LIFE INSURANCE COMPANY OF NORTH AMERICA

(A wholly-owned subsidiary of
New York Life Insurance Company)

FINANCIAL STATEMENTS

(STATUTORY BASIS)

DECEMBER 31, 2023 and 2022

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Report of Independent Auditors

To the Board of Directors of Life Insurance Company of North America

Opinions

We have audited the accompanying statutory basis financial statements of Life Insurance Company of North America (the "Company"), which comprise the statutory statements of financial position as of December 31, 2023 and 2022, and the related statutory statements of operations, of changes in capital and surplus, and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the Pennsylvania Insurance Department described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2023 and 2022, or the results of its operations or its cash flows for the years then ended.

Basis for Opinions

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 opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 to the financial statements, the financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the Pennsylvania Insurance Department, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the Pennsylvania Insurance Department. Management is also responsible 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

New York, New York
April 4, 2024

LIFE INSURANCE COMPANY OF NORTH AMERICA
(A wholly-owned subsidiary of New York Life Insurance Company)

STATUTORY STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2023	2022
	(in millions)	
Assets		
Bonds	$ 6,802	$ 6,798
Mortgage loans	1,224	1,056
Cash, cash equivalents and short-term investments	184	240
Common and preferred stocks	36	29
Other invested assets	269	263
Total cash and invested assets	8,515	8,386
Premiums and considerations receivable	204	193
Investment income due and accrued	62	59
Admitted disallowed interest maintenance reserve	9	—
Amounts due from reinsurers	324	347
Deferred tax assets	243	216
Other assets	24	35
Separate accounts assets	13	14
Total assets	$ 9,394	$ 9,250
Liabilities, capital and surplus		
Liabilities:		
Policy reserves	$ 5,636	$ 5,577
Deposit funds	635	744
Policy claims	301	366
Other policy and contract liabilities	413	426
Accrued commissions, expenses and taxes	182	172
Remittance and items not allocated	209	146
Other liabilities	23	57
Interest maintenance reserve	—	—
Asset valuation reserve	122	95
Separate accounts liabilities	13	14
Total liabilities	7,534	7,597
Capital and Surplus:		
Capital stock - par value $100 (30,000 shares authorized, 25,000 issued and outstanding)	3	3
Gross paid in and contributed surplus	178	178
Special surplus for admitted disallowed interest maintenance reserve	9	—
Unassigned surplus	1,670	1,472
Total capital and surplus	1,860	1,653
Total liabilities, capital and surplus	$ 9,394	$ 9,250

See accompanying notes to financial statements.

LIFE INSURANCE COMPANY OF NORTH AMERICA
(A wholly-owned subsidiary of New York Life Insurance Company)

STATUTORY STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	2023	**2022**
	(in millions)	
Income		
Premiums	$ 2,847	$ 2,739
Net investment income	355	277
Other income	75	90
Total income	3,277	3,106
Benefits and expenses		
Benefit payments:		
Disability and accident and health benefits	1,746	1,702
Death benefits	159	171
Other benefits	16	11
Total benefit payments	1,921	1,884
Additions to policy reserves	61	317
Operating expenses	1,095	1,043
Total benefits and expenses	3,077	3,244
Gain/(loss) from operations before federal and foreign income taxes	200	(138)
Federal and foreign income taxes	(7)	(10)
Net gain/(loss) from operations	207	(128)
Net realized capital losses, after taxes and transfers to interest maintenance reserve	(5)	(6)
Net income/(loss)	$ 202	$ (134)

See accompanying notes to financial statements.

LIFE INSURANCE COMPANY OF NORTH AMERICA
(A wholly-owned subsidiary of New York Life Insurance Company)

STATUTORY STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS

	Years Ended December 31,	
	2023	**2022**
	(in millions)	
Capital and surplus, beginning of year	$ 1,653	$ 1,670
Net increase/(decrease) due to:		
Net income/(loss)	202	(134)
Change in net unrealized capital losses on investments	14	(9)
Change in nonadmitted assets	62	147
Change in asset valuation reserve	(28)	(12)
Change in net deferred income tax	(44)	(9)
Change in reserve valuation basis	1	—
Net increase/(decrease)	207	(17)
Capital and surplus, end of year	$ 1,860	$ 1,653

See accompanying notes to financial statements.

LIFE INSURANCE COMPANY OF NORTH AMERICA
(A wholly-owned subsidiary of New York Life Insurance Company)

STATUTORY STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2023	**2022**
	(in millions)	
Cash flows from operating activities:		
Premiums received	$ 2,800	$ 2,866
Net investment income received	359	282
Other	95	65
Total received	3,254	3,213
Benefits and other payments	1,984	1,821
Operating expenses	1,045	977
Federal income taxes	(18)	(18)
Total paid	3,011	2,780
Net cash from operating activities	243	433
Cash flows from investing activities:		
Proceeds from investments sold	511	738
Cost of investments acquired	(694)	(997)
Net cash used in investing activities	(183)	(259)
Cash flows from financing and miscellaneous activities:		
Net (withdrawals) deposits on deposit-type contracts and other insurance liabilities	(109)	(46)
Other miscellaneous uses	(6)	(22)
Net cash used in financing and miscellaneous activities	(115)	(68)
Net increase (decrease) in cash, cash equivalents and short-term investments	(56)	106
Cash, cash equivalents and short-term investments, beginning of year	240	134
Cash, cash equivalents and short-term investments, end of year	$ 184	$ 240

See accompanying notes to financial statements.

LIFE INSURANCE COMPANY OF NORTH AMERICA
(A wholly-owned subsidiary of New York Life Insurance Company)

STATUTORY STATEMENTS OF CASH FLOWS (supplemental)

	Years Ended December 31, 2023	2022
	(in millions)	
Non-cash activities during the year not included in the Statutory Statements of Cash Flows:		
Transfer of bond to insurance affiliate in exchange for affiliated other invested asset, net of realized loss	$ —	$ 250
Depreciation on fixed assets	$ 39	$ 32
Transfer/exchange of bond investment to bond investment	$ 34	$ 17
Transfer of bonds to other invested assets	$ 2	$ 9
Capitalized interest on mortgage loans	$ 3	$ 1

See accompanying notes to financial statements.

NOTE 1 - NATURE OF OPERATIONS

Life Insurance Company of North America (“the Company”) is a direct wholly-owned subsidiary of New York Life Insurance Company (“New York Life”). The Company's principal products are group disability, primarily long-term disability, life, and accident insurance. The Company is domiciled in the Commonwealth of Pennsylvania, and licensed in the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada and all states except New York. The Company is also an accredited reinsurer in the state of New York.

NOTE 2 - BASIS OF PRESENTATION

The accompanying financial statements have been prepared using accounting practices prescribed or permitted by the State of Pennsylvania Insurance Department (“the Department”), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (“U.S. GAAP”)

The Department recognizes only statutory accounting practices prescribed or permitted by the State of Pennsylvania for determining and reporting the financial position and results of operations of an insurance company and for determining its solvency under the Pennsylvania State Insurance Law. The National Association of Insurance Commissioners’ (“NAIC”) Accounting Practices and Procedures Manual (“NAIC SAP”) has been adopted as a component of prescribed or permitted practices by the State of Pennsylvania. Prescribed statutory accounting practices include state laws and regulations. Permitted statutory accounting practices encompass accounting practices that are not prescribed; such practices differ from state to state, may differ from company to company within a state, and may change in the future.

Permitted Practices

The Company obtained explicit permission from the Department on April 6, 2022, to allow the Company to be exempt from life insurance principle-based reserving ("PBR") required under the NAIC's Valuation Manual ("VM") and Pennsylvania statutes in effect for the Company’s Annual Statement filings as of December 31, 2021 and December 31, 2022. The Company would have been required to comply with PBR requirements for a small block of individual whole life policies issued from January 1, 2021 through December 31, 2022 under a policy conversion feature provided by the Company’s employer group term life policies. The permitted practice allowed the Company to be exempt from the use of PBR as the valuation standard for these policies, with the condition that in each subsequent year, the Company shall provide confirmation to the Department that the only individual life policies sold during the year were conversions from group term life policies. The reserves held on this block of business were not expected to materially differ from reserves calculated under PBR.

Information as of December 31, 2023 pertaining to policies reserved for under the permitted practice was as follows ($ in millions):

Issue Year	Policy Count	Total Face Amount	Statutory Reserve Reported
2022	361	$ 22	$ 2
2021	355	$ 20	$ 2

On June 24, 2023, the Department issued *Notice 2023-09; Adoption of Standards for Exemption* by which the Insurance Commissioner adopted the standards for exemption from PBR as specified in the January 1, 2023 edition of the NAIC Valuation Manual. Accordingly on June 28, 2023, the Company filed with the Department a statement certifying that it meets the conditions for exemption under Section II, Subsection 1, Part G of the VM for policies issued in 2023 and otherwise subject to PBR. As such, policies issued on or after January 1, 2023 are not reserved for under the aforementioned permitted practice. Further, the Company also noted in its statement of exemption that policies issued in 2021 and 2022 also met the same conditions for exemption as described in the VM.

NOTE 2 - BASIS OF PRESENTATION (continued)

The Company obtained explicit permission from the Department on February 13, 2018 to adopt the NAIC's amended Model Regulation known as the Health Insurance Reserves Model Regulation, which also references Actuarial Guideline XLVII. This amended Model Regulation requires use of the 2012 Group Long Term Disability Valuation tables as the basis of the minimum claim reserve standard for Group Long Term Disability for all claims incurred on or after the operative date of the Valuation Model (January 1, 2017), regardless of the issue date of the contract. The Regulation also allows, at the Company's discretion, use of the valuation tables on all open claims. The Department has not adopted these Model Regulation amendments to date. The Company's net income and capital and surplus do not differ between practices prescribed by the Department and NAIC SAP for the years ended December 31, 2023 and 2022 due to the approved permitted statutory practice.

Statutory vs. U.S. GAAP Basis of Accounting

Financial statements prepared under NAIC SAP as determined under Pennsylvania State Insurance Law vary from those prepared under U.S. GAAP. The effects of those differences are material to the Company's financial statements. The primary differences that would most likely be material are as follows:

Investments

- investments in bonds are generally carried at amortized cost or values as prescribed by the Department, whereas under U.S. GAAP, investments in bonds that are classified as available for sale or trading are carried at fair value, with changes in fair value of bonds classified as available for sale reflected in equity, and changes in fair value of bonds classified as trading reflected in earnings;

- investments in noncontrolled partnerships and limited liability companies are accounted for under the equity method for both NAIC SAP and U.S. GAAP. Under the statutory equity method, undistributed income and capital gains and losses for these investments are reported in surplus as unrealized gains or losses, whereas under U.S. GAAP, in many cases, for investment companies, unrealized gains and losses are included in net investment income;

- credit loss-related bond impairments that are deemed to be other than temporary are recorded as a direct write-down to the security without the ability to reverse those losses in the future if expected cash flows increase. Under U.S. GAAP, estimated credit losses on bonds classified as available for sale are recorded through an allowance for credit losses subject to future reversals if expected cash flows increase;

- specific valuation allowances are established for the excess carrying value of a mortgage loan over the estimated fair value of the collateral as an unrealized loss in surplus when it is probable that based on current information and events, the Company will be unable to collect amounts due under the contractual terms of the loan agreement. Under U.S. GAAP, a valuation allowance is established for expected credit losses. The valuation allowance under U.S. GAAP is based on historical experience, current economic conditions and reasonable and supportable forecasts;

- realized gains and losses resulting from changes in interest rates are deferred in the interest maintenance reserve ("IMR") and amortized into investment income over the remaining life of the investment sold, whereas under U.S. GAAP, the gains and losses are recognized in income at the time of sale;

Insurance Contracts

- contracts that have any mortality or morbidity risk, regardless of significance, and contracts with life contingent annuity purchase rate guarantees are classified as insurance contracts, whereas under U.S. GAAP, only contracts that have significant mortality or morbidity risk are classified as insurance contracts otherwise they are accounted for in a manner consistent with the accounting for interest bearing or other financial instruments;

NOTE 2 - BASIS OF PRESENTATION (continued)

- payments received for universal and variable life insurance products, certain variable and fixed deferred annuities and group annuity contracts are reported as premium income and corresponding change in reserves, whereas U.S. GAAP would treat these payments as deposits to policyholders' account balances;

- the costs related to acquiring insurance contracts (principally commissions), policy issue expenses and sales inducements are charged to income in the period incurred, whereas under U.S. GAAP, these costs are deferred when related directly to successful sales and amortized over the periods benefited;

- life insurance reserves are based on different statutory methods and assumptions than they are under U.S. GAAP;

- reinsurance agreements are accounted for as reinsurance on an NAIC SAP and U.S. GAAP basis if certain risk transfer provisions have been met. NAIC SAP requires the reinsurer to assume insurance risk, regardless of the significance of the loss potential, whereas U.S. GAAP requires that there is a reasonable possibility that the reinsurer may realize significant loss from assuming insurance risk; assets and liabilities from reinsurance transactions are reported net of reinsurance, whereas under U.S. GAAP, assets and liabilities from reinsurance transactions are reported gross of reinsurance;

Taxes

- deferred income taxes exclude state income taxes and are admitted to the extent they can be realized within three years subject to a 15% limitation of capital and surplus with changes in the net deferred tax reflected as a component of surplus, whereas under U.S. GAAP, deferred income taxes include federal and state income taxes and changes in deferred taxes are reflected in either earnings or other comprehensive income;

- a tax loss contingency is required to be established if it is more likely than not that a tax position will not be sustained upon examination by taxing authorities. If a loss contingency is greater than 50% of the tax benefit associated with a tax position, the loss contingency is increased to 100%, whereas under U.S. GAAP the amount of the benefit for any uncertain tax position is the largest amount that is greater than 50% likely of being realized upon settlement;

Surplus

- an asset valuation reserve ("AVR") based on a formula prescribed by the NAIC is established as a liability to offset potential non-interest related investment losses. Changes in the AVR are recorded directly to surplus, whereas under U.S. GAAP, no AVR is recognized;

- certain assets, such as deferred taxes as noted above, unsecured receivables and electronic data processing and software are considered nonadmitted and excluded from assets, whereas they are included in assets under U.S. GAAP subject to a valuation allowance, as appropriate.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Management is also required to disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from those estimates.

Bonds

Bonds are stated at amortized cost using the interest method. Bonds in or near default (rated NAIC 6) are stated at the lower of amortized cost or fair value. Residual interests in securitizations are reported as Other invested assets at the lower of cost or fair value. Refer to Note 7 - Fair Value Measurements for discussion on the valuation approach and methods for bonds.

Under NAIC SAP, Securities Valuation Office ("SVO")-identified investments, which include certain SVO approved exchange traded funds ("ETFs") and mutual funds, are eligible for classification as bonds as identified in the SVO's Purposes and Procedures Manual. SVO-identified bond ETFs are stated at fair value.

The interest method for loan-backed and structured securities, which are included in bonds, uses current assumptions of projected cash flows. Amortization of premium or accretion of discount from the purchase of these securities considers the estimated timing and amount of cash flows of the underlying loans, including prepayment assumptions based on data obtained from external sources or internal estimates. Projected future cash flows are updated monthly, and the amortized cost and effective yield of the securities are adjusted as necessary to reflect historical prepayment experience and changes in estimated future prepayments. For high credit quality loan-backed and structured securities backed by the U.S. government (those rated AA or above at the date of acquisition), the adjustments to amortized cost are recorded as a charge or credit to net investment income in accordance with the retrospective method. For all other securities, including all loan-backed and structured securities that are not of high credit quality (those rated below AA at date of acquisition), floating rate securities and securities with the potential for a loss of a portion of the original investment due to contractual prepayments (e.g., interest only securities), the effective yield is adjusted prospectively for any changes in estimated cash flows.

All acquisitions of securities are recorded in the financial statements on a trade date basis except for the acquisitions of private placement bonds, which are recorded on the funding date.

Common Stocks

Common stocks include the Company's investments in unaffiliated stocks, which include investments in shares of SEC registered investment funds, and are carried at fair value. Unrealized gains and losses are reflected in surplus, net of deferred taxes. Refer to Note 7 - Fair Value Measurements for a discussion of the valuation approach and methods for common stocks.

Other than Temporary Impairments

The cost basis of bonds and equity securities is adjusted for impairments in value that are deemed to be other than temporary. An other-than-temporary loss is recognized in net income when it is anticipated that the amortized cost will not be recovered. Factors considered in evaluating whether a decline in value is other than temporary include: (1) whether the decline is substantial; (2) the duration that the fair value has been less than cost; (3) the financial condition and near-term prospects of the issuer; and (4) the Company’s ability and intent to retain the investment for a period of time sufficient to allow for an anticipated recovery in value.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

When a bond (other than loan-backed and structured securities) or common stock is deemed other-than-temporarily impaired, the difference between the investment's amortized cost and its fair value is recognized as a realized loss and reported in net income if the loss is credit related, or deferred in the IMR if interest related for bonds.

For loan-backed and structured securities, the entire difference between the security's amortized cost and its fair value is recognized in net income only when the Company (a) has the intent to sell the security or (b) it does not have the intent and ability to hold the security to recovery. If neither of these two conditions exists, a realized loss is recognized in net income for the difference between the amortized cost basis of the security and the net present value of projected future cash flows expected to be collected. The net present value is calculated by discounting the Company's best estimate of projected future cash flows at the effective interest rate implicit in the loan-backed or structured security prior to impairment.

The determination of cash flow estimates in the net present value calculation is subjective and methodologies will vary, depending on the type of security. The Company considers all information relevant to the collectability of the security, including past events, current conditions, and reasonably supportable assumptions and forecasts in developing the estimate of cash flows expected to be collected. This information generally includes, but may not be limited to, the remaining payment terms of the security, estimated prepayment speeds, defaults, recoveries upon liquidation of the underlying collateral securing the notes, the financial condition of the issuer(s), credit enhancements and other third-party guarantees. In addition, other information, such as industry analyst reports and forecasts, sector credit ratings, the financial condition of the bond insurer for insured fixed income securities and other market data relevant to the collectability may also be considered, as well as the expected timing of the receipt of insured payments, if any. The estimated fair value of the collateral may be used to estimate recovery value if the Company determines that the security is dependent on the liquidation of the collateral for recovery.

The new cost basis of an impaired security is not adjusted for subsequent increases in estimated fair value. In periods subsequent to the recognition of an other-than-temporary impairment ("OTTI"), the impaired bond security is accounted for as if it had been purchased on the measurement date of the impairment. Accordingly, the discount (or reduced premium) based on the new cost basis may be accreted (or amortized) into net investment income in future periods based on prospective changes in cash flow estimates, to reflect adjustments to the effective yield.

Mortgage Loans

Mortgage loans on real estate are carried at unpaid principal balances, net of discounts, premiums, deferred origination fees related to points, and specific valuation allowances, and are collateralized. Specific valuation allowances are established for the excess carrying value of the mortgage loan over the estimated fair value of the collateral as an unrealized loss in surplus when it is probable that based on current information and events, the Company will be unable to collect amounts due under the contractual terms of the loan agreement. Fair value of the collateral is estimated by performing an internal or external current appraisal. If impairment is deemed to be other-than-temporary, which can include a loan modification that qualifies as a troubled debt restructuring ("TDR"), a direct write-down is recognized as a realized loss reported in net income, and a new cost basis for the individual mortgage loan, which is equal to the fair value of the collateral, less costs to obtain and sell, is established. Refer to Note 7 - Fair Value Measurements for a discussion of the valuation approach and methods for mortgage loans.

The Company accrues interest income on mortgage loans to the extent it is deemed collectible. The Company places loans on non-accrual status, and ceases to recognize interest income when management determines that the collection of interest and repayment of principal is not probable. Any accrued but uncollected interest is reversed out of interest income once a loan is put on non-accrual status. Interest payments received on mortgage loans where interest payments have been deemed uncollectible are recognized on a cash basis and recorded as interest income. If a determination is made that the principal will not be collected, the interest payment received is used to reduce the principal balance. If a mortgage loan has any investment income due and accrued that is 90 days past due and collectible, the investment income will continue to accrue but all accrued interest related to the mortgage loan is reported as a nonadmitted asset, until such time that it has been paid or is deemed uncollectible.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Invested Assets

Investments in limited partnerships and limited liability companies, including equity investments in affiliated entities organized as limited liability companies, which have admissible audits are carried at the underlying audited equity of the investee. In the absence of an admissible audit, the entire investment is nonadmitted. The financial statements of equity method investees are usually not received in time for the Company to apply the equity method at each reporting period. Therefore, the equity pick-up on these investments has been recorded on a one to three-month lag.

The cost basis of limited partnerships and limited liability companies is adjusted for impairments in value deemed to be other-than-temporary, with the difference between cost and carrying value, which approximates fair value, recognized as a realized loss reported in net income. The new cost basis of an impaired limited partnership or limited liability company is not adjusted for subsequent increases in the underlying audited equity of the investee.

Dividends and distributions from limited partnerships and limited liability companies, other than those deemed a return of capital, are recorded in net investment income. Undistributed earnings are included in unrealized gains and losses and are reflected in surplus, net of deferred taxes.

Low-Income Housing Tax Credit ("LIHTC") investments, which are included in other invested assets, are recorded at proportional amortized cost and include remaining unfunded commitments. The carrying value of the investment is amortized into income in proportion to the actual and projected future amounts of tax credits and deductible losses. The amortization is recorded through net investment income.

Residual tranches of securitizations are reported at the lower of cost or market.

Cash, Cash Equivalents and Short-term Investments

Cash and cash equivalents includes cash on hand, amounts due from banks and highly liquid debt instruments that have original maturities of three months or less at date of purchase and are carried at amortized cost. Cash and cash equivalents also include money market mutual funds which are stated at fair value. Short-term investments consist of securities with remaining maturities of one year or less, but greater than three months at the time of acquisition and are carried at amortized cost, which approximates fair value.

AVR and IMR

The AVR is used to stabilize surplus from fluctuations in the fair value of bonds, stocks and mortgage loans. Changes in the AVR are accounted for as direct increases or decreases in surplus. The IMR captures interest related realized gains and losses on sales (net of taxes) of bonds, mortgage loans, interest related other-than-temporary impairments (net of taxes), which are amortized into net income over the expected years to maturity of the investments sold. An interest related other-than-temporary impairment occurs when the Company has the intent to sell an investment at the reporting date, before recovery of the cost of the investment. For loan-backed and structured securities, the non-interest related other-than-temporary impairment is booked to the AVR, and the interest related portion to the IMR. The Company admits negative IMR up to 10% of its capital and surplus as required to be shown on the balance sheet of the statutory financial statements most recently filed with its domiciliary state insurance regulator, adjusted to exclude any net positive goodwill, electronic database processing equipment and operating system software, net deferred tax assets and admitted net negative IMR.

Nonadmitted Assets

Under statutory accounting practices, certain assets are designated as nonadmitted assets and are not included in the accompanying Statutory Statements of Financial Position since these assets are not permitted by the Department to be taken into account in determining the Company’s financial condition.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Nonadmitted assets typically include receivables over ninety days past due and DTAs not realizable within three years, electronic data processing and software. Changes to nonadmitted assets are reported as a direct adjustment to surplus in the accompanying Statutory Statements of Changes in Surplus.

Net Investment Income

Income from investments, including amortization of premium, accrual of discount and similar items, as well as income from prepayment penalties, is recorded within net investment income, unless otherwise stated herein.

Premiums and Related Expenses

Premiums for individual and group life, disability, and accident insurance are considered revenue when due. Commissions and other costs associated with acquiring new business are charged to operations as incurred. Amounts received or paid under deposit type contracts without mortality or morbidity risk are not reported as income or benefits but are recorded directly as an adjustment to the liability for deposit funds.

The Company issues certain group life, accident and health insurance policies for which the final premium is calculated based on the loss experience of the insured during the term of the policy. The periodic adjustments may involve either the payment of return premium to the insured or payment of an additional premium by the insured, or both, depending on experience. The Company estimates an accrual for retrospective premium adjustments using a mathematical approach that uses analytics based on the Company's underwriting rules and experience rating practice. The Company records accrued retrospective premium adjustments in Premiums in the accompanying Statements of Operations.

Policy Reserves

Policy reserves are based on mortality and morbidity tables and valuation interest rates, which are consistent with statutory requirements and are designed to be sufficient to provide for contractual benefits. The Company holds reserves greater than those developed under the minimum statutory reserving rules when the valuation actuary determines that the minimum statutory reserves are inadequate. Actual results could differ from these estimates and may result in the establishment of additional reserves. The valuation actuary monitors actual experience and, where circumstances warrant, revises assumptions and the related estimates for policy reserves. Refer to Note 10 - Insurance Liabilities for a discussion of reserves in excess of minimum NAIC requirements.

The Company anticipates investment income as a factor in a premium deficiency calculation, in accordance with SSAP No. 54, Individual and Group Accident and Health Contracts.

Refer to Note 10 - Insurance Liabilities for additional disclosures related to the policy reserves.

Deposit Funds

Deposit funds are liabilities for investment-related products and primarily consist of retained asset account deposits, deposits received from customers and accumulated net investment income on their fund balances less accumulated administrative charges according to contract terms and customers' experience.

Policy Claims

Liabilities for policy claims are estimates of payments to be made on insurance claims for reported losses and estimates of incurred but not reported losses. Estimated amounts of reinsurance recoverable on unpaid losses are deducted from the liability for policy claims. Estimated liabilities are established for policies that contain experience-rating provisions.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Federal Income Taxes

The Company is a member of an affiliated group which files a consolidated federal income tax return with New York Life. The consolidated income tax provision or benefit is allocated among the members of the group in accordance with a tax allocation agreement. The tax allocation agreement provides that the Company computes its share of consolidated tax provision or benefit, in general, on a separate company basis, and may, where applicable, include the tax benefits of operating or capital losses utilizable in New York Life's consolidated returns. Intercompany tax balances are settled quarterly on an estimated basis with a final settlement occurring within 30 days of the filing of the consolidated tax return. Current federal income taxes are charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year and any adjustments to such estimates from prior years.

The Company generally recognizes deferred federal income tax assets (“DTAs”) and deferred federal income tax liabilities (“DTLs”) for expected future tax consequences of temporary differences between statutory and taxable income. Changes in DTAs and DTLs are recognized as a separate component of surplus (except for the net deferred taxes related to investments, which are included in unrealized gains and losses). Limitations of the admitted amount of DTA are calculated in accordance with SSAP No. 101, Income Taxes, a replacement of SSAP 10R and SSAP 10. Gross DTAs are reduced by a statutory valuation allowance if it is more likely than not that some portion or all of the gross DTA will not be realized. The Company is required to establish a tax loss contingency if it is more likely than not that a tax position will not be sustained. The amount of the contingency reserve is management's best estimate of the amount of the original tax benefit that could be reversed upon audit, unless the best estimate is greater than 50% of the original tax benefit, in which case the reserve is equal to the entire tax benefit. Refer to Note 14 - Income Taxes for more detailed information about the Company's income taxes.

Separate Accounts

Separate account assets and liabilities are contract holder funds maintained in accounts with specific investment objectives. The assets of these accounts are legally segregated and insulated from the general account of the Company and are not subject to claims that arise out of any of the Company’s other businesses. The separate account assets are carried at fair value. Separate account liabilities are established in amounts that are adequate to meet estimated future obligations to contract holders and plan participants. The investment income, gains and losses of these accounts accrue to the contract holders and, therefore, do not affect the Company's net income. Premiums received and benefits paid on separate accounts flow through the general account and result in transfers between the two, which are reported in the Company’s net income.

Other Assets and Liabilities

Other assets primarily consist of guaranty funds receivables, current tax receivables and other receivables. Other liabilities primarily consist of amounts withheld by the Company and other insurance related liabilities.

Fair Value of Financial Instruments and Insurance Liabilities

Fair value of various assets are included throughout the notes to the financial statements. Specifically, fair value disclosure of investments held is reported in Note 6 - Investments. The aggregate fair value of all financial instruments summarized by type is included in Note 7 - Fair Value Measurements.

Contingencies

Amounts related to contingencies are accrued if it is probable that a liability has been incurred and an amount is reasonably estimable.

At the inception of a guarantee, the Company recognizes an initial liability at fair value for the obligations it has undertaken, regardless of the probability of performance under the guarantee.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Transactions

For foreign currency items which primarily relate to the Company's Canadian insurance operations, income and expenses are translated at the average exchange rate for the period, while assets and liabilities are translated using the spot rate in effect at the date of the statements. Changes in the asset and liability values due to fluctuations in foreign currency exchange rates, are recorded as unrealized capital gains and losses in surplus until the asset is sold or exchanged or the liability is settled. Upon settlement, previously recorded unrealized capital gains and losses are reversed, and the foreign exchange gain or loss for the entire holding period is recorded as a realized capital gain or loss in net income.

NOTE 4 - BUSINESS RISKS AND UNCERTAINTIES

The Company is exposed to various risks, including, but not limited to, insurance, financial, operational, and regulatory risks.

The Company is regulated by the insurance departments of the states and territories where it is licensed to do business. Although the federal government does not directly regulate the business of insurance, federal legislation and administrative policies can significantly and adversely affect the insurance industry and the Company. The Company is unable to predict whether any administrative or legislative proposals, at either the federal or state level, will be adopted in the future, or the effect, if any, such proposals would have on the Company.

The Company's insurance liabilities are exposed to market risk, policyholder behavior risk and morbidity/mortality/ longevity risk. Furthermore, the level of sales of the Company’s insurance products is influenced by many factors, including terms and conditions of competing products.

The Company is exposed to the risks normally associated with an investment portfolio, which include general risk of loss of investment, market volatility, interest rate, liquidity, credit, valuation, regulatory change, currency, geographic and counterparty risks. In addition, the investment portfolio is exposed to climate risk, which may affect the value of the Company’s investments.

The Company is subject to various operational risks that could adversely impact its profitability, notably technology risks, which include cybersecurity. Technology risks may involve failures or inadequacies in the Company’s technology systems, including the risk of damage to or theft of Company information, whether in digital or physical formats, or breaches of the Company’s technology platforms. Operational risks also include business disruption risks, which may involve disruptions to mission-critical business functions as a result of system or infrastructure failures, malicious activity, pandemics, and natural and man-made disasters. Climate change may increase the frequency and severity of certain natural disasters that can lead to operational risks.

The Company continues to monitor the economic environment and other potential impacts relating to the COVID-19 pandemic. The Company has maintained effective operations and levels of policyholder service throughout the course of the pandemic.

NOTE 5 - RECENT ACCOUNTING PRONOUNCEMENTS

Changes in Accounting Principles

Accounting changes adopted to conform to the provisions of NAIC SAP or other state prescribed accounting practices are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is generally reported as an adjustment to unassigned surplus in the period of the change in accounting principle. Generally, the cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods.

The NAIC adopted INT 23-01, which is an interpretation that prescribes limited-time, optional, statutory accounting guidance as an exception to the existing guidance detailed in SSAP No. 7 “Asset Valuation Reserve and Interest Maintenance Reserve” and the annual statement instructions that requires non-admittance of a negative IMR. Under the INT, reporting entities are allowed to admit negative IMR if certain criteria are met. The adoption of this guidance allowed the Company to admit $9 million of negative IMR at December 31, 2023, which increased the Company's total assets. There was no impact to net income from this change. New disclosures required under the INT have been included in Note 6 – Investments.

The NAIC adopted revisions to SSAP No. 43R “Loan-Backed and Structured Securities” to require residual tranches of securitizations to be reported as other invested assets at the lower of cost or market. Residual tranches have been defined under SSAP 43R as those investments in a securitization that have no contractual payments, whether principal or interest, or both and where payment to the holders of the instruments only occurs after contractual interest and principal payments have been made to the other tranches in the securitization based on any remaining funds. The Company adopted this guidance at December 31, 2022 and reclassified residual tranches with a book value of $4 million from Bonds to Other invested assets. The reclassification had no impact on income or surplus.

The NAIC adopted revisions to SSAP No. 25 “Affiliates and Other Related Parties” in 2022, with additional revisions issued in 2023, to clarify that for entities not controlled by voting interests, such as limited partnerships, trusts and other special purpose entities, control may be held by a general partner, servicer, or by other arrangements. The ability of the reporting entity or its affiliates to direct the management and policies of an entity through such arrangements shall constitute control as defined in SSAP 25. Updates were also adopted in SSAP 43R to clarify that investments from any arrangement that results in direct or indirect control of an investee, which include but are not limited to control through a servicer or other controlling arrangement, shall be reported as affiliated in accordance with SSAP 25. The Company invests in asset-backed securities issued by securitization vehicles that are managed by its asset management affiliates. These investments do not have any credit risk exposure to affiliates, but are now reported as affiliated investments in Note 6 Investments based on the revisions adopted. Reporting these investments as affiliated only impacted disclosures and had no impact on the Company’s income or surplus.

In 2020, the NAIC issued Interpretation 20-01 to provide statutory accounting and reporting guidance for the adoption of ASU 2020-04 *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* under U.S. GAAP. This Interpretation adopts, with minor modification, the U.S. GAAP adopted guidance, which provides optional expedients and exceptions for applying current accounting guidance to contracts affected by reference rate reform if certain criteria are met, through December 31, 2024. The Company is performing an ongoing evaluation of the impact of reference rate reform on its contracts. Since most of the Company's contracts are expected to meet the criteria for applying the accounting expedients listed in the Interpretation, reference rate reform has no material impact to the Company's surplus or net income at December 31, 2023.

NOTE 6 - INVESTMENTS

Bonds

The carrying value and estimated fair value of bonds by contractual maturity at December 31, 2023 and 2022 were as follows (in millions):

	2023		2022	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Due in one year or less	$ 333	$ 327	$ 174	$ 169
Due after one year through five years[1]	3,561	3,407	3,062	2,874
Due after five years through ten years	2,353	2,119	2,989	2,608
Due after ten years	555	510	573	505
Total	$ 6,802	$ 6,363	$ 6,798	$ 6,156

[1] Includes an affiliated bond issued by Madison Capital Funding LLC ("MCF"). Refer to Note 9 - Related Party Transactions for a more detailed discussion of related party investments.

Corporate bonds are shown based on contractual maturity. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage and asset-backed securities ("ABS") are not due at a single maturity date and therefore are shown based on the expected cash flows of the underlying loans, which includes estimates of anticipated future prepayments.

The Company had cash equivalents with a carrying value of $311 million and $343 million at December 31, 2023 and 2022, respectively, that are due in three months or less. The Company had short-term investments with a carrying value of less than a million at December 31, 2023 and no short-short term investments at December 31, 2022, that are due in one year or less. Carrying value approximates fair value for these investments.

At December 31, 2023 and 2022, the distribution of gross unrealized gains and losses on bonds were as follows (in millions):

	2023			
	Carrying Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. governments	$ 23	$ —	$ 2	$ 21
All other governments	90	1	4	87
U.S. special revenue and special assessment	310	7	9	309
Industrial and miscellaneous unaffiliated	6,366	18	451	5,933
Parent, subsidiaries, and affiliates[1]	13	—	—	13
SVO identified funds	—	—	—	—
Total	$ 6,802	$ 27	$ 466	$ 6,363

[1] The balance includes $12 million of ABS investments that are managed by affiliates of the Company but have no credit risk exposure to those affiliates.

NOTE 6 - INVESTMENTS (continued)

	2022			
	Carrying Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. governments	$ 15	$ —	$ 2	$ 13
All other governments	83	—	5	78
U.S. special revenue and special assessment	340	12	11	341
Industrial and miscellaneous unaffiliated	6,325	3	639	5,689
Parent, subsidiaries, and affiliates(1)	11	—	1	11
SVO identified funds	25	—	—	25
Total	$ 6,798	$ 15	$ 657	$ 6,156

(1) The balance includes $8 million of ABS investments that are managed by affiliates of the Company but have no credit risk exposure to those affiliates.

Common Stocks

The carrying value of and change in unrealized gains (losses) generated by common stocks at December 31, 2023 and 2022 were as follows (in millions):

	2023		2022	
	Carrying Value	Change in Unrealized Gains (Losses)	Carrying Value	Change in Unrealized Gains (Losses)
Unaffiliated common stock	$ 36	$ 8	$ 29	$ (1)

Mortgage Loans

The Company’s mortgage loans are diversified by property type, location and borrower, and are collateralized. The maximum and minimum lending rates for new mortgage loans funded during 2023 were 12.7% and 5.6% and funded during 2022 were 7.8% and 2.3%, respectively. For 2023 and 2022, the maximum percentage of any one commercial loan to the value of the collateral at the time of the loan, exclusive of insured or guaranteed or purchase money mortgages was 72.7% and 72.7%, respectively (average percentage was 56.3% and 56.6% at December 31, 2023 and 2022, respectively). The Company has no significant credit risk exposure to any one individual borrower.

The Company's mortgage loans were held in a form of participations with the carrying value of $816 million and $641 million at December 31, 2023 and 2022, respectively. These loans were originated or acquired by New York Life. Refer to Note 9 - Related Party Transactions for more details.

At December 31, 2023 and 2022, the distribution of the mortgage loan portfolio by property type and geographic location were as follows ($ in millions):

	2023		2022	
	Carrying Value	% of Total	Carrying Value	% of Total
Property Type:				
Industrial	$ 537	43.9 %	$ 381	36.1 %
Apartment buildings	346	28.3	340	32.2
Office buildings	168	13.7	168	15.9
Retail facilities	143	11.7	152	14.4
Other	28	2.3	—	—
Hotels	2	0.2	15	1.4
Total	$ 1,224	100.0 %	$ 1,056	100.0 %

NOTE 6 - INVESTMENTS (continued)

	2023		2022	
	Carrying Value	% of Total	Carrying Value	% of Total
Geographic Location:				
Central	$ 441	36.0 %	$ 381	36.1 %
Pacific	365	29.8	324	30.6
South Atlantic	287	23.4	278	26.4
Middle Atlantic	84	6.9	58	5.5
New England	29	2.4	15	1.4
Other	18	1.5	—	—
Total	$ 1,224	100.0 %	$ 1,056	100.0 %

At December 31, 2023 and 2022, the Company had $2 million and $2 million mortgage loans past due 90 days and over, respectively.

The Company maintains a watchlist of commercial loans that may potentially be impaired. Some of the general guidelines analyzed to include commercial loans within the watchlist are loan-to-value ratio (“LTV”), asset performance such as debt service coverage ratio, lease rollovers, income/expense hurdles, major tenant or borrower issues, the economic climate, and catastrophic events, among others. Collateral securing loans placed on the watchlist generally take priority in being revalued in the Company’s inspection/evaluation commercial loan program that revalues properties securing commercial mortgage loans.

Fair value of the collateral for commercial mortgages (excluding credit loans) over $10 million is updated every three years, unless a more current appraisal is warranted. For a commercial loan deemed a portfolio loan comprised of multiple properties, majority of the collateral value becomes inspected. Commercial mortgages less than $10 million have an on-site inspection performed by an external inspection service every 3 years. If the loan is determined to be troubled, the loan is more frequently monitored as to its status. LTV, which is based on collateral values, is deemed as one of the key mortgage loan indicators to assess credit quality and to assist in identifying problem loans. At December 31, 2023 and 2022, LTVs on the Company’s mortgage loans were as follows (in millions):

	2023							
Loan to Value % (By Class)	Industrial	Apartment Buildings	Office Buildings	Retail Facilities	Hotels	Residential	Other	Total
Above 95%	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
91% to 95%	—	—	—	2	—	—	—	2
81% to 90%	—	8	5	—	—	—	—	13
71% to 80%	27	—	30	34	—	—	3	94
Below 70%	510	338	133	108	2	—	24	1,115
Total	$ 537	$ 346	$ 168	$ 143	$ 2	$ —	$ 28	$ 1,224

	2022							
Loan to Value % (By Class)	Industrial	Apartment Buildings	Office Buildings	Retail Facilities	Hotels	Residential	Other	Total
Above 95%	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
91% to 95%	—	—	—	2	—	—	—	2
81% to 90%	—	—	—	—	—	—	—	—
71% to 80%	15	17	29	45	13	—	—	120
Below 70%	366	323	139	105	2	—	—	934
Total	$ 381	$ 340	$ 168	$ 152	$ 15	$ —	$ —	$ 1,056

NOTE 6 - INVESTMENTS (continued)

At December 31, 2023 and 2022, the Company did not have any impaired mortgage loans.

Other Invested Assets

The carrying value of other invested assets at December 31, 2023 and 2022 consisted of the following (in million):

	2023	2022
Investment in MCF	$ 235	$ 250
Limited partnerships	10	7
Other investments	4	3
Other invested assets	10	3
LIHTC investments	10	—
Total limited partnerships and other invested assets	$ 269	$ 263

Investment in MCF consists of the Company's equity investment in this affiliate. Dividends are recorded in Net investment income in the accompanying Statutory Statements of Operations when declared and changes in the equity of this investment are recorded in Change in unrealized capital gains on investments in the accompanying Statutory Statements of Changes in Capital and Surplus. Refer to Note 9 - Related Party Transactions for more details on other transactions held with MCF.

Limited partnerships mainly consist of private equity funds. Distributions, other than those deemed a return of capital, are included in Net investment income in the accompanying Statutory Statements of Operations. Undistributed earnings are included in Change in net unrealized capital gains on investments in the accompanying Statutory Statements of Changes in Capital and Surplus.

Other invested assets consist of residual tranches of securitizations. Interest earned on these investments is included in Net investment income in the accompanying Statutory Statements of Operations.

The Company receives tax credits related to its investments in LIHTC partnerships. The Company's unexpired tax credits on its investments in LIHTC expire in 9 years. During 2023 the Company recorded amortization on these investments under the proportional amortized cost method of $2 million. The Company recorded tax credits and other tax benefits on these investments for 2023. The minimum holding period required for the Company's LIHTC investments is 8 years. The LIHTC investments are periodically subject to regulatory reviews by housing authorities where the properties are located. The Company is not aware of any adverse issues related to such regulatory reviews.

NOTE 6 - INVESTMENTS (continued)

Assets on Deposit or Pledged as Collateral

At December 31, 2023 and 2022, the Company's restricted assets (including pledged collateral) were as follows ($ in millions):

	2023						
	Gross (Admitted and Nonadmitted) Restricted					Percentage	
Restricted Asset Category	Total General Account (G/A)	Total From Prior Year	Increase (Decrease)	Total Nonadmitted Restricted	Total Admitted Restricted	Gross (Admitted and Non-admitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
Federal Home Loan Bank ("FHLB") capital stock	$ 1	$ 1	$ —	$ —	$ 1	0.0 %	0.0 %
On deposit with states	134	130	4	—	134	1.3	1.4
Assets held for reinsurance trust or other restricted assets	476	489	(13)	—	476	4.7	5.1
Total restricted assets	$ 611	$ 620	$ (9)	$ —	$ 611	6.0 %	6.5 %

	2022						
	Gross (Admitted and Nonadmitted) Restricted					Percentage	
Restricted Asset Category	Total General Account (G/A)	Total From Prior Year	Increase (Decrease)	Total Nonadmitted Restricted	Total Admitted Restricted	Gross (Admitted and Non-admitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
FHLB capital stock	$ 1	$ —	$ 1	$ —	$ 1	0.0 %	0.0 %
On deposit with states	130	143	(13)	—	130	1.3	1.4
Assets held for reinsurance trust	489	507	(18)	—	489	4.8	5.3
Total restricted assets	$ 620	$ 650	$ (30)	$ —	$ 620	6.1 %	6.7 %

Admitted Negative IMR

The Company admitted negative IMR of $9 million at December 31, 2023. The Company's IMR balance includes interest-related realized gains and losses arising from sales of its fixed income investments that are made in compliance with the Company's investment management policies. The Company engages in prudent portfolio management that may require sales of its fixed income investments in order to rebalance the portfolio and match the duration of the Company's insurance liabilities. Proceeds from the sale of fixed income investments made for these purposes are reinvested in similar assets. If sales are executed due to excess withdrawal activity on the Company's insurance contracts, related realized gains and losses are not deferred into the IMR. The Company did not have any excess withdrawals as of December 31, 2023.

NOTE 6 - INVESTMENTS (continued)

Negative IMR was admitted up to 10% of the Company's adjusted Capital and Surplus. Capital and Surplus was adjusted to exclude net positive admitted goodwill, electronic data processing equipment and operating system software, admitted negative IMR, and net deferred tax assets. The computation of adjusted Capital and Surplus for purposes of negative IMR admissibility is included below (in millions):

	Calculation of Limitation as of	
	September 30, 2023	**December 31, 2023**
Capital and surplus	$ 1,757	
Less:		
Admitted positive goodwill		
Admitted EDP equipment and operating system software	$ —	
Admitted net deferred taxes	229	
Exclude admitted disallowed IMR-GA	8	
Exclude admitted disallowed IMR-SA	—	
Total adjustments	237	
Adjusted capital and surplus	$ 1,520	
Limitation on amount of negative IMR (adjusted capital and surplus times 10%)	$ 152	
Current period reported admitted negative IMR		$ 9
Current period admitted negative IMR as a % of prior period adjusted capital and surplus		1 %

NOTE 7 - FAIR VALUE MEASUREMENTS

The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by SSAP No. 100, "Fair Value Measurements". Fair value is defined as 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. This guidance establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels. 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 based on the inputs to the valuation as follows:

Level 1 Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market. Active markets are defined as a market in which many transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Observable inputs other than level 1 prices, such as quoted prices in active markets for similar assets or liabilities; quoted prices in markets that are not active for identical or similar assets or liabilities, or other model driven inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Valuations are generally obtained from third-party pricing services for identical or comparable assets or liabilities or through the use of valuation methodologies using observable market inputs.

Level 3 Instruments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management’s own assumptions in pricing the asset or liability. Pricing may also be based upon broker quotes that do not represent an offer to transact. Prices are determined using valuation methodologies such as option pricing models, discounted cash flow models and other similar techniques. Non-binding broker quotes, which are utilized when pricing service information is not available, are reviewed for reasonableness based on the Company’s understanding of the market, and are generally considered Level 3. To the extent the internally developed valuations use significant unobservable inputs, they are classified as Level 3.

Determination of Fair Value

The Company has an established and well-documented process for determining fair value. Security pricing is applied using a hierarchy approach whereby publicly available prices are first sought from nationally recognized third-party pricing services. For most private placement securities, the Company applies a matrix-based pricing methodology, which uses spreads derived from third-party benchmark bond indices. For private placement securities that cannot be priced through these processes, the Company uses internal models and calculations. All other securities are submitted to independent brokers for prices. The Company performs various analyses to ascertain that the prices represent fair value. Examples of procedures performed include, but are not limited to, back testing recent trades, monitoring trading volumes, and performing variance analysis of monthly price changes using different thresholds based on asset type. The Company also performs an annual review of all third-party pricing services. During this review, the Company obtains an understanding of the process and sources used by the pricing service to ensure that they maximize the use of observable inputs, the pricing service’s frequency of updating prices, and the controls that the pricing service uses to ensure that their prices reflect market assumptions. The Company also selects a sample of securities and obtains a more detailed understanding from each pricing service regarding how they derived the price assigned to each security. Where inputs or prices do not reflect market participant assumptions, the Company will challenge these prices and apply different methodologies that will enhance the use of observable inputs and data. The Company may use non-binding broker quotes or internal valuations to support the fair value of securities that go through this formal price challenge process. At December 31, 2023 and 2022, the Company did not have any price challenges on general account or separate account securities from what it received from third party pricing services.

NOTE 7 - FAIR VALUE MEASUREMENTS (continued)

In addition, the Company has a pricing committee that provides oversight over the Company's prices and fair value process for securities. The committee meets quarterly and is responsible for the review and approval of the Company's valuation procedures. The committee is also responsible for the review of pricing exception reports as well as the review of significant inputs used in the valuation of assets that are valued internally.

The following tables present the carrying amounts and estimated fair value of the Company's financial instruments at December 31, 2023 and 2022 (in millions):

	2023					
	Fair Value	Carrying Value	Level 1	Level 2	Level 3	Net Asset Value ("NAV") as a Practical Expedient
Assets:						
Bonds	$ 6,363	$ 6,802	$ —	$ 6,297	$ 66	$ —
Common stocks	37	36	36	—	1	—
Mortgage loans	1,162	1,224	—	—	1,162	—
Cash, cash equivalents and short-term investments	184	184	33	151	—	—
Other invested assets[1]	19	19	—	—	19	—
Investment income due and accrued	62	62	—	62	—	—
Separate accounts assets	13	13	13	—	—	—
Total assets	$ 7,840	$ 8,342	$ 82	$ 6,511	$ 1,248	$ —
Liabilities:						
Payable to parent and affiliates	$ 9	$ 9	$ —	$ 9	$ —	$ —
Total liabilities	$ 9	$ 9	$ —	$ 9	$ —	$ —

[1]Excludes investments accounted for under the equity method.

	2022					
	Fair Value	Carrying Value	Level 1	Level 2	Level 3	NAV as a Practical Expedient
Assets:						
Bonds	$ 6,156	$ 6,798	$ 25	$ 6,030	$ 101	$ —
Common stocks	30	29	29	—	1	—
Mortgage loans	976	1,056	—	—	976	—
Cash, cash equivalents and short-term investments	240	240	38	202	—	—
Other invested assets[1]	3	2	—	—	3	—
Investment income due and accrued	59	59	—	59	—	—
Separate accounts assets	14	14	14	—	—	—
Total assets	$ 7,478	$ 8,198	$ 106	$ 6,291	$ 1,081	$ —
Liabilities:						
Payable to parent and affiliates	$ 52	$ 52	$ —	$ 52	$ —	$ —
Total liabilities	$ 52	$ 52	$ —	$ 52	$ —	$ —

[1]Excludes investments accounted for under the equity method.

Bonds

For U.S. SAP, bonds reported as Level 1 represent investments in certain SVO approved ETF and mutual funds. Valuation of these securities is based on unadjusted quoted prices in active markets that are readily and regularly available. All other ETFs and mutual funds are classified and accounted for as common stock.

NOTE 7 - FAIR VALUE MEASUREMENTS (continued)

Securities priced using a pricing service are generally classified as Level 2. Third-party pricing services generally use an income-based valuation approach by using a discounted cash-flow model or it may also use a market approach by looking at recent trades of a specific security to determine fair value on public securities or a combination of the two. Typical inputs used by these pricing services include, but are not limited to: benchmark yields, reported trades, issuer spreads, bids, offers, benchmark securities, estimated cash flows and prepayment speeds, which the Company has determined are observable inputs.

Private placement securities are primarily priced using a market approach such as a matrix-based pricing methodology, which uses spreads derived from third-party benchmark bond indices. Specifically, the Barclays Investment Grade Corporate Index is used for investment-grade securities and the Citi High Yield Cash Index is used for below investment-grade securities. These indices are two widely recognized, reliable and well regarded benchmarks by participants in the financial services industry, which represent the broader U.S. public bond markets. The spreads derived from each matrix are adjusted for liquidity. The liquidity premium is standardized and based on market transactions. These securities are classified as Level 2.

Certain private placement securities that cannot be priced using the matrix pricing described above, are priced by an internally developed discounted cash flow model or are priced based on internal calculations. The model uses observable inputs with a discount rate based off spreads of comparable public bond issues, adjusted for liquidity, rating and maturity. The Company assigns a credit rating for private placement securities based upon internal analysis. The liquidity premium is usually based on market transactions. These securities are classified as Level 2.

For some of the private placement securities priced through the model, the liquidity adjustments may not be based on market data, but rather, calculated internally. If the impact of the liquidity adjustment, which usually requires the most judgment, is not significant to the overall value of the security, the security is still classified as Level 2. If it is deemed to be significant, the security is classified as Level 3.

The valuation techniques for most Level 3 bonds are generally the same as those described in Level 2. However, if the investments are less liquid or are lightly traded, there is generally less observable market data, and therefore these investments will be classified as Level 3. Circumstances where observable market data are not available may include events such as market illiquidity and credit events related to the security. In addition, certain securities are priced based upon internal valuations using significant unobservable inputs. If a security could not be priced by a third-party vendor or through internal pricing models, broker quotes are received and reviewed by each investment analyst. These inputs may not be observable. Therefore, Level 3 classification is determined to be appropriate.

Included in bonds are affiliated bonds from MCF. The affiliated bond from MCF had a carrying value of $1 million and a fair value of $1 million as of December 31, 2023. The fair value of this security is calculated internally and may include inputs that may not be observable. Therefore, this security is classified as Level 3.

Common Stocks

These securities are comprised of exchange traded U.S. and foreign common stock and mutual funds. The fair value of these securities is primarily based on unadjusted quoted prices in active markets that are readily and regularly available and are classified as Level 1. Common stocks priced through an internal valuation where significant inputs are deemed to be unobservable, including securities issued by government organizations where fair value is fixed, are classified as Level 3.

Mortgage Loans

The estimated fair value of mortgage loans is determined using an income approach, based upon the present value of the expected cash flows discounted at an interpolated treasury yield plus a spread. The spread is based on management’s judgment and assumptions, which takes into account matters such as property type, LTV and remaining term of each loan, etc. The spread is a significant component of the pricing inputs, and therefore, these investments are classified as Level 3.

NOTE 7 - FAIR VALUE MEASUREMENTS (continued)

Cash, Cash Equivalents, Short-term Investments and Investment Income Due and Accrued

Cash on hand and money market mutual funds are classified as Level 1. Cash overdrafts (i.e. outstanding checks) are classified as Level 2. Due to the short-term maturities of cash equivalents, short term investments, and investment income due and accrued, carrying value approximates fair value and is classified as Level 2.

Other Invested Assets

Other invested assets are comprised of LIHTC investments and residual tranches of securitizations. The fair value of the LIHTC investments is derived using an income valuation approach, which is based on a discounted cash flow calculation using a discount rate that is determined internally and therefore classified as Level 3 (refer to Note 6 - Investments for details on LIHTC investments). The fair value of the residual tranches of securitizations is derived using an income valuation approach, which is based on a discounted cash flow calculation that may or may not use observable inputs and therefore is classified as Level 3.

Separate Accounts Assets

Separate accounts assets reported as Level 1 in the fair value hierarchy are comprised of cash and common stocks. Assets within the separate accounts are invested in mutual funds. The fair value of these open-ended publically traded mutual funds are valued at their closing bid prices each business day.

The following table presents the balances of assets and liabilities measured and carried at fair value or NAV as a practical expedient at December 31, 2023 and 2022 (in millions):

	2023				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV as a Practical Expedient	Total
Assets at fair value					
Common stocks	36	—	1	—	37
Separate accounts assets	13	—	—	—	13
Other invested assets	—	—	8	—	8
Total assets at fair value	$ 49	$ —	$ 9	$ —	$ 58
Liabilities at fair value					
Total liabilities at fair value	$ —	$ —	$ —	$ —	$ —

NOTE 7 - FAIR VALUE MEASUREMENTS (continued)

	2022				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**NAV as a Practical Expedient**	**Total**
Assets at fair value					
Bonds					
SVO identified bond ETF	$ 25	$ —	$ —	$ —	$ 25
Non-agency ABS	—	—	1	—	1
Total bonds	25	—	1	—	26
Common stocks	29	—	—	—	29
Separate accounts assets	14	—	—	—	14
Total assets at fair value	$ 68	$ —	$ 1	$ —	$ 69
Liabilities at fair value					
Total liabilities at fair value	$ —	$ —	$ —	$ —	$ —

The table below presents a reconciliation of Level 3 assets and liabilities for the year ended December 31, 2023 (in millions):

	2023										
	Balance at 1/1	**Change in Accounting Principle (1)**	**Transfers into Level 3**	**Transfers out of Level 3**	**Total Gains (Losses) Included in Net Income**	**Total Gains (Losses) Included in Surplus**	**Purchases**	**Issuances**	**Sales**	**Settlements**	**Balance at 12/31**
Bonds:											
Non-agency ABS	1	$ —	$ —	$ (1)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total bonds	1	—	—	(1)	—	—	—	—	—	—	—
Common stocks(1)	—	—	—	—	—	—	—	—	—	—	1
Other invested assets	—		3	—	(3)	(1)	9	—	—	—	8
Total	$ 1	$ —	$ 3	$ (1)	$ (3)	$ (1)	$ 9	$ —	$ —	$ —	$ 9

(1) Common stock beginning balance and purchases are both less than $1 million but they add up to about $1 million in ending balance.

	2022										
	Balance at 1/1	**Change in Accounting Principle (1)**	**Transfers into Level 3**	**Transfers out of Level 3**	**Total Gains (Losses) Included in Net Income**	**Total Gains (Losses) Included in Surplus**	**Purchases**	**Issuances**	**Sales**	**Settlements**	**Balance at 12/31**
Bonds:											
Non-agency ABS	$ —	$ —	$ —	$ —	$ —	$ —	$ 1	$ —	$ —	$ —	$ 1
Total bonds	—	—	—	—	—	—	1	—	—	—	1
Common stocks(1)		—	—	—	—	—	—	—	—	—	—
Total	$ —	$ —	$ —	$ —	$ —	$ —	$ 1	$ —	$ —	$ —	$ 1

(1) Common stock is less than $1 million.

NOTE 7 - FAIR VALUE MEASUREMENTS (continued)

Transfers Between Levels

Transfers between levels may occur due to changes in valuation sources, or changes in the availability of market observable inputs, which generally are caused by changes in market conditions such as liquidity, trading volume or bid-ask spreads or as a result of a security measured at amortized cost at the beginning of the period, but measured at estimated fair value at the end of the period, or vice versa due to a ratings downgrade or upgrade.

Transfers into and out of Level 3

Transfers into Level 3 totaled $3 million for the year ended December 31, 2023, which primarily relates to residual tranches of securitizations that were measured at amortized cost at the beginning of the period and measured at fair value at the end of the period.Transfers out of Level 3 totaled $1 million for the year ended December 31, 2023, which primarily relates to non-agency asset-backed securities measured at fair value at the beginning of the period and measured at amortized cost at the end of the period.

There were no transfers into or out of Level 3 for the year ended December 31, 2022.

NOTE 8 - INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES

The components of net investment income for the years ended December 31, 2023 and 2022 were as follows (in millions):

	2023	2022
Bonds	$ 243	$ 241
Common stocks	1	—
Mortgage loans	61	36
Other invested assets	48	—
Short-term investments	10	4
Other investments	3	2
Gross investment income	366	283
Investment expenses	(13)	(13)
Net investment income	353	270
Amortization of IMR	2	7
Net investment income, including amortization of IMR	$ 355	$ 277

Due and accrued investment income is excluded from surplus when amounts are over 90 days past due or collection is uncertain. At December 31, 2023 and 2022, the Company reported admitted due and accrued investment income of $62 million and $59 million, respectively. At December 31, 2023 and 2022, the Company reported no nonadmitted due and accrued investment income. For certain fixed income instruments, the contractual agreement allows the issuer/borrower to defer interest (Paid-in-Kind interest). When interest is deferred, it is capitalized into principal. At December 31, 2023, the Company had paid-in-kind interest of $4 million, which has been included in the principal amount of the Company’s mortgage loans of $4 million and none for bonds.

NOTE 8 - INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES (continued)

The following table shows the Company's securities redeemed or otherwise disposed of as a result of a callable feature (including make whole call provisions) and the amount of investment income generated as a result of a prepayment and/or acceleration fee, which is included in Bonds in the table above ($ in millions):

	2023		2022	
	General Account	Separate Account	General Account	Separate Account
Number of cusips	9	—	21	—
Investment income[(1)]	$ —	$ —	$ 4	$ —

[(1)] Investment income for 2023 is less than $1 million.

For the years ended December 31, 2023 and 2022, net realized capital gains (losses) were as follows (in millions):

	2023	2022
Bonds	$ (7)	$ (49)
Common and preferred stocks	(1)	—
Other invested assets	(4)	—
Net realized capital (losses) gains before tax and transfers to the IMR	(12)	(49)
Less:		
Capital gains tax benefit	(5)	(22)
Net realized capital (losses) gains after tax transferred to IMR	(2)	(21)
Net realized capital (losses) gains after tax and transfers to the IMR	$ (5)	$ (6)

Proceeds from investments in bonds sold were $151 million and $381 million for the years ended December 31, 2023 and 2022, respectively. Gross gains of $4 million and $5 million in 2023 and 2022, respectively, and gross losses of $6 million and $11 million 2023 and 2022, respectively, were realized on these sales. The Company computes gains and losses on sales under the specific identification method.

The following table provides a summary of OTTI losses included as realized capital losses for the years ended December 31, 2023 and 2022 (in millions):

	2023	2022
Bonds	$ 4	$ 19
Common stocks	1	—
Other invested assets	3	$ —
Total	$ 8	$ 19

NOTE 8 - INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES (continued)

The following tables present the Company's gross unrealized losses and fair values for bonds and equity securities aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2023 and 2022 (in millions):

	2023					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses[1]
Bonds						
U.S. governments	$ 18	$ 2	$ 1	$ —	$ 19	$ 2
All other governments	4	—	70	4	74	4
U.S. special revenue and special assessment	19	1	146	8	165	9
Industrial and miscellaneous unaffiliated	227	36	5,099	415	5,326	451
Parent, subsidiaries, and affiliates[2]	2	—	9	—	11	—
Total bonds	$ 269	$ 39	$ 5,324	$ 426	$ 5,595	$ 466
Total	$ 269	$ 39	$ 5,324	$ 426	$ 5,595	$ 466

[1] Includes no unrealized losses related to NAIC 6 bonds included in the statutory carrying amount.

[2] The unrealized losses include less than $1 million of ABS investments that are managed by affiliates of the Company but have no credit risk exposure to those affiliates.

	2022					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds						
U.S. governments	$ 13	$ 2	$ —	$ —	$ 13	$ 2
All other governments	70	4	4	1	74	5
U.S. special revenue and special assessment	143	10	5	1	148	11
Industrial and miscellaneous unaffiliated	4,592	489	1,009	150	5,602	639
Parent, subsidiaries, and affiliates[2]	8	—	3	—	11	—
Total bonds	$ 4,827	$ 505	$ 1,020	$ 152	$ 5,847	$ 657
Equity securities (unaffiliated)						
Common stocks	47	2	—	—	47	2
Total equity securities	47	2	—	—	47	2
Total	$ 4,874	$ 507	$ 1,020	$ 152	$ 5,894	$ 659

[1] Includes no unrealized losses related to NAIC 6 bonds included in the statutory carrying amount.

[2] The unrealized losses include less than a $1 million of ABS investments that are managed by affiliates of the Company but have no credit risk exposure to those affiliates.

At December 31, 2023, the gross unrealized loss on bonds was comprised of 2,084 different securities, which are included in the table above. Of the total amount of bond unrealized losses, $420 million or 90% is related to unrealized losses on investment grade securities and $45 million or 10% is related to below investment grade securities. At December 31, 2022, the gross unrealized loss on bonds and equity securities was comprised of 2,223 and 2 different securities, respectively, which are included in the table above. Of the total amount of bond unrealized losses, $588 million, or 90%, is related to unrealized losses on investment grade securities and $63 million, or 10%, is related to below investment grade securities. Investment grade is defined as a security having a credit rating from the NAIC of 1 or 2; a rating of Aaa, Aa, A or Baa from Moody's or a rating of AAA, AA, A or BBB from Standard & Poor; or a comparable internal rating if an externally provided rating is not available.

NOTE 8 - INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES (continued)

The amount of gross unrealized losses for bonds where fair value had declined by 20% or more of the amortized cost, totaled $50 million. The period of time that each of these securities has continuously been below amortized cost by 20% or more consists of $8 million for six months or less, $24 million for greater than six months through 12 months, and $18 million for greater than 12 months. In accordance with the Company's impairment policy, the Company performed quantitative and qualitative analysis to determine if the decline was temporary. For those securities where the decline was considered temporary, the Company did not recognize an impairment when it had the ability and intent to hold until recovery.

The change in unrealized capital gains (losses) for the years ended December 31, 2023 and 2022 were as follows (in millions):

	Change in Unrealized Gains (Losses)		Change in Unrealized Foreign Exchange Gains (Losses)		Change in Total Unrealized Gains (Losses)	
	2023	2022	2023	2022	2023	2022
Bonds	$ —	$ —	$ 4	$ (9)	$ 4	$ (9)
Common stocks (unaffiliated)	8	(1)	—	—	8	(1)
Cash, cash equivalents and short-term investments	—	—	1	—	1	—
Other invested assets	3	(1)	—	—	3	(1)
Total change in unrealized on investments	11	(2)	5	(9)	16	(11)
Capital gains tax benefit	3	(2)	—	—	3	(2)
Total change in unrealized losses, net of tax	$ 9	$ —	$ 5	$ (9)	$ 14	$ (9)

NOTE 9 - RELATED PARTY TRANSACTIONS

Capital Contributions

For the year ended December 31, 2023, the Company had return of capital from MCF of $19 million.

Dividend Distributions

For the year ended December 31, 2023, the Company received dividend distributions from MCF of $47 million.

Material Transactions

The following table presents material related party transactions between the Company and its affiliates for the years ended December 31, 2023 and 2022:

NOTE 9 - RELATED PARTY TRANSACTIONS (continued)

Date of Transaction	Name of Related Party	Nature of Relationship	Type of Transaction	Description
Active Agreements				
12/31/2020	New York Life and Annuity Corporation ("NYLIAC")	Insurance affiliate	Reinsurance agreement	The Company entered into an affiliate reinsurance agreement with a direct wholly-owned subsidiary of New York Life, NYLIAC, to reinsure mortality risk arising under the Company's group term life insurance business on a yearly renewable term basis. Entry into the yearly renewable term treaty reduces the Company's exposure to mortality risk.
12/31/2020	New York Life	Parent	Service and facility agreement	New York Life provides the Company with certain services and facilities including, but not limited to accounting, tax and auditing services, legal services, actuarial services, electronic data processing operations and communications operations. New York Life charges the Company for the identified costs associated with these services and facilities under the terms of a service agreement between New York Life and the Company. For the years ended December 31, 2023 and 2022, the fees incurred associated with these services and facilities, amounted to $127 million and $122 million, respectively. The terms of the agreements require that these amounts be settled in cash within 90 days.
12/31/2020	New York Life / NYLGICNY	Parent / Insurance affiliate	Claims administration service agreement	The Company has entered into a claims administration services agreement with both New York Life and NYLGICNY.
12/31/2020 (amended as of 10/26/2022)	New York Life	Parent	Revolving credit agreement	The Company, as borrower, has a revolving credit agreement with New York Life, as lender, for a maximum aggregate amount of $100 million. At December 31, 2023 and 2022, the credit facility was not used, no interest was paid, and there was no outstanding balance due.
12/31/2020	NYL Investors	Non insurance affiliate	Investment management agreement	The Company is a party to an investment management agreement with NYL Investors (a wholly-owned subsidiary of New York Life), as amended from time to time, whereby NYL Investors provides investment advisory and administrative services to the Company. For the years ended December 31, 2023 and 2022, the total cost for these services amounted to $11 million and $11 million, respectively, which is included in the costs of services billed by New York Life to the Company.
Various	New York Life	Parent	Participation in mortgage loans, REO and Real Estate	The Company's interests in commercial mortgage loans are primarily held in the form of participations in mortgages originated or acquired by New York Life. A real estate property acquired through foreclosure is called REO Portfolio. The Company's interests in the ownership of REO Portfolio is called REO Ownership Interest. Certain real estate investments acquired may have similar ownership interests through a participation. Under the participation agreement for the mortgage loans, it is agreed between the Company and New York Life that the Company's proportionate interest (as evidenced by a participation certificate) in the underlying mortgage loan, including without limitation, the principal balance thereof, all interest which accrues thereon, and all proceeds generated therefrom, will be pari passu with New York Life's and pro rata based upon the respective amounts funded by New York Life and the Company in connection with the applicable mortgage loan origination or acquisition. Consistent with the participation arrangement, all mortgage loan documents name New York Life (and not both New York Life and the Company) as the lender but are held for the benefit of both the Company and New York Life pursuant to the applicable participation agreement. New York Life retains general decision making authority with respect to each mortgage loan, although certain decisions require the Company's approval. The Company’s mortgage loans, REOs and certain real estate investments acquired through a participation from New York Life had a carrying value of $816 million and $641 million as of December 31, 2023 and 2022, respectively. There's no REO in the form of participations owned by the Company as of December 31, 2023 and 2022.
12/31/2022	MCF	Non insurance affiliate	Note funding agreement	The Company entered into a note funding agreement with MCF and acquired a variable funding note issued by MCF. The funding limit is determined using 2.25% multiplied by the cash and invested assets amount, as of such date of determination. Cash and invested assets amount means, as of any date of determination, the sum of (x) the net admitted cash and invested assets of the Company, (y) the net admitted cash and invested assets of New York Life (excluding any portion thereof attributable to New York Life's investment in the Company), and NYLIAC, in each case, based on the most recently available quarterly or annual financial statements of New York Life, the Company or NYLIAC, as applicable. All outstanding advances made to MCF under the MCF Note Agreement will be due in full on December 31, 2025.
Significant Transactions				
11/29/2022	NYLIAC	Insurance affiliate	Transfer of assets	Bond asset and cash transfers between the Company and NYLIAC were executed to strengthen duration alignment between asset and liability profiles amongst the insurance companies. The Company acquired a $250 million equity interest in MCF from NYLIAC in exchange for transferring $250 million of bonds.

NOTE 9 - RELATED PARTY TRANSACTIONS (continued)

At December 31, 2023 and 2022, the Company reported a net amount of $9 million and $52 million, respectively, as amounts payable to parent and affiliates. The terms of the underlying agreements generally require that these amounts be settled in cash within 90 days.

In the ordinary course of business, the Company enters into reinsurance agreements with its parent and affiliates. Material reinsurance agreements have been disclosed in Note 11 - Reinsurance. In addition, the Company may enter into guarantees and/or keep wells with its parent and affiliates. Material guarantee agreements and/ or keep wells have been disclosed in Note 13 - Commitments and Contingencies.

NOTE 10 - INSURANCE LIABILITIES

Insurance liabilities at December 31, 2023 and 2022 were as follows (in millions):

	2023	2022
Disability insurance reserves	$ 4,986	$ 4,885
Life insurance reserves	538	571
Other reserves	112	121
Total policy reserves	5,636	5,577
Deposit funds	635	744
Policy claims	301	366
Other policy and contract liabilities	413	426
Total insurance liabilities	$ 6,985	$ 7,113

Disability Insurance Reserves

Mortality and morbidity assumptions are predominantly based on industry tables and are at least as conservative as the statutory minimums. Discount rates ranged from 2.0% to 10.3% in both 2023 and 2022. The Company also discounts liabilities for certain cancellable disability insurance business. The liabilities for discounted reserves were $4,251 million and $4,244 million at December 31, 2023 and 2022, respectively. The aggregate amount of discount was $697 million and $682 million at December 31, 2023 and 2022, respectively.

Life Insurance Reserves

Reserves for life insurance policies are maintained principally using the 1958 Commissioners' Extended Term Mortality Table and the 1941, 1958, 1980, 2001 and 2017 Commissioners' Standard Ordinary Mortality Tables under the Commissioners' Reserve Valuation Method or Net Level Premium Reserve Method with valuation interest rates ranging from 2.5% to 6.0%. Reserves for disabled lives are maintained principally using the 2023 Group Life Waiver of Premium Valuation Table with valuation interest rates ranging from 2.8% to 6.0%. Reserves for supplementary contracts with life contingencies are maintained principally using the 1971, 1983, and 1994 Group Annuity Mortality Tables, the 1971 Individual Annuity Mortality Table, the 2012 Individual Annuity Reserve Mortality Table, the 1983 Table A, and the Annuity 2000 Mortality Table with valuation interest rates ranging from 1.0% to 11.0%.

The Company has established policy reserves on contracts issued January 1, 2001 and later that exceed the minimum amounts determined under Appendix A-820, "Minimum Life and Annuity Reserve Standards" of NAIC SAP by approximately $11 million.

The Company generally waives deduction of deferred fractional premiums upon death of insured and returns any portion of the premium beyond the date of death. Surrender values are not promised in excess of the legally computed reserves.

NOTE 10 - INSURANCE LIABILITIES (continued)

The Company has issued or assumed substandard policies either rated-up age, or with extra premium, temporary or otherwise, or at a special scale of premiums. In the case of those with rated-up age, the valuation is done at such rated-up age or an equivalent percentage rating.

Ordinary policies issued substandard are valued using a multiple of the standard mortality rates.

The tabular interest has been determined by formula as described in the NAIC instructions except for certain universal life products for which tabular interest has been determined from the basic data for the calculation of policy reserves. The tabular less actual reserve released has been determined by a formula as described in the NAIC instructions. The tabular cost has been determined by formula as described in the NAIC instructions. Tabular interest on funds not involving life contingencies was determined from the basic data for the calculation of deposit fund liabilities.

The Company obtained explicit permission from the Department to be exempt from life insurance PBR (i.e. section VM-20 of the VM) for a small block of whole life policies issued from January 1, 2021 through December 31, 2022. For these policies, the Company establishes reserves pursuant to the minimum standards otherwise required by the VM (i.e. applicable requirements of sections VM-A and VM-C). Refer to Note 2 - Basis of Presentation for more details.

Withdrawal Characteristics of Annuity Reserves and Deposit Funds

The following tables reflect the withdrawal characteristics at December 31, 2023 and 2022 ($ in millions):

Individual Annuities

	2023				
	General Account	**Separate Accounts with Guarantees**	**Separate Accounts Non-guaranteed**	**Total**	**% of Total**
Subject to discretionary withdrawal:					
With fair value adjustment	$ —	$ —	$ 5	$ 5	0.4 %
At book value less current surrender charge of 5% or more	—	—	—	—	—
At fair value	—	—	—	—	—
Total with adjustment or at fair value	—	—	5	5	0.4
At book value without adjustment	1	—	—	1	0.1
Not subject to discretionary withdrawal	1,207	—	—	1,207	99.5
Total	1,208	—	5	1,213	100.0 %
Reinsurance ceded	1,206	—	—	1,206	
Total	$ 2	$ —	$ 5	$ 7	
Amount with current surrender charge of 5% or more that will have less than a 5% surrender charge in the following year	$ —	$ —	$ —	$ —	

NOTE 10 - INSURANCE LIABILITIES (continued)

	2022				
	General Account	**Separate Accounts with Guarantees**	**Separate Accounts Non-guaranteed**	**Total**	**% of Total**
Subject to discretionary withdrawal:					
With fair value adjustment	$ —	$ —	$ 5	$ 5	0.4 %
Total with adjustment or at fair value	—	—	5	5	0.4
At book value without adjustment	2	—	—	2	0.2
Not subject to discretionary withdrawal	1,227	—	—	1,227	99.4
Total	1,229	—	5	1,234	100.0 %
Reinsurance ceded	1,226	—	—	1,226	
Total	$ 3	$ —	$ 5	$ 8	
Amount with current surrender charge of 5% or more that will have less than a 5% surrender charge in the following year	$ —	$ —	$ —	$ —	

Group Annuities

	2023				
	General Account	**Separate Accounts with Guarantees**	**Separate Accounts Non-guaranteed**	**Total**	**% of Total**
Subject to discretionary withdrawal:					
With fair value adjustment	$ —	$ —	$ 8	$ 8	4.8 %
At book value less current surrender charge of 5% or more	—	—	—	—	—
At fair value	—	—	—	—	—
Total with adjustment or at fair value	—	—	8	8	4.8
At book value without adjustment	2	—	—	2	1.2
Not subject to discretionary withdrawal	156	—	—	156	94.0
Total	158	—	8	166	100.0 %
Reinsurance ceded	73	—	—	73	
Total	$ 85	$ —	$ 8	$ 93	
Amount with current surrender charge of 5% or more that will have less than a 5% surrender charge in the following year	$ —	$ —	$ —	$ —	

NOTE 10 - INSURANCE LIABILITIES (continued)

	2022				
	General Account	Separate Accounts with Guarantees	Separate Accounts Non-guaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	$ —	$ —	$ 9	$ 9	5.0 %
Total with adjustment or at fair value	—	—	9	9	5.0
At book value without adjustment	2	—	—	2	1.1
Not subject to discretionary withdrawal	169	—	—	169	93.9
Total	171	—	9	180	100.0 %
Reinsurance ceded	80	—	—	80	
Total	$ 91	$ —	$ 9	$ 100	
Amount with current surrender charge of 5% or more that will have less than a 5% surrender charge in the following year	$ —	$ —	$ —	$ —	

Deposit-Type Contracts

	2023				
	General Account	Separate Accounts with Guarantees	Separate Accounts Non-guaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	$ 49	$ —	$ —	$ 49	7.7 %
At book value less current surrender charge of 5% or more	19	—	—	19	3.0
At fair value	—	—	—	—	—
Total with adjustment or at fair value	68	—	—	68	10.7
At book value without adjustment	547	—	—	547	85.9
Not subject to discretionary withdrawal	22	—	—	22	3.5
Total	637	—	—	637	100.0 %
Reinsurance ceded	2	—	—	2	
Total	$ 635	$ —	$ —	$ 635	
Amount with current surrender charge of 5% or more that will have less than a 5% surrender charge in the following year	$ —	$ —	$ —	$ —	

NOTE 10 - INSURANCE LIABILITIES (continued)

	2022				
	General Account	Separate Accounts with Guarantees	Separate Accounts Non-guaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	$ 50	$ —	$ —	$ 50	6.7 %
At book value less current surrender charge of 5% or more	19	—	—	19	2.5
Total with adjustment or at fair value	69	—	—	69	9.2
At book value without adjustment	657	—	—	657	88.1
Not subject to discretionary withdrawal	20	—	—	20	2.7
Total	746	—	—	746	100.0 %
Reinsurance ceded	2	—	—	2	
Total	$ 744	$ —	$ —	$ 744	
Amount with current surrender charge of 5% or more that will have less than a 5% surrender charge in the following year	$ —	$ —	$ —	$ —	

Withdrawal Characteristics of Life Insurance Reserves

The following tables reflect the withdrawal characteristics of life insurance reserves at December 31, 2023 and 2022 ($ in millions):

	2023					
	General Account			Separate Accounts Guaranteed and Non-guaranteed		
	Account Value	Cash Value	Reserve	Account Value	Cash Value	Reserve
Subject to discretionary withdrawal, surrender, or policy loans:						
Universal life	$ 56	$ 55	$ 56	$ —	$ —	$ —
Other permanent cash value life insurance	—	38	51	—	—	—
Not subject to discretionary withdrawal or no cash values:						
Term policies without cash value	—	—	57	—	—	—
Disability - disabled lives	—	—	383	—	—	—
Total life insurance (gross)	56	93	547	—	—	—
Reinsurance ceded	—	—	9	—	—	—
Total life insurance (net)	$ 56	$ 93	$ 538	$ —	$ —	$ —

NOTE 10 - INSURANCE LIABILITIES (continued)

	2022					
	General Account			Separate Accounts Guaranteed and Non-guaranteed		
	Account Value	Cash Value	Reserve	Account Value	Cash Value	Reserve
Subject to discretionary withdrawal, surrender, or policy loans:						
Universal life	$ 66	$ 65	$ 66	$ —	$ —	$ —
Other permanent cash value life insurance	—	37	49	—	—	—
Not subject to discretionary withdrawal or no cash values:						
Term policies without cash value	—	—	58	—	—	—
Disability - disabled lives	—	—	408	—	—	—
Total life insurance (gross)	66	102	581	—	—	—
Reinsurance ceded	—	—	10	—	—	—
Total life insurance (net)	$ 66	$ 102	$ 571	$ —	$ —	$ —

Retained Asset Accounts

Retained asset accounts are classified as liabilities for deposit funds. These accounts represent the Company's method for settling certain life, disability and accidental death and dismemberment claims where the claimant does not specify or request payment in an alternate form, or where another form of payment is directed by applicable law. The insurance proceeds are retained in the Company's general account and credited to a beneficiary's free interest-bearing account with draft privileges that can be liquidated at any time. The account balance and earned interest are fully guaranteed by the Company. The interest crediting rate is updated weekly and pegged to the Bank Rate Monitor Index, which reflects the average annual effective yield on money markets offered by one hundred large banks and thrifts in the United States. Interest is compounded daily and is credited to account holders on a monthly basis. The weighted average effective interest rate credited to account holders in 2023 was 0.39%, ranging from 0.26% to 0.56%. Account holders are charged fees only for special services (stop payment requests, checks denied due to insufficient funds, copies of drafts or statements) and are not charged per-draft fees, maintenance charges or withdrawal penalties.

The following table presents the number and balance of retained asset accounts in-force at December 31, 2023 and 2022, respectively ($ in millions):

	2023		2022	
	Number	Balance	Number	Balance
Up to and including 12 months	2,772	$ 164	3,403	$ 227
13 to 24 months	1,779	93	2,278	122
25 to 36 months	1,438	66	1,514	69
37 to 48 months	1,000	42	1,029	38
49 to 60 months	736	26	829	30
Over 60 months	4,548	145	4,981	159
Total	12,273	$ 536	14,034	$ 645

NOTE 10 - INSURANCE LIABILITIES (continued)

The following table presents the Company's roll forward of retained asset accounts at December 31, 2023 ($ in millions):

	Individual Number	Individual Balance/ Amount	Group Number	Group Balance/ Amount
At the beginning of the year	188	$ 12	13,846	$ 633
Issued/added during the year	—	—	7,069	543
Investment earnings credited during the year	N/A	—	N/A	2
Fees and other charges assessed during the year	N/A	—	N/A	—
Transferred to State Unclaimed Property funds during the year	(10)	—	(422)	(8)
Closed/withdrawn during the year	(31)	(2)	(8,367)	(644)
At the end of the year	147	$ 10	12,126	$ 526

Policy Claims and Claim Adjustment Expenses

The following table presents a rollforward of the Company's accident and health liabilities for unpaid claims and claims adjustment expenses for the years ended December 31, 2023 and 2022 (in millions):

	2023	2022
Liability at beginning of year	$ 215	$ 204
Incurred expenses for insured or covered events, current year	1,719	1,406
Incurred expenses for insured or covered events, prior years	28	295
Total provision	1,747	1,701
Payments for insured of covered events, current year	(535)	(503)
Payments for insured of covered events, prior years	(1,246)	(1,187)
Total payments	(1,781)	(1,690)
Liability at end of year	$ 181	$ 215

The incurred claims attributable to insured or covered events of prior years were unfavorable to reserve levels by $28 million in 2023, and $295 million in 2022. The incurred expense of $28 million for prior year insured or covered events for 2023 is primarily related to the effect of interest discounting in the reserves. The incurred expense of $295 million for prior year insured or covered events for 2022 was primarily attributable to reserve assumption updates made throughout the year and observed disability resolution rate experience. There was no change to the liability associated with estimated anticipated salvage and subrogation.

NOTE 11 - REINSURANCE

The effects of reinsurance on the accompanying Statutory Statements of Financial Position at December 31, 2023 and 2022 were as follows (in millions):

	2023	2022
Policy reserves:		
Direct	$ 6,799	$ 6,749
Assumed	272	307
Ceded	(1,435)	(1,479)
Policy reserves	$ 5,636	$ 5,577
Policy claims:		
Direct	$ 717	$ 788
Assumed	21	25
Ceded	(437)	(447)
Policy claims	$ 301	$ 366
Reinsurance recoverable	$ 317	$ 320

The effects of reinsurance on the accompanying Statutory Statements of Operations for the years ended December 31, 2023 and 2022 were as follows (in millions):

	2023	2022
Premiums:		
Direct	$ 4,346	$ 4,240
Assumed	90	96
Ceded	(1,589)	(1,597)
Premiums	$ 2,847	$ 2,739
Benefit payments:		
Direct	$ 3,337	$ 3,383
Assumed	93	107
Ceded	(1,509)	(1,606)
Benefit payments	$ 1,921	$ 1,884

Reinsurance Assumed

Under various reinsurance agreements, the Company assumed the risks associated with life, accident, and health insurance contracts issued by Connecticut General Life Insurance Company ("CGLIC") and Cigna Health & Life Insurance Company ("CHLIC"). Policy reserves and Deposit funds assumed were $388 million and $412 million at December 31, 2023 and 2022, respectively. Premiums assumed were $92 million and $96 million for the years ended December 31, 2023 and 2022, respectively. Policyholders' benefits assumed were $51 million and $66 million for the years ended December 31, 2023 and 2022, respectively.

In connection with its agreement with CGLIC, the Company maintains a trust with CGLIC as the beneficiary. The book value of the assets in the trust was $476 million and $489 million at December 31, 2023 and 2022, respectively.

NOTE 11 - REINSURANCE (continued)

Reinsurance Ceded

The Company enters into ceded reinsurance agreements in the normal course of its insurance business to reduce overall risk and to be able to issue group long term disability, group term life and group personal accident insurance policies in excess of its retention limits.

The ceding of risk does not discharge the Company from its primary obligations to policyholders. To the extent that the assuming reinsurers become unable to meet their obligations under reinsurance contracts, the Company remains contingently liable. Each reinsurer is reviewed to evaluate its financial stability before executing each reinsurance contract and periodically thereafter.

The Company cedes the risks associated with all structured settlement contracts to CGLIC. Policy reserves ceded were $1,277 million and $1,304 million at December 31, 2023 and, 2022, respectively. CGLIC maintains a trust with the Company as the beneficiary. The book value of the assets in the trust was $1,215 million and $1,204 million at December 31, 2023 and 2022, respectively.

The Company cedes the risks associated with all international expatriate and supplemental health benefit business directly written by the Company to CHLIC. Premiums ceded were $284 million and $311 million for the years ended December 31, 2023 and 2022, respectively. In connection with this agreement, CHLIC maintains a trust with the Company as the beneficiary. The book value of the assets in the trust was $67 million and $59 million at December 31, 2023 and 2022, respectively.

The Company cedes all of the mortality risk arising under the Company's group term life insurance business to NYLIAC. At December 31, 2023 and 2022, the Company ceded liabilities for policy claims relating to this reinsurance agreement of $372 million and $384 million, respectively. Premiums ceded were $1,202 million and $1,179 million for the years ended December 31, 2023 and 2022, respectively. In addition, for the year ended December 31, 2023 and 2022, the Company ceded death benefits relating to this reinsurance agreement of $1,242 million and $1,367 million, respectively.

NOTE 12 - BENEFIT PLANS

The Company participates in New York Life’s various tax-qualified and non-qualified defined contribution plans covering eligible U.S. employees (401(k) plans). The plans provide for pre-tax, after-tax and/or after-tax Roth salary reduction contributions (subject to maximums) and Company matching contributions of up to 5% of annual salary (base plus eligible incentive pay are considered). For the years ended December 31, 2023 and 2022, the Company’s matching contributions to the employees’ tax qualified and non-qualified plans totaled $12 million and $11 million, respectively.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Guarantees

As stated in Note 3 - Significant Accounting Policies, at the inception of a guarantee (except unlimited guarantees), the Company recognizes an initial liability at fair value for the obligations it has undertaken, regardless of the probability of performance under the guarantee. This includes guarantees made on behalf of affiliates unless the guarantee is deemed unlimited. At December 31, 2023 and 2022, the Company had no such guarantees.

Litigation

The Company is a defendant in individual and/or alleged class action suits related to its group life and disability business. Some of these actions seek substantial or unspecified compensatory and punitive damages. The Company is also from time to time involved in various governmental, administrative, and investigative proceedings and inquiries.

NOTE 13 - COMMITMENTS AND CONTINGENCIES (continued)

Notwithstanding the uncertain nature of litigation and regulatory inquiries, the outcome of which cannot be predicted, the Company believes that, after provisions made in the financial statements, the ultimate liability that could result from litigation and proceedings would not have a material adverse effect on the Company's financial position; however, it is possible that settlements or adverse determinations in one or more actions or other proceedings in the future could have a material adverse effect on the Company's operating results for a given year.

Assessments

Most of the jurisdictions in which the Company is licensed to transact business require life insurers to participate in guaranty associations which are organized to pay contractual benefits pursuant to insurance policies issued by impaired, insolvent or failed life insurers. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the line of business in which the impaired, insolvent or failed life insurer is engaged. Some states permit member insurers to recover assessments through full or partial premium tax offsets.

The Company recorded guaranty fund receivables of $3 million and $4 million at December 31, 2023 and 2022, respectively. The Company recorded guaranty fund liabilities of $10 million and $8 million at December 31, 2023 and 2022, respectively.

Lease Commitments

Rental expenses for operating leases principally for office space amounted to $15 million and $14 million for the years ended December 31, 2023 and 2022, respectively.

At December 31, 2023, the aggregate future minimum rental payments under leases having initial or remaining non-cancelable lease terms in excess of one year for each year are as follows: $13 million in 2024, $7 million in 2025, $7 million in 2026, $5 million in 2027, $1 million in 2028 and less than $1 million in the years thereafter.

The Company is not involved in any material sale-leaseback transactions.

Other Commitments and Contingencies

At December 31, 2023 and 2022, the Company had contractual commitments to extend credit for commercial mortgage loans at both fixed and variable rates of interest, which amounted to approximately $46 million and $76 million, respectively. These commitments are diversified by property type and geographic location.

At December 31, 2023 and 2022, the Company had outstanding contractual obligations to acquire additional private placement securities for $56 million and $47 million, respectively.

At December 31, 2023 and 2022, the Company had unfunded commitments on limited partnerships, limited liability companies and other invested assets for $23 million and $10 million, respectively.

The Company is a member of the FHLB of Pittsburgh. Membership in the FHLB of Pittsburgh provides the Company with a significant source of alternative liquidity. Advances received by the general account are included in Other liabilities in the accompanying Statutory Statements of Financial Position. When borrowing from the FHLB of Pittsburgh, the Company is required to post collateral in the form of eligible securities, including mortgage-backed, government and agency debt instruments for each of the advances received. Upon any event of default by the Company, the FHLB of Pittsburgh's recovery from the collateral is limited to the amount of the Company's liability to the FHLB of Pittsburgh.

NOTE 13 - COMMITMENTS AND CONTINGENCIES (continued)

The amount of FHLB of Pittsburgh common stock held, in aggregate exclusively in the Company's general account at December 31, 2023 and 2022 were as follows (in millions):

	2023	2022
Membership stock - Class B [1]	$ 1	$ 1
Activity stock	—	—
Aggregate total	$ 1	$ 1
Actual or estimated borrowing capacity as determined by the insurer	$ 469	$ 462

[1] Membership stock is not eligible for redemption.

At December 31, 2023 and 2022, the Company did not have an outstanding balance due to the FHLB of Pittsburgh and there was no maximum amount borrowed.

The Company does not have any prepayment obligations for the borrowing arrangement.

NOTE 14 - INCOME TAXES

The components of the net DTAs and DTLs were as follows at December 31, 2023 and 2022 (in millions):

	2023			2022			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross DTAs	$ 856	$ 15	$ 871	$ 906	$ 10	$ 916	$ (50)	$ 5	$ (45)
Statutory valuation allowance	—	—	—	—	—	—	—	—	—
Adjusted gross DTAs	856	15	871	906	10	916	(50)	5	(45)
Nonadmitted DTAs [1]	601	10	611	679	6	685	(78)	4	(74)
Subtotal net admitted DTAs	255	5	260	227	4	231	28	1	29
Gross DTLs	12	5	17	11	4	15	1	1	2
Net admitted DTAs	$ 243	$ —	$ 243	$ 216	$ —	$ 216	$ 27	$ —	$ 27

[1] DTAs are nonadmitted primarily because they are not expected to be realized within three years of the Statutory Statements of Financial Position date.

NOTE 14 - INCOME TAXES (continued)

The admission calculation components for the years ended December 31, 2023 and 2022 are as follows (paragraph references throughout Note 14 are to paragraphs of SSAP No. 101 "Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10") (in millions):

	December 31, 2023			December 31, 2022			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks (Paragraph 11.a)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Adjusted gross DTAs expected to be realized (excluding the amount of DTAs from paragraph 11.a above) after application of the threshold limitation (the lesser of paragraph 11.b.i and 11.b.ii below):	243	—	243	216	—	216	27	—	27
Adjusted gross DTAs expected to be realized following the balance sheet date. (Paragraph 11.b.i)	360	—	360	290	—	290	70	—	70
Adjusted gross DTAs allowed per limitation threshold (Paragraph 11.b.ii)	N/A	N/A	243	N/A	N/A	216	N/A	N/A	27
Adjusted gross DTAs (excluding the amount of DTAs from paragraphs 11.a and 11.b above) offset by gross DTLs (Paragraph 11.c)	12	5	17	11	4	15	1	1	2
DTAs admitted as the result of application of SSAP 101 (Total of paragraphs 11.a, 11.b, 11.c).	$ 255	$ 5	$ 260	$ 227	$ 4	$ 231	$ 28	$ 1	$ 29

The ratio used to determine the applicable period used in paragraph 11.b.i above and the amount of adjusted capital and surplus used to determine the percentage threshold limitation in paragraph 11.b.ii above are as follows at December 31, 2023 and 2022 (in millions):

	2023	2022
Ratio percentage used to determine recovery period and threshold limitation amount.	898 %	808 %
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in paragraph 11.b.ii above.	$ 1,617	$ 1,437

There was no impact on adjusted gross and net admitted DTAs due to tax planning strategies at December 31, 2023 and 2022.

The Company had no unrecognized DTLs at December 31, 2023 and 2022. Additionally, the Company had no adjustments to gross DTAs because of a change in circumstances that causes a change in judgment about the realizability of the related DTAs.

Significant components of the current federal and foreign income taxes for the years ended December 31, 2023 and 2022 were as follows (in millions):

	2023	2022	Change
Federal[1]	$ (7)	$ (10)	$ 3
Foreign	—	—	—
Subtotal	(7)	(10)	3
Federal income tax on net capital losses	(5)	(22)	17
Total federal and foreign income taxes	$ (12)	$ (32)	$ 20

[1] The Company had less than $1 million and no investment tax credits for the years ended December 31, 2023 and 2022 , respectively.

NOTE 14 - INCOME TAXES (continued)

The tax effects of temporary differences that give rise to DTAs and DTLs at December 31, 2023 and 2022 were as follows (in millions):

	2023	2022	Change
DTAs			
Ordinary:			
Other insurance and contract holder liabilities	117	$ 112	$ 5
Employee and retiree benefit plans	9	8	1
Deferred acquisition costs	27	17	10
Fixed Assets	—	2	(2)
Non-admitted assets	41	37	4
Investments	60	78	(18)
Net operating loss	129	136	(7)
Other*	473	516	(43)
Gross deferred tax assets	856	906	(50)
Non-admitted deferred tax assets	601	679	(78)
Admitted ordinary DTAs	255	227	28
Capital:			
Investments	15	10	5
Net capital loss carry forward	—	—	—
Subtotal	15	10	5
Nonadmitted	10	6	4
Admitted capital DTAs	5	4	1
Total admitted DTAs	260	231	29
DTLs			
Ordinary:			
Investments	7	5	2
Depreciation and amortization	3	—	3
Other	2	6	(4)
Subtotal	12	11	1
Capital:			
Investments	5	4	1
Subtotal	5	4	1
Total DTLs	17	15	2
Net admitted DTAs	$ 243	$ 216	$ 27
Deferred income tax (expense)/benefit on change in net unrealized capital gains/(losses)			$ (3)
Change in net deferred taxes related to other items			(44)
Change in DTAs nonadmitted			74
Total change in net admitted DTAs			$ 27

*Other DTA Includes goodwill and intangibles of $470 million and $510 million at December 31, 2023 and 2022 respectively.

NOTE 14 - INCOME TAXES (continued)

Company's income tax expense (benefit) for the years ended December 31, 2023 and 2022 differs from the amount obtained by applying the statutory rate of 21% to net (loss) gain from operations before federal and foreign income taxes for the following reasons (in millions):

	2023	2022	Change
Net loss from operations before federal and foreign income taxes at statutory rate	$ 42	$ (29)	$ 71
Net realized capital (losses) gains at statutory rate	(2)	(10)	8
Investment items	(4)	(2)	(2)
Partnership Income from Subsidiary	11	—	11
Dividend from subsidiary	(10)	—	(10)
Change in non-admitted assets	(4)	13	(17)
Amortization of IMR	—	(1)	1
Foreign tax expense net of foreign tax credit	(1)	(3)	2
§338(h)(10) tax basis step up	—	11	(11)
Other items impacting surplus	—	(2)	2
Other	—	—	—
Federal and foreign income taxes incurred and change in net deferred taxes during the year	$ 32	$ (23)	$ 55
Federal income tax benefit reported in the Company's Statutory Statements of Operations	$ (7)	$ (10)	$ 3
Capital gains tax benefit incurred	(5)	(22)	17
Change in net deferred income taxes	44	9	35
Federal and foreign income taxes incurred and change in net deferred taxes during the year	$ 32	$ (23)	$ 55

The Company's federal income tax return is consolidated with New York Life, NYLIAC, NYLIFE Insurance Company of Arizona, NYLIFE LLC, New York Life Enterprises LLC, New York Life Investment Management Holdings LLCs, NYL Investors LLC, NYLGICNY, and LINA Benefit Payments, Inc. Refer to Note 3 – Significant Accounting Policies - Federal Income Taxes.

The New York Life consolidated federal income tax returns are routinely audited by the Internal Revenue Service ("IRS") and provisions are made in the financial statements in anticipation of the results of these audits. The IRS has completed audits through 2013, and tax years 2014 through 2018 are currently under examination. There were no material effects in the Company's Statement of Operations as a result of these audits.

The Company does not anticipate any significant changes to its total unrecognized tax benefits within the next 12 months.

The Company does not have repatriation transition tax owed under the Tax Cuts and Jobs Act.

The Company has the following carry forwards available for tax purposes (in million):

	Amount	Origination Date	Expiration Date
Net operating loss	$ 368	12/31/2021	12/31/2041
Net operating loss	$ 247	12/31/2022	12/31/2042

For the years ended December 31, 2023, 2022, and 2021, the Company had no income taxes incurred in current and prior years that will be available for recoupment in the event of future net losses.

NOTE 14 - INCOME TAXES (continued)

At December 31, 2023 and 2022, the Company recorded a current income tax receivable of $6.4 M and $12M, respectively. The current income tax receivable was included in Other assets in the accompanying Statutory Statements of Financial Position.

The Inflation Reduction Act ("IRA") of 2022 was enacted on August 16, 2022. The IRA includes a new Federal corporate alternative minimum tax ("CAMT"), effective in 2023, that is based on the adjusted financial statement income set forth on the applicable financial statement of an applicable corporation. The NAIC adopted Interpretation ("INT") 23-04 to apply to December 31, 2023. Following that guidance, the Company has determined as of the reporting date it will not be an applicable corporation and will not be liable for CAMT in 2023. The Company is also not a member of a controlled group of corporations that is an applicable corporation.

At December 31, 2023, the Company had no protective tax deposits on deposit with the IRS under Section 6603 of the Internal Revenue Code.

NOTE 15 - CAPITAL AND SURPLUS

Capitalization

The Company has 30,000 shares authorized, and approximately 25,000 shares issued and outstanding as of December 31, 2023 and 2022 with a par value of $100. There are no other classes of capital stock. The Company has no preferred stock outstanding as of December 31, 2023 and 2022.

Nonadmitted Assets

Under statutory accounting rules, a nonadmitted asset is defined as an asset having economic value other than that which can be used to fulfill policyholder obligations, or those assets that are unavailable due to encumbrances or other third-party interests. These assets are not recognized in the accompanying Statutory Statements of Financial Position, and are, therefore, considered nonadmitted. The changes between years in nonadmitted assets are charged or credited directly to surplus.

NOTE 16 - DIVIDENDS TO STOCKHOLDER

The Company is subject to restrictions on the payment of dividends to New York Life. Under Title 40 of the Pennsylvania Statutes, cash dividends can be paid only out of that part of the Company’s available and accumulated surplus funds which are derived from realized net operating profits on its business and realized capital gains, and dividends (or other distributions) on capital stock can be declared and paid only out of earned surplus (being an amount equal to the unassigned funds of the Company as set forth in its most recent annual statement submitted to the Pennsylvania Insurance Commissioner (“the Commissioner”), including all or part of the surplus arising from unrealized capital gains or revaluation of assets), except as otherwise approved by the Commissioner (provided that stock dividends may be paid out of any available surplus funds). Furthermore, no extraordinary dividend may be paid until 30 days after the Commissioner has received notice of such declaration and has not disapproved such payment within such 30 day period, or the Commissioner has approved such payment within that 30 day period. Extraordinary dividends are defined as any dividend or distribution or cash or other property, whose fair market value, together with that of other dividends or distributions made within the preceding 12 months, exceeds the greater of (1) 10 percent of the Company’s surplus as regards policyholders as of the preceding December 31 or (2) the net gain from operations of the Company for the 12 month period ending on the preceding December 31 (not including pro rata distributions of any class of the Company’s own securities).

As a condition to the Commissioner's approval of New York Life's application to purchase the Company, until January 1, 2024, the Company is prohibited from declaring or paying any dividends, returns of capital or any other type of distribution, without the prior approval of the Commissioner, unless said distribution has been approved by the Department as a transaction between affiliates filed under the Insurance Holding Companies Act. At December 31, 2023, the amount of earned surplus of the Company available for the payment of dividends was $1,670 million. If not for the prohibition, the maximum dividend that may be made without prior approval in 2024 is $207 million. Any dividends paid in the twelve months preceding a proposed dividend are considered in determining whether a dividend is extraordinary.

During the years ended December 31, 2023 and 2022, the Company did not pay a dividend to its sole shareholder, New York Life.

Special Surplus Funds

The Company's special surplus funds increased from December 31, 2022 to December 31, 2023 by $9 million due to the admittance of negative IMR. Refer to Note 6 - Investments for a more detailed discussion on Admitted Negative IMR.

NOTE 17 - WRITTEN PREMIUMS

The amount of net premiums written by the Company for the years ended December 31, 2023 and 2022 that are subject to retrospective rating features were $99 million and $96 million respectively, which represented 3.5% of the total net premiums written for both periods. No other net premiums written by the Company are subject to retrospective rating features.

Deferred and uncollected life insurance premiums and annuity considerations at December 31, 2023 and 2022 were as follows (in millions) [(1)]:

	2023		2022	
	Gross	**Net of Loading**	**Gross**	**Net of Loading**
Ordinary Renewal	$ 1	$ 1	$ 1	$ 1
Group Life	160	160	150	150
Total	$ 161	$ 161	$ 151	$ 151

(1) Excludes group term life reinsurance with NYLIAC. See note 11 - Reinsurance for more details.

Deferred premium is the portion of the annual premium not earned at the reporting date. Loading of deferred premium is an amount obtained by subtracting the valuation net deferred premium from the gross deferred premium and generally includes allowances for acquisition costs and other expenses.

Uncollected premium is gross premium, net of reinsurance that is due and unpaid at the reporting date. Net premium is the amount used in the calculation of reserves. The change in loading is included as an expense and is not shown as a reduction to premium income.

NOTE 18 - SUBSEQUENT EVENTS

At April 4, 2024, the date the financial statements were available to be issued, there have been no events occurring subsequent to the close of the Company's books or accounts for the accompanying statutory financial statements that would have a material effect on the financial condition of the Company.

GLOSSARY OF TERMS

Term	Description
ABS	Asset-backed securities
AVR	Asset valuation reserve
CAMT	Corporate Alternative Minimum Tax
Cigna	Cigna Corporation
CGLIC	Connecticut General Life Insurance Company
CHC	Cigna Holding Company
CHLIC	Cigna Health & Life Insurance Company
DTA(s)	Deferred tax asset(s)
DTL(s)	Deferred tax liability(ies)
FHLB	Federal Home Loan Bank
IMR	Interest maintenance reserve
IRS	Internal Revenue Service
LTV	Loan to value ratio
MCF	Madison Capital Funding LLC
NAIC	National Association of Insurance Commissioners
NAIC SAP	National Association of Insurance Commissioners' Accounting Practices and Procedures Manual
NAV	Net asset value
New York Life	New York Life Insurance Company
NYLGICNY	New York Life Group Insurance Company of NY
NYLIAC	New York Life and Annuity Corporation
OTTI	Other-than-temporary impairment(s)
PBR	Principle-based reserving
SSAP	Statement of statutory accounting principle
SVO	Securities Valuation Office
The Act	The Inflation Reduction Act of 2022
The Company	Life Insurance Company of North America
The Department	State of Pennsylvania Insurance Department
U.S. GAAP	Accounting principles generally accepted in the United States of America
VM	Valuation Manual