

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 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

(State or Other Jurisdiction of
Incorporation or Organization)

06-1241288

(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:

Title of Each Class

Not Applicable

Trading Symbol(s)

Not Applicable

Name of Each Exchange on Which Registered

Not Applicable

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 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	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input checked="" type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 8, 2024, 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.

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FORWARD-LOOKING STATEMENTS

Certain of the statements included in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Words such as “expects,” “believes,” “anticipates,” “includes,” “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 markets 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 the Annual Report on Form 10-K for the year ended December 31, 2023 for discussion of certain risks relating to our business.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2024	December 31, 2023
ASSETS		
Fixed maturity securities, at fair value	\$ 5,661	\$ 5,210
Mortgage loans, at fair value	353	437
Short-term investments	13	21
Other invested assets (includes \$317 and \$141 of assets measured at fair value at September 30, 2024 and December 31, 2023, respectively)	367	211
Total investments	6,394	5,879
Cash and cash equivalents	420	940
Accrued investment income	63	60
Reinsurance recoverables, at fair value	179	206
Deposit asset, at fair value	390	438
Income taxes	81	99
Other assets (Receivables from parent and affiliates: September 30, 2024 - \$0; December 31, 2023 - \$0)	79	61
Separate account assets, at fair value	24,010	23,870
TOTAL ASSETS	\$ 31,616	\$ 31,553
LIABILITIES AND EQUITY		
LIABILITIES		
Insurance liabilities, at fair value	\$ 4,754	\$ 5,003
Net modified coinsurance payable, at fair value	120	78
Liabilities associated with secured borrowing arrangements	1,158	967
Other liabilities (Payables to parent and affiliates: September 30, 2024 - \$4; December 31, 2023 - \$10)	235	273
Separate account liabilities, at fair value	24,010	23,870
TOTAL LIABILITIES	30,277	30,191
COMMITMENTS AND CONTINGENT LIABILITIES (See Note 9)		
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	(348)	(290)
Accumulated other comprehensive loss	(30)	(65)
TOTAL EQUITY	1,339	1,362
TOTAL LIABILITIES AND EQUITY	\$ 31,616	\$ 31,553

See Notes to Unaudited Interim Consolidated Financial Statements

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

	September 30			
	Three Months Ended		Nine Months Ended	
	2024	2023	2024	2023
REVENUES				
Premiums	\$ 6	\$ 8	\$ 24	\$ 22
Policy charges and fee income	116	113	341	345
Net investment income	76	73	221	227
Asset management and service fees	24	23	70	68
Other income	3	1	5	5
Investment gains (losses), net	234	(482)	(234)	(604)
TOTAL REVENUES	459	(264)	427	63
BENEFITS AND EXPENSES				
Policyholder benefits and changes in fair value of insurance liabilities	440	(177)	188	(92)
Commission expense	22	22	68	68
Goodwill impairment	—	93	—	93
General, administrative and other expenses	21	21	59	55
TOTAL BENEFITS AND EXPENSES	483	(41)	315	124
INCOME (LOSS) FROM OPERATIONS				
BEFORE INCOME TAXES	(24)	(223)	112	(61)
Less: Income tax expense (benefit)	(1)	(29)	20	(4)
NET INCOME (LOSS)	\$ (23)	\$ (194)	\$ 92	\$ (57)
Other comprehensive income (loss), before tax:				
Changes in own-credit risk related to insurance liabilities	(4)	(45)	44	(138)
Less: Income tax expense (benefit) related to other comprehensive income (loss)	(1)	(9)	9	(29)
Other comprehensive income (loss), net of taxes	(3)	(36)	35	(109)
COMPREHENSIVE INCOME (LOSS)	\$ (26)	\$ (230)	\$ 127	\$ (166)

See Notes to Unaudited Interim Consolidated Financial Statements

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

	Common Stock	Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Total Equity
Balance, December 31, 2023	\$ 3	\$ 1,714	\$ (290)	\$ (65)	\$ 1,362
Dividend to parent	—	—	(75)	—	(75)
Comprehensive income (loss):					
Net income	—	—	145	—	145
Other comprehensive loss, net of tax	—	—	—	(10)	(10)
Total comprehensive income					135
Balance, March 31, 2024	\$ 3	\$ 1,714	\$ (220)	\$ (75)	\$ 1,422
Dividend to parent	—	—	(75)	—	(75)
Comprehensive income (loss):					
Net loss	—	—	(30)	—	(30)
Other comprehensive income, net of tax	—	—	—	48	48
Total comprehensive income					18
Balance, June 30, 2024	\$ 3	\$ 1,714	\$ (325)	\$ (27)	\$ 1,365
Comprehensive income (loss):					
Net loss	—	—	(23)	—	(23)
Other comprehensive loss, net of tax	—	—	—	(3)	(3)
Total comprehensive loss					(26)
Balance, September 30, 2024	<u>\$ 3</u>	<u>\$ 1,714</u>	<u>\$ (348)</u>	<u>\$ (30)</u>	<u>\$ 1,339</u>

	Common Stock	Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Income	Total Equity
Balance, December 31, 2022	\$ 3	\$ 1,759	\$ (286)	\$ 111	\$ 1,587
Distribution to parent	—	(45)	—	—	(45)
Comprehensive income:					
Net income	—	—	7	—	7
Other comprehensive income, net of tax	—	—	—	17	17
Total comprehensive income					24
Balance, March 31, 2023	\$ 3	\$ 1,714	\$ (279)	\$ 128	\$ 1,566
Comprehensive income:					
Net income	—	—	130	—	130
Other comprehensive loss, net of tax	—	—	—	(90)	(90)
Total comprehensive income					40
Balance, June 30, 2023	\$ 3	\$ 1,714	\$ (149)	\$ 38	\$ 1,606
Comprehensive loss:					
Net loss	—	—	(194)	—	(194)
Other comprehensive loss, net of tax	—	—	—	(36)	(36)
Total comprehensive loss					(230)
Balance, September 30, 2023	<u>\$ 3</u>	<u>\$ 1,714</u>	<u>\$ (343)</u>	<u>\$ 2</u>	<u>\$ 1,376</u>

See Notes to Unaudited Interim Consolidated Financial Statements

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

	Nine Months Ended September 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 92	\$ (57)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Investment losses, net	234	604
Goodwill impairment	—	93
Other, net	(14)	(24)
Change in:		
Insurance liabilities, at fair value	(45)	(957)
Deposit asset, at fair value	48	177
Net modified coinsurance receivable/payable, at fair value	42	577
Accrued investment income	(3)	(9)
Income taxes	9	(7)
Reinsurance recoverables, net	27	56
Derivatives, net	(489)	(526)
Other, net	11	(6)
Cash flows used in operating activities	(88)	(79)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale/maturity/prepayment of:		
Fixed maturity securities, at fair value	320	281
Mortgage loans	86	60
Other invested assets	4	39
Short-term investments	46	78
Payments for the purchase/origination of:		
Fixed maturity securities, at fair value	(720)	(630)
Mortgage loans	(9)	(332)
Other invested assets	(4)	(25)
Short-term investments	(37)	(81)
Other, net	1	4
Cash flows used in investing activities	(313)	(606)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net policyholder's account withdrawals	(161)	(151)
Drafts outstanding	(22)	(2)
Net proceeds (repayments) related to secured borrowing arrangements - repurchase agreements with maturities 90 days or less	(95)	305
Proceeds related to secured borrowing arrangements - repurchase agreements with maturities greater than 90 days	602	758
Repayments related to secured borrowing arrangements - repurchase agreements with maturities greater than 90 days	(299)	(354)
Net proceeds (repayments) related to secured borrowing arrangements - securities lending	6	(106)
Dividend to parent	(150)	—
Distribution to parent	—	(45)
Cash flows from (used in) financing activities	(119)	405
NET DECREASE IN CASH AND CASH EQUIVALENTS	(520)	(280)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	940	872
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 420	\$ 592

During the nine months ended September 30, 2023, we had novations within our Ceded Business related to variable-indexed annuities under the reinsurance agreement with Pruco Life Insurance Company that resulted in non-cash transactions of \$491 million of investments with a corresponding offset to the modified coinsurance payable. There was no significant non-cash novation activity during the nine months ended September 30, 2024. See Note 5 for non-cash disclosures regarding collateral transferred under repurchase agreements.

See Notes to Unaudited Interim Consolidated Financial Statements

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

1. BUSINESS AND BASIS OF PRESENTATION

Fortitude Life Insurance & Annuity Company and its wholly-owned subsidiary (collectively, “FLIAC” or the “Company”), with its principal offices in Jersey City, New Jersey, is a wholly-owned subsidiary of Fortitude Group Holdings, LLC (“FGH”).

Basis of Presentation

The Unaudited Interim 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 interim financial information in accordance with instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission (“SEC”). The accompanying Unaudited Consolidated Financial Statements present the consolidated results of operations, financial condition, and cash flows of FLIAC. All intercompany transactions have been eliminated in consolidation.

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. Interim results are not necessarily indicative of the results that may be expected for the full year. These financial statements should be read in conjunction with the Company’s Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023.

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.

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 Insurance Company (“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 three and nine months ended September 30, 2023, approximately \$172 million and \$635 million, respectively, 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 the three and nine months ended September 30, 2024 and we do not expect significant future novation activity under the current program. Since the acquisition of the Company on April 1, 2022, approximately 73 percent of account value in the Ceded Business has been novated to Pruco Life under this program.

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 in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 for further discussion regarding significant assumptions related to our fair value of insurance liabilities.

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

2023 Goodwill Impairment

As a result of its third quarter of 2023 actuarial assumption update, the Company identified a triggering event 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 during the third quarter of 2023. 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.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. The Company reclassified net proceeds related to repurchase agreements by disaggregating the cash flows related to repurchase agreements with original maturity dates greater than 90 days from those with original maturity dates less than 90 days within the Consolidated Statements of Cash Flows.

2. SIGNIFICANT ACCOUNTING POLICIES AND PRONOUNCEMENTS***Accounting Policy Election******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 liabilities, and associated reinsurance activity with how we expect to manage the business. See Note 4 herein and Notes 2 and 4 in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 for further information.

Recent Accounting Pronouncements

Changes to U.S. GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of an Accounting Standards Update ("ASU") to the 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 the date of this filing. ASUs not listed below were assessed and determined to be either not applicable or not material.

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

ASUs issued but not yet adopted as of September 30, 2024:

Standard	Description	Effective date and method of adoption	Effect on the financial statements or other significant matters
<i>ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures</i>	This ASU improves reportable segment disclosure requirements, primarily through enhanced disclosures regarding a company's significant segment expenses and certain other items. The update will also require expanded disclosures regarding the chief operating decision maker (CODM) and the information they are provided when assessing segment performance and allocating resources.	Effective for annual reporting periods beginning January 1, 2024, and interim reporting periods beginning January 1, 2025, using the 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.
<i>ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures</i>	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, and is required to be applied prospectively with the option of retrospective application. 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.

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

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 we retain 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 are fully ceded to Prudential Insurance and Pruco Life under existing coinsurance and modified coinsurance agreements. At September 30, 2024 and December 31, 2023, we had a modified coinsurance payable of \$1,748 million and \$1,603 million, respectively, equal to the assets held in the Ceded Business, and are included in the net modified coinsurance payable.

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 as of September 30, 2023. See Note 1 contained herein for further information.

The following is the Consolidated Statement of Financial Position by segment:

	September 30, 2024		
	Retained Business	Ceded Business	Total
	(in millions)		
ASSETS			
Total investments	\$ 4,668	\$ 1,726	\$ 6,394
Cash and cash equivalents	350	70	420
Accrued investment income	53	10	63
Reinsurance recoverables	—	179	179
Deposit asset	—	390	390
Income taxes	81	—	81
Other assets	78	1	79
Separate account assets	21,897	2,113	24,010
TOTAL ASSETS	\$ 27,127	\$ 4,489	\$ 31,616
LIABILITIES AND EQUITY			
LIABILITIES			
Insurance liabilities	\$ 2,512	\$ 2,242	\$ 4,754
Net modified coinsurance payable	—	120	120
Liabilities associated with secured borrowing arrangements	1,152	6	1,158
Other liabilities	227	8	235
Separate account liabilities	21,897	2,113	24,010
TOTAL LIABILITIES	25,788	4,489	30,277
TOTAL EQUITY			
TOTAL EQUITY	1,339	—	1,339
TOTAL LIABILITIES AND EQUITY	\$ 27,127	\$ 4,489	\$ 31,616

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

	December 31, 2023		
	Retained Business	Ceded Business	Total
	(in millions)		
ASSETS			
Total investments	\$ 4,680	\$ 1,199	\$ 5,879
Cash and cash equivalents	534	406	940
Accrued investment income	51	9	60
Reinsurance recoverables	—	206	206
Deposit asset	—	438	438
Income taxes	99	—	99
Other assets	61	—	61
Separate account assets	21,800	2,070	23,870
TOTAL ASSETS	\$ 27,225	\$ 4,328	\$ 31,553
LIABILITIES AND EQUITY			
LIABILITIES			
Insurance liabilities	\$ 2,835	\$ 2,168	\$ 5,003
Net modified coinsurance payable	—	78	78
Liabilities associated with secured borrowing arrangements	967	—	967
Other liabilities	261	12	273
Separate account liabilities	21,800	2,070	23,870
TOTAL LIABILITIES	25,863	4,328	30,191
TOTAL EQUITY			
TOTAL EQUITY	1,362	—	1,362
TOTAL LIABILITIES AND EQUITY	\$ 27,225	\$ 4,328	\$ 31,553

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

The following is comprehensive loss by segment:

	Three Months Ended September 30, 2024		
	Retained Business	Ceded Business	Total
	(in millions)		
REVENUES			
Premiums	\$ 6	\$ —	\$ 6
Policy charges and fee income	116	—	116
Net investment income	60	16	76
Asset management and service fees	24	—	24
Other income	3	—	3
Investment gains, net	155	79	234
TOTAL REVENUES	364	95	459
BENEFITS AND EXPENSES			
Policyholder benefits and changes in fair value of insurance liabilities	345	95	440
Commission expense	22	—	22
General, administrative and other expenses	21	—	21
TOTAL BENEFITS AND EXPENSES	388	95	483
LOSS FROM OPERATIONS BEFORE INCOME TAXES	(24)	—	(24)
Less: Income tax benefit	(1)	—	(1)
NET LOSS	\$ (23)	\$ —	\$ (23)
Other comprehensive loss, before tax:			
Changes in own-credit risk related to insurance liabilities	(4)	—	(4)
Less: Income tax benefit	(1)	—	(1)
Other comprehensive loss, net of taxes	(3)	—	(3)
COMPREHENSIVE LOSS	\$ (26)	\$ —	\$ (26)

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

	Nine Months Ended September 30, 2024		
	Retained Business	Ceded Business	Total
	(in millions)		
REVENUES			
Premiums	\$ 24	\$ —	\$ 24
Policy charges and fee income	341	—	341
Net investment income	175	46	221
Asset management and service fees	70	—	70
Other income	5	—	5
Investment gains (losses), net	(449)	215	(234)
TOTAL REVENUES	166	261	427
BENEFITS AND EXPENSES			
Policyholder benefits and changes in fair value of insurance liabilities	(73)	261	188
Commission expense	68	—	68
General, administrative and other expenses	59	—	59
TOTAL BENEFITS AND EXPENSES	54	261	315
INCOME FROM OPERATIONS BEFORE INCOME TAXES	112	—	112
Less: Income tax expense	20	—	20
NET INCOME	\$ 92	\$ —	\$ 92
Other comprehensive income, before tax:			
Changes in own-credit risk related to insurance liabilities	44	—	44
Less: Income tax expense	9	—	9
Other comprehensive income, net of taxes	35	—	35
COMPREHENSIVE INCOME	\$ 127	\$ —	\$ 127

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

	Three Months Ended September 30, 2023		
	Retained Business	Ceded Business	Total
	(in millions)		
REVENUES			
Premiums	\$ 8	\$ —	\$ 8
Policy charges and fee income	113	—	113
Net investment income	56	17	73
Asset management and service fees	23	—	23
Other income	1	—	1
Investment losses, net	(433)	(49)	(482)
TOTAL REVENUES	(232)	(32)	(264)
BENEFITS AND EXPENSES			
Policyholder benefits and changes in fair value of insurance liabilities	(145)	(32)	(177)
Commission expense	22	—	22
Goodwill impairment	93	—	93
General, administrative and other expenses	21	—	21
TOTAL BENEFITS AND EXPENSES	(9)	(32)	(41)
LOSS FROM OPERATIONS BEFORE INCOME TAXES	(223)	—	(223)
Less: Income tax benefit	(29)	—	(29)
NET LOSS	\$ (194)	\$ —	\$ (194)
Other comprehensive loss, before tax:			
Changes in own-credit risk related to insurance liabilities	(45)	—	(45)
Less: Income tax benefit	(9)	—	(9)
Other comprehensive loss, net of taxes	(36)	—	(36)
COMPREHENSIVE LOSS	\$ (230)	\$ —	\$ (230)

Fortitude Life Insurance & Annuity Company
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	Nine Months Ended September 30, 2023		
	Retained Business	Ceded Business	Total
	(in millions)		
REVENUES			
Premiums	\$ 22	\$ —	\$ 22
Policy charges and fee income	345	—	345
Net investment income	170	57	227
Asset management and service fees	68	—	68
Other income	4	1	5
Investment gains (losses), net	(806)	202	(604)
TOTAL REVENUES	(197)	260	63
BENEFITS AND EXPENSES			
Policyholder benefits and changes in fair value of insurance liabilities	(352)	260	(92)
Commission expense	68	—	68
Goodwill impairment	93	—	93
General, administrative and other expenses	55	—	55
TOTAL BENEFITS AND EXPENSES	(136)	260	124
LOSS FROM OPERATIONS BEFORE INCOME TAXES	(61)	—	(61)
Less: Income tax benefit	(4)	—	(4)
NET LOSS	\$ (57)	\$ —	\$ (57)
Other comprehensive loss, before tax:			
Changes in own-credit risk related to insurance liabilities	(138)	—	(138)
Less: Income tax benefit	(29)	—	(29)
Other comprehensive loss, net of taxes	(109)	—	(109)
COMPREHENSIVE LOSS	\$ (166)	\$ —	\$ (166)

Fortitude Life Insurance & Annuity Company
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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.

For a discussion of the Company's valuation methodologies for assets and liabilities measured at fair value and the fair value hierarchy, see Note 4 to the Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Fair Value Option Election

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 balance sheet, 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 11 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. See Notes 2 and 4 to the Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 for further information.

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

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

	September 30, 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	\$	—	\$	559	\$	—	\$	—	\$	559
Obligations of U.S. states and their political subdivisions		—		122		—		—		122
Foreign government bonds		—		1		—		—		1
U.S. corporate public securities		—		2,935		—		—		2,935
U.S. corporate private securities		—		150		277		—		427
Foreign corporate public securities		—		290		—		—		290
Foreign corporate private securities		—		32		59		—		91
Asset-backed securities (2)		—		792		281		—		1,073
Commercial mortgage-backed securities		—		11		—		—		11
Residential mortgage-backed securities		—		136		5		—		141
Total fixed maturity securities		—		5,028		622		—		5,650
Mortgage loans (3)		—		—		353		—		353
Short-term investments		—		13		—		—		13
Cash and cash equivalents		420		—		—		—		420
Other invested assets - derivatives		5		945		—		(659)		291
Deposit asset		—		—		390		—		390
Reinsurance recoverables		—		—		179		—		179
Subtotal excluding separate account assets		425		5,986		1,544		(659)		7,296
Separate account assets		—		24,010		—		—		24,010
Total assets	\$	425	\$	29,996	\$	1,544	\$	(659)	\$	31,306
Liabilities										
Insurance liabilities	\$	—	\$	—	\$	4,754	\$	—	\$	4,754
Other liabilities - derivatives		56		1,086		—		(1,037)		105
Net modified coinsurance payable		—		—		120		—		120
Separate account liabilities		—		24,010		—		—		24,010
Total liabilities	\$	56	\$	25,096	\$	4,874	\$	(1,037)	\$	28,989

- (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 September 30, 2024, the aggregate fair value of mortgage loans exceeded the aggregate unpaid principal by \$2 million.

Excluded from the above chart are private equity funds, which are classified as other invested assets on the Consolidated Statements of Financial Position, and certain fixed maturity securities, for which fair value is measured at net asset value (“NAV”) per share (or its equivalent) as a practical expedient. At September 30, 2024 the fair values of these private equity funds and fixed maturity securities were \$26 million and \$11 million, respectively.

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	September 30, 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	\$ —	\$ 482	\$ —	\$ —	\$ 482	
Obligations of U.S. states and their political subdivisions	—	122	—	—	122	
U.S. corporate public securities	—	2,130	—	—	2,130	
U.S. corporate private securities	—	—	275	—	275	
Foreign corporate public securities	—	128	—	—	128	
Foreign corporate private securities	—	—	59	—	59	
Asset-backed securities (2)	—	731	268	—	999	
Commercial mortgage-backed securities	—	11	—	—	11	
Residential mortgage-backed securities	—	18	5	—	23	
Total fixed maturity securities	—	3,622	607	—	4,229	
Mortgage loans (3)	—	—	353	—	353	
Short-term investments	—	1	—	—	1	
Cash and cash equivalents	350	—	—	—	350	
Other invested assets - derivatives	5	622	—	(623)	4	
Subtotal excluding separate account assets	355	4,245	960	(623)	4,937	
Separate account assets	—	21,897	—	—	21,897	
Total assets	\$ 355	\$ 26,142	\$ 960	\$ (623)	\$ 26,834	
Liabilities						
Insurance liabilities	\$ —	\$ —	\$ 2,512	\$ —	\$ 2,512	
Other liabilities - derivatives	56	1,050	—	(1,001)	105	
Separate account liabilities	—	21,897	—	—	21,897	
Total liabilities	\$ 56	\$ 22,947	\$ 2,512	\$ (1,001)	\$ 24,514	

- (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 September 30, 2024, the aggregate fair value of mortgage loans exceeded the aggregate unpaid principal by \$2 million.

Excluded from the above chart are private equity funds, which are classified as other invested assets on the Consolidated Statements of Financial Position, and certain fixed maturity securities, for which fair value is measured at net asset value (“NAV”) per share (or its equivalent) as a practical expedient. At September 30, 2024 the fair values of these private equity funds and fixed maturity securities were \$26 million and \$11 million, respectively.

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	September 30, 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	—	805	—	—	805
U.S. corporate private securities	—	150	2	—	152
Foreign corporate public securities	—	162	—	—	162
Foreign corporate private securities	—	32	—	—	32
Asset-backed securities (2)	—	61	13	—	74
Residential mortgage-backed securities	—	118	—	—	118
Total fixed maturity securities	—	1,406	15	—	1,421
Short-term investments	—	12	—	—	12
Cash and cash equivalents	70	—	—	—	70
Other invested assets - derivatives	—	323	—	(36)	287
Deposit asset	—	—	390	—	390
Reinsurance recoverables	—	—	179	—	179
Subtotal excluding separate account assets	70	1,741	584	(36)	2,359
Separate account assets	—	2,113	—	—	2,113
Total assets	\$ 70	\$ 3,854	\$ 584	\$ (36)	\$ 4,472
Liabilities					
Insurance liabilities	\$ —	\$ —	\$ 2,242	\$ —	\$ 2,242
Other liabilities - derivatives	—	36	—	(36)	—
Net modified coinsurance payable	—	—	120	—	120
Separate account liabilities	—	2,113	—	—	2,113
Total liabilities	\$ —	\$ 2,149	\$ 2,362	\$ (36)	\$ 4,475

(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.

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	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 difference between the aggregate fair value and the aggregate unpaid principal of mortgage loans was de minimis.

Excluded from the above chart are private equity funds, which are classified as other invested assets on the Consolidated Statements of Financial Position, and certain fixed maturity securities, for which fair value is measured at net asset value (“NAV”) per share (or its equivalent) as a practical expedient. At December 31, 2023 the fair values of these private equity funds and fixed maturity securities were \$24 million and \$8 million, respectively.

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	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 difference between the aggregate fair value and the aggregate unpaid principal of mortgage loans was de minimis.

Excluded from the above chart are private equity funds, which are classified as other invested assets on the Consolidated Statements of Financial Position, and certain fixed maturity securities, for which fair value is measured at net asset value (“NAV”) per share (or its equivalent) as a practical expedient. At December 31, 2023 the fair values of these private equity funds and fixed maturity securities were \$24 million and \$8 million, respectively.

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	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	—	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.

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Notes to Unaudited Interim Consolidated Financial Statements

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. Excluded from the tables are assets that are externally priced and for which information about the inputs is not readily available to the Company, accordingly, certain fair value amounts may not reconcile to the "Assets and Liabilities by Hierarchy Level" tables disclosed earlier in this footnote.

	September 30, 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	\$ 232	Discounted cash flow	Discount rate	4.69 %	9.58 %	6.49 %	Decrease	
Foreign corporate private securities	39	Discounted cash flow	Discount rate	4.61 %	6.65 %	5.63 %	Decrease	
Asset-backed securities	103	Discounted cash flow	Discount rate	5.93 %	13.39 %	7.81 %	Decrease	
	140	Trade price	Trade price	N/A	N/A	N/A	Increase	
Total asset-backed securities	243							
Mortgage loans								
Residential mortgage loans	277	Level yield	Market yield	5.39 %	10.37 %	7.24 %	Decrease	
Commercial mortgage loans	76	Discounted cash flow	Discount rate	6.10 %	7.01 %	6.64 %	Decrease	
Total Mortgage loans	353							
Ceded business								
Deposit asset	390	Fair values are determined using the same unobservable inputs as insurance liabilities.						
Reinsurance recoverables	179	Fair values are determined using the same unobservable inputs as insurance liabilities.						
Liabilities:								
Insurance liabilities								
Retained business	\$ 2,512	Discounted cash flow	Equity volatility curve (2)	16 %	26 %		Increase	
			Lapse rate(3)	0.65 %	13 %		Decrease	
			Spread over risk free (4)	0.00 %	2.11 %		Decrease	
			Utilization rate(5)	84.0 %	100 %		Increase	
			Withdrawal rate (6)	See table footnote (6) below.				
			Mortality rate(7)	0 %	16 %		Decrease	
Ceded business	2,242	Discounted cash flow	Equity volatility curve (2)	16 %	26 %		Increase	
			Lapse rate(3)	0.65 %	13 %		Decrease	
			Spread over risk free (4)	1.00 %	1.00 %		Decrease	
			Utilization rate(5)	84.0 %	100 %		Increase	
			Withdrawal rate (6)	See table footnote (6) below.				
			Mortality rate(7)	0 %	16 %		Decrease	
Net modified coinsurance payable	120	Fair values are determined using the same unobservable inputs as insurance liabilities.						

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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
	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	\$ 2,835	Discounted cash flow	Equity volatility curve (2)	15 %	25 %		Increase
			Lapse rate(3)	0.65 %	13 %		Decrease
			Spread over risk free (4)	0.00 %	1.94 %		Decrease
			Utilization rate(5)	87.5 %	100 %		Increase
			Withdrawal rate (6)	See table footnote (6) below.			
			Mortality rate(7)	0 %	16 %		Decrease
Ceded business							
Insurance liabilities	\$ 2,168	Discounted cash flow	Equity volatility curve (2)	15 %	25 %		Increase
			Lapse rate(3)	0.65 %	13 %		Decrease
			Spread over risk free (4)	0.00 %	1.73 %		Decrease
			Utilization rate(5)	87.5 %	100 %		Increase
			Withdrawal rate (6)	See table footnote (6) below.			
			Mortality rate(7)	0 %	16 %		Decrease
Net modified coinsurance payable							
	78	Fair values are determined using the same unobservable inputs as insurance liabilities.					

- (1) Conversely, the impact of a decrease in input would have the opposite impact on fair value as that presented in the table.
- (2) The equity volatility curve assumption is based on 1 year 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.
- (3) 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.
- (4) 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 own-credit risk (OCR), which is the risk that the obligation will not be fulfilled by the Company. OCR 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.
- (5) 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.

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- (6) 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 September 30, 2024 and December 31, 2023, the minimum withdrawal rate assumption is 84% and 88%, respectively, the maximum withdrawal rate assumption may be greater than 100% in each period. 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%.
- (7) The range reflects the mortality rates for the vast majority of business with living benefits, with policyholders ranging from 45 to 90 years old. 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.

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 business 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
Notes to Unaudited Interim Consolidated Financial Statements

Three Months Ended September 30, 2024

	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(1)
(in millions)											
Retained Business											
Fixed maturity securities											
U.S. corporate private securities	\$ 267	\$ 8	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 275	\$ 7
Foreign corporate private securities	56	3	—	—	—	—	—	—	—	59	3
Residential mortgage-backed securities	5	—	—	—	—	—	—	—	—	5	—
Asset-backed securities	259	2	9	—	—	(2)	—	—	—	268	3
Mortgage loans											
Residential mortgage loans	305	—	2	—	—	(30)	—	—	—	277	5
Commercial mortgage loans	77	(1)	—	—	—	—	—	—	—	76	—
Ceded Business											
U.S. corporate private securities	2	—	—	—	—	—	—	—	—	2	—
Asset-backed securities	16	—	—	—	—	(3)	—	—	—	13	—
Short-term investments	—	—	3	—	—	(3)	—	—	—	—	—
Deposit asset	404	(14)	—	—	—	—	—	—	—	390	—
Reinsurance recoverables	151	28	—	—	—	—	—	—	—	179	—
Net modified coinsurance receivable (payable)	(128)	8	—	—	—	—	—	—	—	(120)	—

- (1) Changes in 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.

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

Nine Months Ended September 30, 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 period	Change in unrealized gains (losses) for assets still held(1)
(in millions)											
Retained Business											
Fixed maturity securities											
U.S. corporate private securities	\$ 244	\$ 7	\$ 24	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 275	\$ 7
Foreign corporate private securities	56	3	—	—	—	—	—	—	—	59	3
Residential mortgage-backed securities	5	—	—	—	—	—	—	—	—	5	—
Asset-backed securities	246	1	27	—	—	(6)	—	—	—	268	1
Mortgage loans											
Residential mortgage loans	361	3	9	—	—	(96)	—	—	—	277	4
Commercial mortgage loans	76	—	—	—	—	—	—	—	—	76	—
Ceded Business											
U.S. corporate private securities	1	—	1	—	—	—	—	—	—	2	—
Asset-backed securities	—	—	28	—	—	(5)	—	—	(10)	13	—
Foreign corporate private securities	1	—	—	—	—	(1)	—	—	—	—	—
Short-term investments	4	—	6	—	—	(10)	—	—	—	—	—
Deposit asset	438	(45)	—	—	—	—	(3)	—	—	390	—
Reinsurance recoverables	206	(27)	—	—	—	—	—	—	—	179	—
Net modified coinsurance receivable (payable)	(78)	(42)	—	—	—	—	—	—	—	(120)	—

- (1) Changes in 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.

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

Three Months Ended September 30, 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(1)
(in millions)											
Retained Business											
Fixed maturity securities											
U.S. corporate private securities	\$ 210	\$ (5)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 205	\$ (4)
Foreign corporate private securities	34	—	—	—	—	—	—	9	—	43	—
Asset-backed securities	208	—	6	—	—	(1)	—	—	—	213	(1)
Mortgage loans											
Residential mortgage loans	151	—	246	—	—	(53)	—	—	—	344	—
Commercial mortgage loans	78	—	—	—	—	—	—	—	—	78	—
Ceded Business											
Foreign corporate private securities	3	—	5	—	—	(3)	—	—	—	5	—
Deposit asset	476	(13)	—	—	—	—	(33)	—	—	430	—
Reinsurance recoverables	200	(21)	—	—	—	—	—	—	—	179	—
Net modified coinsurance payable	(81)	13	—	—	—	—	—	—	—	(68)	—

(1) Changes in 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.

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

Nine Months Ended September 30, 2023

	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 period	Change in unrealized gains (losses) for assets still held(1)
(in millions)											
Retained Business											
Fixed maturity securities											
U.S. corporate private securities	\$ 146	\$ (4)	\$ 46	\$ —	\$ —	\$ (1)	\$ —	\$ 18	\$ —	\$ 205	\$ (3)
Foreign corporate private securities	36	(2)	—	—	—	—	—	9	—	43	(2)
Asset-backed securities	155	(2)	62	—	—	(2)	—	—	—	213	(2)
Mortgage loans											
Residential mortgage loans	161	—	290	—	—	(107)	—	—	—	344	—
Commercial mortgage loans	35	—	43	—	—	—	—	—	—	78	—
Ceded Business											
Foreign corporate private securities	—	—	10	—	—	(5)	—	—	—	5	—
Deposit asset	607	(21)	—	—	—	—	(156)	—	—	430	—
Reinsurance recoverables	235	(56)	—	—	—	—	—	—	—	179	—
Net modified coinsurance receivable (payable)	18	(86)	—	—	—	—	—	—	—	(68)	—

- (1) Changes in 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.

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

Three Months Ended September 30, 2024

			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 period
	(in millions)								
Insurance Liabilities									
Retained Business	\$ 2,233	\$	(285)	\$ 144	\$ 384	\$ 36	\$	—	\$ 2,512
Ceded Business	2,153		(54)	52	89	2		—	2,242

Nine Months Ended September 30, 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 period
(in millions)							
Insurance Liabilities							
Retained Business	\$ 2,835	\$ (791)	\$ 357	\$ 2	\$ 109	\$ —	\$ 2,512
Ceded Business	2,168	(246)	270	44	6	—	2,242

Three Months Ended September 30, 2023

	Incurred losses			Change in fair value (discount rate)	Fee income and paid losses	Other	Fair Value, end of period
	Fair Value, beginning of period	Reduction in estimates of ultimate losses	Increase in estimates of ultimate losses				
(in millions)							
Insurance Liabilities							
Retained Business	\$ 2,711	\$ (122)	\$ 425	\$ (570)	\$ 98	\$ —	\$ 2,542
Ceded Business	2,273	(317)	144	(84)	16	—	2,032

Nine Months Ended September 30, 2023

	<div></div>						
	Fair Value, beginning of year	Incurred losses		Change in fair value (discount rate)	Fee income and paid losses	Other	Fair Value, end of period
		Reduction in estimates of ultimate losses	Increase in estimates of ultimate losses				
(in millions)							
Insurance Liabilities							
Retained Business	\$ 2,941	\$ (824)	\$ 660	\$ (524)	\$ 294	\$ (5)	\$ 2,542
Ceded Business	2,605	(942)	354	(28)	43	—	2,032

"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 below, there are other components of the change in fair value that are recognized separately in the statement of operations.

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

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:

	September 30, 2024			December 31, 2023		
	Retained Business	Ceded Business	Total	Retained Business	Ceded Business	Total
	(in millions)					
Assets:						
Reinsurance recoverables	\$ —	\$ (27)	\$ (27)	\$ —	\$ (29)	\$ (29)
Modified coinsurance receivable	—	103	103	—	(238)	(238)
Deposit asset	—	(48)	(48)	—	(169)	(169)
Liabilities:						
Insurance liabilities	\$ (323)	\$ 74	\$ (249)	\$ (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.

	September 30, 2024									
	Fair Value				Carrying Amount					
	Level 1	Level 2	Level 3	Total	Total					
	(in millions)									
Assets:										
Accrued investment income	\$	—	\$	63	\$	—	\$	63	\$	63
Other invested assets - Other		33		—		11		44		44
Liabilities:										
Liabilities associated with secured borrowing arrangements										
Repurchase agreements	\$	—	\$	1,038	\$	—	\$	1,038	\$	1,152
Securities lending transactions		—		6		—		6		6
Other liabilities - Other		17		—		—		17		17

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

	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

5. INVESTMENTS

Other Invested Assets

The following table sets forth the composition of “Other invested assets,” as of the dates indicated.

	September 30, 2024			December 31, 2023		
	Retained Business	Ceded Business	Total	Retained Business	Ceded Business	Total
	(in millions)					
LPs/LLCs:						
Equity method:						
Private equity	\$ —	\$ 3	\$ 3	\$ —	\$ 4	\$ 4
Real estate-related	—	3	3	—	5	5
Subtotal equity method	—	6	6	—	9	9
Fair value:						
Private equity	26	—	26	24	—	24
Total LPs/LLCs	26	6	32	24	9	33
Derivative instruments	4	287	291	—	117	117
Other	44	—	44	61	—	61
Total other invested assets	<u>\$ 74</u>	<u>\$ 293</u>	<u>\$ 367</u>	<u>\$ 85</u>	<u>\$ 126</u>	<u>\$ 211</u>

Accrued Investment Income

The following table sets forth the composition of “Accrued investment income,” as of the dates indicated:

	September 30, 2024			December 31, 2023		
	Retained Business	Ceded Business	Total	Retained Business	Ceded Business	Total
	(in millions)					
Fixed maturity securities	\$ 50	\$ 10	\$ 60	\$ 48	\$ 8	\$ 56
Mortgage loans	1	—	1	3	—	3
Short-term investments and cash equivalents	2	—	2	—	1	1
Total accrued investment income	<u>\$ 53</u>	<u>\$ 10</u>	<u>\$ 63</u>	<u>\$ 51</u>	<u>\$ 9</u>	<u>\$ 60</u>

The aggregate fair value of mortgage and other loans that were 90 days or more past due and in non-accrual status was \$1 million and \$2 million as of September 30, 2024 and December 31, 2023, respectively.

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

Net Investment Income

The following tables set forth “Net investment income” by investment type, for the periods indicated:

	Three Months Ended September 30, 2024			Nine Months Ended September 30, 2024		
	Retained Business	Ceded Business	Total	Retained Business	Ceded Business	Total
	(in millions)					
Fixed maturities securities	\$ 59	\$ 16	\$ 75	\$ 181	\$ 41	\$ 222
Mortgage loans	7	—	7	23	—	23
Other invested assets	—	—	—	3	(1)	2
Short-term investments and cash equivalents	9	—	9	23	6	29
Gross investment income	75	16	91	230	46	276
Less: investment expenses (1)	(15)	—	(15)	(55)	—	(55)
Net investment income	\$ 60	\$ 16	\$ 76	\$ 175	\$ 46	\$ 221

	Three Months Ended September 30, 2023			Nine Months Ended September 30, 2023		
	Retained Business	Ceded Business	Total	Retained Business	Ceded Business	Total
	(in millions)					
Fixed maturities securities	\$ 58	\$ 13	\$ 71	\$ 156	\$ 40	\$ 196
Equity securities	—	—	—	—	2	2
Mortgage loans	6	—	6	14	—	14
Other invested assets	14	1	15	33	2	35
Short-term investments and cash equivalents	1	4	5	6	16	22
Gross investment income	79	18	97	209	60	269
Less: investment expenses (1)	(23)	(1)	(24)	(39)	(3)	(42)
Net investment income	\$ 56	\$ 17	\$ 73	\$ 170	\$ 57	\$ 227

(1) For the three and nine months ended September 30, 2024, investment expenses within the Retained Business includes \$18 million and \$51 million, respectively, of expense related to liabilities associated with repurchase agreements. For the three and nine months ended September 30, 2023, investment expenses within the Retained Business includes \$15 million and \$24 million, respectively, of expense related to liabilities associated with repurchase agreements.

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 tables set forth “Investment gains (losses), net” by investment type, for the periods indicated:

	Three Months Ended September 30, 2024								
	Retained Business			Ceded Business			Total Business		
	Unrealized	Realized	Total	Unrealized	Realized	Total	Unrealized	Realized	Total
	(in millions)								
Fixed maturity securities	\$ 190	\$ 1	\$ 191	\$ 37	\$ —	\$ 37	\$ 227	\$ 1	\$ 228
Mortgage loans	4	(2)	2	—	—	—	4	(2)	2
Derivatives	—	(38)	(38)	—	42	42	—	4	4
Total	\$ 194	\$ (39)	\$ 155	\$ 37	\$ 42	\$ 79	\$ 231	\$ 3	\$ 234

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

Nine Months Ended September 30, 2024

	Retained Business			Ceded Business			Total Business		
	Unrealized	Realized	Total	Unrealized	Realized	Total	Unrealized	Realized	Total
	(in millions)								
Fixed maturity securities	\$ 38	\$ 1	\$ 39	\$ 23	\$ —	\$ 23	\$ 61	\$ 1	\$ 62
Mortgage loans	4	—	4	—	—	—	4	—	4
Derivatives	—	(492)	(492)	—	192	192	—	(300)	(300)
Total	\$ 42	\$ (491)	\$ (449)	\$ 23	\$ 192	\$ 215	\$ 65	\$ (299)	\$ (234)

Three Months Ended September 30, 2023

	Retained Business			Ceded Business			Total Business		
	Unrealized	Realized	Total	Unrealized	Realized	Total	Unrealized	Realized	Total
	(in millions)								
Fixed maturity securities	\$ (252)	\$ (4)	\$ (256)	\$ (6)	\$ (14)	\$ (20)	\$ (258)	\$ (18)	\$ (276)
Derivatives	—	(177)	(177)	—	(29)	(29)	—	(206)	(206)
Total	\$ (252)	\$ (181)	\$ (433)	\$ (6)	\$ (43)	\$ (49)	\$ (258)	\$ (224)	\$ (482)

Nine Months Ended September 30, 2023

	Retained Business			Ceded Business			Total Business		
	Unrealized	Realized	Total	Unrealized	Realized	Total	Unrealized	Realized	Total
	(in millions)								
Fixed maturity securities	\$ (158)	\$ (32)	\$ (190)	\$ 3	\$ (21)	\$ (18)	\$ (155)	\$ (53)	\$ (208)
Equity securities	—	—	—	5	—	5	5	—	5
Derivatives	—	(616)	(616)	—	215	215	—	(401)	(401)
Total	\$ (158)	\$ (648)	\$ (806)	\$ 8	\$ 194	\$ 202	\$ (150)	\$ (454)	\$ (604)

Secured Borrowing Arrangements

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.

	September 30, 2024				December 31, 2023			
	Up to 30 days	30 days up to 1 year	1-5 years	Total	Up to 30 days	30 days up to 1 year	1-5 years	Total
	(in millions)							
U.S. corporate public securities	\$ 214	\$ 436	\$ 502	\$ 1,152	\$ 356	\$ 108	\$ 503	\$ 967

The market value of the securities posted as collateral under the repurchase agreements was \$1,195 million and \$999 million as of September 30, 2024 and December 31, 2023, respectively.

During the nine months ended September 30, 2024 the Company returned a net \$24 million of fixed maturity securities and short-term investments that were received as collateral, on a non-cash basis, related to liabilities associated with repurchase agreements. During the nine months ended September 30, 2023 the Company returned \$11 million of fixed maturity securities that were received as collateral, on a non-cash basis, related to liabilities associated with repurchase agreements.

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Notes to Unaudited Interim Consolidated Financial Statements

Securities Lending Transactions

As of September 30, 2024 there were \$6 million of liabilities associated with securities lending transactions, all of which are included in the Ceded Business. The remaining contractual maturity of these liabilities are considered "overnight and continuous". The market value of the U.S corporate public debt securities that were loaned under these transactions was \$6 million. There were no outstanding securities lending agreements as of December 31, 2023.

6. DERIVATIVES AND HEDGING

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 fluctuation of future interest rates. Interest rate floors set an effective rate of interest on underlying reference rate and are 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.

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Notes to Unaudited Interim Consolidated Financial Statements

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.

Primary Risks Managed and/or Accessed by Derivatives

The tables below provide a summary, by operating 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.

Primary Underlying Risk/Instrument Type	September 30, 2024			December 31, 2023		
	Notional Values/ Units	Fair Value		Notional Values/ Units	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Retained Business						
Interest Rate						
Interest rate swaps	\$ 37,164	\$ 471	\$ (798)	\$ 31,096	\$ 580	\$ (923)
Interest rate options	215	1	(4)	215	10	(15)
Currency/Interest Rate						
Foreign currency swaps	103	7	—	102	5	—
Equity						
Equity futures	(2,096)	5	(56)	(2,025)	—	(71)
Total return swaps	1,079	19	(87)	1,079	—	(143)
Equity options	2,912	124	(161)	4,046	43	(94)
Total Derivatives, Retained Business	39,377	627	(1,106)	34,513	638	(1,246)
Ceded Business						
Interest Rate						
Interest rate swaps	285	12	(5)	605	22	(12)
Currency/Interest Rate						
Foreign currency swaps	35	3	—	37	3	—
Equity						
Total return swaps	362	—	—	281	—	—
Equity options	2,541	308	(31)	2,847	148	(44)
Total Derivatives, Ceded Business	3,223	323	(36)	3,770	173	(56)
Total Derivatives (1)	\$ 42,600	\$ 950	\$ (1,142)	\$ 38,283	\$ 811	\$ (1,302)

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

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

Offsetting Assets and Liabilities

The following table presents recognized derivative instruments and liabilities associated with secured borrowings 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.

	September 30, 2024					
	Gross Amounts of Recognized Financial Instruments	Gross Amounts Offset in the Statements of Financial Position		Net Amounts Presented in the Statement of Financial Position	Financial Instruments/ Collateral(1)	Net Amount
		Counterparty Netting	Cash Collateral			
	(in millions)					
Offsetting of Financial Assets:						
Derivatives						
Retained Business	\$ 627	\$ (619)	\$ (4)	\$ 4	\$ —	\$ 4
Ceded Business	323	(36)	—	287	—	287
Total	\$ 950	\$ (655)	\$ (4)	\$ 291	\$ —	\$ 291
Offsetting of Financial Liabilities:						
Derivatives						
Retained Business	\$ 1,106	\$ (619)	\$ (382)	\$ 105	\$ (105)	\$ —
Ceded Business	36	(36)	—	—	—	—
Total	\$ 1,142	\$ (655)	\$ (382)	\$ 105	\$ (105)	\$ —
Repurchase agreements	\$ 1,152	\$ —	\$ —	\$ 1,152	\$ (1,152)	\$ —
Securities lending transactions	\$ 6	\$ —	\$ —	\$ 6	\$ (6)	\$ —
	December 31, 2023					
	Gross Amounts of Recognized Financial Instruments	Gross Amounts Offset in the Statement of Financial Position		Net Amounts Presented in the Statement 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.

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

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. For additional information on the Company's accounting policy for repurchase agreements, see Note 2 to the Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Classification of Derivatives Activity

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

September 30, 2024						
	Three Months Ended			Nine Months Ended		
	Investment gains (losses), net	Other income	Total	Investment gains (losses), net	Other income	Total
(in millions)						
Retained Business						
Interest Rate	\$ 77	\$ —	\$ 77	\$ (16)	\$ —	\$ (16)
Currency/Interest Rate	—	—	—	—	3	3
Credit	—	—	—	3	—	3
Equity	(115)	—	(115)	(479)	—	(479)
Total, Retained Business	(38)	—	(38)	(492)	3	(489)
Ceded Business						
Interest Rate	(2)	—	(2)	1	—	1
Currency/Interest Rate	(1)	—	(1)	—	—	—
Equity	45	—	45	191	—	191
Total, Ceded Business	42	—	42	192	—	192
Total	\$ 4	\$ —	\$ 4	\$ (300)	\$ 3	\$ (297)

		September 30, 2023	
		Three Months Ended	Nine Months Ended
		Investment gains (losses), net	
		(in millions)	
Retained Business			
Interest Rate		\$ (206)	\$ (168)
Credit		2	4
Equity		27	(452)
Total, Retained Business		(177)	(616)
Ceded Business			
Interest Rate		5	72
Credit		2	3
Equity		(36)	140
Total, Ceded Business		(29)	215
Total		\$ (206)	\$ (401)

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

7. INCOME TAXES

The Company uses a full year projected effective tax rate approach to calculate 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."

For the three months ended September 30, 2024, the Company's income tax provision amounted to an income tax benefit of approximately \$1 million, or 4.2 percent of loss from operations before income taxes. For the nine months ended September 30, 2024, the Company's income tax provision amounted to an income tax expense of approximately \$20 million, or 17.9 percent of income from operations before income taxes. The effective tax rate differed from the U.S. statutory tax rate of 21 percent in each period due primarily to non-taxable investment income and intercompany cost allocations.

For the three months ended September 30, 2023, the Company's income tax provision amounted to an income tax benefit of approximately \$29 million, or 13.0 percent of loss from operations before income tax. For the nine months ended September 30, 2023, the Company's income tax provision amounted to an income tax benefit of approximately \$4 million or 6.6 percent of loss from operations before income taxes. The effective tax rate differed from the U.S. statutory tax rate of 21 percent in each period due primarily to non-taxable investment income, deductible foreign taxes paid, non-deductible goodwill impairment, intercompany cost allocations, and an increase to the valuation allowance on deferred tax assets.

Valuation Allowance on Deferred Tax Assets

The application of U.S. GAAP requires the evaluation of the recoverability of deferred tax assets and establishment of a valuation allowance, if necessary, to reduce the deferred tax asset to an amount that is more likely than not expected to be realized, including an assessment of the character of future income necessary to realize a deferred tax asset. As of both September 30, 2024 and December 31, 2023, the Company had a valuation allowance of \$36 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.

8. EQUITY

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 was not subject to approval by the Arizona Department of Insurance and Financial Institutions ("DIFI") prior to payment and was accrued for as of March 31, 2024. The other \$75 million was conditioned upon the Company receiving written approval from the Arizona DIFI prior to payment and was not accrued for as of March 31, 2024. In April 2024, the Company received written approval from the Arizona DIFI and the \$150 million dividend was distributed in cash to FGH in the second quarter of 2024.

In September 2024, the Company's board of directors approved a \$150 million dividend, which was conditioned upon the Company receiving written approval from the Arizona DIFI prior to payment and was not accrued for as of September 30, 2024. The Company subsequently received written approval from the Arizona DIFI and the \$150 million extraordinary dividend was distributed in cash to FGH in the fourth quarter of 2024.

During the first quarter of 2023, the Company established a \$45 million distribution payable 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". The distribution payable was settled during the second quarter of 2023.

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (AOCI) represents the cumulative other comprehensive income (OCI) items that are reported separate from net income and detailed on the Consolidated Statements of Operations and Comprehensive Income (Loss).

AOCI is comprised entirely of changes in own-credit risk related to insurance liabilities. The balance of and changes in each component of AOCI are as follows:

	Changes in Own-Credit Risk Related to Insurance Liabilities (in millions)
Balance, December 31, 2023	\$ (65)
Change in OCI	(13)
Less: Income tax benefit	(3)
Balance, March 31, 2024	\$ (75)
Change in OCI	61
Less: Income tax expense	13
Balance, June 30, 2024	\$ (27)
Change in OCI	(4)
Less: Income tax benefit	(1)
Balance, September 30, 2024	\$ (30)

	Changes in Own-Credit Risk Related to Insurance Liabilities (in millions)
Balance, December 31, 2022	\$ 111
Change in OCI	22
Less: Income tax expense	5
Balance, March 31, 2023	\$ 128
Change in OCI	(115)
Less: Income tax benefit	(25)
Balance, June 30, 2023	\$ 38
Change in OCI	(45)
Less: Income tax benefit	(9)
Balance, September 30, 2023	\$ 2

9. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

As of September 30, 2024, the Company had commitments totaling \$273 million to purchase or fund investments related to private fixed maturity securities and mortgage loans. These amounts include unfunded commitments that are not unconditionally cancellable. See Note 10 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.

Fortitude Life Insurance & Annuity Company

Notes to Unaudited Interim Consolidated Financial Statements

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 September 30, 2024, the aggregate range of reasonably possible losses in excess of accruals and recoveries from unaffiliated indemnitors established for those litigation and regulatory matters for which such an estimate currently can be made is not considered to be material. 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, the Company has 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.

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

10. RELATED PARTY TRANSACTIONS

The 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

The majority of the 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 three and nine months ended September 30, 2024, FLIAC was allocated \$10 million and \$31 million, respectively, of costs for these services. During the three and nine months ended September 30, 2023, FLIAC was allocated \$8 million and \$25 million, respectively, of costs for these services.

Intercompany Liquidity Agreement

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

The Company did not borrow or loan any funds under the agreement during the nine months ended September 30, 2024. During the nine months ended September 30, 2023, the Company borrowed a total of \$282 million of funds under the agreement, all of which has been repaid with interest.

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 a 38.5% equity investment in its parent, FGH. In addition, FLIAC entered into an investment management and consulting services agreement with an affiliate of Carlyle.

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. As of September 30, 2024 and December 31, 2023, assets under management had a market value of \$587 million and \$529 million, respectively, and were comprised primarily of private credit fixed income assets. FLIAC recognized \$8 million and \$30 million of investment income on such assets during the three and nine months ended September 30, 2024, respectively. FLIAC recognized \$12 million and \$23 million of net investment income on such assets during the three and nine months ended September 30, 2023, respectively.

In connection with the investment management agreements, as of September 30, 2024, FLIAC has unfunded commitments of \$83 million to fund private investments where one or more Carlyle entities serves as general partner to the fund.

Affiliated Asset Transfers

The 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 nine months ended September 30, 2023. There were no affiliated asset transfers during the nine months ended September 30, 2024.

Affiliate	Date	Transaction	Security Type	Fair Value	Book Value	Investment Gains (Losses), Net
(in millions)						
Fortitude Re Investments, LLC	May 2023	Sale	Limited Partnership	\$ 12	\$ 12	\$ —
Fortitude Re Investments, LLC	May 2023	Sale	Limited Partnership	\$ 7	\$ 7	\$ —

Fortitude Life Insurance & Annuity Company
Notes to Unaudited Interim Consolidated Financial Statements

11. SEPARATE ACCOUNTS

Separate Account Assets

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

	September 30, 2024			December 31, 2023		
	Retained Business	Ceded Business	Total Business	Retained Business	Ceded Business	Total Business
	(in millions)					
Mutual funds:						
Equity	\$ 15,177	\$ 1,464	\$ 16,641	\$ 14,704	\$ 1,396	\$ 16,100
Fixed income	6,617	639	7,256	6,997	665	7,662
Other	103	10	113	99	9	108
Total mutual funds	<u>\$ 21,897</u>	<u>\$ 2,113</u>	<u>\$ 24,010</u>	<u>\$ 21,800</u>	<u>\$ 2,070</u>	<u>\$ 23,870</u>

Separate Account Liabilities

The balances of and changes in separate account liabilities, at fair value, as of and for the periods indicated were as follows:

	Nine Months Ended September 30,					
	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	26	3	29	24	4	28
Investment performance	2,505	240	2,745	1,131	98	1,229
Policy charges	(339)	(27)	(366)	(344)	(27)	(371)
Surrenders and withdrawals	(2,117)	(194)	(2,311)	(1,760)	(171)	(1,931)
Benefit payments	(33)	(3)	(36)	(28)	(1)	(29)
Net transfers from general account	55	24	79	17	11	28
Other	—	—	—	\$ 2	—	2
Balance, end of period	<u>\$ 21,897</u>	<u>\$ 2,113</u>	<u>\$ 24,010</u>	<u>\$ 20,600</u>	<u>\$ 1,957</u>	<u>\$ 22,557</u>
Cash surrender value	\$ 21,874	\$ 2,109	\$ 23,983	\$ 20,574	\$ 1,953	\$ 22,527

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Fortitude Life Insurance & Annuity Company and its wholly-owned subsidiary (collectively, "FLIAC" or the "Company"), with its principal offices in Jersey City, New Jersey, is a wholly-owned subsidiary of Fortitude Group Holdings, LLC ("FGH").

The following analysis of our financial condition and results of operations should be read in conjunction with the MD&A, the "Risk Factors" section, and the audited Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, as well as the statements under "Forward-Looking Statements", and the Unaudited Interim Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q.

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 annuities with (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"), and (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 ceased offering these products.

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 Insurance Company ("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 three and nine months ended September 30, 2024, approximately \$172 million and \$635 million, respectively, 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 the three and nine months ended September 30, 2024 and we do not expect significant future novation activity under the current program. Since the acquisition of the Company on April 1, 2022, approximately 73 percent of account value in the Ceded Business has been novated to Pruco Life under this program.

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 in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 for further discussion regarding significant assumptions related to our fair value of insurance liabilities.

2023 Goodwill Impairment

As a result of its third quarter of 2023 actuarial assumption update, the Company identified a triggering event 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 during the third quarter of 2023. 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.

Group Supervision Updates

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 FGH Parent, L.P. and its subsidiaries (collectively, "Fortitude Re"). FGH Parent, L.P. is a Bermuda-domiciled exempted limited partnership, which serves as the holding company for the Company and its affiliates. As a result of the BMA's determination to be group supervisor of Fortitude Re, Fortitude Re 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 Department of Insurance and Financial Institutions ("DIFI") will remain the supervisor of FLIAC and its affiliated U.S. insurance subsidiaries within Fortitude Re and will coordinate its activities with the BMA regarding overall supervision of Fortitude Re. We do not expect FLIAC to incur significant additional costs resulting from the BMA's designation as group supervisor for Fortitude Re but the Company may be subject to additional examinations and inquiries from the BMA as part of their routine supervision process.

Impact of a Changing Interest Rate Environment

As a financial services company, market interest rates are a key driver of our 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;
- product design features, crediting rates and sales mix; and
- policyholder behavior, including surrender or withdrawal activity.

For more information on interest rate risks, see "Risk Factors—Market Risk" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

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 general business expenses, reinsurance premiums, and commissions and other costs of selling and servicing the various products it sold.

Accounting Policies & Pronouncements

Application of Critical Accounting Estimates

The preparation of financial statements in conformity with 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 Unaudited Consolidated Interim Financial Statements could change significantly.

Management believes the accounting policies relating to the following areas are most dependent on the application of estimates and assumptions and require management's most difficult, subjective, or complex judgments:

- Insurance liabilities;
- Valuation of investments, including derivatives; and
- Taxes on income, including valuation allowances

Recent Accounting Pronouncements

Changes to U.S. GAAP are established by the Financial Accounting Standards Board ("FASB") in the form of an Accounting Standards Update ("ASU") to the 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 the date of this filing. ASUs not listed below were assessed and determined to be either not applicable or not material.

ASUs issued but not yet adopted as of September 30, 2024:

Standard	Description	Effective date and method of adoption	Effect on the financial statements or other significant matters
<i>ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures</i>	This ASU improves reportable segment disclosure requirements, primarily through enhanced disclosures regarding a company's significant segment expenses and certain other items. The update will also require expanded disclosures regarding the chief operating decision maker (CODM) and the information they are provided when assessing segment performance and allocating resources.	Effective for annual reporting periods beginning January 1, 2024, and interim reporting periods beginning January 1, 2025, using the 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.
<i>ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures</i>	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, and is required to be applied prospectively with the option of retrospective application. 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.

Segment and Product Overview

Our business is comprised of two major blocks of in-force policies, 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 the Company retains the full economic benefits and risks. The Retained Business consists of variable annuity contracts originated between 1993 – 2010. These products allow the holder to direct investments into certain separate account funds to receive tax deferred build-up within the contract. Most of the contracts have optional living benefit riders, commonly known as guaranteed minimum withdrawal benefits, which entitle the holder to elect to withdraw a guaranteed amount from the contract while alive, irrespective of the balance in their separate account. Almost all of the contracts also offer a guaranteed amount payable to a beneficiary upon the death of the holder, which is commonly known as a guaranteed minimum death benefit.

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 Prudential Insurance and Pruco Life under existing coinsurance and modified coinsurance agreements. The Ceded Business will continue to impact certain line items within the Company’s financial statements but will not have a material impact to stockholders’ equity or net income and will represent the economic impact assumed by Prudential Insurance and Pruco Life.

Changes in Financial Position

The following is a discussion regarding changes in the financial position of the Company by reportable segment.

Retained Business

Assets decreased \$98 million to \$27,127 million at September 30, 2024 from \$27,225 million at December 31, 2023. The decrease was primarily driven by lower invested assets and cash and cash equivalents resulting from the payment of the \$150 million dividend to FGH during 2024, partially offsetting the decline was an increase in the fair value of fixed maturity securities resulting from the impact of lower interest rates.

Liabilities decreased \$75 million to \$25,788 million at September 30, 2024 from \$25,863 million at December 31, 2023. The decrease was primarily driven by a decline in the fair value of insurance liabilities due primarily to favorable equity market movements, partially offset by the impact of lower interest rates. Partially offsetting the overall decline in liabilities was the increase in liabilities associated with secured borrowing arrangements.

Equity decreased \$23 million to \$1,339 million at September 30, 2024 from \$1,362 million at December 31, 2023, due primarily to the \$150 million dividend payment to FGH during 2024, which was partially offset by the year-to-date impacts of net income of \$92 million and the \$35 million net-of-tax improvement in accumulated other comprehensive loss related to movements in our own-credit risk (OCR) on the fair value of insurance liabilities.

Ceded Business

Assets increased \$161 million to \$4,489 million at September 30, 2024 from \$4,328 million at December 31, 2023. The increase was driven by higher derivative fair values related to equity options, resulting from favorable equity market movements, and an increase in the fair value of fixed maturity securities resulting from net purchases and the impacts of lower interest rates, partially offset by declines in reinsurance recoverables and the deposit asset.

Liabilities increased \$161 million to \$4,489 million at September 30, 2024 from \$4,328 million at December 31, 2023. The increase was primarily driven by an increase in the fair value of insurance liabilities, resulting from the impact of lower interest rates, and a higher net modified coinsurance payable resulting from an increase in the fair values of investments in the portfolio.

There was no equity within our Ceded Business at both September 30, 2024 and December 31, 2023 as the assets are fully offset by the liabilities.

Results of Operations

INCOME (LOSS) FROM OPERATIONS BEFORE INCOME TAXES

Quarter-to-Date Comparison to Prior Period

Retained Business

Loss from operations before income taxes was \$24 million for the three months ended September 30, 2024 compared to a loss from operations before income taxes of \$223 million for the three months ended September 30, 2023. The improvement was driven primarily by the \$116 million impact of the 2023 actuarial assumption update and the corresponding \$93 million impact of the 2023 impairment of goodwill.

Ceded Business

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

Year-to-Date Comparison to Prior Period

Retained Business

Income from operations before income taxes was \$112 million for the nine months ended September 30, 2024, compared to a loss from operations before income taxes of \$61 million for the nine months ended September 30, 2023. The favorable change was primarily driven by the \$116 million impact of the 2023 actuarial assumption update and the corresponding \$93 million impact of the 2023 impairment of goodwill.

Ceded Business

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

REVENUES, BENEFITS, AND EXPENSES

Quarter-to-Date Comparison to Prior Period

Retained Business

Revenues were \$364 million for the three months ended September 30, 2024 compared to \$(232) million during the three months ended September 30, 2023. The change was primarily driven by gains on both fixed maturity securities and interest rate swaps resulting from the impact of declining interest rates, partially offset by losses on equity derivatives.

Benefits and expenses were \$388 million in the three months ended September 30, 2024 compared to \$(9) million during the three months ended September 30, 2023. The change was driven by less favorable changes in the fair value of insurance liabilities, excluding changes in OCR, resulting from the impact of declining interest rates, partially offset by favorable impacts from the 2024 actuarial assumption compared to the prior year.

Ceded Business

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

Year-to-Date Comparison to Prior Period

Retained Business

Revenues were \$166 million for the nine months ended September 30, 2024 compared to \$(197) million for the nine months ended September 30, 2023, the favorable change between periods was primarily driven by investment gains on fixed maturity securities resulting from the impact of declining interest rates.

Benefits and expenses were \$54 million for the nine months ended September 30, 2024 compared to \$(136) million for the nine months ended September 30, 2023, the change between periods was primarily driven by less favorable declines in the fair value of insurance liabilities, excluding changes in OCR, resulting from the impact of declining interest rates, partially offset by favorable impacts from the 2024 actuarial assumption compared to the prior year.

Ceded Business

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

Income Taxes

For information regarding income taxes, see Note 7 to the Consolidated Unaudited Interim Financial Statements.

Liquidity and Capital Resources

This section supplements and should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023.

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 “Business - Regulation” and “Risk Factors” included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023.

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 was not subject to approval by the Arizona Department of Insurance and Financial Institutions ("DIFI") prior to payment and was accrued for as of March 31, 2024. The other \$75 million was conditioned upon the Company receiving written approval from the Arizona DIFI prior to payment and was not accrued for as of March 31, 2024. In April 2024, the Company received written approval from the Arizona DIFI and the \$150 million dividend was distributed in cash to FGH in the second quarter of 2024.

In September 2024, the Company's board of directors approved a \$150 million dividend, which was conditioned upon the Company receiving written approval from the Arizona DIFI prior to payment and was not accrued for as of September 30, 2024. The Company subsequently received written approval from the Arizona DIFI and the \$150 million extraordinary dividend was distributed in cash to FGH in the fourth quarter of 2024.

During the first quarter of 2023, the Company established a \$45 million distribution payable 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". The distribution payable was settled during the second quarter of 2023.

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 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, and fixed maturity securities. As of September 30, 2024 and December 31, 2023, the Company had liquid assets of \$6.1 billion and \$6.2 billion, respectively, which includes \$1.5 billion of modified coinsurance assets contained within the Ceded business, for each respective period. As of September 30, 2024 and December 31, 2023, the portion of liquid assets comprised of cash and cash equivalents and short-term investments was \$0.4 billion and \$1.0 billion, respectively.

Intercompany Liquidity Agreement

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

The Company did not borrow or loan any funds under the agreement during the nine months ended September 30, 2024. During the nine months ended September 30, 2023, the Company borrowed a total of \$282 million of funds under the agreement, of which \$80 million was outstanding at June 30, 2023 but was subsequently repaid in full, plus interest, in July 2023.

Liquidity Regarding Hedging Activities

The hedging portion of our risk management strategy for the Retained Business is being managed within the Company. 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.

Secured Borrowing Arrangements

In the normal course of business, we may enter into repurchase agreements and securities lending transactions 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 and fixed maturity securities.

A liability representing the amount that the securities will be repurchased is recorded in "Liabilities associated with secured borrowing arrangements" in our consolidated statement of financial position. As of September 30, 2024, the liabilities associated with our outstanding repurchase agreements and securities lending transactions were \$1,152 million and \$6 million, respectively.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of September 30, 2024, there have been no material changes in our economic exposure to market risk from December 31, 2023, a description of which may be found in our Annual Report on Form 10-K for the year ended December 31, 2023, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," filed with the SEC. See Item 1A, "Risk Factors" included in the Annual Report on Form 10-K for the year ended December 31, 2023, 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.

Item 4. Controls and Procedures

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, has reviewed and evaluated the effectiveness of our disclosure controls and procedures, as defined in Securities Exchange Act of 1934, as amended ("Exchange Act") Rule 15d-15(e), as of September 30, 2024. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 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 September 30, 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.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

See Note 9 to the Unaudited Interim Financial Statements under "Litigation and Regulatory Matters" for a description of certain pending litigation and regulatory matters affecting us, and certain risks to our business presented by such matters, which is incorporated herein by reference.

Item 1A. Risk Factors

You should carefully consider the risks described under "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. These risks could materially affect our business, results of operations or financial condition, or cause our actual results to differ materially from those expected or those expressed in any forward-looking statements made by, or on behalf of, the Company. 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" and the risks of our businesses described elsewhere in this Quarterly Report on Form 10-Q.

Item 6. Exhibits

EXHIBIT INDEX

[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)

SIGNATURES

Pursuant to the requirements 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.

FORTITUDE LIFE INSURANCE & ANNUITY COMPANY

By: /s/ Greta Hager

Name Greta Hager
Executive Vice President and Chief Financial Officer
(Authorized Signatory and Principal Financial Officer)

Date: November 8, 2024