor and advisor in regulated industries. From 2020 until September 29, 2022, Mr. Neches was a Partner and Managing Director in Carlyle Insurance Solutions of The Carlyle Group, an affiliate of FLIAC. From 2011 to 2019, Mr. Neches held various senior executive roles at American International Group, Inc. ("AIG"), including

Global Treasurer and Head of Corporate Development, where he was involved in the creation of Fortitude Re. Before joining AIG, Mr. Neches was a Senior Restructuring Specialist Officer at the Federal Reserve Bank of New York, where he focused on managing the Federal Reserve's investment in AIG. Mr. Neches holds a B.S. in Economics from Duke University and a J.D. from Harvard Law School.

Greta Hager, 44, Executive Vice President, Chief Financial Officer and Director. Ms. Hager has served as the Chief Financial Officer and a Director of FLIAC since August 2024. She also serves as the Chief Financial Officer of Fortitude Re, a position she has also held since August 2024. Prior to joining Fortitude Re, Ms. Hager spent more than 20 years in the financial services sector, with her most recent position as the Head of Financial Planning and Analysis at Mass Mutual, which she held from July 2019 until her departure to join Fortitude. Prior to that experience she served in various strategic leadership roles in both finance and accounting at AIG. Ms. Hager began her career at the public accounting firm Grant Thornton where she served as an audit professional as well as a leader within their National Professional Standards Group. Ms. Hager holds a B.S. in Business Administration from the University of Houston and was licensed as a Certified Public Accountant in Texas.

Executive Officers

Jeff Burman, 58, is Fortitude Re's General Counsel, and is responsible for all of the Company's legal, compliance and regulatory matters. Mr. Burman brings more than 20 years of broad legal experience in the areas of insurance and reinsurance-related transactions, regulatory matters and dispute resolution. Prior to Fortitude Re, Mr. Burman most recently served as Chief Reinsurance Legal Officer and Deputy General Counsel at AIG. At AIG, Mr. Burman led the legal function for various groups, including Reinsurance; Multinational; Insurance Company Governance; as well as the Canada, Bermuda and Latin America regions. Prior to joining AIG, Mr. Burman practiced at two leading New York law firms where he represented insurers and reinsurers, investment banks and investors in (re)insurance transactions, including mergers and acquisitions, insurance-linked securitizations and reinsurance contract drafting and dispute resolution. Mr. Burman is a graduate of Rutgers University School of Law, where he was an editor on the Rutgers Law Journal, following which he served an appellate court clerkship in New Jersey. He is a member of the bars of New York and New Jersey.

Jeffrey Condit, 59, is Fortitude Re's Chief Accounting Officer and is responsible for the overall financial management and operational decision-making for the Company's accounting, reporting, financial analysis, financial systems, and internal control functions. Mr. Condit brings over 30 years of operational and financial experience in the insurance industry. Prior to his role at Fortitude Re, Mr. Condit was Senior Vice President at Unum Group, where he successfully managed the company's Closed Block Finance Segment, which included the strengthening of long-term care reserve margins and the delivery of double-digit annual growth in net operating earnings for the overall Closed Block Segment. Prior to joining Unum Group, Mr. Condit held progressive and diverse roles at Genworth Financial where, as Long-Term Care Business CFO, he led its long-term care business to industry-leading returns on new business and achieved significant operating cost reductions. Also at Genworth Financial, Mr. Condit served as Senior Vice President and AARP Business Unit Leader where, under his leadership, this newly created business delivered significant annual sales and impressive net operating earnings. Prior to Genworth Financial, Mr. Condit served as Deputy Director of Finance at GE Edison Life Insurance Company in Tokyo, Japan where he played a key leadership role in delivering significant net operating earnings growth. Early in his career, Mr. Condit held progressive financial roles at GE Financial Assurance and Arthur Andersen & Co. Jeff is a licensed CPA and holds a bachelor's degree in Economics and Business from the University of California, Los Angeles, graduating summa cum laude. Mr. Condit also completed the Executive Program at the University of Virginia, Darden School of Business.

Sean Coyle, 49, is the Chief Operating Officer at Fortitude Re, and is responsible for the Operational, Information Technology, and Administration aspects of the Fortitude Re business. Mr. Coyle brings approximately 20 years of operations and technology experience in the financial services industry, with deep knowledge in the insurance industry as both an operations and technology executive. Prior to his role in Fortitude Re, Mr. Coyle was the Global Head of Finance Operations and Reengineering at AIG, where he was tasked with defining and implementing the vision, strategy, and plan for the global finance target operating model with a key focus on the use of shared services. Mr. Coyle was responsible for the creation and oversight of AIG's global Finance Centers in India as well as regional Finance Centers in Eastern Europe and South America. In addition to operational responsibilities, his team delivered strategic transformation capabilities across finance, including the oversight and management of change programs, reengineering and process automation, robotics, operating model strategy and strategic project execution. Prior to joining AIG in 2012, Mr. Coyle was Senior Vice President of Global Operations & Reengineering at ACE Group (now Chubb), where he was a member of the operations leadership team with global responsibility for the strategy, vision and execution of the operations function. Prior to joining ACE Group in 2006, Mr. Coyle was a Senior Manager with BearingPoint Inc. in the Financial Services practice and a Lead Application Developer and Architect with Proxicom, Inc. Mr. Coyle holds a bachelor's degree in Computer Science from Florida State University.

Jeffrey Mauro, 38, is the Chief Investment Officer at Fortitude Re, responsible for the implementation of asset allocation and asset/ liability management strategies. Mr. Mauro previously served as head of the Cross Asset Initiatives team in the Asset Management Group at AIG, where he developed and implemented processes to facilitate asset allocation decisions for AIG's investment portfolio. In 2013, Mr. Mauro began his tenure at AIG in the Investments Business Strategy team where he worked to execute the divestiture of certain holdings that were deemed no longer core to AIG's overall business. Prior to that, Mr. Mauro worked in Investment Banking, helping financial institutions to execute capital raising and M&A transactions at Macquarie Capital (USA) Inc. and FBR & Co. Mr. Mauro earned his Bachelors of Science in Finance and Accounting from Georgetown University. Mr. Mauro is a Chartered Financial Analyst (CFA) Charterholder.

Mark Retik 58, Variable Life and Annuity Business Leader. Mr. Retik leads the Variable Life and Annuity Business at Fortitude Re. In this capacity, he has overall responsibility for the performance of FLIAC. Most recently, Mr. Retik served as the North American head of Munich Re's capital markets reinsurance unit. Previously, he was with Prudential Financial, where he ran the capital markets hedging team with responsibility for risk managing the firm's variable annuities. Mr. Retik spent most of his career as a Managing Director in the Securities Division of Goldman, Sachs & Co., on the equity and credit derivatives desks, developing and executing capital markets solutions for insurance and reinsurance company clients. Mr. Retik earned his BA in Mathematics from Dartmouth College and MBA from the MIT Sloan School of Management. Mr. Retik is an Associate of the Society of Actuaries.

James West, 48, is the Chief Actuary at Fortitude Re where he is responsible for pricing, managing and reserving Fortitude Re's life insurance businesses. Mr. West has 20 years of experience in US Life Insurance with a wide range of Life, Annuity and A&H products. Prior to joining Fortitude Re, Mr. West held various positions at AIG, including Chief Finance Actuary Life and Chief Finance Actuary Legacy. As AIG Chief Finance Actuary Legacy, he was heavily involved in the establishment of Fortitude Re. Mr. West also held various actuarial positions at Conseco and earned a Bachelor of Science in Actuarial Science and Statistics from Purdue University. He is a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries.

Effective January 31, 2025, FLIAC's former Chief Risk Officer resigned to pursue other opportunities. The position remains vacant as of the date of this report. FLIAC is considering candidates for the position. While we are conducting a search for a successor, the financial risks of the Company are being collectively overseen by the executive officers of FLIAC responsible for actuarial, hedging, and investment management and its risk management continues to be overseen by the Fortitude Group risk management function under the leadership of the Fortitude Group Chief Risk Officer.

Item 11. Executive Compensation

FLIAC does not have any employees. Its parent, Fortitude Group Holdings, LLC ("FGH"), provides personnel to the Company pursuant to a Services Agreement between FLIAC and FGH. As a result, FLIAC does not determine or pay any compensation to its executive officers or additional personnel provided by FGH. FGH determines and pays salaries, bonuses and all other compensation to FLIAC's executive officers and additional personnel provided by FGH. FGH compensation decisions for all persons are made commensurate with their positions, tenure and levels of responsibility. FGH also determines whether and to what extent it will provide employee benefits plans to such persons.

See Part III, Item 13 for more information about the Services Agreement.

FLIAC does not pay any compensation to its directors for their services as directors of FLIAC.

Item 12. Security Ownership of Certain Beneficial Owners and Management

FGH directly owns 100% of the voting securities of FLIAC. FGH's principal executive offices are located at Ten Exchange Place, Suite 2210, Jersey City, NJ 07302. There are no anticipated changes in the control of FLIAC.

Item 13. Certain Relationships and Related Transactions and Director Independence

Transactions between FLIAC and FGH or other FGH subsidiaries

Pursuant to a Services Agreement between FLIAC and FGH, FLIAC purchases certain general and administrative services from FGH which include accounting, actuarial, risk management, and data processing services. FGH also provides FLIAC with personnel and certain other services. The allocation of costs for other services are based on estimated level of usage, transactions or time incurred in providing the respective services.

FLIAC entered into an intercompany liquidity agreement with FGH and its affiliates that allows the Company to borrow or loan funds of up to $300 million to meet the short-term liquidity and other capital needs of itself and FGH and its affiliates.

See Note 11 “Related Party Transactions” and Note 15 “Credit and Liquidity Agreements” contained in Part II, Item 8 for additional information.

Transactions Involving FLIAC’s Directors or Executive Officers or Immediate Family Members of FLIAC’s Directors and Executive Officers

Except as otherwise described below, since FGH's acquisition of FLIAC, there have been no transactions to which FLIAC was a participant involving FLIAC’s directors or executive officers or family relationships among any of FLIAC’s directors and executive officers.

Douglas A. French, a Director of FLIAC, is party to a consulting agreement with Fortitude Group Services, Inc. (“FGS”), which provides personnel and business services to other Fortitude companies pursuant to intercompany arrangements. Under the agreement, Mr. French receives fees for consulting services provided to FGS. For the fiscal years ended 2024, 2023, and 2022, Mr. French received consulting fees from FGS equal to approximately $480,000, $480,000, and $150,000, respectively.

Review, Approval or Ratification of Transactions with Related Persons

FLIAC’s senior management approves all related party transactions involving directors and executive officers of FLIAC. In considering the transaction, FLIAC’s senior management may consider all relevant factors, including as applicable: the business rationale for entering into the transaction; the alternatives to entering into a related person transaction; whether the transaction is on terms comparable to those available to third parties, or in the case of employment relationships, to employees generally; the potential for the transaction to lead to an actual or apparent conflict of interest and any safeguards imposed to prevent such actual or apparent conflicts; and the overall fairness of the transaction to FLIAC. Potential related party transactions are covered by FLIAC’s Code of Conduct policy. Approval of such related person transactions would be evidenced by resolutions of the Finance committee of the FLIAC Board of Directors in accordance with its practice of reviewing and approving transactions in this manner.

Director Independence

There are no family relationships among any of FLIAC’s directors and executive officers. Other than the consulting agreement noted above between Mr. French and FGS, none of FLIAC’s directors is a party to any material plan, contract or arrangement (whether or not written) with FLIAC, there are no arrangements or understandings between such persons and any other person pursuant to which they were selected to serve as a member of FLIAC’s board of directors, they are not a participant in any related party transaction required to be reported pursuant to Item 404(a) of Regulation S-K, and there are no material plans, contracts or arrangements (whether or not written) to which the director participates that was entered into or materially amended in connection with the director’s appointment.

Item 14. Principal Accountant Fees and Services

The following is a summary and description of fees for services provided by PricewaterhouseCoopers. Fees prior to April 1, 2022 were incurred by the Predecessor Company and are not included below.

Services provided	Year Ended December 31 2024	Year Ended December 31 2023	Nine Months Ended December 31 2022
	(in thousands)		
Audit Fees (1)	$ 4,385	$ 4,285	$ 4,790
Audit-related Fees (2)	—	—	792
Tax Fees (3)	167	327	—
All Other Fees	—	—	—
Total	$ 4,552	$ 4,612	$ 5,582

(1) - The aggregate fees for professional services rendered for the audit of the consolidated financial statements of FLIAC and, as required, consents and assistance with review of documents filed with the SEC.

(2) - Includes aggregate fees for assurance and related services, including internal control and financial compliance reports, and accounting consultation on accounting standards, acquisitions, and potential financial reporting requirements.

(3) - Includes aggregate fees for tax related services to support for the Company's analysis of certain tax positions, transfer pricing studies and other professional fees.

The Audit Committee maintains oversight of all audit and permissible non-audit services performed by the independent auditor, which includes recommendation of the Company's independent auditor and approval of fees for the services it provides. The Committee also considers whether such services are consistent with SEC rules on auditor independence.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this report:

Any remaining schedules provided for in the applicable SEC regulations are omitted because they are either inapplicable or the relevant information is provided elsewhere within this Form 10-K.

(3) Exhibits

3. (i)(a) Certificate Restating the Certificate of Incorporation of American Skandia Life Assurance Corporation, dated February 8, 1988 is incorporated by reference to the Company's Form 10-K, Registration No. 33-44202, filed March 27, 2004.

(i)(b) Certificate of Amendment to the Restated Certificate of Incorporation of American Skandia Life Assurance Corporation, dated December 17, 1999 is incorporated by reference to the Company's Form 10-K, Registration No. 33-44202, filed March 27, 2004.

(i)(c) Certificate of Amendment changing the name from American Skandia Life Assurance Corporation to Prudential Annuities Life Assurance Corporation, effective as of January 1, 2008, is incorporated by reference to the Company's Form 10-K, Registration No 33-44202, filed March 15, 2011.

(i)(d) Articles of Domestication of Prudential Annuities Life Assurance Corporation, effective August 31, 2013, are incorporated by reference to the Company's Form 8-K, Registration No. 33-44202, filed August 30, 2013.

(ii)(a) By-Laws of American Skandia Life Assurance Corporation, as amended June 17, 1998, are incorporated by reference to the Company's Form 10-K, Registration No. 33-44202, filed March 27, 2004.

(ii)(b) By-Laws of Prudential Annuities Life Assurance Corporation, as amended and restated effective January 1, 2008, are incorporated by reference to the Company's Form 10-K, Registration No 33-44202, filed March 15, 2011.

(ii)(c) Amended and Restated By-Laws of Prudential Annuities Life Assurance Corporation, effective August 31, 2013, are incorporated by reference to the Company's Form 8-K, Registration No. 33-44202, filed August 30, 2013.

14. Code of Ethics is incorporated by reference to the Company's Form 10-K, Registration No. 33-44202, filed March 22, 2023.

23.1 Consent of PricewaterhouseCoopers LLP is filed herewith

24. Powers of Attorney are filed herewith.

31.1 Section 302 Certification of the Chief Executive Officer.

31.2 Section 302 Certification of the Chief Financial Officer.

32.1 Section 906 Certification of the Chief Executive Officer.

32.2 Section 906 Certification of the Chief Financial Officer.

101.INS - XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

101.SCH - XBRL Taxonomy Extension Schema Document.

101.CAL - XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB - XBRL Taxonomy Extension Label Linkbase Document

101.PRE - XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF - XBRL Taxonomy Extension Definition Linkbase Document

104.Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

Fortitude Life Insurance & Annuity Company
Schedule I
Summary of Investments Other Than Investments in Related Parties
As of December 31, 2024

Type of Investment	Amortized Cost or Cost	Fair Value	Amount Shown in the Balance Sheet
		(in millions)	
Fixed maturity securities			
U.S. Treasury securities and obligations of U.S. government authorities and agencies	$ 640	$ 479	$ 479
Obligations of U.S. states and their political subdivisions	131	112	112
Foreign governments	1	1	1
U.S. corporate public securities	3,108	2,775	2,775
U.S. corporate private securities	429	420	420
Foreign corporate public securities	281	270	270
Foreign corporate private securities	105	97	97
Asset-backed securities	723	712	712
Commercial mortgage-backed securities	38	34	34
Residential mortgage-backed securities	123	122	122
Total fixed maturity securities	$ 5,579	$ 5,022	$ 5,022
Mortgage loans	354		364
Short-term investments	8		8
Other invested assets (1)	51		42
Total investments	$ 5,992		$ 5,436

(1) Excludes derivative instruments and associated collateral. See Notes 4, 5, and 6 for further information regarding derivative instruments.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Jersey City, and State of New Jersey on March 27, 2025.

FORTITUDE LIFE INSURANCE & ANNUITY COMPANY
(Registrant)

By: /s/ Greta Hager
Greta Hager
Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 27, 2025.

Signature	Title
/s/ Alon Neches Alon Neches	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Greta Hager Greta Hager	Executive Vice President, Chief Financial Officer and Director (Principal Financial Officer)
/s/ Jeffrey Condit Jeffrey Condit	Managing Director, Chief Accounting Officer (Principal Accounting Officer)
* Ciara A. Burnham Ciara A. Burnham	Director
* Douglas A. French Douglas A. French	Director
* Richard Patching Richard Patching	Director
* Brian T. Schreiber Brian T. Schreiber	Director
* Samuel J. Weinhoff Samuel J. Weinhoff	Director

* By: /s/ Richard E. Buckley
Richard E. Buckley
(Attorney-in-Fact)