# SFG BERMUDA LTD.

**(a wholly owned subsidiary of Sammons Financial Group, Inc.)**

## FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023

# SFG BERMUDA LTD.
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## Report of Independent Auditors

To Management and the Board of Directors of SFG Bermuda Ltd.

### *Opinion*

We have audited the accompanying financial statements of SFG Bermuda Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of comprehensive income, of stockholder's equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Responsibilities of Management for the Financial Statements*

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

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

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with US GAAS, we:

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

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

PricewaterhouseCoopers LLP

Des Moines, Iowa
April 21, 2025

# SFG BERMUDA LTD.
**(a wholly owned subsidiary of Sammons Financial Group, Inc.)**
## BALANCE SHEETS
**(Amounts in thousands, except share amounts)**

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| **ASSETS** | | |
| Investments | | |
| Fixed maturities available-for-sale, at fair value (net of allowance for credit losses of $167 and $40, respectively); amortized cost: $262,401 and $165,826, respectively | $ 238,088 | $ 145,753 |
| Equity securities, at fair value | 1,870 | 1,792 |
| Short-term investments | 301,136 | — |
| Total investments | 541,094 | 147,545 |
| Cash | 12,035 | 926 |
| Funds withheld at interest | 17,292,570 | 12,542,822 |
| Accrued investment income | 2,254 | 1,191 |
| Income tax receivable | — | 7,398 |
| Deferred tax asset | 55,972 | 55,665 |
| Deferred policy acquisition costs | 1,888,529 | 1,186,595 |
| Cost of reinsurance | 518,220 | 561,446 |
| Deferred sales inducements | 367,607 | 161,682 |
| Reinsurance receivables | 31,153 | — |
| Total assets | $ 20,709,434 | $ 14,665,270 |
| **LIABILITIES** | | |
| Policyholder account balances on reinsurance assumed | $ 19,218,424 | $ 13,727,999 |
| Policy claims on reinsurance assumed | 35,483 | 36,827 |
| Income tax payable | 11,757 | — |
| Reinsurance payable | — | 17,768 |
| Other liabilities | 523 | 474 |
| Total liabilities | 19,266,187 | 13,783,068 |
| **STOCKHOLDER'S EQUITY** | | |
| Common stock, $1 par value, 250,000 shares authorized, issued and outstanding | 250 | 250 |
| Additional paid-in capital | 1,491,040 | 1,001,040 |
| Retained earnings | (28,967) | (103,262) |
| Accumulated other comprehensive loss | (19,076) | (15,826) |
| Total stockholder’s equity | 1,443,247 | 882,202 |
| Total liabilities and stockholder's equity | $ 20,709,434 | $ 14,665,270 |

The accompanying notes are an integral part of these financial statements.

# SFG BERMUDA LTD.
**(a wholly owned subsidiary of Sammons Financial Group, Inc.)**
## STATEMENTS OF COMPREHENSIVE INCOME
**(Amounts in thousands)**

| | Year Ended December 31, | |
|---|---|---|
| | **2024** | **2023** |
| **REVENUES** | | |
| Charges on investment-type products | $ 126,773 | $ 62,901 |
| Net investment income | 798,190 | 401,531 |
| Net gains (losses) on derivatives and derivative instruments | (37,242) | 493,681 |
| Net realized investment gains (losses) | 1,192 | (60,892) |
| Total revenue | 888,913 | 897,221 |
| **BENEFITS AND EXPENSES** | | |
| Index credits and interest credited to policyholder account balances | 525,375 | 207,972 |
| Benefits incurred | 81,096 | 112,542 |
| Amortization of deferred sales inducements | 14,375 | 14,843 |
| Total benefits | 620,846 | 335,357 |
| Operating and other expenses (net of commissions and other expenses deferred) | 28,472 | 20,620 |
| Amortization of deferred policy acquisition costs | 102,362 | 104,530 |
| Amortization of cost of reinsurance | 43,226 | — |
| Total benefits and expenses | 794,906 | 460,507 |
| Income before income taxes | 94,007 | 436,714 |
| Income tax provision | 19,712 | 92,064 |
| Net income | $ 74,295 | $ 344,650 |
| **OTHER COMPREHENSIVE INCOME** | | |
| Net unrealized gain (loss) on available-for-sale investments | $ (3,250) | $ 6,417 |
| Total other comprehensive income (loss) | (3,250) | 6,417 |
| Comprehensive income | $ 71,045 | $ 351,067 |

The accompanying notes are an integral part of these financial statements.

## SFG BERMUDA LTD.
**(a wholly owned subsidiary of Sammons Financial Group, Inc.)**
## STATEMENTS OF STOCKHOLDER'S EQUITY
**(Amounts in thousands)**

| | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Stockholder's Equity |
|---|---|---|---|---|---|
| **Balance at December 31, 2022** | $ 250 | $ 681,040 | $ (447,912) | $ (22,243) | $ 211,135 |
| Total comprehensive income (loss) | — | — | 344,650 | 6,417 | 351,067 |
| Capital contribution | — | 320,000 | — | — | 320,000 |
| **Balance at December 31, 2023** | $ 250 | $ 1,001,040 | $ (103,262) | $ (15,826) | $ 882,202 |
| Total comprehensive income (loss) | — | — | 74,295 | (3,250) | 71,045 |
| Capital contribution | — | 490,000 | — | — | 490,000 |
| **Balance at December 31, 2024** | $ 250 | $ 1,491,040 | $ (28,967) | $ (19,076) | $ 1,443,247 |

The accompanying notes are an integral part of these financial statements.

## SFG BERMUDA LTD.

**(a wholly owned subsidiary of Sammons Financial Group, Inc.)**

## STATEMENTS OF CASH FLOWS

**(Amounts in thousands)**

| | Year Ended December 31, | |
|---|---|---|
| | **2024** | **2023** |
| **OPERATING ACTIVITIES** | | |
| Net income | $ 74,295 | $ 344,650 |
| Adjustments to reconcile net income to net cash used in operating activities | | |
| Amortization of deferred policy acquisition costs, deferred sales inducements and cost of reinsurance | 159,962 | 119,373 |
| Policy acquisition costs deferred | (804,296) | (566,529) |
| Sales inducements deferred | (220,300) | (95,814) |
| Net realized investment (gains) losses and net impairment losses recognized in earnings | (1,192) | 60,892 |
| Noncash net investment income | (790,912) | (394,828) |
| Net derivative activity | 37,242 | (493,681) |
| Provision for deferred income taxes | 557 | 92,064 |
| Net index credits, interest credited and product charges on investment-type products | 398,602 | 145,071 |
| Changes in other assets and liabilities | | |
| Accrued investment income | (1,063) | 302 |
| Net reinsurance receivables/payables | (48,922) | (43,144) |
| Net income tax receivable/payable | 19,155 | — |
| Other liabilities | 49 | 55 |
| Policy benefits and reserves | 79,648 | 135,132 |
| Funds withheld at interest | 1,013,542 | 286,906 |
| Net cash used in operating activities | $ (83,633) | $ (409,551) |
| **INVESTING ACTIVITIES** | | |
| Proceeds from investments sold, matured or repaid | | |
| Fixed maturities, available-for-sale | 2,935 | 399,963 |
| Equity securities | — | 2,626 |
| Short term investments | 10,211,231 | 1,198,600 |
| Cost of investments acquired | | |
| Fixed maturities, available-for-sale | (99,115) | (354,120) |
| Short term investments | (10,510,309) | (1,198,368) |
| Net cash provided by (used in) investing activities | (395,258) | 48,701 |
| **FINANCING ACTIVITIES** | | |
| Capital contributions received | 490,000 | 320,000 |
| Net cash provided by financing activities | 490,000 | 320,000 |
| Net change in cash | 11,109 | (40,850) |
| Cash at beginning of year | 926 | 41,776 |
| Cash at end of year | $ 12,035 | $ 926 |
| **NON-CASH OPERATING ACTIVITIES** | | |
| Premiums on investment-type contracts | $ 6,099,974 | $ 3,795,754 |
| Outflows on investment-type contracts | 1,198,513 | 561,033 |

The accompanying notes are an integral part of these financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

SFG Bermuda Ltd. (the "Company"), a Bermuda exempted company, is a wholly owned subsidiary of Sammons Financial Group, Inc. ("SFG"), which is an indirect wholly owned subsidiary of Sammons Enterprises, Inc. ("SEI"). The Company is affiliated through common ownership with Midland National Life Insurance Company ("MNL") and North American Company for Life and Health Insurance ("NAC"). The Company was incorporated on May 24, 2021 and is registered as a Class C long-term reinsurer under the Insurance Act 1978 of Bermuda, as amended ("Bermuda Insurance Act").

The Company is a reinsurer of certain fixed and indexed annuity policies issued by affiliates, MNL and NAC, under funds withheld coinsurance agreements. The agreements are indemnity agreements that cover 100% quota share of certain in-force fixed indexed annuity policies with guaranteed benefits issued by MNL prior to September 30, 2021, 80% quota share of certain new fixed indexed annuity policies including attached riders sold by MNL and NAC on or after October 1, 2021 and 80% quota share of all multi-year guaranteed annuities including attached riders sold by MNL and NAC from July 1, 2022 to December 31, 2022. The treaties were effective October 31, 2021 for the in-force business and effective October 1, 2021 for new business. Under these agreements, MNL and NAC withhold, on behalf of the Company, assets with statutory book values equal to the statutory liabilities associated with the reinsured policies. Effective October 1, 2023, for new policies issued on or after October 1, 2023, the 80% quota share is structured as a combination of funds withheld and coinsurance.

### Basis of presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

### Use of estimates

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

The most significant areas which require the use of management's estimates relate to the determination of the fair values of financial assets and liabilities, derivatives and derivative instruments, impairment of securities and allowances for expected credit losses, computation of income taxes, and actuarial valuation of cost of reinsurance ("COR"), deferred policy acquisition costs ("DAC"), deferred sales inducements ("DSI"), and reserves for benefit riders on annuity contracts.

### Fair value of financial assets, financial liabilities and financial instruments

The Company can elect an option to record certain financial assets and financial liabilities at fair value. The election is irrevocable and is made on a contract by contract basis. The Company has not elected to utilize the fair value option for any assets or liabilities.

Fair value estimates are significantly affected by the assumptions used, including discount rates and estimates and timing of future cash flows. Although fair value estimates are calculated using assumptions that management believes are appropriate, changes in assumptions could cause these estimates to vary materially. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in some cases, could not be realized in the immediate settlement of the instruments.

The Company uses the following methods and assumptions in estimating the fair value of its financial instruments:

*Fixed maturity and equity securities*

Fair value for fixed maturity and equity securities is obtained primarily from independent pricing sources, broker quotes and discounted cash flow models. Fair value is based on quoted market prices, where available. For securities not actively traded, fair value is estimated using values obtained from independent pricing services or broker quotes. When values are not available from pricing services or broker quotes, such as private placements including corporate securities, asset-backed securities, commercial mortgage-backed and residential mortgage-backed securities, fair value may be estimated by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investments.

*Funds withheld at interest – embedded derivatives from reinsurance assumed*

The funds withheld under the treaties for indexed annuities include a portfolio of cash, fixed maturity securities, preferred equity securities and loans and a notional hedge portfolio of options used to economically hedge index credits on assumed policies. The funds withheld coinsurance treaties create a total return swap to the Company as all investment related risks on the portfolio of fixed maturity securities, preferred equity securities and loans are assumed by the Company. The notional hedge portfolio portion of the funds withheld treaties is a derivative used to hedge index credits on assumed policies. Fair value for the embedded derivative related to the cash, fixed maturity securities, preferred equity securities and loans is based on the difference between the fair value and the cost basis of the financial instruments applicable to the Company's coinsurance agreements. The fair value of the derivative that results from the notional hedge portfolio is derived using the Company's quota share of the option budget and the market values of the options in the portfolio.

*Policyholder account balances*

The reported value of the Company's investment-type contracts includes the fair value of indexed annuity embedded derivatives which is calculated as the present value of benefits attributable to the excess of the projected contract values over the projected minimum guarantee values using discounted cash flow valuation techniques based on current interest rates adjusted to reflect own credit risk and a risk margin.

**Investments and investment income**

*Fixed maturity securities*

The Company is required to classify its fixed maturity securities (bonds) into three categories: securities that the Company has the positive intent and the ability to hold to maturity are classified as "held-to-maturity;" securities that are held for current resale are classified as "trading securities;" and securities not classified as held-to-maturity or as trading securities are classified as "available-for-sale." Investments classified as trading or available-for-sale are required to be reported at fair value in the balance sheets. The Company currently has no securities classified as trading or held-to-maturity.

Available-for-sale fixed maturity securities are carried at fair value with the unrealized holding gains (losses), net of allowances for expected credit losses, included as a component of other comprehensive income ("OCI") in the statements of comprehensive income. OCI is reported net of related adjustments to intangibles (primarily DAC, DSI, COR and future policy benefits), deferred income taxes and the accumulated unrealized holding gains (losses) on securities sold which are released into income as realized investment gains (losses).

*Equity securities*

Equity securities include common stock and non-redeemable preferred stock. Equity securities are carried at fair value with subsequent changes in fair value recognized in net realized investment gains (losses) in the statements of comprehensive income.

*Short-term investments*

Short-term investments primarily consist of money market funds, certain interest bearing deposits held by various commercial banks, and certificates of deposit, carried at principal plus accrued interest, and agency discount notes and fixed maturity securities acquired with less than one year to maturity, carried at fair value.

*Credit losses - available-for-sale securities*

The Company reviews its investments to determine whether the amortized cost basis of the securities is recoverable. If the Company intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis, the amortized cost basis of the security is written down to fair value through net realized investment gains (losses). If the Company does not intend to sell the security and it is not more likely than not it will be required to sell the security before recovery of its amortized cost basis, management evaluates whether the decline in fair value has resulted from credit losses or other factors. This evaluation is based on the credit rating of the issuer, the extent to which fair value is below amortized cost considering rate changes since acquisition, and the price at which a security is trading relative to other similarly rated securities. If analysis of these qualitative factors results in the security needing to be impaired, a credit impairment is recognized as an allowance for credit losses against the carrying value of the investment with the change in the credit allowance recognized in net realized investment gains (losses) to the extent the amortized cost of the security exceeds the net present value of its projected future cash flows (the "net present value"). The net present value used to measure a credit impairment is calculated by discounting the Company's best estimate of projected future cash flows at the effective interest rate implicit in the available-for-sale debt security at the date of acquisition or at the current yield in the case of beneficial interest. The allowance is limited by the amount that the fair value is less than the amortized cost. If the estimated fair value is greater than the present value of projected future cash flows expected to be collected, this portion of the decline in value related to other-than-credit factors is recorded in OCI as an unrealized loss.

*Net investment income*

Net investment income is recorded when earned and includes interest and dividends received and accrued, amortization of purchased premium and discounts on securities, and certain proceeds from derivatives, on both assets within the funds withheld portfolio and held directly. Dividends are recorded on the ex-dividend date. Investment expenses are reported as a reduction in investment income.

*Net realized investment gains (losses)*

Net realized investment gains (losses) are determined on the basis of specific identification of the investments on both assets within the funds withheld portfolio and held directly.

See Note 3 for further discussion of the Company's investments and investment income.

**Cash**

Cash consists of deposits held by a custodial bank and represents short term, highly liquid investments, which are readily convertible to cash. The Company has deposits with certain financial institutions which exceed federally insured limits. The Company has reviewed the creditworthiness of these financial institutions and believes there is minimal risk of material loss.

**Funds withheld at interest**

Funds withheld at interest represents a receivable for amounts contractually withheld by ceding companies in accordance with funds withheld components of coinsurance agreements in which the Company acts as reinsurer. Generally, assets equal to portion of the statutory reserves reinsured with funds withheld coinsurance are withheld and legally owned by the ceding company, and any excess or shortfall is settled periodically. The underlying agreements contain embedded derivatives.

See Note 4 for further discussion of the Company's funds withheld at interest.

**Accrued investment income**

Accrued investment income consists of amounts due on invested assets. The Company does not hold an allowance for credit losses on accrued investment income. Instead, accrued investment income is written off when deemed uncollectible, which is when it is 90 days past due. Accrued investment income is written off through net investment income in the statements of comprehensive income.

**Deferred policy acquisition costs**

Policy acquisition costs that vary with, and are related to, the successful acquisition of new and renewal insurance contracts assumed via reinsurance are deferred to the extent that such costs are deemed recoverable from future profits. The costs result directly from and are essential to the contract acquisition and would not have been incurred by the Company had the contract acquisition not occurred. Such costs include commissions and ceding allowances assessed by the ceding companies. For fixed and indexed annuities, these costs are amortized over the lives of the policies in relation to the present value of actual and estimated gross profits. Recoverability of DAC is evaluated on an annual basis by comparing the current estimate of future profits to the unamortized asset balance. The Company presents capitalized acquisition costs net of related amortization separately in the balance sheets and the amortization of the capitalized acquisition costs as a separate component of expenses in the statements of comprehensive income in accordance with authoritative guidance.

See Note 6 for further discussion of the Company’s DAC.

**Deferred sales inducements**

The Company defers certain sales inducement costs. Sales inducements consist of premium bonuses on the Company’s indexed annuity products assumed via reinsurance. The Company presents capitalized sales inducements net of related amortization separately in the balance sheets and the amortization of the capitalized sales inducements as a separate component of benefits in the statements of comprehensive income in accordance with authoritative guidance. These costs are amortized over the lives of the policies in relation to the present value of actual and estimated gross profits.

See Note 6 for further discussion of the Company’s DSI.

**Cost of Reinsurance**

As of the effective date of the treaties with MNL and NAC, the Company recorded liabilities in excess of assets. As there cannot be a gain or loss at inception of a reinsurance treaty, a COR asset was recorded to defer the initial loss. The COR asset is primarily due to the ceding allowance the Company paid MNL for assumption of a block of in-force policies. These costs are amortized over the lives of the policies in relation to the present value of actual and estimated gross profits. Recoverability of COR is evaluated on an annual basis by comparing the current estimate of future profits to the unamortized asset balance.

Adjustments of DAC, DSI, and COR are made periodically upon changes to current estimate of future gross profits on investment-type products to be realized from a group of policies.

To the extent that unrealized investment gains or losses on available-for-sale fixed maturity securities would result in an adjustment to the amortization pattern of DAC, DSI, and COR had those gains or losses actually been realized, the adjustments are recorded directly to stockholder’s equity through OCI as an offset to the unrealized investment gains or losses on available-for-sale fixed maturity securities.

**Policyholder liabilities**

*Policyholder account balances on reinsurance assumed*

Policyholder account balances on reinsurance assumed reported in the balance sheets are determined using the retrospective deposit method. Policyholder account balances consist of the net policyholder deposits and credited interest and fixed index credits less charges for mortality and policy administrative expenses. Interest crediting rates ranged primarily from 1.00% to 5.55% in 2024 and 2023. For certain contracts, these crediting rates extend for periods in excess of one year. For annuity contracts with returns linked to the performance of an underlying market index, policyholder reserves equal the combined fair value of the embedded derivative and the guaranteed component of the contract. Included in the Company's policyholder account balances on reinsurance assumed are additional reserves for annuities with certain guaranteed minimum withdrawal or guaranteed minimum death benefits.

*Policy claims on reinsurance assumed*

The liability for policy claims on reinsurance assumed includes provisions for reported death claims based on the terms of the related contracts.

**Recognition of revenue and policy benefits for investment contracts on reinsurance assumed**

Investment contracts are issued on a periodic and single premium basis. Amounts collected are credited to policyholder account balances on reinsurance assumed. Revenues from investment contracts consist of charges assessed against policyholder account balances for various guaranteed withdrawal benefits and surrender charges. Policy benefits and claims that are charged to expense include benefits incurred in the period in excess of related policyholder account balances. Benefits also include interest and fixed index amounts credited to the account balances and changes in the additional reserves for benefit riders on annuity contracts assumed.

**Income taxes**

The Company made an election under Internal Revenue Code 953(d) to be treated as a domestic corporation for U.S. tax purposes and files a separate tax return.

The Company recognizes deferred income tax assets and liabilities for the expected future tax effects attributable to temporary differences between the financial statement and tax return bases of assets and liabilities. Deferred tax assets and liabilities are measured based on enacted tax rates expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be realized or settled. The effect of a change in tax laws or rates on deferred tax assets and liabilities is recognized in income in the period in which such change is enacted. Deferred tax assets ("DTAs") are reduced by a valuation allowance if it is more likely than not that all or some portion of the DTAs will not be realized.

If applicable, the Company's liability for income taxes would include a liability for unrecognized tax benefits, interest and penalties which relate to tax years still subject to review by the IRS or other taxing jurisdictions. The Company recognizes tax benefits only on tax positions where it is more likely than not to prevail if reviewed by the IRS or another taxing authority.

**Comprehensive income**

Comprehensive income for the Company includes net income and OCI, which commonly includes changes in the non-credit portion of net unrealized investment gains (losses) on available-for-sale investments. Components of OCI are presented net of intangibles and taxes.

## 2. EFFECTS OF NEW AUTHORITATIVE GUIDANCE

**Recently adopted authoritative guidance**

*New and proposed tax laws*

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022 (the “Act”). The Act contained various tax-related provisions, including the establishment of a new 15 percent corporate alternative minimum tax (“CAMT”) on adjusted financial statement income for certain large corporations, effective for the years beginning on or after January 1, 2023. Applicable Corporations are required to compute federal income tax liability under two systems, the U.S. regular corporate tax and the CAMT. Although the CAMT may apply in any given year when tentative minimum tax then exceeds the regular tax liability, as a prepayment the CAMT generates a corresponding alternative minimum tax credit (“AMTC”). The AMTC is accounted for as a DTA with an indefinite carryover life, recoverable in years when the regular tax liability exceeds tentative minimum tax. Uncertainty remains regarding the continued implementation of and potential adjustments to the Act. The Company has determined that it is an Applicable Corporation subject to the new CAMT for 2023 and future years. The Company recorded a CAMT liability for 2024 and a DTA for the AMTC.

The tax accounting consequences of a change in tax law are required to be recognized in the period legislation is enacted. Generally, a company is also required to consider the impact of new tax law on realizability of its DTAs, including determination of whether a change to their valuation allowance amount is necessary. The Company made an accounting policy election to disregard CAMT status when evaluating DTAs under the regular corporate tax system associated with the Act.

The Organization for Economic Cooperation and Development (“OECD”) issued new guidelines, known as “Pillar Two,” to implement a 15% global corporate minimum tax to address gaps in current tax laws and ensure that large multinational enterprises pay a minimum level of tax in the countries in which they operate. Pillar Two has been agreed upon in principle by over 140 countries. Although the model rules provide a framework for applying the minimum tax, countries may enact Pillar Two slightly differently than the model rules and on different timelines and may adjust domestic tax incentives in response to Pillar Two. While the Company is still evaluating the potential consequences of Pillar Two, the Company does not expect it will have a material impact on either the effective tax rate or cash tax liabilities.

On December 27, 2023, Bermuda enacted legislation implementing a Corporate Income Tax (“CIT”) system with a statutory rate of 15%. The CIT applies to certain Bermuda tax resident entities and Bermuda permanent establishments that are constituent entities of a multinational group with consolidated annual revenue of at least €750 million in at least two of the four preceding fiscal years, subject to certain exemptions. The CIT will apply to the Company and is generally effective for fiscal years beginning on or after January 1, 2025. The new CIT rules provide significant flexibility and allow taxpayers to make various elections, including choosing among various acceptable accounting standards and establishing an opening loss carryforward. The rules also provide relief from double taxation, including a foreign tax credit ("FTC") based on accrued current and deferred taxes in a foreign jurisdiction. For a Bermuda entity for which a U.S. federal section 953(d) election is in place, a FTC is available for U.S. federal tax. The Company expects to generate excess future FTCs in Bermuda for U.S. taxes incurred and, therefore, does not expect the CIT will have a material impact, if any.

**Recently issued authoritative guidance**

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

In August 2018, the FASB issued guidance which made targeted changes to the accounting for long duration insurance contracts. These changes include a requirement to review, and if necessary, update cash flow assumptions used to measure the liability for future policy benefits for traditional and limited-payment contracts at least annually, with changes recognized in earnings. In addition, an entity will be required to update the discount rate assumption at each reporting date using a yield that is reflective of an upper-medium grade fixed-income instrument, with changes recognized in OCI. The updates related to traditional and limited-payment contracts are not applicable to the Company at this time, as no such contracts are reinsured. The update also requires that an entity measure all market risk benefits associated with deposit contracts at fair value, with changes recognized in earnings except for the portion attributable to a change in the instrument-specific credit risk, which is to be recognized in OCI. This update also simplifies the amortization of DAC and balances amortized in a similar manner by requiring amortization on a constant level basis over the expected term of the related contracts. Finally, significant additional disclosures will also be required, which include disaggregated rollforwards of certain liability balances and the disclosure of qualitative and quantitative information about expected cash flows, estimates, and assumptions. The guidance will be effective January 1, 2025, as a result of a one year deferral of the effective date by the FASB in 2020. The application of this guidance will vary based upon the specific requirements of the update but will generally result in either a modified retrospective or full retrospective approach with changes applied as of the beginning of the earliest period presented. The Company plans to adopt the new guidance for DAC and balances amortized in a similar manner retrospectively, to the effective date of the first reinsurance treaty in 2021.

The impacts of the new guidance are still being assessed, but the Company expects the new guidance will have a material impact on total stockholders' equity.

*Improvements to income tax disclosures*

On December 14, 2023, the FASB issued an accounting standard update ("ASU") to address improvements to income tax disclosures. The standard requires disaggregated information about a company's effective tax rate reconciliation, as well as information on income taxes paid. The standard is effective for non-public companies for annual periods beginning after December 15, 2025, with early adoption permitted. The standard will be applied on a prospective basis with the option to apply the standard retrospectively. The Company is assessing the impact of this new guidance on its financial statements.

*Disclosure improvements*

In October 2023, the FASB issued an ASU that adds disclosure requirements to the codification that currently exists only in SEC guidance. The guidance added to the codification will become effective for non-public business entities two years after it is removed from the SEC guidance. The Company is assessing the impact of the new guidance on its financial statements.

## 3. INVESTMENTS AND NET INVESTMENT INCOME

### Fixed maturity securities

The amortized cost, allowance for credit losses, gross unrealized gains, gross unrealized losses and estimated fair value of fixed maturity securities classified as available-for-sale are as follows:

| | Year Ended December 31, 2024 | | | | |
|---|---|---|---|---|---|
| *(In thousands)* | Amortized Cost | Allowance for Credit Losses | Gross Unrealized Gains | Gross Unrealized Losses[1] | Fair Value |
| U.S. government and agencies | $ 16,951 | $ — | $ — | $ 3,219 | $ 13,732 |
| Municipal securities | 21,519 | — | — | 2,018 | 19,501 |
| Corporate securities | 154,537 | 17 | 3 | 11,505 | 143,018 |
| Residential mortgage-backed securities | 33,325 | 123 | — | 4,754 | 28,448 |
| Commercial mortgage-backed securities | 3,922 | — | — | 933 | 2,989 |
| Asset-backed securities | 32,147 | 27 | 14 | 1,734 | 30,400 |
| Total available-for-sale | $ 262,401 | $ 167 | $ 17 | $ 24,163 | $ 238,088 |

[1] Gross unrealized losses are net of allowance for credit losses.

| | Year Ended December 31, 2023 | | | | |
|---|---|---|---|---|---|
| *(In thousands)* | Amortized Cost | Allowance for Credit Losses | Gross Unrealized Gains | Gross Unrealized Losses[1] | Fair Value |
| U.S. government and agencies | $ 16,944 | $ — | $ — | $ 2,836 | $ 14,108 |
| Municipal securities | 14,491 | — | — | 1,503 | 12,988 |
| Corporate securities | 79,350 | 35 | — | 8,303 | 71,012 |
| Residential mortgage-backed securities | 24,328 | — | — | 4,088 | 20,240 |
| Commercial mortgage-backed securities | 3,917 | — | — | 820 | 3,097 |
| Asset-backed securities | 26,796 | 5 | — | 2,483 | 24,308 |
| Total available-for-sale | $ 165,826 | $ 40 | $ — | $ 20,033 | $ 145,753 |

[1] Gross unrealized losses are net of allowance for credit losses.

The following table summarizes the amortized cost and fair value of available-for-sale fixed maturity securities, by contractual maturity. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties:

| | December 31, 2024 | |
|---|---|---|
| *(In thousands)* | Amortized Cost | Fair Value |
| Due after one year through five years | $ 10,997 | $ 10,700 |
| Due after five years through ten years | 84,320 | 79,067 |
| Due after ten years | 97,690 | 86,483 |
| Securities not due at a single maturity date | 69,394 | 61,838 |
| Total fixed maturity securities | $ 262,401 | $ 238,088 |

**Gross unrealized losses**

The Company's gross unrealized losses and fair value on its available-for-sale fixed maturity securities, for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

| | December 31, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | | Total | |
| *(In thousands)* | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| U.S. government and agencies | $ — | $ — | $ 13,731 | $ 3,219 | $ 13,731 | $ 3,219 |
| Municipal securities | 7,483 | 324 | 12,017 | 1,694 | 19,500 | 2,018 |
| Corporate securities | 90,999 | 2,587 | 50,423 | 8,476 | 141,422 | 11,063 |
| Residential mortgage-backed securities | 7,240 | 42 | 15,809 | 4,528 | 23,049 | 4,570 |
| Commercial mortgage-backed securities | — | — | 2,990 | 933 | 2,990 | 933 |
| Asset-backed securities | 3,869 | 109 | 17,728 | 1,514 | 21,597 | 1,623 |
| Total available-for-sale | $ 109,591 | $ 3,062 | $ 112,698 | $ 20,364 | $ 222,289 | $ 23,426 |

| | December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or more | | Total | |
| *(In thousands)* | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| U.S. government and agencies | $ — | $ — | $ 14,108 | $ 2,836 | $ 14,108 | $ 2,836 |
| Municipal securities | 775 | 21 | 12,213 | 1,482 | 12,988 | 1,503 |
| Corporate securities | 5,976 | 7 | 60,436 | 6,873 | 66,412 | 6,880 |
| Residential mortgage-backed securities | — | — | 19,924 | 3,923 | 19,924 | 3,923 |
| Commercial mortgage-backed securities | — | — | 3,097 | 820 | 3,097 | 820 |
| Asset-backed securities | 174 | 12 | 23,024 | 2,378 | 23,198 | 2,390 |
| Total available-for-sale | $ 6,925 | $ 40 | $ 132,802 | $ 18,312 | $ 139,727 | $ 18,352 |

At December 31, 2024, the Company held 330 positions in fixed maturity securities. The Company held 313 positions of 156 issuers as of December 31, 2024 that had unrealized losses. At December 31, 2024, 99% of the unrealized losses on fixed maturity securities were securities rated investment grade. Investment grade securities are defined as those securities rated with a National Association of Insurance Commissioners ("NAIC") designation category of 1 or 2 (inclusive of all designation modifiers). At December 31, 2024, 1% of the unrealized losses on fixed maturity securities were on securities rated below investment grade. At December 31, 2024, fixed maturity securities in an unrealized loss position had fair value equal to approximately 91% of amortized cost.

The following table provides a rollforward of the allowance for credit losses:

| *(In thousands)* | Corporate Securities | Residential Mortgage-Backed Securities | Commercial Mortgage-Backed Securities | Asset-Backed Securities | Total Available-For-Sale |
|---|---|---|---|---|---|
| **Balance at December 31, 2022** | $ — | $ — | $ — | $ — | $ — |
| Additions for credit losses not previously recorded | 35 | — | — | 5 | 40 |
| **Balance at December 31, 2023** | $ 35 | $ — | $ — | $ 5 | $ 40 |
| Additions for credit losses not previously recorded | — | 123 | — | 27 | 150 |
| Reductions for securities sold during the period | (10) | — | — | — | (10) |
| Increases (decreases) for credit losses on securities with an allowance recorded in the previous period | (8) | — | — | (5) | (13) |
| **Balance at December 31, 2024** | $ 17 | $ 123 | $ — | $ 27 | $ 167 |

For the year ended December 31, 2024, the allowance for credit losses on available for sale securities increased primarily related to net additions in mortgage-backed securities, partially offset by sales in the industrial sector and by net decreases in previously impaired securities.

The Company did not have any fixed maturity securities purchased with credit deterioration as of December 31, 2024 or 2023.

**Net investment income and investment gains (losses)**

The major categories of net investment income reflected in the statements of comprehensive income are summarized as follows:

| | Year Ended December 31, | |
|---|---|---|
| *(In thousands)* | **2024** | **2023** |
| Gross investment income | | |
| Fixed maturity securities | $ 7,768 | $ 7,260 |
| Equity securities | 101 | 195 |
| Funds withheld at interest | 806,423 | 406,930 |
| Cash and short-term investments | 2,057 | 298 |
| Total gross investment income | 816,349 | 414,683 |
| Less: Investment expenses | 18,159 | 13,152 |
| Net investment income | $ 798,190 | $ 401,531 |

Investment expenses primarily consist of investment advisor fees and other expenses related to the administration of investments.

The major categories of net realized investment gains and (losses) reflected in the statements of comprehensive income are summarized as follows:

| | Year Ended December 31, | |
|---|---|---|
| *(In thousands)* | **2024** | **2023** |
| Fixed maturity securities, available for sale | $ 1 | $ (1,590) |
| Equity securities | 78 | (179) |
| Funds withheld at interest | 1,240 | (59,083) |
| Provision for credit losses | (127) | (40) |
| Net realized investment gains (losses) | $ 1,192 | $ (60,892) |

Proceeds from the sale of securities and the gross realized gains and (losses) on these sales (excluding allowance for credit losses, maturities, calls, exchanges and prepayments) were as follows:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | **2024** | | **2023** | |
| *(In thousands)* | **Fixed Maturity Securities** | **Equity Securities** | **Fixed Maturity Securities** | **Equity Securities** |
| Proceeds from sales | $ — | — | $ 43,506 | $ 2,626 |
| Gross realized gains | — | — | 27 | — |
| Gross realized losses | — | — | (1,575) | (374) |

### Credit risk concentration

The Company generally strives to maintain a diversified invested assets portfolio. Credit risk concentrations to any single issuer or groups of issuers with similar credit profiles are closely monitored. Other than investments in U.S. government or U.S. government agencies, the Company had no significant concentration of credit risk at December 31, 2024.

## 4. FUNDS WITHHELD AT INTEREST

Funds withheld at interest represents the receivable for assets supporting coinsurance. These assets are held in trusts or custodial accounts that are legally segregated from the ceding companies' general accounts. In the event of a ceding company's insolvency, the Company would need to assert a claim on the assets supporting the reserve liabilities. However, the Company has the ability to offset amounts owed to the ceding company, which reduces the risk of loss. The Company is subject to the investment performance and has all economic rights and obligations on the funds withheld assets in a fashion similar to invested assets held directly by the Company. The funds withheld under the treaties include a portfolio of cash, fixed maturity securities, preferred equity securities and loans and a notional hedge portfolio of options used to economically hedge index credits on assumed policies. The funds withheld coinsurance treaties create a total return swap to the Company as all investment related risks on the portfolio of fixed maturity securities, preferred equity securities and loans is assumed by the Company. The notional hedge portfolio portion of the funds withheld treaties is a derivative used to hedge index credits on assumed policies. The embedded derivative is discussed in Note 5.

The fair value of the underlying assets within the funds withheld at interest is presented below.

| | December 31, | |
|---|---|---|
| *(In thousands)* | **2024** | **2023** |
| Cash | $ 85,108 | $ 26,748 |
| U.S. government and agencies | 1,047,750 | 494,999 |
| Municipal securities | 707,608 | 498,954 |
| Corporate securities | 10,852,443 | 8,141,568 |
| Residential mortgage-backed securities | 917,597 | 630,177 |
| Commercial mortgage-backed securities | 261,509 | 263,416 |
| Asset-backed securities | 2,666,240 | 2,042,674 |
| Equity securities | 91,875 | 87,148 |
| Short-term securities | 46,979 | 19,997 |
| Commercial mortgage loans | 390,822 | 326,370 |
| Swaps and swap collateral | 4,068 | 5,088 |
| Interest due and accrued | 176,565 | 130,400 |
| Repurchase agreements | (453,776) | (453,751) |
| Notional hedge portfolio | 629,666 | 393,533 |
| Receivable from (payable to) broker | (97,112) | (24,852) |
| Receivable from (payable to) cedants | (34,691) | (39,635) |
| Suspense | (81) | (12) |
| Funds withheld at interest | $ 17,292,570 | $ 12,542,822 |

## 5. DERIVATIVES AND DERIVATIVE INSTRUMENTS

The following table presents the fair value of derivatives and derivative instruments:

| | December 31, | |
|---|---|---|
| | **2024** | **2023** |
| *(In thousands)* | **Fair Value** | **Fair Value** |
| **Derivatives not designated as hedges** | | |
| Embedded derivatives | | |
| Assets: | | |
| Funds withheld at interest | (492,805) | (343,186) |
| Annuity funds withheld | $ (492,805) | (343,186) |
| | | |
| Liabilities: | | |
| Investment-type insurance contracts embedded derivatives | 1,765,166 | 1,354,733 |
| Index annuity products assumed | $ 1,765,166 | $1,354,733 |

**Embedded derivatives related to indexed annuity products**

The Company's indexed annuity products assumed contain embedded derivatives. The fair value of the embedded options related to these assumed policyholder obligations are based upon current and expected index levels and returns as well as assumptions regarding general policyholder behavior, primarily lapses and withdrawals. These projected benefit values are discounted to the current date using an assumed interest rate consistent with the duration of the liability adjusted to reflect the Company's credit risk and a risk margin. This value is then compared to the carrying value of the liability to calculate any gain or loss that is reflected in the statements of comprehensive income as net gains (losses) on derivatives and derivative instruments.

The Company is the assuming party under two coinsurance with funds withheld reinsurance agreements with affiliated companies. The value of the derivative embedded in the funds withheld coinsurance agreements is equal to the difference between the fair value and cost basis of the cash, fixed maturity securities, preferred equity securities and loans in the funds withheld portfolio and the total fair value of the notional hedge portfolio. The value of the embedded derivative is reported in the balance sheets in funds withheld at interest. The net change in the reported value of the embedded derivatives is reported in net gains (losses) on derivatives and derivative instruments in the statements of comprehensive income.

See Note 4 for further discussion related to the Company's funds withheld reinsurance agreements.

The impacts of derivatives and derivative instruments not designated as hedging instruments are reflected in net gains (losses) on derivatives and derivative instruments in the statements of comprehensive income.

## 6. DAC, DSI and COR

The components of DAC are as follows:

| | Year Ended December 31, | |
|---|---|---|
| *(In thousands)* | 2024 | 2023 |
| Balance at beginning of year | $ 1,186,595 | $ 724,596 |
| Commissions deferred on reinsurance assumed | 804,296 | 566,529 |
| Amortization | (102,362) | (104,530) |
| Balance at end of year | $ 1,888,529 | $ 1,186,595 |

The components of DSI are as follows:

| | Year Ended December 31, | |
|---|---|---|
| *(In thousands)* | 2024 | 2023 |
| Balance at beginning of year | $ 161,682 | $ 80,711 |
| Sales inducement costs deferred on reinsurance assumed | 220,300 | 95,814 |
| Amortization | (14,375) | (14,843) |
| Balance at end of year | $ 367,607 | $ 161,682 |

The components of COR are as follows:

| | Year Ended December 31, | |
|---|---|---|
| *(In thousands)* | **2024** | **2023** |
| Balance at beginning of year | $ 561,446 | $ 561,446 |
| Amortization | (43,226) | — |
| Balance at end of year | $ 518,220 | $ 561,446 |

## 7. REINSURANCE

The Company is party to funds withheld coinsurance agreements with MNL and NAC. The agreements are indemnity agreements that cover 100% quota share of certain in-force fixed indexed annuity policies with guaranteed benefits issued by MNL prior to September 30, 2021, 80% quota share of certain new fixed indexed annuity policies including attached riders sold by MNL and NAC on or after October 1, 2021 and 80% quota share of all multi-year guaranteed annuities including attached riders sold by MNL and NAC from July 1, 2022 to December 31, 2022. Under these agreements, MNL and NAC withhold, on behalf of the Company, assets with statutory book values equal to the statutory liabilities associated with these policies. Effective October 1, 2023, for new policies issued on or after October 1, 2023, the 80% quota share is structured as a combination of funds withheld and coinsurance. The Company reports the funds withheld assets with statutory book values of $17.8 billion and $12.9 billion in funds withheld at interest in the balance sheets for 2024 and 2023, respectively. The funds withheld at interest contains embedded derivatives as discussed in Note 4. The Company reports liabilities assumed under these treaties in policyholder account balances on reinsurance assumed and policy claims on reinsurance assumed in the balance sheets.

The effect of reinsurance on charges on investment-type products and benefits incurred is as follows:

| | December 31, | |
|---|---|---|
| *(In thousands)* | **2024** | **2023** |
| Charges on investment-type products-reinsurance assumed | $ 126,773 | $ 62,901 |
| Benefits incurred-reinsurance assumed | $ 81,096 | $ 112,542 |

## 8. ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of accumulated OCI are as follows:

| *(In thousands)* | Net Unrealized Gain (Loss) on Available-For-Sale Securities | Deferred Income Taxes | Total |
|---|---|---|---|
| **Balance at December 31, 2022** | $ (28,155) | $ 5,912 | $ (22,243) |
| Other comprehensive income (loss) before reclassifications | 8,123 | (1,706) | 6,417 |
| **Balance at December 31, 2023** | $ (20,032) | $ 4,206 | $ (15,826) |
| Other comprehensive income (loss) before reclassifications | (4,114) | 864 | (3,250) |
| **Balance at December 31, 2024** | $ (24,146) | $ 5,070 | $ (19,076) |

There were no reclassification adjustments in accumulated OCI in the statements of comprehensive income for 2024 or 2023.

## 9. INCOME TAXES

The significant components of income tax expense are as follows:

| | December 31, | |
|---|---|---|
| *(In thousands)* | 2024 | 2023 |
| Current | $ 19,155 | $ — |
| Deferred | 557 | 92,064 |
| Total income tax provision | $ 19,712 | $ 92,064 |

Total income tax expense attributable to income before taxes differed from the amount that results from applying the U.S. federal statutory rate of 21%. The significant differences in 2024 were the change in the valuation allowance against the DTA for capital loss carryforwards, and the increase in the Bermuda CIT deferred tax asset, offset by a valuation allowance. The significant differences in 2023 were the valuation allowance against the DTA for capital loss carryforwards and the DTA established for the opening net operating loss ("NOL") carryforward under the newly enacted Bermuda CIT, offset by a valuation allowance.

The tax effects of temporary differences that give rise to significant portions of DTAs and deferred income tax liabilities are as follows:

| | December 31, | |
|---|---|---|
| *(In thousands)* | **2024** | **2023** |
| Deferred income tax assets | | |
| Policy liabilities and reserves | $ 367,261 | $ 310,277 |
| U.S. capital, NOL and CAMT carry forwards | 269,953 | 145,889 |
| Bermuda operating loss carry forward | 298,095 | 182,340 |
| Investments | 4,990 | 4,182 |
| Other, net | 21 | 20 |
| Total gross deferred income tax assets | 940,320 | 642,708 |
| Less valuation allowance | (301,733) | (186,001) |
| Total deferred income tax assets | $ 638,587 | $ 456,707 |
| Deferred income tax liabilities | | |
| Deferred policy acquisition costs, cost of reinsurance and deferred sales inducements | (582,615) | (401,042) |
| Total deferred income tax liabilities | (582,615) | (401,042) |
| Net deferred income tax asset | $ 55,972 | $ 55,665 |

If the Company determines that any of its DTAs will not result in future tax benefits, a valuation allowance must be established for the portion of these assets that more-likely-than-not will not be realized. With the enactment of the Bermuda CIT in 2023, the Company is now a dual resident taxpayer and will establish separate deferred tax balances for Bermuda and the U.S. jurisdictions and consider the need for a valuation allowance in each jurisdiction based upon applicable tax laws.

As of December 31, 2024 and 2023, the Company has established valuation allowances of $302 million and $186 million, respectively. The valuation allowance at December 31, 2024 includes $298 million for the DTA related to the $1,987 million NOL carryforward for Bermuda tax purposes. The valuation allowance at December 31, 2023 includes $182 million for the DTA related to the $1,216 million NOL carryforward for Bermuda tax purposes. While this NOL does not expire, the Company expects to generate future FTCs which would displace the DTA related to the NOL and thus no net benefit will be realized. The remaining valuation allowances in both years were established against certain capital DTAs including a $4 million valuation allowance against the DTA attributable to the Company’s U.S. capital loss carryforward of $17 million at December 31, 2024, which will expire on December 31, 2027 and 2028 if not utilized. Adjustments to the valuation allowance will be made if there is a change in management’s assessment of the amount of the DTAs that are more-likely-than-not to be realized. Based upon a review of the Company’s anticipated future taxable income and after considering all other available evidence, both positive and negative, the Company’s management believes no additional valuation allowance is necessary.

The Company has a DTA of $248 million related to its $1,180 million NOL carryforward for U.S. tax purposes. The NOL may be carried forward indefinitely. The Company has a DTA of $18 million for CAMT credit carryforwards. This can be carried forward indefinitely and utilized against regular income tax.

The Company has not established a liability for unrecognized tax benefits and does not expect this to change during the next twelve months. The Company recognizes interest and/or penalties as a component of tax expense. The Company did not have any accrued interest and penalties at December 31, 2024 and 2023.

The Company is not currently under examination, but all tax years are open as the Company was formed in 2021.

## 10. FAIR VALUE

Fair value is based on an exit price, which is 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 fair value guidance also establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Financial instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

The Company determines the fair value of its investments, in the absence of observable market prices, using the valuation methodologies described below applied on a consistent basis. For some investments, market activity may be minimal or nonexistent and management's determination of fair value is then based on the best information available in the circumstances and may incorporate management's own assumptions, which involves a significant degree of judgment.

Investments for which market prices are not observable are generally private investments, securities valued using non-binding broker quotes or securities with very little trading activity. Fair values of private investments are determined by reference to public market or private transactions or valuations for comparable companies or assets in the relevant asset class when such amounts are available. If these are not available, a discounted cash flow analysis using interest spreads adjusted for the maturity/average life differences may be used. Spread adjustments are intended to reflect an illiquidity premium and take into account a variety of factors including but not limited to senior unsecured versus secured, par amount outstanding, number of holders, maturity, average life, composition of lending group, fixed maturity rating, credit default spreads, default rates and credit spreads applicable to the security sector. These valuation methodologies involve a significant degree of judgment.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories.

Level 1 – Quoted prices are available in active markets that the Company has the ability to access for identical financial instruments as of the reporting date. The types of financial instruments included in Level 1 are listed equities, mutual funds, money market funds, non-interest bearing cash, exchange traded futures and options, and separate account assets. As required by the fair value measurements guidance, the Company does not adjust the quoted price for these financial instruments, even in situations where it holds a large position and a sale could reasonably impact the quoted price.

Level 2 – Fair values are based on quoted prices for identical assets or liabilities in active and inactive markets. Inactive markets involve few transactions for identical assets or liabilities and the prices are not current or price quotations vary substantially over time or among market makers, which would include some broker quotes. Level 2 inputs also include corroborated market data such as interest rate spreads, yield curves, volatilities, prepayment speeds, credit risks and default rates. Financial instruments that are generally included in this category include corporate bonds, asset-backed securities, CMOs, less liquid and restricted equity securities and over-the-counter derivatives.

Level 3 – Pricing inputs are unobservable for the financial instrument and include situations where there is little, if any, market activity for the financial instrument. These inputs may reflect the Company's estimates of the assumptions that market participants would use in valuing the financial instruments. Financial instruments that are included in this category generally include private corporate securities, collateralized fixed maturity obligations and indexed annuity embedded derivatives.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument. From time to time there may be movements between levels as inputs become more or less observable, which may depend on several factors including the activity of the market for the specific security, the activity of the market for similar securities, the level of risk spreads and the source of the information from which the Company obtains the information.

The Company relies on third party pricing services and independent broker quotes to value fixed maturity and equity securities. The third party pricing services use discounted cash flow models or the market approach to value the securities when the securities are not traded on an exchange. The following characteristics are considered in the valuation process: benchmark yields, reported trades, issuer spreads, bids, offers, benchmark and comparable securities, estimated cash flows and prepayment speeds.

The Company performs both quantitative and qualitative analysis of the prices. The review includes initial and ongoing review of the third party pricing methodologies, back testing of recent trades, and review of pricing trends and statistics.

The following tables summarize the valuation of the Company's financial instruments carried at fair value in the balance sheets by the fair value hierarchy levels defined in the fair value measurements guidance. Methods and assumptions used to determine the fair values are described in Note 1:

| *(In thousands)* | December 31, 2024 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Available-for-sale securities | | | | |
| Fixed maturity securities: | | | | |
| U.S. government and agencies | — | 13,732 | — | 13,732 |
| Municipal securities | — | 19,501 | — | 19,501 |
| Corporate securities | — | 142,653 | 365 | 143,018 |
| Residential mortgage-backed securities | — | 28,448 | — | 28,448 |
| Commercial mortgage-backed securities | — | 2,989 | — | 2,989 |
| Asset-backed securities | — | 29,605 | 795 | 30,400 |
| Total available-for-sale securities | $ — | $ 236,928 | $ 1,160 | $ 238,088 |
| Equity securities | | | | |
| Financial services | — | 1,870 | — | 1,870 |
| Total equity securities | $ — | $ 1,870 | $ — | $ 1,870 |
| Short-term investments | | | | |
| U.S. government and agencies | — | 301,151 | — | 301,151 |
| Total short-term investments | $ — | $ 301,151 | $ — | $ 301,151 |
| Funds withheld at interest | | | | |
| Annuity funds withheld | — | — | (492,805) | (492,805) |
| Total financial assets | $ — | $ 539,949 | $ (491,645) | $ 48,304 |
| **Financial liabilities:** | | | | |
| Policyholder account balances | | | | |
| Annuity embedded derivatives assumed | $ — | $ — | $ 1,765,166 | $ 1,765,166 |
| Total financial liabilities | $ — | $ — | $ 1,765,166 | $ 1,765,166 |

| | December 31, 2023 | | | |
|---|---|---|---|---|
| *(In thousands)* | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets:** | | | | |
| Fixed maturity securities: | | | | |
| U.S. government and agencies | $ — | $ 14,108 | $ — | $ 14,108 |
| Municipal securities | — | 12,988 | — | 12,988 |
| Corporate securities | — | 70,631 | 381 | 71,012 |
| Residential mortgage-backed securities | — | 20,240 | — | 20,240 |
| Commercial mortgage-backed securities | — | 3,097 | — | 3,097 |
| Asset-backed securities | — | 23,788 | 520 | 24,308 |
| Total available-for-sale securities | — | 144,852 | 901 | 145,753 |
| Equity securities | | | | |
| Financial services | — | 1,792 | — | 1,792 |
| Total equity securities | — | 1,792 | — | 1,792 |
| Funds withheld at interest | | | | |
| Annuity funds withheld | — | — | (343,186) | (343,186) |
| Total financial assets | $ — | $ 146,644 | $ (342,285) | $ (195,641) |
| **Financial liabilities:** | | | | |
| Policyholder account balances | | | | |
| Annuity embedded derivatives assumed | — | — | 1,354,733 | 1,354,733 |
| Total financial liabilities | $ — | $ — | $ 1,354,733 | $ 1,354,733 |

The following tables summarize the changes in financial instruments measured at fair value, excluding accrued interest income, for which Level 3 inputs were used to determine fair value:

| | Year Ended December 31, 2024 | | |
|---|---|---|---|
| *(In thousands)* | Purchases | Issuances | Transfers in and/or out of Level 3 [(A)] |
| **Financial assets:** | | | |
| Available for sale securities | | | |
| Fixed maturity securities: | | | |
| Asset-backed securities | 307 | — | — |
| Total fixed maturity securities | 307 | — | — |
| Total financial assets | $ 307 | $ — | $ — |
| **Financial liabilities:** | | | |
| Policyholder account balances | | | |
| Annuity embedded derivatives assumed [(B)] | — | 455,892 | — |
| Total financial liabilities | $ — | $ 455,892 | $ — |

| | Year Ended December 31, 2023 | | |
|---|---|---|---|
| (In thousands) | Purchases | Issuances | Transfers in and/or out of Level 3 [(A)] |
| **Financial assets:** | | | |
| Available for sale securities | | | |
| Fixed maturity securities: | | | |
| Asset-backed securities | 186 | — | — |
| Total fixed maturity securities | 186 | — | — |
| Total financial assets | $ 186 | $ — | $ — |
| **Financial liabilities:** | | | |
| Policyholder account balances | | | |
| Annuity embedded derivatives assumed [(B)] | — | 354,365 | — |
| Total financial liabilities | $ — | $ 354,365 | $ — |

(A) There were no transfers in and/or out of Level 3 in the years ended December 31, 2024 or 2023.

(B) Excludes host accretion and the timing of crediting index credits to policyholder, which are included in interest credited to policyholder account balances in the statements of comprehensive income.

## 11. STATUTORY FINANCIAL DATA AND DIVIDEND RESTRICTIONS

The Company is licensed by the Bermuda Monetary Authority ("BMA") as a long-term insurer and is subject to the Bermuda Insurance Act and regulations promulgated thereunder. The BMA implemented the Economic Balance Sheet ("EBS") framework into the Bermuda Solvency Capital Requirement ("BSCR"), which was granted equivalency to the European Union's Directive (2009/138/EC) (Solvency II). Under this framework a Class C insurer must produce three sets of financial statements:

1. GAAP Financial Statements - Financial statements prepared in accordance with an internationally recognized comprehensive basis of accounting, and for which the Company has elected to prepare GAAP financial statements. These financial statements form the basis for the preparation of both the Statutory Financial Statements ("SFS") and the EBS.

2. Statutory Financial Statements - Equal to the GAAP financial statements adjusted for permitted practices issued by the BMA.

3. Economic Balance Sheet - A balance sheet where assets are recorded based on GAAP fair values and insurance reserves are based on technical provisions comprised of the sum of a best estimate liability plus a risk margin. The best estimate liability may be calculated by applying the standard approach or the scenario approach. Under the standard approach the discount rate for insurance reserves is a rate prescribed by the BMA. Under the scenario approach the discount rate for insurance reserves is based on the yield on eligible assets owned by the insurer as determined under the worst result of nine prescribed stress scenarios.

Under the Bermuda Insurance Act, long-term reinsurers are required to maintain minimum statutory capital and surplus to meet the minimum margin of solvency ("MSM") which is equal to the greater of

$500,000 or 1.5% of the total statutory assets, with a floor of 25% of the Enhanced Capital Ratio ("ECR"). Under the Bermuda Insurance Act, the Company is also required to maintain minimum EBS capital and surplus to meet the ECR which is equal to a risk-based capital model where risk factor charges are applied to the EBS balance sheet in order to determine the ECR. As of December 31, 2024 and December 31, 2023, the Company was in excess of the minimum levels required.

The following table presents the actual and required GAAP and SFS capital and surplus and net income amounts as of and for the years ended December 31, 2024 and 2023:

| | **Year Ended December 31, 2024** | |
|---|---|---|
| *(In thousands)* | **GAAP** | **SFS** |
| Actual Capital and Surplus | 1,443,247 | 1,748,694 |
| Required Capital and Surplus [(A)] | N/A | 316,899 |
| Net Income | 74,295 | 26,560 |

| | **Year Ended December 31, 2023** | |
|---|---|---|
| *(In thousands)* | **GAAP** | **SFS** |
| Actual Capital and Surplus | 882,202 | 1,232,134 |
| Required Capital and Surplus [(A)] | N/A | 224,809 |
| Net Income | 344,650 | 28,486 |

[(A)] Represents the MSM for the SFS. There is not a required capital and surplus amount for the GAAP financial statements.

Under the EBS framework, SFS are generally equivalent to GAAP financial statements, with the exception of permitted practices granted by the BMA. The Company has permission in the SFS to not recognize the embedded derivatives on indexed annuity products assumed and funds withheld at interest and to remove balance sheet recognition of unrealized gains or losses for assets held directly at the Company. The following represents the effect of the permitted practices to the SFS:

| | **December 31,** | |
|---|---|---|
| *(In thousands)* | **2024** | **2023** |
| Increase to capital and surplus due to permitted practices | 305,447 | 349,932 |
| Decrease to statutory net income due to permitted practices | (47,735) | (316,164) |

To enable the BMA to better assess the quality of the insurer's capital resources, a Class C insurer is required to disclose the makeup of its capital in accordance with the "3-tiered capital system." Highest quality capital is classified as Tier 1 Capital, lesser quality capital is classified as either Tier 2 Capital or Tier 3 Capital. The Bermuda Insurance Act requires that Class C insurers have Tier 1 Capital equal to or greater than 50% of the value of its ECR and Tier 3 Capital of not more than 17.65% of the aggregate of its Tier 1 Capital and Tier 2 Capital. As of December 31, 2024 and 2023, all of the eligible capital used by the Company to meet the MSM and ECR was Tier 1 Capital. The Company monitors its capital tiers and any encumbrances on capital when determining capital tiers, including assessing any capital restricted in trusts and coinsurance arrangements.

Under the Bermuda Insurance Act, the Company is prohibited from paying a dividend in an amount exceeding 25% of the prior year's statutory capital and surplus, unless at least two members of the companies' respective board of directors and its principal representative in Bermuda sign and submit to the BMA an affidavit attesting that a dividend in excess of this amount would not cause the subsidiary to fail to meet its relevant margins. In certain instances, the Company would also be required to provide prior notice to the BMA in advance of the payment of dividends. In the event that such an affidavit is submitted to the BMA, and further subject to meeting the MSM and ECR requirements, the Company is permitted to distribute up to the sum of 100% of statutory surplus and an amount less than 15% of statutory capital. Distributions in excess of this amount require the approval of the BMA. As of December 31, 2024, the Company is not permitted to remit a dividend to its parent without prior approval from the BMA.

## 12. OTHER RELATED PARTY TRANSACTIONS

The Company is party to funds withheld coinsurance agreements with MNL and NAC. The agreements are indemnity agreements that cover 100% quota share of certain in-force fixed indexed annuity policies with guaranteed benefits issued by MNL prior to September 30, 2021, 80% quota share of certain new fixed indexed annuity policies including attached riders sold by MNL and NAC on or after October 1, 2021, and 80% quota share of all multi-year guaranteed annuities including attached riders sold by MNL and NAC from July 1, 2022 to December 31, 2022. The treaties were effective October 31, 2021 for the in-force business and effective October 1, 2021 for new business. Effective October 1, 2023, for new policies issued on or after October 1, 2023, the 80% quota share is structured as a combination of funds withheld and coinsurance. With the exception of investment income on assets held directly by the Company and operational expenses, all of the Company's revenues and expenses result from transactions with related parties.

The Company pays fees to MNL under an administrative services agreement that covers certain investment, accounting, legal and management services. The Company incurred $2.8 million and $2.3 million in 2024 and 2023, respectively for these services.

The Company receives investment management services from SFG Asset Management, LLC, an affiliate registered investment advisor. The Company incurred $76 thousand and $46 thousand in 2024 and 2023, respectively for these investment management services. The fee is calculated based on the average fair value of invested assets under management multiplied by a contractual rate.

During the years ended December 31, 2024 and December 31, 2023, the Company received $490 million and $320 million, respectively in capital contributions from its parent, SFG .

## 13. COMMITMENTS AND CONTINGENCIES

The Company has, in the normal course of business, claims and lawsuits filed against it. In some cases the damages sought are substantially in excess of contractual policy benefits. The Company believes these claims and lawsuits, either individually or in aggregate, will not materially affect the Company's financial position or results of operations.

## 14. SUBSEQUENT EVENTS

The Company evaluated subsequent events through April 21, 2025, which is the date the financial statements were available to be issued.

On March 31, 2025, the Company received a $30 million capital contribution from its parent, SFG. This capital contribution was made to provide the necessary capital to support the business ceded from MNL and NAC during 2025.