The Variable Annuity Life Insurance Company

(An indirect wholly owned subsidiary of Corebridge Financial, Inc.)

Statutory Financial Statements and Supplemental Information and Report of Independent Auditors

At December 31, 2022 and 2021 and
for each of the three years ended December 31, 2022

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY
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Report of Independent Auditors

To the Board of Directors and Shareholder of The Variable Annuity Life Insurance Company

Opinion

We have audited the accompanying statutory financial statements of The Variable Annuity Life Insurance Company (the "Company"), which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2022 and 2021, and the related statutory statements of operations, of changes in capital and surplus, and of cash flows for each of the three years in the period ended December 31, 2022, 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, admitted assets, liabilities and capital and surplus of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in accordance with accounting practices prescribed or permitted by the Texas Department of Insurance 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, 2022 and 2021, or the results of its operations or its cash flows for each of the three years in the period ended December 31, 2022.

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 Texas Department of Insurance, 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.

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Responsibilities of Management for the Financial Statements

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

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule of assets and liabilities, investment risk interrogatories, summary investment schedule, and schedule of reinsurance disclosures (collectively referred to as the "supplemental schedules") of the Company as of December 31, 2022 and for the year then ended are presented to comply with the National Association of Insurance Commissioners' Annual Statement Instructions and Accounting Practices and Procedures Manual and for purposes of additional analysis and are not a required part of the financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

New York, New York
April 25, 2023

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY
STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND CAPITAL AND SURPLUS

	December 31,	
(in millions)	**2022**	2021
Admitted assets		
Cash and investments		
Bonds	**$ 38,055**	$ 38,538
Preferred stock	**12**	6
Common stock	**208**	147
Cash, cash equivalents and short-term investments	**185**	(61)
Mortgage loans	**7,407**	6,697
Real estate	**4**	5
Contract loans	**422**	458
Derivatives	**275**	236
Securities lending reinvested collateral assets	**—**	551
Derivative cash collateral	**1**	—
Other invested assets	**2,268**	2,234
Total cash and investments	**48,837**	48,811
Amounts receivable under reinsurance contracts	**1**	2
Current federal and foreign income tax recovery	**(52)**	—
Deferred tax asset	**213**	110
Due and accrued investment income	**498**	483
Receivables from affiliates	**256**	185
Other assets	**32**	80
Separate account assets	**34,816**	45,578
Total admitted assets	**$ 84,601**	$ 95,249

See accompanying Notes to Statutory Financial Statements.

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY
STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND CAPITAL AND SURPLUS (CONTINUED)

	December 31,	
(in millions, except per share data)	**2022**	2021
Liabilities		
Policy reserves and contractual liabilities		
Life and annuity reserves	**$ 37,550**	$ 38,081
Liabilities for deposit-type contracts	**6,890**	6,137
Accident and health reserves	**—**	—
Premiums received in advance	**—**	—
Policy and contract claims	**—**	—
Policyholder dividends	**—**	—
Total policy reserves and contractual liabilities	**44,440**	44,218
Payable to affiliates	**143**	132
Interest maintenance reserve	**16**	112
Amounts withheld or retained by Company as agent or trustee and held for agents' account	**26**	27
Federal income taxes payable	**239**	33
Derivatives	**—**	—
Payable for securities lending	**—**	763
Repurchase agreements	**1,291**	50
Collateral for derivatives program	**287**	256
Funds held under coinsurance	**—**	—
Accrued expenses and other liabilities	**293**	205
Net transfers from separate accounts due or accrued	**(106)**	(205)
Asset valuation reserve	**801**	800
Separate account liabilities	**34,816**	45,578
Total liabilities	**82,246**	91,969
Commitments and contingencies (see Note 20)		
Capital and surplus		
Common stock, $1 par value; 5,000,000 shares authorized, 3,575,000 issued and outstanding	**4**	4
Other than special deficit funds	**—**	—
Gross paid-in and contributed surplus	**2,298**	2,263
Unassigned surplus	**53**	1,013
Total capital and surplus	**2,355**	3,280
Total liabilities and capital and surplus	**$ 84,601**	$ 95,249

See accompanying Notes to Statutory Financial Statements.

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY
STATUTORY STATEMENTS OF OPERATIONS

	December 31,		
(in millions)	**2022**	2021	2020
Revenues			
Premiums and annuity considerations	**$ (19,033)**	$ 3,954	$ 4,014
Net investment income	**2,162**	2,118	2,006
Amortization of interest maintenance reserve	**14**	21	18
Reserve adjustments on reinsurance ceded	**22,023**	(108)	(55)
Commissions and expense allowances	**460**	—	—
Separate account fees	**410**	456	377
Other income	**228**	266	251
Total revenues	**6,264**	6,707	6,611
Benefits and expenses			
Annuity benefits	**691**	791	683
Surrender benefits	**5,833**	6,392	5,351
Other benefits	**169**	272	146
Change in reserves	**(531)**	(9)	1,231
Commissions	**154**	155	153
General insurance expenses	**382**	395	400
Net transfers to (from) separate accounts	**(1,711)**	(2,370)	(2,136)
Other expenses	**225**	138	118
Total benefits and expenses	**5,212**	5,764	5,946
Net gain from operations before dividends to policyholders and federal income taxes	**1,052**	943	665
Net gain from operations after dividends to policyholders and before federal income taxes	**1,051**	943	665
Federal income tax expense	**301**	272	270
Net (loss) gain from operations	**750**	671	395
Net realized capital gains (losses), net of tax after transfers to interest maintenance reserves	**(98)**	17	168
Net (losses) income	**$ 652**	$ 688	$ 563

See accompanying Notes to Statutory Financial Statements.

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY
STATUTORY STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS

(in millions)	Common & Preferred Stock	Other Than Special Surplus (Deficit)	Gross Paid-In and Contributed Surplus	Unassigned Surplus	Total Capital and Surplus
Balance, January 1, 2020	$ 4	$ (3)	$ 2,263	$ 336	2,600
Net income (loss)	—	—	—	563	563
Change in net unrealized capital gains (losses)	—	—	—	(45)	(45)
Change in net unrealized foreign exchange capital gains (losses)	—	—	—	116	116
Change in deferred tax	—	—	—	139	139
Change in non-admitted assets	—	—	—	(122)	(122)
Change in reserve on account	—	—	—	134	134
Change in asset valuation reserve	—	—	—	(148)	(148)
Change in surplus from separate accounts	—	—	—	16	16
Other changes in surplus in separate accounts	—	—	—	(16)	(16)
Dividends	—	—	—	(360)	(360)
Disposition of investment	—	—	—	20	20
Prior period corrections (see Note 2)	—	—	—	8	8
Balance, December 31, 2020	$ 4	$ (3)	$ 2,263	$ 641	$ 2,905
Net income (loss)	—	—	—	688	688
Change in net unrealized capital gains (losses)	—	—	—	194	194
Change in net unrealized foreign exchange capital gains (losses)	—	—	—	(77)	(77)
Change in deferred tax	—	—	—	142	142
Change in non-admitted assets	—	—	—	(92)	(92)
Change in asset valuation reserve	—	—	—	(56)	(56)
Change in surplus from separate accounts	—	—	—	11	11
Other changes in surplus in separate accounts	—	—	—	(11)	(11)
Dividends	—	—	—	(394)	(394)
Disposition of investment	—	—	—	1	1
Other changes	—	3	—	—	3
Prior period corrections (see Note 2)	—	—	—	(34)	(34)
Balance, December 31, 2021	$ 4	$ —	$ 2,263	$ 1,013	$ 3,280
Net income (loss)	**—**	**—**	**—**	**652**	**652**
Change in net unrealized capital gains (losses)	**—**	**—**	**—**	**70**	**70**
Change in net unrealized foreign exchange capital gains (losses)	**—**	**—**	**—**	**(173)**	**(173)**
Change in deferred tax	**—**	**—**	**—**	**(153)**	**(153)**
Change in non-admitted assets	**—**	**—**	**—**	**199**	**199**
Change in asset valuation reserve	**—**	**—**	**—**	**(1)**	**(1)**
Change in surplus from separate accounts	**—**	**—**	**—**	**21**	**21**
Other changes in surplus in separate accounts	**—**	**—**	**—**	**(21)**	**(21)**
Additional paid-in surplus	**—**	**—**	**34**	**—**	**34**
Change in surplus as a result of reinsurance	**—**	**—**	**—**	**1,166**	**1,166**
Dividends	**—**	**—**	**—**	**(2,700)**	**(2,700)**
Prior period corrections (see Note 2)	**—**	**—**	**—**	**(20)**	**(20)**
Balance, December 31, 2022	**$ 4**	**$ —**	**$ 2,297**	**$ 53**	**$ 2,354**

See accompanying Notes to Statutory Financial Statements.

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY
STATUTORY STATEMENTS OF CASH FLOWS

	December 31,		
(in millions)	**2022**	2021	2020
Cash from operations			
Premium and annuity considerations, collected, net of reinsurance	**$ 3,892**	$ 3,954	$ 4,014
Net investment income collected	**1,987**	2,121	1,863
Other income	**196**	614	573
Total revenue received	**6,075**	6,689	6,450
Benefits paid	**6,548**	7,455	6,287
Net transfers from (to) separate accounts	**(1,810)**	(2,353)	(1,750)
Commissions and expenses paid	**739**	687	672
Federal income taxes paid	**47**	304	341
Total benefits and expenses paid	**5,524**	6,093	5,550
Net cash provided by operations	**551**	596	900
Cash from investments			
Proceeds from investments sold, matured or repaid:			
Bonds	**3,599**	5,890	5,347
Stocks	**26**	15	40
Mortgage loans	**2,662**	694	600
Real estate	**—**	—	—
Other invested assets	**987**	593	572
Securities lending reinvested collateral assets	**551**	151	239
Total proceeds from investments sold, matured or repaid	**7,825**	7,343	6,798
Cost of investments acquired:			
Bonds	**3,137**	6,731	6,745
Stocks	**53**	6	—
Mortgage loans	**3,494**	465	370
Real estate	**—**	—	—
Other invested assets	**1,081**	891	1,130
Securities lending reinvested collateral assets	**—**	(832)	210
Derivatives	**(66)**	—	—
Other, net	**—**	3	—
Total cost of investments acquired	**7,699**	7,264	8,455
Net adjustment in contract loans	**(36)**	(59)	(59)
Net cash provided by (used in) investing activities	**162**	138	(1,598)
Cash from financing and miscellaneous sources			
Cash provided (applied):			
Net deposits on (withdrawals from) deposit-type contracts	**(87)**	120	202
Dividends to parent	**(2,700)**	(394)	(360)
Change in securities lending	**(763)**	(716)	312
Other, net	**3,082**	225	282
Net cash provided by (used in) financing and miscellaneous activities	**(468)**	(765)	436
Net increase (decrease) in cash, cash equivalents and short-term investments	**245**	(31)	(262)
Cash, cash equivalents and short-term investments at beginning of year	**(61)**	(30)	232
Cash, cash equivalents and short-term investments at end of year	**$ 184**	**$** (61)	$ (30)
Non-cash activities, excluded from above:			
Non-cash Modco adjustment on ceded reinsurance	**$ (22,924)**	$ —	$ —
Non-cash Fortitude Re settlement	**—**	26	—
Non-cash transfer from other invested assets to mortgage loans	**260**	2	—
Non-cash contribution to subsidiary	**34**		
Non-cash return of capital from other invested assets to VALIC	**2**		
Non-cash transfer from mortgage loans to other invested assets	**—**	—	35

See accompanying Notes to Statutory Financial Statements.

1. NATURE OF OPERATIONS

The Variable Annuity Life Insurance Company (VALIC or the Company), is a wholly owned subsidiary of AGC Life Insurance Company (AGC Life or the Parent), which is a wholly owned subsidiary of AIG Life Holding, Inc. (AIG Life Holding). AIG Life Holding is wholly owned by Corebridge Financial Inc. (Corebridge), which is a direct subsidiary of American International Group, Inc. (AIG). AIG is a holding company, which through its subsidiaries provides a wide range of property casualty insurance, life insurance, retirement products and other financial services to commercial and individual customers in approximately 70 countries and jurisdictions. The term “AIG” means American International Group, Inc. and not any of AIG’s consolidated subsidiaries.

The Company is a stock life insurance company domiciled and licensed under the laws of the State of Texas and is subject to regulation by the Texas Department of Insurance (TDI). The Company is also subject to regulation by the states in which it is authorized to transact business. The Company is licensed in 50 states and the District of Columbia.

The Company is a leading provider in the United States of individual term and universal life insurance solutions to middle-income and high-net-worth customers, as well as a leading provider in the United States of fixed and variable annuities. VALIC’s primary products include fixed and variable annuities, and mutual funds and plan administrative and compliance services. The Company utilizes career financial advisors and independent financial advisors to provide retirement plan participants with enrollment support and comprehensive financial planning services. No annual annuity deposits for any individual advisor in 2022 or 2021 represented more than 10 percent of total annuity deposits.

The operations of the Company are influenced by many factors, including general economic conditions, financial condition of AIG Parent, monetary and fiscal policies of the United States federal government and policies of state and other regulatory authorities. The level of sales of the Company's insurance and financial products is influenced by many factors, including general market rates of interest, the strength, weakness and volatility of equity markets and terms and conditions of competing products. The Company is exposed to the risks normally associated with a portfolio of fixed income securities, which include interest rate, option, liquidity and credit risks. The Company controls its exposure to these risks by, among other things, closely monitoring and managing the duration and cash flows of its assets and liabilities, monitoring and limiting prepayments and extension risk in its portfolio, maintaining a large percentage of the Company’s portfolio in highly liquid securities, engaging in a disciplined process of underwriting, and reviewing and monitoring credit risk.

The Company is also exposed to market risk, policyholder behavior risk and mortality/longevity risk. Market volatility and other equity market conditions may affect the Company’s exposure to risks related to guaranteed death benefits and guaranteed living benefits on variable annuity products, and may reduce fee income on variable product assets held in separate accounts. Such guaranteed benefits are sensitive to equity and interest rate market conditions.

Effective October 1, 2022, the Company entered into a modified coinsurance reinsurance agreement with American General Life Insurance Company (AGL), pursuant to which certain blocks of the Company’s variable annuity (VA) business were ceded to AGL. The ceded reserves and assets supporting the reserves remain on the Company’s balance sheet, pursuant to the modified coinsurance structure. The business covered by the agreement includes substantially all of the Company’s VA contracts, excluding those issued by the Company in the State of New York and those that have been previously assumed (through reinsurance) by the Company. See *Affiliate Transactions* note for more details.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Company are presented on the basis of accounting practices prescribed or permitted by the TDI. These accounting practices vary in certain respects from accounting principles generally accepted in the United States of America (U.S. GAAP), as described herein.

The TDI recognizes only statutory accounting practices (SAP) prescribed or permitted by the State of Texas for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the Texas 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 Texas.

Use of Estimates

The preparation of financial statements in conformity with accounting practices prescribed or permitted by the TDI requires management to make estimates and assumptions that affect the reported amounts in the statutory financial statements and the accompanying notes. It also requires disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenue and expense during the period. The areas of significant judgments and estimates include the following:

- application of other-than-temporary impairments (OTTI);
- estimates with respect to income taxes, including recoverability of deferred tax assets (DTA);
- fair value measurements of certain financial assets; and
- policy reserves for life, annuity and accident and health insurance contracts, including guarantees.

These accounting estimates require the use of assumptions about matters, some of which are highly uncertain at the time of estimation. To the extent actual experience differs from the assumptions used, the Company's Statutory Statements of Admitted Assets, Liabilities and Capital and Surplus, Statutory Statements of Operations and Statutory Statements of Cash Flows could be materially affected.

Significant Accounting Policies

Bonds not backed by other loans are carried at amortized cost except for those with a NAIC designation of "6" or "6*". Bonds with a NAIC 6 designation are carried at the lower of amortized cost or fair value, with unrealized losses charged directly to unassigned surplus. Bonds that have not been filed and have not received a designation in over one year from the NAIC's Investment Analysis Office (IAO) receive a "6*" designation and are carried at zero, with the unrealized loss charged directly to unassigned surplus. Bonds filed with the IAO which receive a "6*" designation may carry a value greater than zero. Securities are assigned a NAIC 5* designation if the Company certifies that (1) the documentation necessary to permit a full credit analysis does not exist, (2) the issuer or obligor is current on all contracted interest and principal payments and (3) the Company has an actual expectation of ultimate repayment of all contracted interest and principal. Securities with NAIC 5* designations are deemed to possess the credit characteristics of securities assigned a NAIC 5 designation. The discount or premium on bonds is amortized using the effective yield method.

Loan-backed and structured securities (LBaSS) include residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), asset-backed securities (ABS), pass-thru securities, lease-backed securities, equipment trust certificates, loan-backed securities issued by special purpose corporations or trusts, and securities where there is not direct recourse to the issuer. LBaSS are carried on a basis consistent with that of bonds not backed by loans. Income recognition for LBaSS is determined using the effective yield method and estimated cash flows. Prepayment assumptions for single-class and multi-class mortgage-backed securities (MBS) and ABS were obtained from an outside vendor or internal estimates. The Company uses independent pricing services and broker quotes in determining the fair value of its LBaSS. The Company uses the retrospective adjustment method to account for the effect of unscheduled payments affecting high credit quality securities, while securities with less than high credit quality and securities for which the collection of all contractual cash flows is not probable are both accounted for using the prospective adjustment method.

Reference to “non-rated residual tranches or interests” intends to capture securitization tranches, beneficial interests, interests of structured finance investments, as well as other structures, that reflect loss layers without contractual interest or principal payments. Payments to holders of these investments occur after contractual interest and principal payments have been made to other tranches or interests and are based on the remaining available funds. Although payments to holders can occur throughout an investment’s duration (and not just at maturity), such instances still reflect the residual amount permitted to be distributed after other holders have received contractual interest and principal payments.

RBC charges for LBaSS are based on the final NAIC designations, which are determined with a multi-step approach. The initial designation is used to determine the carrying value of the security. The final NAIC designation is used for reporting and affects RBC. The final NAIC designation is determined in one of three ways. NAIC designations are determined through a financial modeling process conducted by BlackRock, direct analysis via the NAIC’s IAO or other protocols prescribed by the NAIC including internal assignment of Z, 5GI or 6*. Residual tranches, as defined in SSAP 43R, are reported as NAIC 6*.

Short sale is the sale of a security which is not owned by the Company at the time of sale. Short sales are normally settled by the delivery of a security borrowed by or on behalf of seller. A short sale as defined in Statement of Statutory Accounting Principle (SSAP) No. 103 “Transfers and Servicing of Financial Assets and Extinguishments of Liabilities” is reported as a contra-asset (negative asset) initially reported at fair value, with changes in fair value recognized as unrealized gains and losses.

Preferred stocks with NAIC designations of “1” through “3” are carried at amortized cost. All other preferred stocks are stated at the lower of cost, amortized cost or fair value, with unrealized capital losses charged directly to unassigned surplus. Provisions made for impairment are recorded as realized capital losses when declines in fair value are determined to be other than temporary.

Unaffiliated common stocks are carried at fair value, with unrealized capital gains and losses credited or charged directly to unassigned surplus. Provisions made for impairment are recorded as realized capital losses when declines in fair value are determined to be other than temporary. For Federal Home Loan Bank (FHLB) capital stock, which is only redeemable at par, the fair value shall be presumed to be par, unless considered other-than-temporarily impaired.

The Company has no investments in insurance subsidiary, controlled, and affiliated (SCA) entities. Investments in non-insurance SCA entities are recorded based on the equity of the investee per audited financial statements prepared pursuant to U.S. GAAP, which is adjusted to a statutory basis of accounting, if applicable. All investments in non-insurance SCA entities for which either audited U.S. GAAP financial statements or audited foreign GAAP basis financial statements that include a footnote reconciling net income and equity on a foreign GAAP basis to U.S. GAAP are not available, are non-admitted as assets. Undistributed equity in earnings of affiliates is included in unassigned surplus as a component of unrealized capital gains or losses. Dividends received from such affiliates are recorded as investment income when declared.

Mortgage and mezzanine real estate loans are carried at unpaid principal balances less allowances for credit losses and plus or minus adjustments for the accretion or amortization of discount or premium. Interest income on performing loans is accrued as earned.

Mortgage and mezzanine real estate loans are considered impaired when collection of all amounts due under contractual terms is not probable. Impairment is measured using either i) the present value of expected future cash flows discounted at the loan’s effective interest rate, ii) the loan’s observable market price, if available, or iii) the fair value of the collateral if the loan is collateral dependent. An allowance is typically established for the difference between the impaired value of the loan and its current carrying amount. Additional allowance is established for incurred but not specifically identified impairments, based on statistical models primarily driven by past due status, debt service coverage, loan-to-value ratio, property occupancy, profile of the borrower and of the major property tenants, and economic trends in the market where the property is located. When all or a portion of a loan is deemed uncollectible, the uncollectible portion of the carrying amount of the loan is charged off against the allowance.

Real estate consists of properties occupied by the Company, properties held for the production of income and properties held for sale. Properties occupied by the Company and held for the production of income are carried at depreciated cost, less encumbrances, unless events or circumstances indicate the carrying amount of the asset (amount prior to reduction for encumbrances) may not be recoverable. Properties held for sale are carried at the lower of its depreciated cost or fair value less estimated costs to sell the property and net of encumbrances. Real estate obtained through foreclosure, in satisfaction of a loan, is recorded at the time of foreclosure at the lower of fair value as determined by acceptable appraisal methodologies, or the carrying amount of the related loan. Land is reported at cost.

Cash, cash equivalents and short-term investments include cash on hand and amounts due from banks and highly liquid debt instruments that have original maturities of three months or less and are carried at amortized cost. Short-term investments include interest-bearing money market funds, investment pools and other investments with original maturities within one year from the date of purchase.

Contract loans are carried at unpaid balances, which include unpaid principal plus accrued interest, including 90 days or more past due. All loan amounts in excess of the contract cash surrender value are considered non-admitted assets.

Derivative instruments used in hedging transactions that meet the criteria of a highly effective hedge are reported in a manner consistent with the hedged asset or liability (hedge accounting). Changes in statement value or cash flow of derivatives that qualify for hedge accounting are recorded consistent with the changes in the statement value or cash flow of the hedged asset or liability. Derivative instruments used in hedging transactions that do not meet or no longer meet the criteria of an effective hedge (ineffective hedges) are accounted for at fair value and the changes in fair value are recorded as unrealized gains or losses.

Starting in 2022 the company designated, under SSAP 86, certain foreign exchange derivatives as effective hedges of certain invested assets. Hedge accounting was not used for any derivative instruments in 2021.

Statement of Statutory Accounting Principles (SSAP) 108, Derivatives Hedging Variable Annuity Guarantees, was used as allowed in 2020 and subsequent years. SSAP 108 allows special accounting treatment for limited derivatives hedging variable annuity guarantee benefits subject to fluctuation as a result of interest rate sensitivity.

Other invested assets principally consist of investments in limited partnerships and limited liability companies. Investments in these assets, except for joint ventures, partnerships and limited liability companies with a minor ownership interest, are reported using the equity method. Under SAP, such investments are generally reported based on audited U.S. GAAP equity of the investee, with subsequent adjustment to a statutory basis of accounting, if applicable.

Joint ventures, partnerships and limited liability companies in which the Company has a minor ownership interest (i.e., less than 10 percent) or lacks control, are generally recorded based on the underlying audited U.S. GAAP equity of the investee, with some prescribed exceptions. SAP allows the use of (a) the U.S. GAAP equity as set forth in the footnote reconciliation of foreign GAAP equity and income to U.S. GAAP within audited foreign GAAP financial statements or (b) the International Financial Reporting Standards (IFRS) basis equity in audited IFRS financial statements as an acceptable basis for the valuation of minor/non-controlled investments. The audited U.S. tax basis equity may also be used in certain circumstances.

All other investments in entities for which audited U.S. GAAP financial statements, or another acceptable audited basis of accounting as described above were not available have been non-admitted as assets. Undistributed accumulated earnings of such entities are included in unassigned surplus as a component of unrealized capital gains or losses. Distributions received that are not in excess of the undistributed accumulated earnings are recognized as investment income. Impairments that are determined to be other than temporary are recognized as realized capital losses.

Securities lending and repurchase agreements: The Company has a securities lending program, which was approved by its Board of Directors and lends securities from its investment portfolio to supplement liquidity or for other uses as deemed appropriate by management. Under the program, securities are lent to financial institutions, and in return the Company receives cash as collateral equal to 102 percent of the fair value of the loaned securities. The cash collateral received is invested in short-term investments that may be sold or repledged or partially used for short-term liquidity purposes based on conservative cash flow forecasts. Securities lent by the Company under these transactions may be sold or repledged by the counterparties. The liability for cash collateral received is reported in payable for securities lending in the Statutory Statements of Admitted Assets, Liabilities and Capital and Surplus. The Company monitors the fair value of securities loaned and obtains additional collateral as necessary. At the termination of the transactions, the Company and its counterparties are obligated to return the collateral provided and the securities lent, respectively. These transactions are treated as secured financing arrangements.

In addition, the Company is a party to secured financing transactions involving securities sold under agreements to repurchase (repurchase agreements), in which the Company transfers securities in exchange for cash, with an agreement by the Company to repurchase the same or substantially similar securities on agreed upon dates specified in the agreements.

Investment income due and accrued is non-admitted from investment income for bonds and other invested assets when collection of interest is overdue by more than 90 days, or is uncertain, and for mortgage loans when loans are foreclosed, or delinquent in payment for greater than 90 days, or when collection of interest is uncertain.

Net realized capital gains and losses, which are determined by using the specific identification method, are reflected in income net of applicable federal income taxes and transfers to the interest maintenance reserve.

The Company regularly evaluates its investments for other-than-temporary impairment (OTTI) in value. The determination that a security has incurred an OTTI in value and the amount of any loss recognition requires the judgment of the Company's management and a continual review of its investments.

For bonds, other than LBaSS, an OTTI shall be considered to have occurred if it is probable that the Company will not be able to collect all amounts due under the contractual terms in effect at the acquisition date of the debt security. If it is determined an OTTI has occurred, the cost basis of bonds are written down to fair value and the amount of the write-down is recognized as a realized capital loss.

For LBaSS, a non-interest related OTTI resulting from a decline in value due to fundamental credit problems of the issuer is recognized when the projected discounted cash flows for a particular security are less than its amortized cost. When a non-interest related OTTI occurs, the LBaSS is written down to the present value of future cash flows expected to be collected. An OTTI is also deemed to have occurred if the Company intends to sell the LBaSS or does not have the intent and ability to retain the LBaSS until recovery. If the decline is interest-related, the LBaSS is written down to fair value.

In periods subsequent to the recognition of an OTTI loss, the Company generally accretes the difference between the new cost basis and the future cash flows expected to be collected, if applicable, as interest income over the remaining life of the security based on the amount and timing of estimated future cash flows.

Non-admitted assets are excluded from admitted assets and the change in the aggregate amount of such assets is reflected as a separate component of unassigned surplus. Non-admitted assets include all assets specifically designated as non-admitted and assets not designated as admitted, such as a net asset IMR, a certain portion of DTAs, prepaid expenses, electronic data processing (EDP) equipment assets, agents' balances or other receivables over 90 days. Non-admitted assets were $659 million and $858 million at December 31, 2022 and 2021, respectively.

Interest maintenance reserve (IMR) is calculated based on methods prescribed by the NAIC and was established to prevent large fluctuations in interest-related investment gains and losses resulting from sales (net of taxes) and interest-related OTTI (net of taxes). An OTTI occurs when the Company, at the reporting date, has the intent to sell an investment or does not have the intent and ability to hold the security before recovery of the cost of the investment. For LBaSS, if the Company recognizes an interest-related OTTI, the non-interest-related OTTI is recorded to the asset valuation reserve, and the interest-related portion to IMR. Such gains and losses are deferred into the IMR and amortized into income using the grouped method over the remaining contractual lives of the securities sold.

Asset valuation reserve (AVR) is used to stabilize surplus from fluctuations in the market value of bonds, stocks, mortgage loans, real estate, limited partnerships and other investments. Changes in the AVR are recorded as direct increases or decreases in surplus.

Separate account assets and liabilities generally represent funds for which the contract holder, rather than the Company, bears the investment risk. Separate account contract holders have no claim against the assets of the general account of the Company, except for certain guaranteed products. Separate account assets are generally reported at fair value. In addition, certain products with fixed guarantees and market-value-adjusted (MVA) fixed annuity contracts in which the assets are generally carried at amortized cost are required by certain states to be carried in a separate account. The operations of the separate accounts are excluded from the Statutory Statements of Operations and Statutory Statements of Cash Flows of the Company. The Company receives fees for assuming mortality and certain expense risks. Such fees are included in separate account fees in the Statutory Statements of Operations. Reserves for variable annuity contracts are provided in accordance with the Variable Annuity Commissioners' Annuity Reserve Valuation Method (VACARVM) under subsection 21 of the Valuation Manual ("VM-21") for 2020 and subsequent years, and under Actuarial Guideline 43 (AG 43) for prior years. Reserves for variable universal life accounts are provided in accordance with subsection 20 of the Valuation Manual ("VM-20") for new business issued in 2020 and subsequent years, and in accordance with the Commissioners' Reserve Valuation Method (CRVM) for policies issued prior to 2020.

Policy reserves are established according to different methods.

Life, annuity, and health reserves are developed by actuarial methods and are generally determined based on published tables using specified interest rates, mortality or morbidity assumptions, and valuation methods prescribed or permitted by statutes that will provide, in the aggregate, reserves that are greater than or equal to the minimum or guaranteed policy cash values or the amounts required by the TDI.

Principle-based reserving ("PBR") is designed to tailor the reserving process to more closely reflect the risks of specific products, rather than the previous prescribed approach. Reserve requirements for Corebridge's life insurance policies issued after January 1, 2020 are contained in subsection 20 of the Valuation Manual ("VM-20"), "Requirements for Principle-Based Reserves for Life Products", policies issued prior to that date are reserved for using the Commissioners Reserve Valuation Method ("CRVM"). Under VM-20, these reserves are generally more sensitive to changes in actuarial assumptions.

The Company waives the deduction of deferred fractional premiums on the death of the life and annuity policy insured and returns any premium beyond the date of death. The Company reported additional reserves for surrender values in excess of the corresponding policy reserves.

The Company performs annual cash flow testing in accordance with the Actuarial Opinion and Memorandum Regulation to ensure adequacy of the reserves. Additional reserves are established where the results of cash flow testing under various interest rate scenarios indicate the need for such reserves or where the net premiums exceed the gross premiums on any insurance in force. Total cash flow testing reserves were $46 million at December 31, 2022.

A majority of the Company's variable annuity products are issued with a guaranteed minimum death benefit (GMDB) which provides that, upon the death of a contractholder, the contractholder's beneficiary will receive the greater of (1) the contractholder's account value, or (2) a GMDB that varies by product. Depending on the product, the GMDB may equal the principal invested, adjusted for withdrawals; or the greatest contract value, adjusted for withdrawals, at the specified contract anniversaries; or the principal invested, adjusted for withdrawals, accumulated at the specified rate per annum. These benefits have issue age and other restrictions to reduce mortality risk exposure. The Company bears the risk that death claims following a decline in the financial markets may exceed contract holder account balances, and that the fees collected under the contract are insufficient to cover the costs of the benefit to be provided. Death benefits on GMDB policies generally reduce on a proportional basis or on a dollar-for-dollar basis when a partial withdrawal occurs.

Reserves for GMDB benefits are included in the VACARVM reserve. PBR is designed to tailor the reserving process to more closely reflect the risks of specific products, rather than the factor-based approach typically employed historically. Variable Annuity ("VA") reserving requirements for 2020 and subsequent years are contained in subsection 21 of the Valuation Manual ("VM-21"), "Reserves for Variable Requirements for Principle-Based Annuities", and replace the previous Actuarial Guideline XLVIII ("AG 43") requirements, which also employed a principle-based approach. The Company fully applied VM-21 requirements to reserving for both new and existing VA contracts effective January 1, 2020. Prior to 2020, AG 43 required the Company to perform a stochastic valuation analysis of the total reserves held for all variable annuity contracts with GMDB. These reserves were derived by using the 70 percent Conditional Tail Expectation of the modeled reserves and were based on prudent estimate assumptions. In addition, a deterministic valuation was also performed using assumptions prescribed in AG 43. The greater of these two reserve balances was the AG 43 reserve. However, the Company was previously holding reserves at the C3 Phase II Total Asset Requirement level, which was higher than the AG 43 amount.

Life policies underwritten as substandard are charged extra premiums. Reserves are computed for a substandard policy by adding the reserve for an otherwise identical non-substandard policy plus a factor times the extra premium charge for the year. The factor varies by duration, type of plan, and underwriting. In addition, an extra mortality reserve is reported for ordinary life insurance policies classified as group conversions. Substandard structured settlement annuity reserves are determined by making a constant addition to the mortality rate of the applicable valuation mortality table so that the life expectancy on the adjusted table is equal to the life expectancy determined by the Company's underwriters at issue.

Tabular interest, tabular less actual reserves released, and tabular cost have been determined by formula, except for universal life insurance and deferred annuity reserves, which include fund accumulations for which tabular interest has been determined from basic data. For the determination of tabular interest on funds not involving life contingencies, the actual credited interest is used.

Liabilities for deposit-type contracts, which include supplementary contracts without life contingencies and annuities certain, are based on the discounting of future payments at an annual statutory effective rate. Tabular interest on other funds not involving life contingencies is based on the interest rate at which the liability accrues.

Policy and contract claims represent the ultimate net cost of all reported and unreported claims incurred during the year. Reserves for unpaid claims are estimated using individual case-basis valuations and statistical analyses. Those estimates are subject to the effects of trends in claim severity and frequency. The estimates are continually reviewed and adjusted as necessary, as experience develops or new information becomes known; such adjustments are included in current operations.

Reserves for future policy benefits to be paid on life and accident and health policies, incurred in the statement period, but not yet reported, were established using historical data from claim lag experience. The data is aggregated from product specific studies performed on the Company's business.

Premiums and annuity considerations and related expenses are recognized over different periods. Life premiums are recognized as income over the premium paying periods of the related policies. Annuity considerations are recognized as revenue when received. Premiums for deposit-type products are credited directly to the respective reserves and are not recorded in the Statutory Statement of Operations. Health premiums are earned ratably over the terms of the related insurance and reinsurance contracts or policies. Acquisition costs such as commissions and other expenses related to the production of new business are charged to the Statutory Statements of Operations as incurred.

Reinsurance premiums and benefits paid or provided are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

Annuity and deposit-type contract surrender benefits are reported on a cash basis, and include annuity benefits, payments under supplementary contracts with life contingencies, surrenders and withdrawals. Withdrawals from deposit-type contracts directly reduce the liability for deposit-type contracts and are not reported in the Statutory Statements of Operations.

General insurance expenses include allocated expenses pursuant to a cost allocation agreement. The Company purchases administrative, accounting, marketing and data processing services from AIG Parent or its subsidiaries and is charged based on estimated levels of usage, transactions or time incurred in providing the respective services. The allocation of costs for investment management services purchased from AIG Parent or its subsidiaries and third-party managers is based on the level of assets under management.

Federal income tax expense (benefit) is recognized and computed on a separate company basis pursuant to a tax sharing agreement, because the Company is included in the consolidated federal income tax return of its ultimate parent company filing group. To the extent that benefits for net operating losses, foreign tax credits or net capital losses are utilized on a consolidated basis, the Company would recognize tax benefits based upon the amount of those deductions and credits utilized in the consolidated federal income tax return. The federal income tax expense or benefit reflected in the Statutory Statements of Operations represents income taxes provided on income that is currently taxable, but excludes tax on the net realized capital gains or losses.

Income taxes on capital gains or losses reflect differences in the recognition of capital gains or losses on a statutory accounting basis versus a tax accounting basis. The most significant of such differences involve impairments of investments, which are recorded as realized losses in the Statutory Statements of Operations but are not recognized for tax purposes, and the deferral of net capital gains and losses into the IMR for statutory income but not for taxable income. Capital gains and losses on certain related-party transactions are recognized for statutory financial reporting purposes but are deferred for income tax reporting purposes until the security is sold to an outside party.

A deferred tax asset (DTA) or deferred tax liability (DTL) is included in the Statutory Statements of Admitted Assets, Liabilities and Capital and Surplus, which reflects the expected future tax consequences of temporary differences between the statement values of assets and liabilities for statutory financial reporting purposes and the amounts used for income tax reporting purposes. The change in the net DTA or DTL is reflected in a separate component of unassigned surplus. Net DTA are limited in their admissibility.

Accounting Changes

Substantive changes were made to SSAP 32R, Preferred Stocks effective January 1, 2021, that required all perpetual preferred stocks to be reported at fair value. Prior to this change, perpetual preferred stocks with NAIC designations of "1" through "3" were carried at amortized cost. All other perpetual preferred stocks were stated at the lower of cost, amortized cost or fair value, with unrealized capital losses charged directly to unassigned surplus.

Actuarial Change / Reserve PBR (VM-20 and VM-21)

Principle-based-reserving (PBR) is designed to tailor the reserving process to more closely reflect the risks of specific products, rather than the factor-based approach typically employed historically. Variable Annuity ("VA") reserving requirements are contained in subsection 21 of the Valuation Manual ("VM-21"), "*Reserves for Variable Requirements for Principle-Based Annuities*", and replace the previous Actuarial Guideline XLVIII ("AG 43") requirements, which also employed a principle-based approach. The Company fully applied VM-21 requirements to reserving for both new and existing VA contracts effective January 1, 2020. Under VM-21, these reserves are generally more sensitive to changes in interest rates. The impact of the implementation was $47 million.

SSAP 108

The Company adopted Statement of Statutory Accounting Principles ("SSAP") 108, Derivatives Hedging Variable Annuity Guarantees, on January 1, 2020. The adoption of SSAP 108 coincided with the implementation of the related reserve guidance in VM-21 described above.

SSAP 108 allows special accounting treatment for limited derivatives hedging variable annuity guarantee benefits subject to fluctuation as a result of interest rate sensitivity. Accordingly, the statutory accounting guidance in this standard is considered a special accounting provision, only permitted if all the components in the standard are met. Prior to implementing a hedging program for application within the scope of this standard, a reporting entity must obtain explicit approval from its domiciliary state commissioner. As such, unlike most SSAPs, the guidance in SSAP 108 is not required to be adopted by all reporting entities that account for derivatives. The special accounting provision permits reporting entities to utilize a form of macro-hedging in which a portfolio of variable annuity policies are jointly designated as the host contracts containing the hedge item, in a fair value hedge, pursuant to a Clearly Defined Hedging Strategy defined within VM-21. VALIC will dynamically hedge the interest rate risk of guaranteed minimum withdrawal benefits ("GMWB") cash flows for variable annuities, defined as the fair value of rider claims, net of rider fees.

At inception and on an ongoing basis, the hedging relationship must be highly effective in achieving offsetting changes in fair value attributed to the hedged risk during the period that the hedge is designated. The term "highly effective" describes a fair value hedge relationship where the change in fair value of the derivative instrument is within 80 to 125 percent of the opposite change in fair value of the hedged item attributed to the hedged risk.

The guidance in this SSAP is required to be applied on a prospective basis for qualifying hedge programs in place on or after the effective date.

In implementing SSAP 108, the Company uses the same fair value definition that is used for its economic hedge target, which enables the Company to leverage the existing modeling and attribution platform currently in place for hedging analysis. In addition, the Company uses the VM-21 interest rate sensitivities measured at the beginning of the quarter to estimate the reserve movement attributed to interest rate movement, which leverages the existing modeling and attribution platform in place for Statutory analysis. These approaches and the overall use of the special accounting provision of SSAP 108 in 2021 and 2022 have received the approval of the TDI.

The Company uses a portfolio of interest rates swaps and swaptions to hedge the interest rate risk associated with a portfolio of GMWB riders on its variable annuities. This hedging relationship was highly effective and complied with the "Clearly Defined Hedging Strategy" of VM-21. Please see Note 7 for further details regarding the financial impact of SSAP 108.

There were no other new accounting standards that were effective during the periods covered by this statement that had a material impact on the operations of the Company.

Correction of Errors

SAP requires that corrections of errors related to prior periods be reported as adjustments to unassigned surplus to the extent that they are not material to prior periods.

In 2022, one out-of-period error was identified and corrected, which decreased unassigned surplus by $19 million.

In 2021, two out-of-period errors were identified and corrected, which decreased unassigned surplus by $34 million. The most significant was a tax correction related to 2013-2018. The Company's management does not believe these corrections to be material to the Company's results of operations, financial position, or cash flow for the Company's previously filed annual statement.

In 2020, one out-of-period error was identified and corrected, which decreased reserves relating to fixed annuities due to a rate update/survivorship formula correction and increased surplus by $8 million. The Company's management does not believe this correction to be material to the Company's results of operations, financial position, or cash flow for the Company's previously filed annual statement.

Differences in Statutory Accounting and U.S. GAAP Accounting

The accompanying statutory financial statements have been prepared in accordance with accounting practices prescribed or permitted by the TDI. These accounting practices vary in certain respects from U.S. GAAP. The primary differences between NAIC SAP and U.S. GAAP are as follows.

The objectives of U.S. GAAP differ from the objectives of SAP. U.S. GAAP is designed to measure the entity as a going concern and to produce general purpose financial statements to meet the varying needs of the different users of financial statements. SAP is designed to address the accounting requirements of regulators, who are the primary users of statutory-basis financial statements and whose primary objective is to measure solvency. As a result, U.S. GAAP stresses measurement of earnings and financial condition of a business from period to period, while SAP stresses measurement of the ability of the insurer to pay claims in the future.

Investments. Under SAP, investments in bonds and preferred stocks are generally reported at amortized cost. However, if bonds are designated category "6" and preferred stocks are designated categories "4 – 6" by the NAIC, these investments are reported at the lesser of amortized cost or fair value with a credit or charge to unrealized investment gains or losses. For U.S. GAAP, such fixed-maturity investments are designated at purchase as held-to-maturity, trading, or available-for-sale. Held-to-maturity fixed-maturity investments are reported at amortized cost, and the remaining fixed-maturity investments are reported at fair value, with unrealized capital gains and losses reported in operations for those designated as trading and as a component of other comprehensive income for those designated as available-for-sale.

Under SAP, all single- and multi-class MBS or other ABS (e.g., Collateralized Mortgage Obligations (CMO) are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium with respect to such securities using either the retrospective or prospective method. For LBaSS subsequent to July 1, 2009, if it is determined that a decline in fair value is other than temporary the cost basis of the security is written down to the discounted estimated future cash flows. Bonds, other than LBaSS, that are other-than-temporarily impaired are written down to fair value. For U.S. GAAP purposes, all securities, purchased or retained, that represent beneficial interests in securitized assets (e.g., CMO, MBS and ABS securities), other than high credit quality securities, would be adjusted using the prospective method when there is a change in estimated future cash flows. If high-credit quality securities must be adjusted, the retrospective method would be used. For all bonds, if it is determined that a decline in fair value is other-than-temporary, the cost basis of the security would be written down to the discounted estimated future cash flows, while the non-credit portion of the impairment would be recorded as an unrealized loss in other comprehensive income.

Under SAP, when it is probable that the insurer will be unable to collect all amounts due according to the contractual terms of the mortgage agreement, valuation allowances are established for temporarily-impaired mortgage loans based on the difference between the unpaid loan balance and the estimated fair value of the underlying real estate, less estimated costs to obtain and sell. The initial valuation allowance and subsequent changes in the allowance for mortgage loans are charged or credited directly to unassigned surplus rather than as a component of earnings as would be required under U.S. GAAP. If the impairment is other-than-temporary, a direct write down is recognized as a realized loss, and a new cost basis is established. Under U.S. GAAP, effective January 1, 2020, the Company adopted the new accounting standard for current expected credit losses (CECL). This standard requires an allowance for credit losses based on the expectation of lifetime credit losses. Prior to the adoption of CECL, valuation allowances would be established when the insurer determines it is probable that it will be unable to collect principal and interest due according to the contractual terms of the loan agreement. Such U.S. GAAP allowances would be based on the difference between the unpaid loan balance and the present value of expected future cash flows discounted at the loan's original effective interest rate or, if foreclosure is probable, on the estimated fair value of the underlying real estate.

Under SAP, joint ventures, partnerships and limited liability companies in which the insurer has a minor ownership interest (i.e., less than 10 percent) or lacks control are generally recorded based on the underlying audited U.S. GAAP basis equity of the investee. Under U.S. GAAP, joint ventures, partnerships and limited liability companies in which the insurer has a significant ownership interest or is deemed to have control are accounted for under the equity method, where that is not the case, such investments are carried at fair value with changes in fair value recognized in earnings for equity securities previously designated as available-for-sale for equity securities measured at fair value at the Company's election.

Real Estate. Under SAP, investments in real estate are reported net of related obligations; under U.S. GAAP, investments in real estate are reported on a gross basis. Under SAP, real estate owned and occupied by the insurer is included in investments; under U.S. GAAP, real estate owned and occupied by the insurer is reported as an operating asset, and operating income and expenses include rent for the insurer's occupancy of those properties.

Derivatives. Under SAP, derivative instruments used in hedging transactions that do not meet or no longer meet the criteria of an effective hedge are accounted for at fair value with the changes in fair value recorded as unrealized capital gains or losses. Under U.S. GAAP, such derivative instruments are accounted for at fair value with the changes in fair value recorded as realized capital gains or losses. Under U.S. GAAP, fair value measurement for free standing derivatives incorporate either counterparty's credit risk for derivative assets or the insurer's credit risk for derivative liabilities by determining the explicit cost to protect against credit exposure. This credit exposure evaluation takes into consideration observable credit default swap rates. Under SAP, non-performance risk (own credit-risk) is not reflected in the fair value calculations for derivative liabilities. Under U.S. GAAP, index life insurance features in certain variable universal life contracts and certain guaranteed features of variable annuities are bifurcated and accounted for separately as embedded policy derivatives. Under SAP, embedded derivatives are not bifurcated or accounted for separately from the host contract.

Interest Maintenance Reserve. Under SAP, the insurer is required to maintain an IMR. IMR is calculated based on methods prescribed by the NAIC and was established to prevent large fluctuations in interest-related capital gains and losses realized through sales or OTTI. IMR applies to all types of fixed maturity investments, including bonds, preferred stocks, MBS, ABS and mortgage loans. After-tax capital gains or losses realized upon the sale or impairment of such investments resulting from changes in the overall level of interest rates are excluded from current period net income and transferred to the IMR. The transferred after-tax net realized capital gains or losses are then amortized into income over the remaining period to maturity of the divested asset. Realized capital gains and losses are reported net of tax and transfers to the IMR, after net gain from operations. Any net asset IMR balance is treated as non-admitted asset. This reserve is not required under U.S. GAAP and pre-tax realized capital gains and losses are reported as component of total revenues, with related taxes included in taxes from operations.

Asset Valuation Reserve. Under SAP, the insurer is required to maintain an AVR, which is computed in accordance with a prescribed formula and represents a provision for possible fluctuations in the value of bonds, equity securities, mortgage loans, real estate, and other invested assets. The level of AVR is based on both the type of investment and its credit rating. Under SAP, AVR is included in total adjusted capital for RBC analysis purposes. Changes to AVR are charged or credited directly to unassigned surplus. This reserve is not required under U.S. GAAP.

Subsidiaries. Under SAP, investments in insurance subsidiaries are recorded based upon the underlying audited statutory equity of a subsidiary with all undistributed earnings or losses shown as an unrealized capital gain or loss in unassigned surplus. Dividends received by the parent company from its subsidiaries are recorded through net investment income. Under U.S. GAAP, subsidiaries' financial statements are combined with the parent company's financial statements through consolidation. All intercompany balances and transactions are eliminated under U.S. GAAP. Dividends received by the parent company from its subsidiaries reduce the parent company's investment in the subsidiaries.

Policy Acquisition Costs and Sales Inducements. Under SAP, policy acquisition costs are expensed when incurred. Under U.S. GAAP, acquisition costs that are incremental and directly related to the successful acquisition of new and renewal of existing insurance and investment-type contracts, are deferred and amortized, generally in proportion to the present value of expected future gross profit margins. For all other insurance contracts, to the extent recoverable from future policy revenues, deferred policy acquisition costs (DAC) are amortized, with interest, over the premium-paying period of the related contracts, using assumptions that are consistent with those used in computing policy benefit reserves. Under SAP, sales inducements are expensed when incurred. Under U.S. GAAP, certain sales inducements on interest-sensitive life insurance contracts and deferred annuities are deferred and amortized over the life of the contract using the same methodology and assumptions used to amortize DAC.

Deferred Premiums. Under SAP, when deferred premiums exist, statutory deferred premiums are held as a statutory asset, while under U.S. GAAP, deferred premiums are held as a contra-liability in the future policy benefits liability.

Non-admitted Assets. Certain assets designated as "non-admitted," principally any net asset IMR, agents' balances or unsecured loans or advances to agents, certain DTAs, furniture, equipment and computer software, receivables over 90 days and prepaid expenses, as well as other assets not specifically identified as admitted assets within the NAIC SAP, are excluded from the Statutory Statements of Admitted Assets, Liabilities, Capital and Surplus and are charged directly to unassigned surplus. Under U.S. GAAP, such assets are included in the balance sheet.

Universal Life and Annuity Policies. Under SAP, revenues for universal life and annuity policies containing mortality or morbidity risk considerations consist of the entire premium received, and benefits incurred consist of the total of death benefits paid and the change in policy reserves. Payments received on contracts that do not incorporate any mortality or morbidity risk considerations (deposit-type contracts) are credited directly to an appropriate liability for deposit-type contract account without recognizing premium income. Interest credited to deposit-type contracts is recorded as an expense in the Statutory Statements of Operations as incurred. Payments that represent a return of policyholder balances are recorded as a direct reduction of the liability for deposit-type contracts, rather than a benefit expense. Under U.S. GAAP, premiums received in excess of policy charges are not recognized as premium revenue, and benefits represent the excess of benefits paid over the policy account value and interest credited to the account values.

Benefit Reserves. Under SAP, loading is the difference between the gross and valuation net premium. Valuation net premium is calculated using valuation assumptions which are different for statutory and U.S. GAAP. Statutory valuation assumptions are set by the insurer within limits as defined by statutory law. U.S. GAAP valuation assumptions are set by the insurer based on management's estimates and judgment.

Policyholder funds not involving life contingencies use different valuation assumptions for SAP and U.S. GAAP. Under SAP, prescribed rates of interest related to payout annuities are used in the discounting of expected benefit payments, while under U.S. GAAP, the insurer's best estimates of interest rates are used.

Under SAP, the Commissioners' Reserve Valuation Method is used for the majority of individual insurance reserves. Under U.S. GAAP, individual insurance policyholder liabilities for traditional forms of insurance are generally established using the net level premium method. For interest-sensitive policies, a liability for policyholder account balances is established under U.S. GAAP based on the contract value that has accrued to the benefit of the policyholder. Policy assumptions used in the estimation of policyholder liabilities are generally prescribed under SAP. Under U.S. GAAP, policy assumptions are based upon best estimates as of the date the policy was issued, with provisions for the risk of adverse deviation.

Under SAP, the CARVM is used for the majority of individual deferred annuity reserves, while under U.S. GAAP, individual deferred annuity policyholder liabilities are generally equal to the contract value that has accrued to the benefit of the policyholder, together with liabilities for certain contractual guarantees, if applicable. Under SAP, reserves for fixed rate deposit-type contracts are based upon their accumulated values, discounted at an annual statutory effective rate, while under U.S. GAAP, reserves for deposit-type contracts are recorded at their accumulated values.

Reinsurance. Under SAP, policy and contract liabilities ceded to reinsurers are reported as reductions of the related reserves rather than as assets as required under U.S. GAAP. Under SAP, a liability for reinsurance balances has been provided for unsecured policy reserves, unearned premiums, and unpaid losses ceded to reinsurers not licensed to assume such business. Changes to these amounts are credited or charged directly to unassigned surplus. Under U.S. GAAP, an allowance for amounts deemed uncollectible would be established through a charge to earnings. Under SAP, the criteria used to demonstrate risk transfer varies from U.S. GAAP, which may result in transactions that are accounted for as reinsurance for SAP and deposit accounting for U.S. GAAP. Under SAP, the reserve credit permitted for unauthorized reinsurers is less than or equal to the amount of letter of credit or funds held in trust by the reinsurer. Under U.S. GAAP, assumed and ceded reinsurance is reflected on a gross basis in the balance sheet, and certain commissions allowed by reinsurers on ceded business are deferred and amortized on a basis consistent with DAC.

Policyholder Dividend Liabilities. Under SAP, policyholder dividends are recognized when declared. Under U.S. GAAP, policyholder dividends are recognized over the term of the related policies.

Separate Accounts**.** Under SAP, separate account surplus created through the use of the CRVM, the VACARVM or other reserving methods is reported by the general account as an unsettled transfer from the separate account. The net change on such transfers is included as a part of the net gain from operations in the general account. This is not required under U.S. GAAP.

Separate accounts include certain non-unitized assets which primarily represent MVA fixed options of variable annuity contracts issued in various states. Under SAP, these contracts are accounted for in the separate account financial statements, while under U.S. GAAP, they are accounted for in the general account.

Deferred Income Taxes. Under SAP, statutory DTAs that are more likely than not to be realized are limited to: 1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year, plus 2) the lesser of the remaining gross DTA expected to be realized within a maximum three years of the reporting date or a maximum 15 percent of the capital and surplus excluding any net DTA, EDP equipment and operating software and any net positive goodwill, plus 3) the amount of the remaining gross DTA that can be offset against existing gross DTLs. The remaining DTAs are non-admitted. Deferred taxes do not include amounts for state taxes. Under U.S. GAAP, state taxes are included in the computation of deferred taxes, all DTAs are recorded and a valuation allowance is established if it is more likely than not that some portion of the DTA will not be realized. Under SAP, income tax expense is based upon taxes currently payable. Changes in deferred taxes are reported in surplus and subject to admissibility limits. Under U.S. GAAP, changes in deferred taxes are recorded in income tax expense.

Offsetting of Assets and Liabilities**.** Under SAP, offsetting of assets and liabilities is not permitted when there are master netting agreements unless four requirements for valid right of offset are met. The requirements include 1) each of the two parties owes the other determinable amounts, 2) the reporting party has the right to set off the amount owed with the amount owed by the other party, 3) the reporting party intends to set off, and 4) the right of setoff is enforceable. The prohibition against offsetting extends to derivatives and collateral posted against derivative positions, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions. Under U.S. GAAP, these amounts under master netting arrangements may be offset and presented on a net basis.

3. INVESTMENTS

Bonds and Equity Securities

The following table presents the statement value, gross unrealized gain, gross unrealized loss and the estimated fair value of bonds and equity securities by major security type:

(in millions)	Statement Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2022				
Bonds:				
U.S. government obligations	**$ 609**	**$ 10**	**$ (38)**	**$ 581**
All other governments	**1,131**	**3**	**(158)**	**976**
States, territories and possessions	**294**	**—**	**(26)**	**268**
Political subdivisions of states, territories and possessions	**174**	**—**	**(10)**	**164**
Special revenue	**3,121**	**2**	**(374)**	**2,749**
Industrial and miscellaneous	**31,510**	**193**	**(4,994)**	**26,709**
Hybrid securities	**105**	**1**	**(10)**	**96**
Bank loans	**1,111**	**7**	**(59)**	**1,059**
Parent, subsidiaries and affiliates	**—**	**—**	**—**	**—**
Total bonds	**38,055**	**216**	**(5,669)**	**32,602**
Preferred stock	**12**	**—**	**—**	**12**
Common stock*	**208**	**—**	**—**	**208**
Total equity securities	**220**	**—**	**—**	**220**
Total	**$ 38,275**	**$ 216**	**$ (5,669)**	**$ 32,822**
December 31, 2021				
Bonds:				
U.S. government obligations	$ 617	$ 86	$ —	$ 703
All other government	1,215	96	(20)	1,291
States, territories and possessions	311	41	—	352
Political subdivisions of states, territories and possessions	185	36	—	221
Special revenue	3,330	335	(3)	3,662
Industrial and miscellaneous	31,962	2,344	(252)	34,054
Hybrid securities	115	13	—	128
Bank loans	803	6	(19)	790
Total bonds	38,538	2,957	(294)	41,201
Preferred stock	6	—	—	6
Common stock*	147	—	—	147
Total equity securities	153	—	—	153
Total	$ 38,691	$ 2,957	$ (294)	$ 41,354

* Common stock includes $8 million and $128 million of investments in affiliates at December 31, 2022 and 2021, respectively.

Bonds and Equity Securities in Loss Positions

The following table summarizes the fair value and gross unrealized losses (where fair value is less than amortized cost) on bonds and equity securities, including amounts on NAIC 6 and 6* bonds, aggregated by major investment category and length of time that individual securities have been in a continuous unrealized loss position:

	Less than 12 Months		12 Months or More		Total	
(in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2022						
Bonds:						
U.S. government obligations	**$ 265**	**$ (38)**	**$ —**	**$ —**	**$ 265**	**$ (38)**
All other government	**902**	**(158)**	**—**	**—**	**902**	**(158)**
U.S. States, territories and possessions	**267**	**(26)**	**—**	**—**	**267**	**(26)**
Political subdivisions of states, territories and	**117**	**(10)**	**—**	**—**	**117**	**(10)**
Special revenue	**2,668**	**(374)**	**—**	**—**	**2,668**	**(374)**
Industrial and miscellaneous	**23,499**	**(4,573)**	**1,367**	**(428)**	**24,866**	**(5,001)**
Hybrid securities	**85**	**(10)**	**—**	**—**	**85**	**(10)**
Bank loans	**633**	**(39)**	**307**	**(22)**	**940**	**(61)**
Total bonds	**28,436**	**(5,228)**	**1,674**	**(450)**	**30,110**	**(5,678)**
Preferred stock	12	(1)	—	—	12	(1)
Common stock	—	—	—	—	—	—
Total equity securities	**12**	**(1)**	**—**	**—**	**12**	**(1)**
Total	**$ 28,448**	**$ (5,229)**	**$ 1,674**	**$ (450)**	**$ 30,122**	**$ (5,679)**
December 31, 2021						
Bonds:						
U.S. government obligations	$ —	$ —	$ —	$ —	$ —	$ —
All other government	165	(11)	54	(9)	219	(20)
U.S States, territories and possessions	—	—	—	—	—	—
Political subdivisions of states, territories and possessions	—	—	—	—	—	—
Special revenue	52	(1)	33	(2)	85	(3)
Industrial and miscellaneous	4,777	(107)	1,758	(149)	6,535	(256)
Hybrid securities	4	—	—	—	4	—
Bank loans	220	(5)	320	(15)	540	(20)
Total	$ 5,218	$ (124)	$ 2,165	$ (175)	$ 7,383	$ (299)
Preferred stock	1	—	—	—	1	—
Common stock	2	—	—	—	2	—
Total equity securities	3	—	—	—	3	—
Total	$ 5,221	$ (124)	$ 2,165	$ (175)	$ 7,386	$ (299)

As of December 31, 2022 and 2021, the number of bonds and equity securities in an unrealized loss position was 4,250 and 1221, respectively. Bonds comprised 4,247 of the total of which 4,056 were in a continuous loss position greater than 12 months at December 31, 2022. Bonds comprised 1221 of the total of which 912 were in a continuous loss position greater than 12 months at December 31, 2021.

The Company did not recognize the unrealized losses in earnings on these fixed maturity securities at December 31, 2022 and 2021, respectively, because the Company neither intends to sell the securities nor does the Company believe that it is more likely than not that the Company will be required to sell these securities before recovery of their amortized cost basis. For fixed maturity securities with significant declines, the Company performed fundamental credit analyses on a security-by-security basis, which included consideration of credit enhancements, expected defaults on underlying collateral, review of relevant industry analyst reports and forecasts and other available market data.

Contractual Maturities of Bonds

The following table presents the statement value and fair value of bonds by contractual maturity:

(in millions)	Statement Value	Fair Value
December 31, 2022		
Due in one year or less	$ 555	$ 555
Due after one year through five years	4,726	4,533
Due after five years through ten years	5,524	4,962
Due after ten years	16,435	12,608
LBaSS	10,889	10,017
Total	$ 38,129	$ 32,675

Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Bonds in or near default as to payment of principal or interest had a statement value of $74 million and $92 million at December 31, 2022 and 2021, respectively, which is the fair value. At December 31, 2022 and 2021, the Company had no income excluded from due and accrued for bonds.

December 31, 2022, the Company's bond portfolio included bonds totaling $2.3 billion not rated investment grade by the NAIC designations (categories 3-6). These bonds accounted for 3 percent of the Company’s total assets and 5 percent of invested assets. These below investment grade securities, excluding structured securities, span across 13 industries. At December 31, 2021, the Company's bond portfolio included bonds totaling $2.0 billion not rated investment grade by the NAIC designations (categories 3-6). These bonds accounted for 2 percent of the Company’s total assets and 5 percent of invested assets. These below investment grade securities, excluding structured securities, span across 15 industries.

December 31, 2022 and 2021The following table presents the industries that constitute more than 10% of the below investment grade securities:

	December 31,	
	2022	2021
Consumer cyclical	**19.7%**	21.1%
Consumer non-cyclical	**17.3**	16.8
Energy	**12.1**	17.0
Other	**15.9**	—

LBaSS

The Company determines fair value of LBaSS based on the amount at which a security could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The majority of the Company’s ABS, RMBS, CMBS, and collateralized debt obligations (CDO) are priced by approved independent third-party valuation service providers and broker dealer quotations. Small portions of the LBaSS that are not traded in active markets are priced by market standard internal valuation methodologies, which include discounted cash flow methodologies and matrix pricing. The estimated fair values are based on available market information and management’s judgments.

The following table presents the statement value and fair value of LBaSS:

	December 31, 2022		December 31, 2021	
(in millions)	Statement Value	Fair Value	Statement Value	Fair Value
Loan-backed and structured securities	**$ 10,888**	**$ 10,017**	$ 10,303	$ 10,969

Prepayment assumptions for single class, multi-class mortgage-backed and ABS were obtained from independent third-party valuation service providers or internal estimates. These assumptions are consistent with the current interest rate and economic environment.

At December 31, 2022 and 2021, the Company had exposure to a variety of LBaSS. These securities could have significant concentrations of credit risk by country, geographical region, property type, servicer or other characteristics. As part of the quarterly surveillance process, the Company takes into account many of these characteristics in making the OTTI assessment.

At December 31, 2022 and 2021, the Company did not have any LBaSS with a recognized OTTI due to the intent to sell or an inability or lack of intent to retain the security for a period of time sufficient to recover the amortized cost basis.

During 2022, 2021 and 2020, the Company recognized total OTTI of $18 million, $0.3 million and $15.4 million, respectively, on LBaSS that were still held by the Company. In addition, at December 31, 2022 and 2021, the Company held loan-backed impaired securities (fair value is less than cost or amortized cost) for which an OTTI had not been recognized in earnings as a realized loss. Such impairments include securities with a recognized OTTI for non-interest (credit) related declines that were recognized in earnings, but for which an associated interest-related decline has not been recognized in earnings as a realized capital loss.

The following table summarizes the fair value and aggregate amount of unrealized losses on LBaSS and length of time that individual securities have been in a continuous unrealized loss position:

	Less than 12 Months		12 Months or More		Total	
(in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2022						
LBaSS	**$ 8,287**	**$ (917)**	**$ 394**	**$ (118)**	**$ 8,681**	**$ (1,035)**
December 31, 2021						
LBaSS	$ 1,773	$ (24)	$ 129	$ (7)	$ 1,902	$ (31)

In its OTTI assessment, the Company considers all information relevant to the collectability of the security, including past history, current conditions and reasonable forecasts when developing an estimate of future cash flows. Relevant analyst reports and forecasts for the asset class also receive appropriate consideration. The Company also considers how credit enhancements affect the expected performance of the security. In addition, the Company generally considers its cash and working capital requirements and expected cash flows in relation to its business plans and how such forecasts affect the intent and ability to hold such securities to recovery of their amortized cost.

The Company does not have any LBaSS for which it is not practicable to estimate fair values.

The following table presents the rollforward of non-interest related OTTI for LBaSS:

	December 31,	
(in millions)	**2022**	2021
Balance, beginning of year	**$ 382**	$ 400
Increases due to:		
Credit impairment on new securities subject to impairment losses	**5**	—
Additional credit impairment on previously impaired investments	**13**	—
Reduction due to:		
Credit impaired securities fully disposed for which there was no prior intent or requirement to sell	**31**	19
Balance, end of year	**$ 369**	$ 381

See Note 20 for a list with each LBaSS at a CUSIP level where the present value of cash flows expected to be collected is less than the amortized cost basis during the current year and a list of the Company's structured notes holding at December 31, 2022.

Mortgage Loans

Mortgage loans had outstanding principal balances of $7.5 billion and $6.7 billion at December 31, 2022 and 2021, respectively. Contractual interest rates range from 0.00 percent to 10.75 percent. The mortgage loans at December 31, 2022 had maturity dates ranging from 2023 to 2061.

The Company's mortgage loans are collateralized by a variety of commercial real estate property types located throughout the U.S. and Canada. The commercial mortgage loans are non-recourse to the borrower.

The following tables present the geographic and property-type distribution of the Company’s mortgage loan portfolio:

	December 31,	
	2022	2021
Geographic distribution:		
Mid-Atlantic	**29.8%**	33.8%
Foreign	**14.9**	15.3
Pacific	**19.4**	15.3
South Atlantic	**12.8**	13.8
West South Central	**5.3**	5.1
East North Central	**6.6**	7.1
New England	**4.4**	6.0
Mountain	**4.5**	2.9
East South Central	**2.1**	0.5
West North Central	0.2	0.2
Total	**100.0%**	100.0%
Property type distribution:		
Multi-family	**33.5%**	36.7%
Office	**26.5**	28.6
Retail	**11.9**	16.8
Industrial	**12.0**	6.1
Hotel/Motel	**8.1**	8.8
Other	**8.0**	3.0
Total	**100.0%**	100.0%

At December 31, 2022, there were 128 mortgage loans with outstanding balances of $20 million or more, which loans collectively, aggregated approximately 75 percent of this portfolio.

The following table presents the minimum and maximum lending rates for new mortgage loans during 2022 and 2021:

	Years Ended December 31,			
	2022		2021	
(in millions)	Maximum	Minimum	Maximum	Minimum
Office	**7.83 %**	**3.00 %**	8.95 %	2.40 %
Multi-family	**8.37**	**3.05**	5.76	2.05
Retail	**—**	**—**	5.65	5.65
Industrial	**9.34**	**3.10**	3.69	3.08
Hotel/Motel	**8.68**	**4.04**	6.00	—
Other	**10.32**	**2.17**	4.67	2.44

The Company did not reduce the interest rate on any loans during 2022. The Company did not reduce any interest rates during 2021.

The maximum percentage of any one loan to the value of security at the time of the loan, exclusive of insured or guaranteed or purchase money mortgage was 80.0 percent and 95.0 percent, in 2022 and 2021, respectively.

At December 31, 2022, the Company held $261 million in impaired mortgages with $222 million of related allowances for credit losses and $39 million in impaired loans without a related allowance. At December 31, 2021, the Company held $141 million in impaired mortgages with $39 million of related allowances for credit losses and $102 million in impaired loans without a related allowance. The Company’s average recorded investment in impaired loans was $181 million and $103 million, at December 31, 2022 and 2021, respectively. The Company recognized interest income of $8 million, $4 million and $1 million, in 2022, 2021 and 2020, respectively.

The following table presents a rollforward of the changes in the allowance for losses on mortgage loans receivable:

	December 31,		
(in millions)	**2022**	2021	2020
Balance, beginning of year	**$ 60**	$ 74	$ 47
Additions (reductions) charged to unrealized capital loss	**19**	(14)	27
Direct write-downs charged against allowance	**(4)**	—	—
Balance, end of year	**$ 75**	$ 60	$ 74

During 2022, the Company did not derecognized any mortgage loans and did not recognized any real estate collateral as a result of foreclosure.

The mortgage loan portfolio has been originated by the Company under strict underwriting standards. Commercial mortgage loans on properties such as offices, hotels and shopping centers generally represent a higher level of risk than do mortgage loans secured by multi-family residences. This greater risk is due to several factors, including the larger size of such loans and the more immediate effects of general economic conditions on these commercial property types. However, due to the Company's strict underwriting standards, the Company believes that it has prudently managed the risk attributable to its mortgage loan portfolio while maintaining attractive yields.

The following table presents the age analysis of mortgage loans:

	December 31,	
(in millions)	**2022**	2021
Current	**$ 7,403**	$ 6,665
30 - 59 days past due	**3**	12
60 - 89 days past due	**—**	—
90 - 179 days past due	**—**	20
Greater than 180 days past due	**1**	—
Total	**$ 7,407**	$ 6,697

At December 31, 2022 and 2021, the Company had mortgage loans outstanding under participant or co-lender agreements of $5.7 billion and $5.0 billion, respectively.

The Company had $131 million and $111 million in restructured loans at December 31, 2022 and 2021, respectively.

Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of December 31, 2022:

(in millions)	Residential		Commercial		Agricultural	
Loan-to-Value	Amount	Percentage of Total Admitted Assets	Amount	Percentage of Total Admitted Assets	Amount	Percentage of Total Admitted Assets
a. above 95%	$ 1	— %	$ 191	0.40	$ —	— %
b. 91% to 95%	—	—	61	0.10	—	—
c. 81% to 90%	—	—	201	0.40	—	—
d. 71% to 80%	—	—	606	1.20	—	—
e. below 70%	550	1.10	5,797	11.60	—	—

Troubled Debt Restructuring

The Company held no restructured debt for which impairment was recognized for both December 31, 2022 and 2021. In 2022, the Company had $2 million in outstanding commitments to debtors that hold loans with restructured terms. In 2021, the Company had $2 million in outstanding commitments to debtors that hold loans with restructured terms.

Real Estate

The following table presents the components of the Company's investment in real estate:

	December 31,	
(in millions)	**2022**	2021
Properties occupied by the Company	**$ 4**	$ 5
Properties held for production of income	**—**	—
Properties held for sale	**—**	—
Total	**$ 4**	$ 5

The Company recognized no gains or losses in 2022 , 2021 & 2020 . The Company recognized gains of $1 million on the sale of real estate property in 2019. The Company did not recognize any impairment write-downs for its investment in real estate during 2022, 2021 and 2020.

Other Invested Assets

The following table presents the components of the Company's other invested assets:

	December 31,	
(in millions)	**2022**	2021
Investments in limited liability companies	**$ 165**	$ 469
Investments in limited partnerships	**1,438**	1,308
Other unaffiliated investments	**644**	367
Receivable for securities	**23**	94
Initial margin for futures	**4**	3
Non-admitted assets	**(6)**	(7)
Total	**$ 2,268**	$ 2,234

The Company utilizes the look-through approach in valuing its investments in affiliated joint ventures or partnerships that have the characteristics of real estate investments. These affiliated real estate investments had an aggregate value of $427 million at December 31, 2022. All liabilities, commitments, contingencies, guarantees, or obligations of these holding company entities, which are required to be recorded as liabilities, commitments, contingencies, guarantees or obligations under applicable accounting guidance, are reflected in the Company's determination of the carrying value of the investment in each of the respective holding company entities, if applicable.

The Company recorded impairment write-downs in joint ventures was $4 million, $7 million and $15 million during 2022, 2021 and 2020, respectively.

Net Investment Income

The following table presents the components of net investment income:

(in millions)	Years ended December 31, 2022	2021	2020
Bonds	**$ 1,589**	$ 1,658	$ 1,677
Preferred stocks	**3**	—	1
Common stocks	**—**	—	—
Cash and short-term investments	**13**	5	10
Mortgage loans	**307**	315	296
Real estate*	**2**	2	2
Contract loans	**22**	24	27
Derivatives	**156**	42	10
Investment income from affiliates	**133**	97	25
Other invested assets	**47**	36	33
Gross investment income	**2,272**	2,179	2,081
Investment expenses	**(110)**	(61)	(75)
Net investment income	**$ 2,162**	$ 2,118	$ 2,006

* Includes amounts for the occupancy of Company-owned property of $2 million, $2 million and $5 million in 2022, 2021 and 2020, respectively.

Net Realized and Unrealized Capital Gains (Losses)

The following table presents the components of Net realized capital gains (losses):

(in millions)	Years ended December 31, 2022	2021	2020
Bonds	**$ (154)**	$ 27	$ (36)
Preferred stocks	**—**	7	(1)
Common stocks	**—**	(2)	(5)
Cash and short-term investments	**(1)**	—	(2)
Mortgage loans	**(25)**	—	(3)
Real estate	**—**	—	—
Derivatives	**(58)**	(36)	165
Other invested assets	**10**	71	101
Realized capital gains (losses)	**(228)**	67	219
Federal income tax (expense) benefit	**48**	(14)	(46)
Net gains transferred to IMR	**82**	(36)	(5)
Net realized capital gains (losses)	**$ (98)**	$ 17	$ 168

During 2022, 2021 and 2020, the Company recognized $43 million, $18 million and $43 million, respectively, of impairment write-downs in accordance with the impairment policy described in Note 2.

The following table presents the proceeds from sales of bonds and equities and the related gross realized capital gains and gross realized capital losses:

(in millions)	Years ended December 31, 2022	2021	2020
Proceeds	**$ 1,813**	$ 1,265	$ 1,427
Gross realized capital gains	**$ 39**	$ 58	$ 55
Gross realized capital losses	**(143)**	(23)	(47)
Net realized capital gains	**$ (104)**	$ 35	$ 8

The following table presents the net change in unrealized capital gains (losses) of investments (including foreign exchange capital gains (losses):

(in millions)	Years ended December 31, 2022	2021	2020
Bonds	**$ (111)**	$ (64)	$ 83
Preferred and common stocks	**(13)**	41	25
Mortgage loans	**(103)**	(10)	24
Derivatives	**57**	75	(51)
Other invested assets	**44**	95	4
Federal income tax expense	**24**	(20)	(14)
Net change in unrealized gains (losses) of investments	**$ (102)**	$ 117	$ 71

5GI Securities Measured at Aggregate Book Adjusted Carrying Value and Fair Value

The following table presents 5GI Securities measured at aggregate book adjusted carrying value (BACV) and aggregate fair value at December 31:

Investment	Number of 5GI Securities		Aggregate BACV (in millions)		Aggregate Fair Value (in millions)	
	2022	2021	**2022**	2021	**2022**	2021
Bonds - AC	**6**	$ **3**	**66**	$ **12**	**65**	$ **12**
LB&SS - AC	**12**	**1**	**2**	**1**	**1**	**1**
Preferred Stock - AC	**1**	**1**	**3**	**—**	**3**	**—**
Preferred Stock - FV	**—**	**—**	**—**	**—**	**—**	**—**
Total	**19**	$ 5	**71**	$ 13	**69**	$ 13

AC - Amortized Cost
FV - Fair Value

4. LOAN-BACKED AND STRUCTURED SECURITY IMPAIRMENTS AND STRUCTURED NOTES HOLDINGS

LBaSS

The following table presents the LBaSS held by the Company at December 31, 2022 for which it had recognized non-interest related OTTI subsequent to the adoption of SSAP 43R:

(in thousands)

CUSIP	Amortized Cost Before Current Period OTTI	Present Value of Projected Cash Flows	Recognized OTTI	Amortized Cost After OTTI	Fair Value at Time of OTTI	Date of Financial Statement Where Reported
55265K3E7	$ 617	$ 613	$ 4	$ 613	$ 594	3/31/2022
16162TT97	1,042	924	119	924	820	3/31/2022
Quarterly Total	**$ 1,659**	**$ 1,537**	**$ 122**	**$ 1,537**	**$ 1,414**	
03927NAF0	$ 59	$ 35	$ 24	$ 35	$ 35	6/30/2022
151314GH8	44	—	44	—	—	6/30/2022
12669FK85	33	—	33	—	—	6/30/2022
92925VAF7	4,211	4,188	22	4,188	4,075	6/30/2022
855541AC2	1,725	1,651	74	1,651	1,587	6/30/2022
Quarterly Total	**$ 6,072**	**$ 5,874**	**$ 198**	**$ 5,874**	**$ 5,697**	
07387AFX8	$ 1,896	$ 1,876	$ 20	$ 1,876	$ 2,172	9/30/2022
07386HK26	3,556	2,924	632	2,924	2,858	9/30/2022
54910ECU7	2,867	2,377	490	2,377	4,705	9/30/2022
54910EDW2	3,049	2,313	737	2,313	4,578	9/30/2022
54910EFN0	458	321	136	321	636	9/30/2022
073873AA9	2,048	1,958	89	1,958	3,025	9/30/2022
126694JT6	1,533	1,511	22	1,511	1,395	9/30/2022

073870AA5	6,171	6,136	35	6,136	7,328	9/30/2022
073868AA9	3,528	3,004	524	3,004	3,938	9/30/2022
073871AA3	1,110	830	280	830	1,277	9/30/2022
05530NAA5	2,662	2,384	278	2,384	5,491	9/30/2022
02660KAA0	6,226	5,896	330	5,896	7,027	9/30/2022
073875AA4	2,412	1,987	425	1,987	2,869	9/30/2022
040104RG8	6,440	5,682	757	5,682	7,293	9/30/2022
058928AN2	621	612	8	612	697	9/30/2022
02150TAD2	2,982	2,702	281	2,702	2,702	9/30/2022
007036QE9	4,031	3,906	125	3,906	4,574	9/30/2022
007036ET9	723	693	31	693	693	9/30/2022
Quarterly Total	**$ 52,311**	**$ 47,111**	**$ 5,200**	**$ 47,111**	**$ 63,260**	
12669GBA8	$ 672	$ 656	$ 17	$ 656	$ 657	12/31/2022
75114GAC3	1,018	1,017	1	1,017	983	12/31/2022
74927XAD4	4,444	4,185	259	4,185	5,736	12/31/2022
17307GCB2	70	26	43	26	—	12/31/2022
61915YAC5	18,074	16,668	1,406	16,668	18,001	12/31/2022
55265K3F4	72	25	47	25	5	12/31/2022
12652CBF5	267	225	41	225	225	12/31/2022
69371VBL0	72	72	—	72	84	12/31/2022
69374JBV2	79	75	4	75	106	12/31/2022
69374XBU3	56	55	1	55	58	12/31/2022
693684BV3	75	48	27	48	53	12/31/2022
693650BU6	89	51	38	51	51	12/31/2022
69376DBU5	144	143	1	143	79	12/31/2022
93364CAA6	12,290	12,223	67	12,223	11,336	12/31/2022
3622N6AA7	4,768	4,741	27	4,741	4,605	12/31/2022
126670QT8	34,260	33,563	697	33,563	33,629	12/31/2022
94984NAA0	2,239	1,993	246	1,993	1,964	12/31/2022
16163HAE1	5,837	5,687	151	5,687	5,723	12/31/2022

(in thousands)

CUSIP	Amortized Cost Before Current Period OTTI	Present Value of Projected Cash Flows	Recognized OTTI	Amortized Cost After OTTI	Fair Value at Time of OTTI	Date of Financial Statement Where Reported
542514UK8	8,742	8,563	179	8,563	8,981	12/31/2022
3622EBAA6	1,284	1,255	29	1,255	1,568	12/31/2022
452550AB2	2,906	2,808	98	2,808	2,808	12/31/2022
86361GAC0	1,294	1,292	2	1,292	1,687	12/31/2022
12566TAD9	1,772	1,460	312	1,460	2,001	12/31/2022
36242D4W0	4,422	4,144	278	4,144	4,156	12/31/2022
57643MKK9	157	139	18	139	139	12/31/2022
45256VAA5	3,315	3,251	64	3,251	3,809	12/31/2022
64352VNZ0	2,507	2,484	22	2,484	2,484	12/31/2022
41162DAD1	8,716	8,660	56	8,660	9,270	12/31/2022
76110WTM8	2,397	2,308	89	2,308	2,308	12/31/2022
126685DB9	4,715	3,885	830	3,885	3,820	12/31/2022
362334BS2	2,267	2,242	24	2,242	2,872	12/31/2022
3622EBAB4	684	669	16	669	838	12/31/2022
05952EAA4	10,186	10,053	132	10,053	9,986	12/31/2022
05952GAA9	2,359	2,348	11	2,348	2,333	12/31/2022
54251WAA0	6,587	6,412	174	6,412	8,584	12/31/2022
17310UAC6	386	366	21	366	574	12/31/2022
83611MGV4	4,512	4,358	154	4,358	4,357	12/31/2022
885220DQ3	103	94	9	94	94	12/31/2022
45669BAA0	10,347	10,016	330	10,016	12,591	12/31/2022
45660NS22	2,197	2,149	48	2,149	2,161	12/31/2022
126694LE6	1,563	1,448	114	1,448	1,454	12/31/2022
05946XP64	1,394	1,367	27	1,367	1,367	12/31/2022
362341EN5	447	428	19	428	430	12/31/2022

12669G4P3	2,463	2,433	30	2,433	2,468	12/31/2022
12669GC58	1,678	1,585	93	1,585	1,555	12/31/2022
05946XSQ7	491	472	19	472	472	12/31/2022
12667GBC6	3,082	2,918	164	2,918	2,896	12/31/2022
22541QAP7	53	50	3	50	50	12/31/2022
7609857J4	584	515	69	515	988	12/31/2022
52524YAF0	3,288	3,241	47	3,241	5,332	12/31/2022
02151JAA9	43,997	43,071	926	43,071	42,357	12/31/2022
12667FJC0	624	605	19	605	605	12/31/2022
362244AC9	1,600	1,575	25	1,575	1,660	12/31/2022
863579B64	2,632	2,615	18	2,615	3,012	12/31/2022
94983JAA0	5,793	5,666	127	5,666	5,312	12/31/2022
073879MY1	24,832	24,519	313	24,519	24,187	12/31/2022
12669E2W5	1,577	1,545	32	1,545	1,545	12/31/2022
02151RAA1	2,471	2,296	174	2,296	2,296	12/31/2022
16162WMD8	2,391	2,301	90	2,301	2,298	12/31/2022
225458Z43	1,132	1,097	34	1,097	1,100	12/31/2022
126694PP7	1,266	1,246	20	1,246	1,246	12/31/2022
23243NAH1	59	55	4	55	54	12/31/2022
151314GG0	565	537	28	537	537	12/31/2022
929227C87	739	715	23	715	719	12/31/2022
22541SVM7	56	16	40	16	1	12/31/2022
225470FB4	1,531	1,358	173	1,358	1,362	12/31/2022
05952FAC7	3,282	3,157	125	3,157	3,157	12/31/2022
151314GC9	625	587	37	587	587	12/31/2022
12669GYN5	3,707	3,533	174	3,533	3,495	12/31/2022
225458KZ0	404	400	4	400	400	12/31/2022
12669FK77	10,238	9,259	979	9,259	9,286	12/31/2022
05946XWX7	480	475	5	475	475	12/31/2022
225458FX1	668	391	277	391	60	12/31/2022

(in thousands)

CUSIP	Amortized Cost Before Current Period OTTI	Present Value of Projected Cash Flows	Recognized OTTI	Amortized Cost After OTTI	Fair Value at Time of OTTI	Date of Financial Statement Where Reported
22541SVL9	694	408	287	408	179	12/31/2022
36185N2P4	3,736	3,445	291	3,445	3,340	12/31/2022
760985TN1	137	38	99	38	39	12/31/2022
225458X29	1,356	1,343	13	1,343	1,348	12/31/2022
15132EKA5	1,530	1,452	77	1,452	1,456	12/31/2022
22541QR87	659	416	243	416	366	12/31/2022
23247LAD0	9,502	9,262	240	9,262	9,262	12/31/2022
84751WAE4	4,629	4,144	484	4,144	4,352	12/31/2022
92922F5W4	5,319	5,306	13	5,306	5,000	12/31/2022
45669FAC7	1,135	1,126	9	1,126	1,223	12/31/2022
251510FV0	3,082	3,065	17	3,065	3,312	12/31/2022
76111XVN0	5,082	5,021	61	5,021	4,711	12/31/2022
362341WX3	7,069	6,957	112	6,957	7,167	12/31/2022
05952DAB4	1,692	1,620	72	1,620	1,620	12/31/2022
64352VNK3	5,658	5,612	46	5,612	5,612	12/31/2022
94986DAA0	48	46	2	46	46	12/31/2022
12667FMW2	320	303	17	303	303	12/31/2022
92922FQF8	5	5	—	5	5	12/31/2022
05946XR62	917	895	22	895	895	12/31/2022
007036HY5	912	865	47	865	865	12/31/2022
76112BKM1	1,062	1,010	52	1,010	1,010	12/31/2022
000780PA8	112	107	5	107	107	12/31/2022
36242D7R8	1,457	1,317	140	1,317	1,317	12/31/2022
22541SGL6	851	787	64	787	787	12/31/2022
172973M97	510	476	35	476	476	12/31/2022

45254NQF7	1,446	1,398	48	1,398	1,398	12/31/2022
Quarterly Total	**$ 351,013**	**$ 338,312**	**$ 12,701**	**$ 338,312**	**$ 349,676**	
		Year-end Total	**$ 18,221**			

None of the structured notes held by the Company are defined as a Mortgage-Referenced Security by the IAO.

5. SECURITIES LENDING AND REPURCHASE AGREEMENTS

Securities Lending

At December 31, 2022, the Company had no bonds loaned pursuant to the securities lending program. At December 31, 2021, the Company had bonds loaned with a fair value of approximately $726 million, respectively, pursuant to the securities lending program.

The following table presents the aggregate fair value of cash collateral received related to the securities lending program and the terms of the contractually obligated collateral positions:

	December 31,	
(in millions)	**2022**	2021
30 days or less	**$ —**	$ 175
31 to 60 days	**—**	215
61 to 90 days	**—**	373
Greater than 90 days	**—**	—
Subtotal	**—**	763
Securities collateral received	**—**	—
Total collateral received	**$ —**	$ 763

The following table presents the aggregate amortized cost and fair value of cash collateral reinvested related to the securities lending program by maturity date:

	December 31, 2022		December 31, 2021	
(in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Open positions	**$ —**	**$ —**	$ 551	$ 551
Subtotal	**—**	**—**	551	551
Securities collateral received	**—**	**—**	—	—
Total collateral reinvested	**$ —**	**$ —**	$ 551	$ 551

Repurchase Agreements

At December 31, 2022 and 2021, bonds with a fair value of approximately $1.3 billion and $52 million, respectively, were subject to repurchase agreements to secure amounts borrowed by the Company.

The following table presents the aggregate fair value of cash collateral received related to the repurchase agreement program and the terms of the contractually obligated collateral positions:

	December 31,	
(in millions)	**2022**	2021
Open positions	**$ —**	$ —
30 days or less	**1,021**	50
31 to 60 days	**271**	—
61 to 90 days	**—**	—
Greater than 90 days	**—**	—
Subtotal	**1,292**	50
Securities collateral received	**—**	—
Total collateral received	**$ 1,292**	$ 50

The following table presents the original (flow) and residual maturity for bi-lateral repurchase agreement transactions for the year ended December 31, 2022:

(in millions)	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
a. Maximum Amount				
1. Open - No Maturity	$ 87	$ 73	$ 105	$ 23
2. Overnight	67	60	54	304
3. 2 Days to 1 Week	—	—	3	422
4. > 1 Week to 1 Month	—	—	—	1,003
5. > 1 Month to 3 Months	—	—	—	—
6. > 3 Months to 1 Year	—	—	—	—
7. > 1 Year	—	—	—	—
b. Ending Balance				
1. Open - No Maturity	$ 65	$ 73	$ 21	$ —
2. Overnight	—	—	—	—
3. 2 Days to 1 Week	—	—	—	387
4. > 1 Week to 1 Month	—	—	—	904
5. > 1 Month to 3 Months	—	—	—	—
6. > 3 Months to 1 Year	—	—	—	—
7. > 1 Year	—	—	—	—

The following table presents the Company's liability to return collateral for the year ended December 31, 2022:

(in millions)	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
a. Maximum Amount				
1. Cash (Collateral - All)	$ 154	$ 133	$ 162	$ 1,753
2. Securities Collateral (FV)	—	—	—	—
b. Ending Balance				
1. Cash (Collateral - All)	$ 65	$ 73	$ 21	$ 1,291
2. Securities Collateral (FV)	—	—	—	—

The Company requires a minimum of 95 percent of the fair value of securities sold under the repurchase agreements to be maintained as collateral. Cash collateral received is invested in corporate bonds and the offsetting collateral liability for repurchase agreements is included in other liabilities.

The following table presents the aggregate amortized cost and fair value of cash collateral reinvested related to the repurchase agreement program by maturity date:

	December 31, 2022		December 31, 2021	
(in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Open positions	**$ 1,524**	**$ 1,266**	$ 48	$ 52
Greater than three years	**—**	**—**	—	—
Subtotal	**1,524**	**1,266**	48	52
Securities collateral received	**—**	**—**	—	—
Total collateral reinvested	**$ 1,524**	**$ 1,266**	$ 48	$ 52

The following table presents the fair value of securities under bi-lateral repurchase agreement transactions for the year ended December 31, 2022:

(in millions)	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
a. Maximum Amount				
1. BACV	$ —	$ —	$ —	$ —
2. Nonadmitted - Subset of BACV	—	—	—	—
3. Fair Value	—	—	—	—
b. Ending Balance				
1. BACV	$ 68	$ 93	$ 32	$ 1,524
2. Nonadmitted - Subset of BACV	—	—	—	—
3. Fair Value	68	76	21	1,266

The following table presents the fair value of securities under bi-lateral repurchase agreement transactions for the year ended December 31, 2022:

(in millions)	1 None	2 NAIC 1	3 NAIC 2	4 NAIC 3
Ending Balance				
a. Bonds - BACV	$ —	$ 655	$ 869	$ —
b. Bonds - FV	—	542	724	—
c. LB & SS - BACV	—	—	—	—
d. LB & SS - FV	—	—	—	—
e. Preferred Stock - BACV	—	—	—	—
f. Preferred Stock - FV	—	—	—	—
g. Common Stock	—	—	—	—
h. Mortgage Loans - BACV	—	—	—	—
i. Mortgage Loans - FV	—	—	—	—
j. Real Estate - BACV	—	—	—	—
k. Real Estate - FV	—	—	—	—
l. Derivatives - BACV	—	—	—	—
m. Derivatives - FV	—	—	—	—
n. Other Invested Assets - BACV	—	—	—	—
o. Other Invested Assets - FV	—	—	—	—
p. Total Assets - BACV	—	655	869	—
q. Total Assets - FV	—	542	724	—

(in millions)	5 NAIC 4	6 NAIC 5	7 NAIC 6	8 Non-Admitted
Ending Balance				
a. Bonds - BACV	$ —	$ —	$ —	$ —
b. Bonds - FV	—	—	—	—
c. LB & SS - BACV	—	—	—	—
d. LB & SS - FV	—	—	—	—
e. Preferred Stock - BACV	—	—	—	—
f. Preferred Stock - FV	—	—	—	—
g. Common Stock	—	—	—	—
h. Mortgage Loans - BACV	—	—	—	—
i. Mortgage Loans - FV	—	—	—	—
j. Real Estate - BACV	—	—	—	—
k. Real Estate - FV	—	—	—	—
l. Derivatives - BACV	—	—	—	—
m. Derivatives - FV	—	—	—	—
n. Other Invested Assets - BACV	—	—	—	—
o. Other Invested Assets - FV	—	—	—	—
p. Total Assets - BACV	—	—	—	—
q. Total Assets - FV	—	—	—	—

6. RESTRICTED ASSETS

The Company has restricted assets as detailed below. Assets under restriction are general account assets and are not part of the Separate Accounts.

The following table presents the carrying value of the Company's restricted assets:

	December 31,	
(in millions)	**2022**	2021
On deposit with states	**$ 3**	$ 3
Securities lending	**—**	669
Collateral held on securities lending	**—**	763
FHLB stock and collateral pledged	**2,228**	454
Subject to repurchase agreements	**1,524**	48
Collateral for derivatives	**5**	19
Other restricted assets	**—**	274
Total	**$ 3,760**	$ 2,230

7. SUBPRIME MORTGAGE RISK EXPOSURE

The following features are commonly recognized characteristics of subprime mortgage loans:

- An interest rate above prime to borrowers who do not qualify for prime rate loans;
- Borrowers with low credit ratings (FICO scores);
- Interest-only or negative amortizing loans;
- Unconventionally high initial loan-to-value ratios;
- Low initial payments based on a fixed introductory rate that expires after a short initial period, then adjusts to a variable index rate plus a margin for the remaining term of the loan;
- Borrowers with less than conventional documentation of their income and/or net assets;
- Very high or no limits on how much the payment amount or the interest rate may increase at reset periods, potentially causing a substantial increase in the monthly payment amount; and/or,
- Substantial prepayment penalties and/or prepayment penalties that extend beyond the initial interest rate adjustment period.

Non-agency RMBS can belong to one of several different categories depending on the characteristics of the borrower, the property and the loan used to finance the property. Categorization is a function of FICO score, the type of loan, loan-to-value ratio, and property type and loan documentation.

Generally, subprime loans are made to borrowers with low FICO scores, low levels of equity and reduced income/asset documentation. Due to these characteristics, subprime borrowers pay a substantially higher interest rate than prime borrowers. In addition, they often utilize mortgage products that reduce their monthly payments in the near-term. These include adjustable-rate mortgages with low initial rates or interest-only loans. Borrowers in products like this often experience significant "payment shock" when the teaser payment resets upwards after the initial fixed period.

The primary classification mechanism the Company uses for subprime loans is FICO score. Specifically, a pool with an average FICO at origination less than 650 is considered to be subprime. However, the Company may subjectively adjust this classification based on an assessment of the other parameters mentioned above.

To monitor subprime securities, the Company uses a model with vintage-specific assumptions for delinquency roll rates, loss severities and the timing of losses. As and when needed, these vintage-based assumptions are supplemented with deal-specific information including, but not limited to, geographic distribution, realized loss severities, trigger status and scenario analysis.

The Company has no direct exposure through investments in subprime mortgage loans. The Company's exposure is through other investments, primarily in RMBS, as described above.

The following table presents information regarding the Company's investments with subprime exposures:

(in millions)	Actual Cost	Book Adjusted Statement Value	Fair Value	OTTI Recognized to Date
December 31, 2022				
In general account:				
RMBS	$ **283**	$ **278**	$ **324**	$ **(1)**
CDOs	**—**	**—**	**—**	**—**
CMBS	—	—	—	—
Total subprime exposure	$ **283**	$ **278**	$ **324**	$ **(1)**

The Company has no underwriting exposure to subprime mortgage risk through mortgage guaranty or financial guaranty insurance coverage.

8. DERIVATIVES

The Company has taken positions in certain derivative financial instruments to mitigate or hedge the impact of changes in interest rates, foreign currencies, equity markets, swap spreads, volatility, correlations and yield curve risk on cash flows from investment income, policyholder liabilities and equity. Financial instruments used by the Company for such purposes include interest rate swaps, interest rate swaptions, cross-currency swaps, futures and futures options on equity indices, and futures and futures options on government securities. The Company does not engage in the use of derivative instruments for speculative purposes and is neither a dealer nor trader in derivative instruments.

All derivative instruments are recognized in the financial statements. As a result, excluding the special accounting treatment for limited derivatives hedging variable annuity guarantees discussed in Note 2, derivatives are accounted for at fair value and the changes in the fair value recorded in surplus as unrealized gains or losses, net of deferred taxes. The value of the Company's exchange traded futures contracts relates to the one day lag in the net cash settlement of these contracts.

The Company recognized a net unrealized capital loss of $57 million in 2022, unrealized capital loss of $75 million in 2021 and unrealized capital loss of $51 million in 2020, related to derivatives that did not qualify for hedge accounting.

Refer to Note 3 for disclosures related to net realized capital gains (losses).

Swaps, Options, and Futures

Interest rate or cross-currency swap agreements are agreements to exchange with a counterparty, at specified intervals, payments of differing character (for example, variable-rate payments exchanged for fixed-rate payments) or in different currencies, based on an underlying principal balance, notional amount. Generally no cash is exchanged at the outset of the contract and no principal payments are made by either party. A single net payment is usually made by one counterparty at each contractual payment due date, and this net payment is included in the Statutory Statement of Operations.

Options are contracts that grant the purchaser, for a premium payment, the right, but not the obligation, either to purchase or sell a financial instrument at a specified price within a specified period of time. The Company purchases call options on the S&P 500 Index to offset the risk of certain guarantees of specific equity-index annuity and universal life policy values. The Company also purchases put options on the S&P 500 Index to offset volatility risk arising from minimum guarantees embedded in variable annuities. The options are carried at fair value, with changes in fair value recognized in unrealized investment gains and losses.

Financial futures are contracts between two parties that commit one party to purchase and the other to sell a particular commodity or financial instrument at a price determined on the final settlement day of the contract. Futures contracts detail the quality and quantity of the underlying asset; they are standardized to facilitate trading on a futures exchange. Some futures contracts may call for physical delivery of the asset, while others are settled in cash. The Company uses futures contracts on Euro dollar deposits, U.S. Treasury Notes, U.S. Treasury Bonds, the S&P 500 Index, MidCap 400, Russell 2000, MSCI EAFE, foreign government debt securities, and foreign denominated equity indices to offset the risk of certain guarantees on annuity policy values.

Interest Rate Risk

Interest rate derivatives are used to manage interest rate risk associated with certain guarantees of variable annuities and equity indexed annuities and certain bonds. The Company's interest rate hedging derivative instruments include (1) interest rate swaps and swaptions; (2) listed futures on government securities; and (3) listed futures options on government securities; and (4) unlisted swaps and swaptions in U.S. Dollar Secured Overnight financing Rate.

Currency Risk

Foreign exchange contracts used by the Company include cross-currency swaps, which are used to reduce risks from changes in currency exchange rates with respect to investments denominated in foreign currencies that the Company holds.

Equity Risk

Equity derivatives are used to mitigate financial risk embedded in certain insurance liabilities.

Credit Risk

The Company is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, but it does not expect any counterparties to fail to meet their obligations given their high credit ratings. For over-the-counter (OTC) derivatives, the Company's net credit exposure is determined based on master netting agreements, which take into consideration all derivative positions with the counterparty, as well as collateral posted by the counterparty at the balance sheet date. The Company is exposed to credit risk when the net position with a particular counterparty results in an asset that exceeds collateral pledged by that counterparty.

For OTC contracts, the Company generally uses an International Swaps and Derivative Association Master Agreement (ISDA Master Agreement) and Credit Support Annexes with bilateral collateral provisions to reduce counterparty credit exposures. An ISDA Master Agreement is an agreement between two counterparties, which may cover multiple derivative transactions and such ISDA Master Agreement generally provides for the net settlement of all or a specified group of these derivative transactions, as well as transferred collateral, through a single payment, in a single currency, in the event of a default affecting any one derivative transaction or a termination event affecting all or a specified group of the transactions. The Company minimizes the risk that counterparties might be unable to fulfill their contractual obligations by monitoring counterparty credit exposure and collateral value and may require additional collateral to be posted upon the occurrence of certain events or circumstances. In the unlikely event of a failure to perform by any of the counterparties to these derivative transactions, there would not be a material effect on the Company's admitted assets, liabilities or capital and surplus.

The Company has also entered into exchange-traded options and futures contracts. Under exchange-traded futures contracts, the Company agrees to purchase a specified number of contracts with other parties and to post or receive variation margin on a daily basis in an amount equal to the difference in the daily market values of those contracts. The parties with whom the Company enters into exchange-traded futures are regulated futures commission merchants who are members of a trading exchange. The credit risk of exchange-traded futures is partially mitigated because variation margin is settled daily in cash. Exchange-traded option contracts are not subject to daily margin settlements and amounts due to the Company based upon favorable movements in the underlying securities or indices are owed upon exercise.

The following table presents the notional amounts, statement values and fair values of the Company's derivative instruments:

	December 31, 2022			December 31, 2021		
(in millions)	Contract or Notional Amount	Statement Value	Fair Value	Contract or Notional Amount	Statement Value	Fair Value
Assets:						
Interest rate contracts	**$ 10**	**$ —**	**$ —**	$ 834	$ 20	$ 20
Foreign exchange contracts	**1,972**	**294**	**293**	1,727	119	119
Equity contracts	**3,097**	**77**	**77**	4,170	179	179
Other contracts	**—**	**—**	**—**	—	—	—
Derivative liabilities, gross	**5,079**	**371**	**370**	6,731	318	318
Counter party netting*	**—**	**(96)**	**(96)**	—	(82)	(82)
Derivative assets, net	**$ 5,079**	**$ 275**	**$ 274**	$ 6,731	$ 236	$ 236
Liabilities:						
Interest rate contracts	**$ 652**	**$ 18**	**$ 18**	$ 70	$ —	$ —
Foreign exchange contracts	**1,185**	**58**	**58**	1,153	26	26
Equity contracts	**667**	**21**	**21**	609	56	56
Other contracts	**—**	**—**	**—**	—	—	—
Derivative liabilities, gross	**2,504**	**97**	**97**	1,832	82	82
Counter party netting*	**—**	**(96)**	**(96)**	—	(82)	(82)
Derivative liabilities, net	**$ 2,504**	**$ 1**	**$ 1**	$ 1,832	$ —	$ —

* Represents netting of derivative exposures covered by a qualifying master netting agreement.

The Company has a right of offset of its derivatives asset and liability positions with various counterparties. The following table presents the effect of the right of offsets:

	December 31, 2022		December 31, 2021	
(in millions)	Assets	Liabilities	Assets	Liabilities
Gross amount recognized	**$ 371**	**$ (96)**	$ 318	$ 82
Amount offset	**(96)**	**96**	(82)	(82)
Net amount presented in the Statement of Admitted Assets, Liabilities, and Capital and Surplus	**$ 275**	**$ —**	$ 236	$ —

9. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

The following table presents the Company's derivative financial instruments with concentrations of credit risk:

	December 31, 2022		December 31, 2021	
(in millions)	Contract or Notional Amount	Final Maturity Date	Contract or Notional Amount	Final Maturity Date
Derivative assets:				
Interest rate contracts	**$ 10**	**2023**	$ 834	2060
Foreign exchange contracts	**1,972**	**2050**	1,727	2051
Equity contracts	**3,097**	**2024**	4,170	2023
Derivative liabilities:				
Interest rate contracts	**652**	**2027**	70	2022
Foreign exchange contracts	**1,185**	**2051**	1,153	2056
Equity contracts	**667**	**2024**	609	2022

The credit exposure to the Company's derivative contracts is limited to the fair value of such contracts that are favorable to the Company at the reporting date.

The credit exposure to the Company's derivative contracts aggregated $52 million and $64 million at December 31, 2022 and 2021, respectively.

10. FAIR VALUE INSTRUMENTS

Fair Value Measurements

The Company carries certain financial instruments at fair value. The Company defines the fair value of a financial instrument as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company is responsible for the determination of the value of the investments carried at fair value and the supporting methodologies and assumptions.

The degree of judgment used in measuring the fair value of financial instruments generally inversely correlates with the level of observable valuation inputs. The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgment is used in measuring fair value. Conversely, financial instruments for which no quoted prices are available have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction, liquidity and general market conditions

Fair Value Hierarchy

Assets and liabilities recorded at fair value are measured and classified in accordance with a fair value hierarchy consisting of three "levels" based on the observability of valuation inputs:

- **Level 1:** Fair value measurements based on quoted prices (unadjusted) in active markets that the Company has the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets. The Company does not adjust the quoted price for such instruments.
- **Level 2**: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3:** Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability. Therefore, the Company must make certain assumptions as to the inputs a hypothetical market participant would use to value that asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In those cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Bonds: Fair value is based principally on value from independent third-party valuation service providers, broker quotes and other independent information.

Preferred stocks: Fair value of unaffiliated preferred stocks is based principally on value from independent third-party service providers, broker quotes and other independent information.

Cash, cash equivalents and short term investments: Carrying amount approximate fair value because of the relatively short period of time between origination and expected realization and their limited exposure to credit risk.

Mortgage loans: Fair values are primarily determined by discounting future cash flows to the present at current market rates, using expected prepayment rates.
Contract loans: Carrying amounts, which approximate fair value, are generally equal to unpaid principal amount as of each reporting date. No consideration is given to credit risk because contract loans are effectively collateralized by the cash surrender value of the policies.

Securities lending reinvested collateral assets: Securities lending assets are generally invested in short-term investments and thus carrying amounts approximate fair values because of the relatively short period of time between origination and expected realizations.

Separate account assets: Variable annuity and variable universal life assets are carried at the market value of the underlying securities. Certain separate account assets related to market value adjustment fixed annuity contracts are carried at book value. Fair value is based principally on the value from independent third-party valuation service providers, broker quotes and other independent information.

Policy reserves and contractual liabilities: Fair value for investment contracts (those without significant mortality risk) not accounted for at fair value were estimated for disclosure purposes using discounted cash flow calculations based upon interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. When no similar contracts are being offered, the discount rate is the appropriate swap rates (if available) or current risk-free interest rates consistent with the currency in which cash flows are denominated.

Payable for securities lending: Cash collateral received from the securities lending program is invested in short-term investments and the offsetting liability is included in payable for securities lending. The carrying amount of this liability approximates fair value because of the relatively short period between origination of the liability and expected settlement.

Receivables/payables for securities: Such amounts represent transactions of a short-term nature for which the statement value is considered a reasonable estimate of fair value.

Fair Value Information about Financial Instruments Not Measured at Fair Value

The following table presents the aggregate fair values of the Company's financial instruments not measured at fair value compared to their statement values:

(in millions)	Aggregate Fair Value	Admitted Assets or Liabilities	Level 1	Level 2	Level 3
December 31, 2022					
Assets:					
Bonds	**$ 32,572**	**$ 38,026**	**$ —**	**$ 28,740**	**$ 3,831**
Preferred stocks	**9**	**9**	**—**	**9**	**—**
Common stocks	**55**	**55**	**—**	**55**	**—**
Cash, cash equivalents and short-term investments	**185**	**185**	**(156)**	**341**	**—**
Mortgage loans	**6,665**	**7,407**	**—**	**—**	**6,665**
Contract loans	**422**	**422**	**—**	**—**	**422**
Derivatives	**(18)**	**(16)**	**—**	**(18)**	**—**
Receivables for securities	**17**	**17**	**—**	**17**	**—**
Securities lending reinvested collateral assets	**—**	**—**	**—**	**—**	**—**
Separate account assets	**513**	**513**	**—**	**513**	**—**
Liabilities:					
Policy reserves and contractual liabilities	**46,810**	**44,256**	**—**	**—**	**46,810**
Payable for securities	**5**	**5**	**—**	**5**	**—**
Payable for securities lending	**—**	**—**	**—**	**—**	**—**
December 31, 2021					
Assets:					
Bonds	$ 41,182	$ 38,520	$ —	$ 37,008	$ 4,174
Preferred stocks	3	3	—	3	—
Common stocks	17	17	—	17	—
Cash, cash equivalents and short-term investments	(61)	(61)	(61)	—	—
Mortgage loans	7,033	6,697	—	—	7,033
Contract loans	458	458	—	—	458
Receivables for securities	94	94	—	94	—
Securities lending reinvested collateral assets	551	551	—	551	—
Separate account assets	429	429	—	429	—
Liabilities:					
Policy reserves and contractual liabilities	54,778	43,995	—	—	54,778
Payable for securities	99	99	—	99	—
Payable for securities lending	763	763	—	763	—

Valuation Methodologies of Financial Instruments Measured at Fair Value

Bonds

Bonds with NAIC 6 or 6* designations and redeemable preferred stocks with NAIC 4, 5 or 6 designations are carried at the lower of amortized cost or fair value. Perpetual preferred stocks are carried at fair value, not to exceed any currently effective call rate. The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Whenever available, the Company obtains quoted prices in active markets for identical assets at the balance sheet date to measure bonds at fair value. Market price data generally is obtained from exchange or dealer markets.

The Company estimates the fair value of securities not traded in active markets, by referring to traded securities with similar attributes, using dealer quotations, a matrix pricing methodology, discounted cash flow analyses or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating and tenor, its coupon rate, its position in the capital structure of the issuer, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets or that are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Fair values for bonds and preferred stocks based on observable market prices for identical or similar instruments implicitly include the incorporation of counterparty credit risk. Fair values for bonds and preferred stocks based on internal models incorporate counterparty credit risk by using discount rates that take into consideration cash issuance spreads for similar instruments or other observable information.

Common Stocks (Unaffiliated)

Whenever available, the Company obtains quoted prices in active markets for identical assets at the balance sheet date to measure equity securities at fair value. Market price data is generally obtained from exchanges or dealer markets.

Freestanding Derivatives

Derivative assets and liabilities can be exchange-traded or traded OTC. The Company generally values exchange-traded derivatives, such as futures and options, using quoted prices in active markets for identical derivatives at the balance sheet date.

OTC derivatives are valued using market transactions and other observable market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value an OTC derivative depends on the contractual terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. The Company generally uses similar models to value similar instruments. Valuation models can require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. For OTC derivatives that trade in liquid markets, such as generic forwards, swaps and options, model inputs can generally be corroborated by observable market data by correlation or other means, and model selection does not involve significant management judgment.

Certain OTC derivatives trade in less liquid markets with limited pricing information, and the determination of fair value for these derivatives is inherently more difficult. When the Company does not have corroborating market evidence to support significant model inputs and cannot verify the model using market transactions, the transaction price is initially used as the best estimate of fair value. Accordingly, when a pricing model is used to value such an instrument, the model is adjusted so the model value at inception equals the transaction price. Subsequent to initial recognition, the Company updates valuation inputs when corroborated by evidence such as similar market transactions, independent third-party valuation services and/or broker or dealer quotations, or other empirical market data. When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management’s best estimate is used.

Separate Account Assets

Separate account assets are comprised primarily of registered and open-ended variable funds that trade daily and are measured at fair value using quoted prices in active markets for identical assets. Certain separate account assets are carried at amortized cost.

Assets and Liabilities Measured at Fair Value

The following table presents information about assets and liabilities measured at fair value:

(in millions)	Level 1	Level 2	Level 3	Counterparty Netting*	Total
December 31, 2022					
Assets at fair value:					
Bonds					
Industrial and miscellaneous	**$ —**	**$ 29**	**$ 1**	**$ —**	**$ 30**
Total bonds	**—**	**29**	**1**	**—**	**30**
Preferred stock					
Industrial and miscellaneous	**—**	**—**	**3**	**—**	**3**
Total preferred stock	**—**	**—**	**3**	**—**	**3**
Common stock					
Industrial and miscellaneous	**3**	**—**	**—**	**—**	**3**
Total common stock	**3**	**—**	**—**	**—**	**3**
Derivative assets:					
Interest rate contracts	**—**	**—**	**—**	**—**	**—**
Foreign exchange contracts	**—**	**293**	**—**	**—**	**293**
Equity contracts	**—**	**33**	**43**	**—**	**76**
Counterparty netting	**—**	**—**	**—**	**(96)**	**(96)**
Total derivative assets	**—**	**326**	**43**	**(96)**	**273**
Separate account assets	**34,198**	**104**	**—**	**—**	**34,302**
Total assets at fair value	**$ 34,201**	**$ 459**	**$ 47**	**$ (96)**	**$ 34,611**
Liabilities at fair value:					
Derivative liabilities:					
Interest rate contracts	**$ —**	**$ 18**	**$ —**	**$ —**	**$ 18**
Foreign exchange contracts	**—**	**41**	**—**	**—**	**41**
Equity contracts	**—**	**21**	**—**	**—**	**21**
Credit contracts	**—**	**—**	**—**	**—**	**—**
Other contracts	**—**	**—**	**—**	**—**	**—**
Counterparty netting	**—**	**—**	**—**	**(96)**	**(96)**
Total derivative liabilities	**—**	**80**	**—**	**(96)**	**(16)**
Total liabilities at fair value	**$ —**	**$ 80**	**$ —**	**$ (96)**	**$ (16)**
December 31, 2021					
Assets at fair value:					
Bonds					
Industrial and miscellaneous	$ —	$ —	$ 18	$ —	$ 18
Total bonds	—	—	18	—	18
Preferred stock					
Industrial and miscellaneous	—	—	3	—	3
Total preferred stock	—	—	3	—	3
Common stock					
Industrial and miscellaneous	2	—	—	—	2
Total common stock	2	—	—	—	2
Derivative assets:					
Interest rate contracts	—	20	—	—	20
Foreign exchange contracts	—	119	—	—	119
Equity contracts	1	109	70	—	180
Counterparty netting	—	—	—	(82)	(82)
Total derivative assets	1	248	70	(82)	237
Separate account assets	45,031	117	—	—	45,148
Total assets at fair value	$ 45,034	$ 365	$ 91	$ (82)	$ 45,408
Liabilities at fair value:					
Derivative liabilities:					
Foreign exchange contracts	$ —	$ 25	$ —	$ —	$ 25
Equity contracts	—	56	—	—	56
Counterparty netting	—	—	—	(82)	(82)
Total derivative liabilities	—	81	—	(82)	(1)
Total liabilities at fair value	$ —	$ 81	$ —	$ (82)	$ (1)

* Represents netting of derivative exposures covered by a qualifying master netting agreement.

Changes in Level 3 Fair Value Measurements

The following tables present changes in Level 3 assets and liabilities measured at fair value and the gains (losses) related to the Level 3 assets and liabilities that remained on the Statutory Statements of Admitted Assets, Liabilities and Capital and Surplus:

(in millions)	Bonds	Preferred Stocks	Common Stocks	Derivative Assets	Total Assets
Balance, January 1, 2021	**$ 7**	**$ —**	**$ —**	**$ 19**	**$ 26**
Total realized/unrealized capital gains or losses:					
Included in net (loss) income	—	7	—	8	15
Included in surplus	—	—	—	(8)	(8)
Purchases, issuances and settlements	(7)	(5)	—	33	21
Transfers into Level 3	18	1	—	18	37
Transfers out of Level 3	—	—	—	—	—
Balance, December 31, 2021	**$ 18**	**$ 3**	**$ —**	**$ 70**	**$ 91**
Total realized/unrealized capital gains or losses:					
Included in net (loss) income	**5**	**—**	**—**	**(43)**	**(38)**
Included in surplus	**(5)**	**(1)**	**—**	**(54)**	**(60)**
Purchases, issuances and settlements	**(45)**	**1**	**—**	**70**	**26**
Transfers into Level 3	**53**	**—**	**—**	**—**	**53**
Transfers out of Level 3	**(24)**	**—**	**—**	**—**	**(24)**
Balance, December 31, 2022	**$ 2**	**$ 3**	**$ —**	**$ 43**	**$ 48**

Assets are transferred out of Level 3 when circumstances change such that significant inputs can be corroborated with market observable data or when the asset is no longer carried at fair value. This may be due to a significant increase in market activity for the asset, a specific event, one or more significant inputs becoming observable or when a long-term interest rate significant to a valuation becomes short-term and thus observable. Transfers out of level 3 can also occur due to favorable credit migration resulting in a higher NAIC designation. Securities are generally transferred into Level 3 due to a decrease in market transparency, downward credit migration and an overall increase in price disparity for certain individual security types. The Company’s policy is to recognize transfers in and out at the end of the reporting period, consistent with the date of the determination of fair value.

In both 2022 and 2021, there were no transfers between Level 1 and Level 2 securities.

Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3 in the tables above. As a result, the unrealized capital gains (losses) on instruments held at December 31, 2022 and 2021 may include changes in fair value that were attributable to both observable and unobservable inputs (e.g., changes in market interest rates) and unobservable inputs (e.g., changes in unobservable long-dated volatilities).

Quantitative Information About Level 3 Fair Value Measurements

The Company had no quantitative information about level 3 fair value measurements to report at December 31, 2022.

Gross Basis Fair Value Measurements

The following table presents the Company's derivative assets and liabilities measured at fair value, on a gross basis, before counterparty and cash collateral netting:

(in millions)	Level 1	Level 2	Level 3	Total
December 31, 2022				
Derivative assets at fair value	**$ —**	**$ 327**	**$ 43**	**$ 370**
Derivative liabilities at fair value	**—**	**(80)**	**—**	**(80)**
December 31, 2021				
Derivative assets at fair value	$ 1	$ 248	$ 70	$ 319
Derivative liabilities at fair value	—	82	—	82

11. AGGREGATE POLICY RESERVES AND DEPOSIT FUND LIABILITIES

The following table presents the Company's reserves by major category:

	Years ended December 31,	
(in millions)	**2022**	2021
Life insurance	**$ —**	$ —
Annuities (excluding supplementary contracts with life contingencies)	**37,172**	37,706
Supplementary contracts with life contingencies	**278**	291
Accidental death benefits	**—**	—
Disability - active lives	**—**	—
Disability - disabled lives	**—**	—
Excess of VM-21 reserves over basic reserves	**54**	10
Deficiency reserves	**—**	—
Other miscellaneous reserve	**46**	74
Gross life and annuity reserves	**37,550**	38,081
Reinsurance ceded	**—**	—
Net life and annuity reserves	**37,550**	38,081
Accident and health reserves		
Unearned premium reserves	**—**	—
Present value of amounts not yet due on claims	**—**	—
Additional contract reserves	**—**	—
Gross accident and health reserves	**—**	—
Reinsurance ceded	**—**	—
Net accident and health reserves	**—**	—
Aggregate policy reserves	**$ 37,550**	$ 38,081

The following table presents the withdrawal characteristics of annuity actuarial reserves and deposit-type contract funds and other liabilities without life contingencies:

A. Individual Annuities:

	December 31, 2022								
(in millions)	General account		Separate account with guarantees		Separate account nonguaranteed		Total		% of Total
(1) Subject to discretionary withdrawal :									
a. With market value adjusted	$	5,405	$	513	$	11,616	$	17,534	40.90%
b. At book value less current surrender charge of 5% or more		2,211		—		—		2,211	5.16%
c. At fair value		—		—		6,033		6,033	14.07%
d. Total with market adjustment or at fair value		7,616		513		17,649		25,778	60.13%
e. At book value without adjustment (minimal or no charge or adjustment)		16,449		—		—		16,449	38.37%
(2) Not subject to discretionary withdrawal		616		—		23		639	1.49%
(3) Total (gross: direct + assumed)	$	24,681	$	513	$	17,672	$	42,866	99.99%
(4) Reinsurance ceded		—		—		—		—	
(5) Total (net)* (3) - (4)	$	24,681	$	513	$	17,672	$	42,866	
(6) Amount included in A(1)b above that will move to A(1)e in the year after statement date:	$	487	$	37	$	—	$	524	

* Reconciliation of total annuity actuarial reserves and deposit fund liabilities.

B. Group Annuities:

	December 31, 2022								
(in millions)	General account		Separate account with guarantees		Separate account nonguaranteed		Total		% of Total
(1) Subject to discretionary withdrawal :									
a. With market value adjusted	$	968	$	—	$	1,791	$	2,759	9.40%
b. At book value less current surrender charge of 5% or more		3,783		—		—		3,783	12.89%
c. At fair value		—		105		14,628		14,733	50.21%
d. Total with market adjustment or at fair value		4,751		105		16,419		21,275	72.50%
e. At book value without adjustment (minimal or no charge or adjustment)		7,947		—		—		7,947	27.09%
(2) Not subject to discretionary withdrawal		118		—		—		118	0.40%
(3) Total (gross: direct + assumed)	$	12,816	$	105	$	16,419	$	29,340	99.99%
(4) Reinsurance ceded		—		—		—		—	
(5) Total (net)* (3) - (4)	$	12,816	$	105	$	16,419	$	29,340	
(6) Amount included in B(1)b above that will move to B(1)e in the year after statement date:	$	575	$	—	$	—	$	575	

* Reconciliation of total annuity actuarial reserves and deposit fund liabilities.

C. Deposit-Type Contracts (no life contingencies):

	December 31, 2022				
(in millions)	General account	Separate account with guarantees	Separate account nonguaranteed	Total	% of Total
(1) Subject to discretionary withdrawal :					
a. With market value adjusted	$ 4,562	$ —	$ —	$ 4,562	66.22%
b. At book value less current surrender charge of 5% or more	2	—	—	2	0.03%
c. At fair value	—	—	—	—	—%
d. Total with market adjustment or at fair value	4,564	—	—	4,564	66.25%
e. At book value without adjustment (minimal or no charge or adjustment)	1,369	—	—	1,369	19.87%
(2) Not subject to discretionary withdrawal	956	—	—	956	13.88%
(3) Total (gross: direct + assumed)	$ 6,889	$ —	$ —	$ 6,889	100.00%
(4) Reinsurance ceded	—	—	—	—	
(5) Total (net)* (3) - (4)	$ 6,889	$ —	$ —	$ 6,889	
(6) Amount included in C(1)b above that will move to C(1)e in the year after statement date:	$ —	$ —	$ —	$ —	

* Represents annuity reserves reported in separate accounts liabilities.

Withdrawal characteristics of Life Actuarial Reserves as of December 31, 2022:

	December 31, 2022					
	General Account			Separate Account - Nonguaranteed		
(in millions)	Account value	Cash value	Reserve	Account value	Cash value	Reserve
A. Subject to discretionary withdrawal, surrender values, or policy loans:						
(1) Term policies with cash value	$ —	$ —	$ —	$ —	$ —	$ —
(2) Universal life	—	—	—	—	—	—
(3) Universal life with secondary guarantees	—	—	—	—	—	—
(4) Indexed universal life	—	—	—	—	—	—
(5) Indexed universal life with secondary guarantees	—	—	—	—	—	—
(6) Indexed life	—	—	—	—	—	—
(7) Other permanent cash value life insurance	—	—	—	—	—	—
(8) Variable life	—	—	—	—	—	—
(9) Variable universal life	—	—	—	—	—	—
(10) Miscellaneous reserves	—	—	—	—	—	—
B. Not subject to discretionary withdrawal or no cash values						
(1) Term policies without cash value	—	—	$ —	—	—	$ —
(2) Accidental death benefits	—	—	—	—	—	—
(3) Disability - active lives	—	—	—	—	—	—
(4) Disability - disabled lives	—	—	—	—	—	—
(5) Miscellaneous reserves	—	—	—	—	—	—
C. Total (gross: direct + assumed)	$ —	$ —	$ —	$ —	$ —	$ —
D. Reinsurance ceded	—	—	—	—	—	—
E. Total (net) (C) - (D)	$ —	$ —	$ —	$ —	$ —	$ —

12. SEPARATE ACCOUNTS

Separate Accounts

The separate accounts held by the Company consist primarily of variable annuities. These contracts generally are non-guaranteed in nature such that the benefit is determined by the performance and/or market value of the investments held in the separate account. The net investment experience of the separate account is credited directly to the policyholder and can be positive or negative.

Certain other separate accounts relate to MVA fixed annuity contracts in which the assets are carried at amortized cost. These policies are required to be held in the Company's separate account by certain states, including Texas.

The Company does not engage in securities lending transactions within the separate accounts.

In accordance with the products/transactions recorded within the separate account, some assets are considered legally insulated whereas others are not legally insulated from the general account. The legal insulation of the separate account assets prevents such assets from being generally available to satisfy claims resulting from the general account.

The following table presents separate account assets by product or transaction:

	December 31, 2022		December 31, 2021	
(in millions)	Legally Insulated Assets	Separate Accounts Assets (Not Legally Insulated)	Legally Insulated Assets	Separate Accounts Assets (Not Legally Insulated)
Variable annuity products	**$ 34,258**	**$ —**	$ 45,019	$ —
Annuities with MVA features	**—**	**446**	—	429
DeKalb separate account	**113**	**—**	130	—
Total	**$ 34,371**	**$ 446**	$ 45,149	$ 429

Some separate account liabilities are guaranteed by the general account. To compensate the general account for the risks taken, the separate accounts pay risk charges to the general account.

If claims were filed on all contracts, the current total maximum guarantee the general account would provide to the separate account as of December 31, 2022 and 2021 is $928 million and $294 million, respectively.

The following table presents the risk charges paid by the separate accounts and the guarantees paid by the general account:

(in millions)	Risk Charge paid by the Separate Account	Guarantees Paid by the General Account
2022	$ 16	$ 2
2021	16	2
2020	16	2
2019	16	1
2018	17	1

Certain separate accounts relate to experience-rated group annuity contracts that fund defined contribution pension plans. These contracts provide guaranteed interest returns for one quarter only, where the guaranteed interest rate is re-established each quarter based on the investment experience of the separate account. In no event can the interest rate be less than 3 percent. There are guarantees of principal and interest for purposes of plan participant transactions (e.g., participant-directed withdrawals and fund transfers done at market value). The assets and liabilities of these separate accounts are carried at the quoted market value of the underlying assets. This business has been included in Column 1 of the table below.

There was no separate account business seed money at December 31, 2022 and 2021.

The following table presents information regarding the separate accounts:

(in millions)	Indexed	Non-indexed guarantee less than or equal to 4%	Non-indexed guarantee more than 4%	Non-guaranteed separate accounts	Total
December 31, 2022					
Premiums, considerations or deposits	**$ —**	**$ 140**	**$ —**	**$ 1,611**	**$ 1,751**
Reserves for accounts with assets at:					
Market value	**$ —**	**$ 105**	**$ —**	**$ 34,092**	**$ 34,197**
Amortized costs	**—**	**513**	**—**	**—**	**513**
Total reserves	**$ —**	**$ 618**	**$ —**	**$ 34,092**	**$ 34,710**
By withdrawal characteristics:					
Subject to discretionary withdrawal with MVA	**$ —**	**$ 513**	**$ —**	**$ 13,407**	**$ 13,920**
At market value	**—**	**105**	**—**	**20,661**	**20,766**
Subtotal	**—**	**618**	**—**	**34,068**	**34,686**
Not subject to discretionary withdrawal	**—**	**—**	**—**	**23**	**23**
Total reserves	**$ —**	**$ 618**	**$ —**	**$ 34,091**	**$ 34,709**
December 31, 2021					
Premiums, considerations or deposits	$ —	$ 37	$ —	$ 1,975	$ 2,012
Reserves for accounts with assets at:					
Market value	$ —	$ 122	$ —	$ 44,818	$ 44,940
Amortized costs	—	425	—	—	425
Total reserves	$ —	$ 547	$ —	$ 44,818	$ 45,365
By withdrawal characteristics:					
Subject to discretionary withdrawal with MVA	$ —	$ 425	$ —	$ 17,931	$ 18,356
At market value	—	122	—	26,856	26,978
Subtotal	—	547	—	44,787	45,334
Not subject to discretionary withdrawal	—	—	—	31	31
Total reserves	$ —	$ 547	$ —	$ 44,818	$ 45,365

Reconciliation of Net Transfers to or from Separate Accounts

The following table presents a reconciliation of the net transfers to (from) separate accounts:

	Years Ended December 31,		
(in millions)	**2022**	2021	2020
Transfers to separate accounts	**$ 1,751**	$ 2,017	$ 1,967
Transfers from separate accounts	**(3,462)**	(4,387)	(4,103)
Net transfers to (from) separate accounts	**(1,711)**	(2,370)	(2,136)
Transfers as reported in the Statutory Statements of Operations	**$ (1,711)**	$ (2,370)	$ (2,136)

13. RESERVES FOR GUARANTEED POLICY BENEFITS AND ENHANCEMENTS

Variable annuity contracts may include certain contractually guaranteed benefits to the contract holder. These guaranteed features include GMDB that are payable in the event of death, and living benefits that are payable in the event of annuitization, or, in other instances, at specified dates during the accumulation period. Living benefits include guaranteed minimum withdrawal benefits (GMWB) and, to a lesser extent, guaranteed minimum accumulation benefits (GMAB), which are no longer offered. A variable annuity contract may include more than one type of guaranteed benefit feature; for example, it may have both a GMDB and a GMWB. However, a policyholder generally can only receive payout from one guaranteed feature on a contract containing a death benefit and a living benefit, i.e. the features are mutually exclusive. A policyholder cannot purchase more than one living benefit on one contract. The net amount at risk for each feature is calculated irrespective of the existence of other features; as a result, the net amount at risk for each feature is not additive to that of other features.

Reserves for GMDB and GMWB were included in the VACARVM reserves. Total reserves in excess of basic reserves were $54 million and $10 million at December 31, 2022 and 2021, respectively.

GMDB

Depending on the product, the GMDB feature may provide a death benefit of either (a) total deposits made to the contract less any partial withdrawals plus a minimum return or (b) the highest contract value attained, typically on any anniversary date minus any subsequent withdrawals following the contract anniversary.

The net amount at risk, which represents the guaranteed benefit exposure in excess of the current account value if death claims were filed on all contracts related to GMDB, was $374 million and $161 million at December 31, 2022 and 2021, respectively.

GMWB

Certain of the Company’s variable annuity contracts offer optional GMWB. With a GMWB, the contract holder can monetize the excess of the guaranteed amount over the account value of the contract only through a series of withdrawals that do not exceed a specific percentage per year of the guaranteed amount. If, after the series of withdrawals, the account value is exhausted, the contract holder will receive a series of annuity payments equal to the remaining guaranteed amount, and, for lifetime GMWB products, the annuity payments continue as long as the covered person(s) are living.

The net amount at risk for GMWB represents the present value of minimum guaranteed withdrawal payments, in accordance with contract terms, in excess of account value. The net amount at risk related to these guarantees was $351 million and $115 million at December 31, 2022 and 2021, respectively. The Company uses derivative instruments and other financial instruments to mitigate a portion of the exposure that arises from GMWB.

14. REINSURANCE

At December 31, 2022 and 2021, policy reserves on reinsurance assumed were $93 million and $94 million, respectively.

The Company has modified coinsurance and coinsurance reinsurance agreements with MetLife in Japan, pertaining to certain policies written via its branch in Japan. Under the agreements, the Company assumes liability for a quota share portion of contracts issued by MetLife in Japan that include GMIB and GMWB. The contracts assumed also include a GMDB provision. The GMIB (prior to its utilization date), GMWB and the GMDB have a 100 percent quota share and are assumed under coinsurance agreements. The GMIB (after its utilization date) has a 100 percent quota share and is assumed under the modified coinsurance provisions. The benefits provided by the reinsured contracts are assumed with a 50 percent quota share and varied quota share under the modified coinsurance agreements. The agreements are unlimited in duration, but were terminated for new business after March 31, 2009.

The Company calculates total policy reserves for contracts assumed by MetLife in Japan pursuant to AG 43, which includes all assumed GMIB, GMWB and GMDB benefits. MetLife in Japan holds a modified coinsurance reserve for the contracts under the agreements. The Company holds a reserve equal to the excess, if any, of the AG 43 reserve above the modified coinsurance reserve.

Fortitude Re is a Bermuda reinsurance company which was established in 2018 by AIG to enter into a series of reinsurance transactions related to AIG’s run-off portfolio. In two transactions in 2018 and 2020, AIG sold substantially all of its ownership interest in Fortitude Re’s parent company (“FR Parent”) to Carlyle FRL, an investment fund advised by an affiliate of The Carlyle Group and T&D Investments, Inc., a subsidiary of T&D Holdings, Inc. We currently hold a less than 3% indirect interest in Fortitude Re.

As of December 31, 2022, $29.3 billion of AGL, USL and VALIC reserves representing a mix of run-off life and annuity risks had been ceded to Fortitude Re under these reinsurance transactions. Effective as of January 1, 2022, certain AIG subsidiaries sold to an affiliate of Fortitude Re all of the outstanding capital stock of two servicing companies. The ceding insurers entered into administrative services agreements pursuant to which AIG transferred administration of certain of our ceded business to those companies.

15. FEDERAL INCOME TAXES

Recent U.S. Tax Law Changes

On November 15, 2021, the U.S. enacted the Infrastructure Investment and Jobs Act to improve infrastructure in the U.S. The tax provisions for the Infrastructure Investment and Jobs Act have not had and are currently not expected to have a material impact on our U.S. federal tax liabilities.

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022, which finances climate and energy provisions and an extension of enhanced subsidies under the Affordable Care Act with a 15% corporate alternative minimum tax ("CAMT") on adjusted financial statement income for corporations with profits over $1 billion, a 1% stock buyback tax, increased IRS enforcement funding, and Medicare's new ability to negotiate prescription drug prices. The Company has not determined as of the reporting date if it will be subject to the CAMT in 2023. The 2022 financial statements do not include the estimated impact of the CAMT, because a reasonable estimate cannot be made.

The following table presents the components of the net deferred tax assets and liabilities:

	December 31, 2022			December 31, 2021			Change		
(in millions)	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross DTA	**$ 521**	**$ 379**	**$ 900**	$ 514	$ 482	$ 996	$ 7	$ $ (103)	$ (96)
Statutory valuation allowance adjustment	**—**	**82**	**82**	—	—	—	—	82	82
Adjusted gross DTA	**521**	**297**	**818**	514	482	996	7	(185)	(178)
DTA non-admitted	**302**	**297**	**599**	349	482	831	(47)	(185)	(232)
Net admitted DTA	**219**	**—**	**219**	165	—	165	54	—	54
DTL	**6**	**—**	**6**	55	—	55	(49)	—	(49)
Total	**$ 213**	**$ —**	**$ 213**	$ 110	$ —	$ 110	$ 103	$ $ —	$ 103

The following table presents the ordinary and capital DTA admitted assets as the result of the application of SSAP 101:

	December 31, 2022			December 31, 2021			Change		
(in millions)	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Admission calculation components									
SSAP 101									
Federal income taxes paid in prior years recoverable through loss carry backs	**$ —**	**$ —**	**$ —**	$ —	$ —	$ —	$ —	$ —	$ —
Adjusted gross DTA expected to be realized (excluding amount of DTA from above) after application of the threshold limitation	**213**	**—**	**213**	110	—	110	103	—	103
1. Adjusted gross DTA expected to be realized following the reporting date	**213**	**—**	**213**	110	—	110	103	—	103
2. Adjusted gross DTA allowed per limitation threshold	**—**	**—**	**441**	—	—	596	—	—	(155)
Adjusted gross DTA (excluding the amount of DTA from above) offset by gross DTL	**6**	**—**	**6**	55	—	55	(49)	—	(49)
DTA admitted as the result of application of SSAP 101	**$ 219**	**$ —**	**$ 219**	**$ 165**	**$ —**	**$ 165**	$ 54	$ —	$ 54

The following table presents the ratio percentage and amount of adjusted capital to determine the recovery period and threshold limitation amount:

	Years Ended December 31,	
($ in millions)	**2022**	2021
Ratio percentage used to determine recovery period and threshold limitation amount	**790** %	931 %
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation amount	**$ 2,943**	$ 3,970

The Company has no tax planning strategies used in the determination of adjusted gross DTA's or net admitted DTA's.

The Company's planning strategy does not include the use of reinsurance.

The Company is not aware of any significant DTLs that are not recognized in the statutory financial statements.

The following tables present the major components of the current income tax expense and net deferred tax assets (liabilities):

	Years Ended December 31,		
(in millions)	**2022**	2021	2020
Current income tax expense			
Federal	**$ 301**	$ 272	$ 270
Federal income tax on net capital gains (losses)	**(48)**	14	46
Federal income tax incurred	**253**	**286**	**316**

	Years Ended December 31,		
(in millions)	**2022**	2021	Change
Deferred tax assets:			
Ordinary:			
Policyholder reserves	**$ 142**	$ 130	$ 13
Investments	**99**	3	96
Deferred acquisition costs	**251**	229	22
Fixed assets	**27**	113	(87)
Tax credit carryforward		36	(36)
Other (including items less than 5% of total ordinary tax assets)	**2**	3	(1)
Subtotal	**521**	514	7
Non-admitted	**302**	349	(47)
Admitted ordinary deferred tax assets	**219**	165	54
Capital:			
Investments	**379**	482	(103)
Subtotal	**379**	482	(103)
Statutory valuation allowance adjustment	**82**	—	82
Non-admitted	**297**	482	(185)
Admitted capital deferred tax assets	**—**	—	—
Admitted deferred tax assets	**219**	165	54
Deferred tax liabilities:			
Ordinary:			
Investments		11	(11)
Policyholder reserves	**6**	44	(38)
Other (including items less than 5% of total ordinary tax liabilities)	**—**	—	—
Subtotal	**6**	55	(49)
Capital:			
Other (including items less than 5% of total capital tax liabilities)	**—**	—	—
Subtotal	**—**	—	—
Deferred tax liabilities	**6**	55	(49)
Net deferred tax assets	**$ 213**	$ 110	103

The change in net deferred income taxes is comprised of the following (this analysis is exclusive of non-admitted assets as the change in non-admitted assets and the change in net deferred income taxes are reported in separate components of capital and surplus):

	Years Ended December 31,		
(in millions)	**2022**	2021	Change
Total adjusted deferred tax assets	**$ 818**	$ 996	$ (178)
Total deferred tax liabilities	**6**	55	(49)
Net adjusted deferred tax assets	**$ 812**	$ 941	(129)
Tax effect of unrealized gains (losses)			(24)
Change in net deferred income tax			$ (153)

The provision for incurred federal taxes is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The following table presents the significant items causing this difference:

	December 31, 2022		December 31, 2021		December 31, 2020	
(in millions)	Amount	Effective Tax Rate	Amount	Effective Tax Rate	Amount	Effective Tax Rate
Income tax expense at applicable rate	**$ 190**	**21.0 %**	$ 205	21.0 %	$ 185	21.0 %
Change in valuation adjustment	**82**	**9.1**	—	—	—	—
Dividend received deduction	**(42)**	**(4.6)**	(33)	(3.4)	(24)	(2.8)
Prior year return true-ups and adjustments	**(30)**	**(3.4)**	(16)	(1.7)	(22)	(2.5)
Amortization of interest maintenance reserve	**(20)**	**(2.2)**	3	0.3	8	0.9
Tax credit expiration	**(16)**	**(1.8)**	10	1.0	(3)	(0.3)
Surplus adjustments	**241**	**26.6**	2	0.2	34	4.0
Change in non-admitted assets	**—**	**—**	—	0.1	(1)	(0.2)
Other permanent adjustments	**1**	**0.1**	—	—	—	—
Disregarded entities	**—**	**—**	—	—	—	—
Statutory income tax expense (benefit)	**$ 406**	**44.8 %**	$ 171	17.5 %	$ 177	20.1 %
Federal income taxes incurred	**$ 253**	**27.9 %**	$ 286	29.4 %	$ 316	35.9 %
Change in net deferred income taxes	**153**	**16.9**	(116)	(11.9)	(139)	(15.8)
Total statutory income taxes	**$ 406**	**44.8 %**	$ 170	17.5 %	$ 177	20.1 %

At December 31, 2022, the Company had no foreign tax credits carryforwards.

At December 31, 2022, the Company had no operating loss carryforwards and no capital loss carryforwards.

At December 31, 2022, the Company had no general business credit carryforwards.

At December 31, 2022, the Company had no alternative minimum tax credits.

The following table presents income tax incurred that is available for recoupment in the event of future net losses:

(in millions) December 31,	Capital
2020	$ —
2021	161
2022	—
Total	$ 161

In general, realization of DTAs depends on a company's ability to generate sufficient taxable income of the appropriate character within the carryforward periods in the jurisdictions in which the net operating losses and deductible temporary differences were incurred. In accordance with the requirements established in SSAP 101, the Company assessed its ability to realize DTAs of $818 million and concluded that a $82 million valuation allowance was required at December 31, 2022. The Company concluded that no valuation allowance was required on the DTAs of $996 million at December 31, 2021.

The Company had no deposits admitted under Internal Revenue Code Section 6603.

The following table presents a reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits, excluding interest and penalties:

	Years Ended December 31,	
(in millions)	**2022**	2021
Gross unrecognized tax benefits at beginning of year	**$ 11**	$ 12
Increases in tax position for prior years	**—**	—
Decreases in tax position for prior years	**—**	(1)
Gross unrecognized tax benefits at end of year	**$ 11**	$ 11

At December 31, 2022, and 2021, the amounts of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate were $11 million for both years.

Interest and penalties related to unrecognized tax benefits are recognized in income tax expense. At December 31, 2022 and 2021, the Company had accrued less than $1 million for the payment of interest (net of the federal benefit) and penalties. At December 31, 2022 and 2021, the Company recognized a benefit of less than $1 million of interest (net of the federal benefit) and penalties.

The Company regularly evaluates proposed adjustments by taxing authorities. At December 31, 2022, such proposed adjustments would not have resulted in a material change to the Company’s financial condition, although it is possible that the effect could be material to the Company’s results of operations for an individual reporting period. Although it is reasonably possible that a change in the balance of unrecognized tax benefits may occur within the next twelve months, based on the information currently available, the Company does not expect any change to be material to its financial condition.

The Company is currently under Internal Revenue Service (IRS) examinations for the taxable years 2011-2019. Although the final outcome of possible issues raised in any future examination are uncertain, the Company believes that the ultimate liability, including interest, will not materially exceed amounts recorded in the financial statements. The Company's taxable years 2007-2021 remain subject to examination by major tax jurisdictions.

The Company is not subject to the repatriation transition tax for the year ended December 31, 2022.

For the period prior to the tax deconsolidation of Corebridge from AIG, the Company will join in the filing of a consolidated federal income tax return with AIG.

The following table lists those companies that form part of the 2022 AIG consolidated federal tax return:

Company	Company
A.I. Credit Corp.	AIG Credit Corp.
AGC Life Insurance Company	AIG Direct Insurance Services, Inc.
AGL Assignment Company, LLC	AIG Employee Services, Inc.
AGL Loan Investments Corporation	AIG FCOE, Inc.
AGLIC Investments Bermuda Limited	AIG Federal Savings Bank
AH SubGP 1158 Flat Iron, LLC	AIG Financial Products Corp.
AH SubGP 1384 Woodglen, LLC	AIG Fund Services, Inc.
AH SubGP 1450 Timber, LLC	AIG Global Asset Management Holdings Corp.
AH SubGP 1535 Hunter's Run, LLC	AIG Global Capital Markets Securities, LLC
AH SubGP 1551 Spanish Creek, LLC	AIG Global Operations (Ireland) Limited
AH SubGP 479 Sunrise, LLC	AIG Global Real Estate Investment Corp.
AH SubGP 516 Merrilltown, LLC	AIG GLOBAL REAL ESTATE INVESTMENT CORP. [RUSS
AH SubGP 693 Parkland Pointe, LLC	AIG Home Protection Company, Inc.
AH SubGP 716 Villas of Mission Bend, LLC	AIG Insurance Management Services, Inc.
AH SubGP 759 Parker Commons, LLC	AIG International Inc.

Company	Company
AH SubGP 911 Mainland, LLC	AIG Kirkwood, Inc.
AIG Aerospace Adjustment Services, Inc.	AIG Life Holdings, Inc.
AIG Aerospace Insurance Services, Inc.	AIG Life of Bermuda, Ltd.
AIG Asset Management (U.S.), LLC	AIG Markets, Inc.
AIG Asset Management EU CLO, LLC	AIG Matched Funding Corp.
AIG Assurance Company	AIG MEA Investments and Services, LLC
AIG BG Holdings LLC	AIG Mortgage Capital, LLC
AIG Capital Corporation	AIG North America, Inc.
AIG Capital Services, Inc.	AIGGRE U.S. Real Estate Fund IV Lexington
AIG Century Verwaltungsgesellschaft mbH	AIGGRE VISTA, LLC
AIG Claims, Inc.	AIGT Inc. Hong Kong Branch
AIG Commercial Equipment Finance, Inc.	AIU Insurance Company
AIG Commercial Real Estate Lending	Akita, Inc.
AIG Credit (Europe) Corporation	Alabaster Capital LLC
AIG Property Casualty, Inc.	AlphaCat Capital Inc.
AIG Realty, Inc.	AM Holdings LLC
AIG Securities Lending Corp.	AIG Partnership Holdings Corp.
AIG Shared Services	AIG PC Global Services Inc.
AIG Shared Services Corporation	AIG Procurement Services, Inc.
AIG Shared Services Corporation - Management	AIG Property Casualty Company
AIG Shared Services Corporation (Philippines)	AIG Property Casualty International, LLC
AIG Specialty Insurance Company	AIG Property Casualty U.S., Inc.
AIG Spring Ridge I, Inc.	American Athletic Club, Inc.
AIG Technologies, Inc.	American General Annuity Service Corporation
AIG Technologies, Inc. (U.K. branch)	American General Assignment
AIG Travel Assist, Inc.	American General Assignment Corporation
AIG TRAVEL EMEA LIMITED	American General Insurance Agency, Inc.
AIG TRAVEL EUROPE LIMITED	American General Life Ins. Co. Non-Insulated
AIG Travel, Inc.	American General Life Insurance Co. - Insulat
AIG UNITED GUARANTY AGENZIA DI ASSICURAZIONE	American General Life Insurance Company
AIG Warranty Services of Florida, Inc.	American General Life Services Company, LLC
AIG WarrantyGuard, Inc.	American General Realty
AIG.COM, Inc.	American Home Assurance Company
AIG-FP Capital Preservation Corp.	American International Facilities Management
AIG-FP Matched Funding Corp.	American International Group, Inc.
AIG-FP Pinestead Holdings Corp.	American International Realty Corporation
AIGGRE DC Ballpark Investor, LLC	American International Reinsurance
AIGGRE Europe Real Estate Fund I	Arthur J. Glatfelter Agency, Inc.

Company	Company
AIGGRE Europe Real Estate Fund I GP S.a r.l.	Blackboard Customer Care Insurance Services
AIGGRE Europe Real Estate Fund II GP S.a.r.l	Blackboard Insurance Company
AIGGRE U.S. LT Apartments Investor Lexington	Blackboard Services, LLC
AIGGRE U.S. Real Estate Fund I	Blackboard Specialty Insurance Company
AIGGRE U.S. Real Estate Fund II	Blackboard U.S. Holdings, Inc.
AIGGRE U.S. Real Estate Fund II GP, LLC	CAP Investor 1, LLC
AIGGRE U.S. Real Estate Fund III	CAP Investor 10, LLC
CAP Investor 14, LLC	LSTREET I, LLC
CAP Investor 2, LLC	LSTREET II, LLC
CAP Investor 4, LLC	MG Reinsurance Limited
CAP Investor 5, LLC	MIP PE Holdings, LLC
CAP Investor 8, LLC	Morefar Marketing, Inc.
Charleston Bay SAHP Corp.	Mt. Mansfield Company, Inc.
Commerce and Industry Insurance Company	National Union Fire Insurance
Crop Risk Services, Inc.	National Union Fire Insurance Company
Crossings SAHP Corp.	New Hampshire Insurance Company
Curzon Funding Limited	NF Seven (Cayman) Limited
Curzon Street Funding Designated Activity	PCG 2019 Corporate Member Limited
Design Professionals Association	Pearce & Pearce, Inc.
DIL/SAHP Corp.	Pine Street Real Estate Holdings Corp.
DSA P&C Solutions, Inc.	Prairie SAHP Corp.
Eaglestone Reinsurance Company	Rialto Melbourne Investor LLC
Eastgreen, Inc.	SubGen NT, Inc.
First Principles Capital Management, LLC	SunAmerica Affordable Housing Partners, Inc.
Fortitude Life & Annuity Solutions, Inc.	SunAmerica Asset Management, LLC
GIG of Missouri, Inc.	SunAmerica Fund Assets 83, LLC
Glatfelter Claims Management, Inc.	SunAmerica Life Reinsurance Company
Glatfelter Properties, LLC	SunAmerica Retirement Markets, Inc.
Glatfelter Underwriting Services, Inc.	Susquehanna Agents Alliance, LLC
Global Loss Prevention, Inc.	The Glatfelter Agency, Inc.
Global Loss Prevention, Inc. [Canada]	The Insurance Company of the State of Pennsylvania
Grand Savannah SAHP Corp.	The United States Life Insurance Company
Granite State Insurance Company	The United States Life Insurance Company - Insulated
Health Direct, Inc.	The Variable Annuity Life - Insulated
HOSPITAL PLAN INSURANCE SERVICES	The Variable Annuity Life - Non-Insulated
HPIS LIMITED	The Variable Annuity Life Insurance Company
Illinois National Insurance Co.	Travel Guard Americas LLC Sucursal Mexico
Integrated Manufacturing Companies, Inc.	Travel Guard Americas, LLC

Company	Company
Knickerbocker Corporation	Travel Guard Americas, LLC [Argentina]
LBMA Equipment Services, Inc.	Travel Guard Group, Inc.
Lexington Insurance Company	Tudor Insurance Company
Lexington Specialty Insurance Agency, Inc.	U G Corporation
Lilac Heights LLC	VALIC Financial Advisors, Inc.
Livetravel, Inc.	VALIC Retirement Services Company
Risk Specialists Companies	Validus America, Inc.
SA Affordable Housing, LLC	Validus Re Americas (New Jersey), Inc.
SA SubGP 1000 Woodwind Lakes, LLC	Validus Reaseguros, Inc.
SAAHP GP Corp.	Validus Services, Inc.
SAFG Capital LLC	Validus Specialty Underwriting Services, Inc.
SAFG Markets, LLC	Validus Specialty, LLC
SAFG Retirement Services, Inc.	Volunteer Firemen's Insurance Services, Inc.
SAFG Technologies, LLC	Western World Insurance Company
SAHP GA III - SC LLC	
SCSP Corp.	
Service Net Solutions of Florida, LLC	
Service Net Warranty, LLC	
SNW Insurance Agency, LLC	
Spruce Peak Realty, LLC	
Stowe Mountain Holdings, Inc.	
Stratford Insurance Company	

For the period following the tax deconsolidation of Corebridge from AIG, the Company will join with AGC Life, AGL, AIGB, and USL, in filing a consolidated life company federal income tax return .

The Company has written agreements with both parent entities, AIG and AGC Life under which each subsidiary agrees to pay the parent company an amount equal to the consolidated federal income tax expense multiplied by the ratio that the subsidiary's separate return tax liability bears to the consolidated tax liability, plus one hundred percent of the excess of the subsidiary's separate return tax liability over the allocated consolidated tax liability. Both, AIG and AGC Life, agree to pay each subsidiary for the tax benefits, if any, of net operating losses, net capital losses and tax credits which are not usable by the subsidiary but which are used by other members of the consolidated period.

16. CAPITAL AND SURPLUS

RBC standards are designed to measure the adequacy of an insurer’s statutory capital and surplus in relation to the risks inherent in its business. The RBC standards consist of formulas that establish capital requirements relating to asset, insurance, business and interest rate risks. The standards are intended to help identify companies that are under-capitalized, and require specific regulatory actions in the event an insurer’s RBC is deficient. The RBC formula develops a risk-adjusted target level of adjusted statutory capital and surplus by applying certain factors to various asset, premium and reserve items. Higher factors are applied to more risky items and lower factors are applied to less risky items. Thus, the target level of statutory surplus varies not only because of the insurer’s size, but also on the risk profile of the insurer’s operations. At December 31, 2022, the Company exceeded RBC requirements that would require any regulatory action.

Dividends that the Company may pay to the Parent in any year without prior approval of the TDI are limited by statute. The maximum amount of dividends in a 12-month period, measured retrospectively from the date of payment, which the

Company can pay without the Company obtaining the prior approval of the TDI is limited to the greater of: (1) 10 percent of the Company's statutory surplus as regards to policyholders at the preceding December 31, or (2) the preceding year's statutory net gain from operations. Subject to the TDI requirements, the maximum dividend payout that may be made in 2023 without prior approval of the TDI is $750 million. Additionally, unless prior approval of the TDI is obtained, dividends can only be paid out of the Company's unassigned surplus. At December 31, 2022, the companies unassigned surplus was $53 million. Dividend payments in excess of positive retained earnings are classified and reported as a return of capital.

Dividends are paid as determined by the Board of Directors and are noncumulative. The following table presents the dividends paid by the Company during 2022, 2021 and 2020:

Date	Type	Cash or Non-cash	Amount (in millions)	
2022				
March 28, 2022	Ordinary	Cash	$	100
June 24, 2022	Ordinary	Cash		100
September 28, 2022	Extraordinary	Cash		400
December 27, 2022	Extraordinary	Cash		2100
2021				
June 15, 2021	Ordinary	Cash	$	34
September 24, 2021	Ordinary	Cash		86
December 27, 2021	Ordinary	Cash		274
2020				
September 18, 2020	Ordinary	Cash	$	86
December 18, 2020	Ordinary	Cash		274

17. RETIREMENT AND SHARE-BASED AND DEFERRED COMPENSATION

The Company does not directly sponsor any defined benefit or defined contribution plans and does not participate in any multi-employer plans.

Employee Retirement Plan

Certain Corebridge employees participate in various AIG sponsored defined benefit pension and postretirement plans. AIG Parent, as sponsor, is ultimately responsible for the maintenance of these plans in compliance with applicable laws. The Company is not directly liable for obligations under these plans; its obligation results from an allocation of the Company's share of expenses from the plans based on participants' earnings for the pension plans and on estimated claims less contributions from participants for the postretirement plans.

The following table presents information about employee-related costs (expense credits) allocated to the Company:

	Years Ended December 31,					
(in millions)		**2022**		2021		2020
Defined benefit plans	**$**	**(9)**	$	(15)	$	(9)

Defined Contribution Plan

Prior to August 22, 2022, Corebridge employees participated in AIG's qualified defined contribution plan that provided for contributions by employees, as well as an employer contribution. On August 22, 2022, participants' accounts in the AIG plan were transferred to the Corebridge Financial Inc. Retirement Savings 401(k) Plan.

The 401(k) plan provides pre-tax salary reduction contributions by its U.S. employees. Employer matching contributions of 100 percent were made on the first six percent of participant contributions, subject to IRS-imposed limitations, and an additional fully vested, non-elective, non-discretionary employer contribution equal to three percent of the participant's annual base compensation for the plan year, paid each pay period regardless of whether the participant currently contributes to the plan, and subject to the IRS-imposed limitations.

The Company's pre-tax expense associated with this plan was $25 million, $23 million and $22 million in 2022, 2021 and 2020, respectively.

Share-based and Deferred Compensation Plans

Prior to the IPO, certain Corebridge employees received grants of equity awards under the AIG Long Term Incentive Plan (as amended) and its predecessor plan, the AIG 2013 Long Term Incentive Plan (each as applicable, the "LTIP"), which are governed by the AIG 2013 Omnibus Incentive Plan ("Omnibus Plan"). The value of AIG equity awards are linked to the performance of AIG's common stock. AIG granted equity awards to our employees primarily in the form of AIG restricted stock units ("RSUs") but also granted AIG performance share units ("PSUs") and AIG stock options to certain executives.

AIG RSUs and AIG stock options granted to Corebridge employees by AIG will be earned based solely on continued service by the participant while AIG PSUs will be earned based on both continued service and AIG achieving specified performance goals at the end of a three year performance period. These performance goals were pre-established by AIG's Compensation and Management Resources Committee ("CMRC") for each annual grant. The actual number of PSUs earned can vary from zero to 200% of the amount granted. Vesting occurs on January 1 of the year immediately following the end of the three-year performance period.

Prior to 2021, LTI awards accrued dividend equivalent units ("DEUs") in the form of additional PSUs and/or RSUs whenever a cash dividend is declared on shares of AIG Common Stock; the DEUs were subject to the same vesting terms and conditions as the underlying unit. Beginning in 2021, PSUs and RSUs granted via the annual 2021 LTI award (as of the date of grant), and those existing from the 2020 LTI awards (as of the third quarter) accrue dividend equivalent rights (DERs) as AIG's dividends are declared. These DERs will be settled in cash only if the underlying units' vesting conditions are met; previously accrued DEUs were not impacted by this change.

The fair value of AIG RSUs and AIG PSUs that are earned solely based on certain AIG-specific metrics was based on the closing price of AIG Common Stock on the grant date; while the fair value of AIG PSUs that are earned based on AIG's relative total shareholder return ("TSR") was determined on the grant date using a Monte Carlo simulation. The fair value of AIG stock options was estimated on the grant date using the Black-Scholes model.

On September 6, 2022, Corebridge adopted the Corebridge Financial, Inc. 2022 Omnibus Incentive Plan (the "2022 Plan") and the Corebridge Financial, Inc. Long-term Incentive Plan (the "LTIP," together with the 2022 Plan, the "Corebridge Plans"). Following the IPO, equity awards may be granted under the Corebridge Plans to current employees or directors of the Company or, solely with respect to their final year of service, former employees.

Equity awards under the Corebridge Plans are linked to Corebridge common stock ("CRBG Stock"). A total of 40,000,000 shares of CRBG Stock are authorized for delivery pursuant to awards granted or assumed under the Plans. Delivered shares may be newly-issued shares or shares held in treasury.

All AIG RSUs that were held by active Corebridge employees on September 14, 2022 (the pricing date for the IPO) were converted into RSUs linked to the performance of CRBG Stock ("Corebridge RSUs"), on terms and conditions that are substantially the same as the corresponding AIG RSUs, with the number of AIG RSUs adjusted in a manner intended to preserve their intrinsic value as of immediately before and immediately following the conversion (subject to rounding). Specifically, the AIG RSUs were converted to Corebridge RSUs based on a conversion factor of 2.580952. The conversion factor was determined by the AIG closing stock price on September 14 ($54.20) divided by the public offering price for CRBG Stock in the IPO ($21.00).

The Company receives an allocation for these expenses. The Company recognized compensation expenses of $12 million, $10 million and $9 million for the years ending December 31, 2022, 2021 and 2020, respectively, on the date of grant of which all was recharged to related parties.

18. DEBT

The Company is a member of the Federal Home Loan Bank (FHLB) of Dallas.

Membership with the FHLB provides the Company with collateralized borrowing opportunities, primarily as an additional source of liquidity or for other uses deemed appropriate by management. The Company's ownership in the FHLB stock is reported as common stock. Pursuant to the membership terms, the Company elected to pledge such stock to the FHLB as collateral for the Company's obligations under agreements entered into with the FHLB.

Cash advances obtained from the FHLB are reported in and accounted for as borrowed money. The Company may periodically obtain cash advances on a same-day basis, up to a limit determined by management and applicable laws. The Company is required to pledge certain mortgage-backed securities, government and agency securities and other qualifying assets to secure advances obtained from the FHLB. To provide adequate collateral for potential advances, the Company has pledged securities to the FHLB in excess of outstanding borrowings. Upon any event of default by the Company, the recovery by the FHLB would generally be limited to the amount of the Company's liability under advances borrowed.

The following table presents the aggregate carrying value of stock held with the FHLB of Dallas and the classification of the stock:

	December 31,	
(in millions)	**2022**	2021
Membership stock - Class B	**$ 7**	$ 7
Activity stock	**37**	9
Excess stock	**10**	1
Total	**$ 54**	$ 17
Actual or estimated borrowing capacity as determined by the insurer	**$ 2,488**	$ 2,985

The Company did not hold any Class A at December 31, 2022 or 2021.

The following table presents the amount of collateral pledged, including FHLB common stock held, to secure advances from the FHLB:

	December 31, 2022		December 31, 2021	
(in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Amount pledged	**$ 2,228**	**$ 2,017**	$ 454	$ 479
Maximum amount pledged during reporting period	**2,228**	**2,017**	710	761

The Company's borrowing capacity determined quarterly based upon the borrowing limit imposed by statute in the state of domicile.

The following table presents the outstanding funding agreements and maximum borrowings from the FHLB:

	December 31,	
(in millions)	**2022**	**2021**
Maximum amount borrowed during reporting period	**$ 909**	$ 210

While the funding agreements are presented herein to show all amounts received from FHLB, the funding agreements are treated as deposit-type contracts, consistent with the other funding agreements for which the Company's intent is to earn a spread and not to fund operations. The Company had no debt outstanding with the FHLB at December 31, 2022 or 2021.

The following table reflects the principal amounts of the funding agreements issued to the FHLB :

(in millions)

Funding Agreements	Date Issued	Amounts
10-year floating rate	February 15, 2018	$ 209
5-year fixed rate	August 25, 2022	700

19. COMMITMENTS AND CONTINGENCIES

Commitments

The Company had commitments to provide funding to various limited partnerships totaling $1,029 million and $955 million at December 31, 2022 and 2021, respectively. The commitments to invest in limited partnerships and other funds may be called at the discretion of each fund, as needed and subject to the provisions of such fund's governing documents, for funding new investments, follow-on investments and/or fees and other expenses of the fund. Of the total commitments at December 31, 2022, $292 million are currently expected to expire in 2023, and the remainder by 2041 based on the expected life cycle of the related funds and the Company's historical funding trends for such commitments.

At December 31, 2022 and 2021, the Company had $731 million and $347 million, respectively, of outstanding commitments related to various funding obligations associated with its investments in commercial mortgage loans. Of the total current commitments, $179 million are expected to expire in 2023 and the remainder by 2036, based on the expected life cycle of the related loans and the Company's historical funding trends for such commitments.

The Company has various long-term, noncancelable operating leases, primarily for office space and equipment, which expire at various dates over the next several years. At December 31, 2022, the future minimum lease payments under the operating leases are as follows:

(in millions)		
2023	$	3
2024		2
2025		1
2026		—
2027		—
Remaining years after 2027		—
Total	$	6

Rent expense was 3 million, $3 million and $4 million in 2022, 2021 and 2020, respectively.

Contingencies

Legal Matters

Various lawsuits against the Company have arisen in the ordinary course of business. The Company believes it is unlikely that contingent liabilities arising from such lawsuits will have a material adverse effect on the Company's financial position, results of operations or cash flows.

Regulatory Matters

All fifty states and the District of Columbia have laws requiring solvent life insurance companies, through participation in guaranty associations, to pay assessments to protect the interests of policyholders of insolvent life insurance companies. These state insurance guaranty associations generally levy assessments, up to prescribed limits, on member insurers in a particular state based on the proportionate share of the premiums written by member insurers in the lines of business in which the impaired, insolvent or failed insurer is engaged. Such assessments are used to pay certain contractual insurance benefits owed pursuant to insurance policies issued by impaired, insolvent or failed insurers. Some states permit member insurers to recover assessments paid through full or partial premium tax offsets. The Company accrues liabilities for guaranty fund assessments when an assessment is probable and can be reasonably estimated. The Company estimates the liability using the latest information available from the National Organization of Life and Health Insurance Guaranty Associations. While the Company cannot predict the amount and timing of any future guaranty fund assessments, the Company has established reserves it believes are adequate for assessments relating to insurance companies that are currently subject to insolvency proceedings.

The Company accrued $8 million for these guarantee fund assessments at December 31, 2022 and 2021, respectively. The Company has recorded receivables of $3 million at December 31, 2022 and 2021, respectively, for expected recoveries against the payment of future premium taxes.

The Company is not subject to the risk-sharing provisions of the Affordable Care Act.

Various federal, state or other regulatory agencies may from time to time review, examine or inquire into the operations, practices and procedures of the Company, such as through financial examinations, subpoenas, investigations, market conduct exams or other regulatory inquiries. Based on the current status of pending regulatory examinations, investigations and inquiries involving the Company, the Company believes it is not likely that these regulatory examinations, investigations or inquiries will have a material adverse effect on the financial position, results of operations or cash flows of the Company.

Standard of Care Development

The Company provides products and services to certain employee benefit plans that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and/or the Code. Plans subject to ERISA include certain pension and profit-sharing plans and welfare plans, including health, life and disability plans. As a result, our activities are subject to the restrictions imposed by ERISA and the Code, including the requirement under ERISA that fiduciaries must perform their duties solely in the interests of ERISA plan participants and beneficiaries, and that fiduciaries may not cause a covered plan to engage in certain prohibited transactions. The applicable provisions of ERISA and the Code are subject to enforcement by the DOL, the IRS and the Pension Benefit Guaranty Corporation.

The Company and our distributors are subject to laws and regulations regarding the standard of care applicable to sales of our products and the provision of advice to our customers. In recent years, many of these laws and regulations have been revised or reexamined while others have been newly adopted. We closely monitor these legislative and regulatory activities and evaluate the impact of these requirements on us and our customers, distribution partners and financial advisers. Where needed, we have made significant investments to implement and enhance our tools, processes and procedures, to comply with the final rules and interpretations. These efforts and enhancements have resulted in increased compliance costs and may impact sales results and increase regulatory and litigation risk. Additional changes in standard of care requirements or new standards issued by governmental authorities, such as the DOL, the SEC, the NAIC or state regulators and/or legislators, have impacted, and may impact our businesses, results of operations and financial condition.

20. RELATED PARTY TRANSACTIONS

Events Related to AIG and Corebridge

Separation of Life and Retirement Business and Relationship with Blackstone

On September 19, 2022, Corebridge completed an initial public offering (the "IPO") in which AIG sold 80 million shares of Corebridge common stock to the public. As of December 31, 2022, AIG owns 77.7% of the outstanding common stock of Corebridge. AIG is a publicly-traded entity, listed on the New York Stock Exchange (NYSE:AIG). The term "AIG" means AIG and its consolidated subsidiaries, unless the context refers to AIG only.

On November 2, 2021, Argon Holdco LLC ("Argon"), a wholly-owned subsidiary of Blackstone, Inc. ("Blackstone"), acquired a 9.9% equity stake in Corebridge and Corebridge entered into a long-term asset management relationship with Blackstone. Pursuant to the partnership, Corebridge initially transferred $50 billion of assets in their investment portfolio to Blackstone. As of December 31, 2022, the book value of the assets transferred to Blackstone was $48.9 billion. Further beginning in the fourth quarter of 2022, Corebridge transferred $2.1 billion to Blackstone and will transfer $2.1 billion each quarter for an aggregate of $92.5 billion by the third quarter of 2027.

Pursuant to the Stockholders' Agreement that Corebridge entered into with AIG and Argon at the time of acquisition of Argon's Corebridge equity stake, Argon may not sell its ownership interest in Corebridge subject to exceptions permitting Argon to sell 25%, 67% and 75% of its shares after the first, second and third anniversaries, respectively, of the IPO, with the transfer restrictions terminating in full on the fifth anniversary of the IPO. Also, until Argon no longer owns at least 50% of its initial investment in Corebridge, it will have the right to designate for nomination for election one member of the Corebridge board of directors.

Prior to the IPO, Corebridge and certain U.S. subsidiaries were included in the consolidated federal income tax return of AIG as well as certain state tax returns where AIG files on a combined or unitary basis. The provision for income taxes is calculated on a separate return basis. Following the IPO, AIG owns a less than 80% interest in Corebridge, resulting in tax deconsolidation of Corebridge from the AIG Consolidated Tax Group and in a small minority of state jurisdictions which follow federal consolidation rules, the most significant being Florida. In addition, under the applicable law, AGC and its directly owned life insurance subsidiaries (the "AGC Group") will not be permitted to join in the filing of a U.S. consolidated federal income tax return with our other subsidiaries (collectively, the "Non-Life Group") for the five-year waiting period. Instead, the AGC Group is expected to file separately as members of the AGC consolidated U.S. federal income tax return during the five-year waiting period. Following the five-year waiting period, the AGC Group is expected to join the U.S. consolidated federal income tax return with the Non-Life Group.

On November 1, 2021, Corebridge declared a dividend payable to AIG in the amount of $8.3 billion. In connection with such dividend, Corebridge issued a promissory note to AIG in the amount of $8.3 billion. As of September 30, 2022, the promissory note to AIG has been paid in full.

On December 15, 2021, Corebridge and Blackstone Real Estate Income Trust ("BREIT"), a long-term, perpetual capital vehicle affiliated with Blackstone, completed the acquisition by BREIT of the Company's interests in a U.S. affordable housing portfolio for $4.9 billion.

Investment Management Agreements with BlackRock

Under the BlackRock Agreements, Corebridge completed the transfer of the management of approximately $82.4 billion in book value of liquid fixed income and certain private placement assets in the aggregate to BlackRock as of December 31, 2022. In addition, liquid fixed income assets associated with Fortitude Re portfolio were separately transferred to BlackRock. The BlackRock Agreements provide Corebridge with access to market-leading capabilities, including portfolio management, research and tactical strategies in addition to a larger pool of investment professionals. Corebridge believes BlackRock's scale and fee structure make BlackRock an excellent outsourcing partner for certain asset classes and will allow us to further optimize our investment management operating model while improving overall performance. The fees, terms and conditions of the BlackRock Agreements were extensively negotiated, and Corebridge believes them to be highly competitive with those available from other leading investment managers for a fixed income portfolio of comparable size. Further, BlackRock is responsible for its own overhead and operating expenses under the BlackRock Agreements, with the insurance company subsidiaries reimbursing reasonable and documented out-of-pocket third-party expenses.

With respect to other potential liabilities under the BlackRock Agreements, the insurance company subsidiaries have agreed to indemnify BlackRock for certain losses incurred in connection with the services provided by BlackRock pursuant to the BlackRock Agreements or resulting from the insurance company subsidiaries' breach of the investment management agreements.

The investment management agreements contain detailed investment guidelines and reporting requirements. These agreements also contain reasonable and customary representations and warranties, standard of care, confidentiality and other provisions. The investment management agreements will continue unless terminated by either party on 45 days' notice or by us immediately for cause. Corebridge will continue to be responsible for the overall investment portfolio, including decisions surrounding asset allocation, risk composition and investment strategy.

Fortitude Re

Fortitude Re was established during the first quarter of 2018 in a series of reinsurance transactions related to AIG's run-off operations. Those reinsurance transactions were designed to consolidate most of AIG's Insurance run-off lines into a single legal entity. As of December 31, 2022, approximately $29.0 billion of reserves from Corebridge Run-Off Lines and approximately $3.2 billion of reserves from AIG's General Insurance Run-Off Lines related to business written by multiple wholly-owned AIG subsidiaries, had been ceded to Fortitude Re under these reinsurance transactions.
Of the Fortitude Re reinsurance agreements, the largest is the Amended and Restated Combination Coinsurance and Modified Coinsurance Agreement by and between Corebridge's subsidiary, AGL and Fortitude Re. Under this treaty, approximately $22.1 billion of AGL reserves as of December 31, 2022 were ceded to Fortitude Re representing a mix of life and annuity risks. Fortitude Re provides 100 percent reinsurance of the ceded risks. AGL retains the risk of collection of any third party reinsurance covering the ceded business. At effectiveness of the treaty, an amount equal to the aggregate ceded reserves was deposited by AGL into a modified coinsurance account of AGL to secure the obligations of Fortitude Re. Fortitude Re receives or makes quarterly payments that represent the net gain or loss under the treaty for the relevant quarter, including any net investment gain or loss on the assets in the modified coinsurance account. In December 2022, the management of most of the public fixed income securities in the modified coinsurance account was transitioned to BlackRock. In accordance with the terms of the treaty, following the third anniversary of the June 2, 2020 closing of the sale of our majority interest in Fortitude Group Holdings, L.L.C., Fortitude Re has increased rights to direct the appointment of investment managers to manage the assets in the modified coinsurance account.

Following receipt of all regulatory approvals and the satisfaction of other conditions, effective as of January 1, 2022, AIG sold to an affiliate of Fortitude Re all of the outstanding capital stock of two servicing companies that administer the Life and Retirement and General Insurance ceded business, and the ceding insurers entered into administrative services agreements pursuant to which AIG transferred administration of certain Life and Retirement and General Insurance ceded business to such companies.

Transfer of AIG Technologies, Inc and Eastgreen Inc.

In connection with the Reorganization, Corebridge and AIG entered into agreements under which Corebridge purchased AIG Technologies, Inc. ("AIGT") and Eastgreen, Inc. ("Eastgreen") from AIG affiliates on February 28, 2022 for total consideration of $107 million. AIGT provides data processing, technology and infrastructure services to Corebridge and AIG entities in the United States, including management of AIG hardware and networks. AIGT utilizes two data centers to provide its services. The real estate related to the two data centers is owned by Eastgreen. To the extent needed, AIGT will continue to provide services to AIG for a transition period.

COVID-19

We are continually assessing the impact on our business, operations and investments of COVID-19 and the resulting ongoing economic and societal disruption. These impacts initially included a global economic contraction, disruptions in financial markets, increased market volatility and declines in certain equity and other asset prices that had negative effects on our investments, our access to liquidity, our ability to generate new sales and the costs associated with claims. Further, significant legislative and regulatory activity has occurred at both the U.S. federal and state levels, as well as globally. We cannot predict what form future legal and regulatory responses to concerns about COVID-19 and related public health issues will take, or how such responses will impact our business.

The most significant impacts relating to COVID-19 have been the impact of interest rate, credit spreads and equity market levels on spread and fee income, and increased mortality. We are actively monitoring the mortality rates and the potential direct and indirect impacts that COVID-19 may have across our businesses. The last two quarters saw the fewest national fatalities since the start of the pandemic. Actual data related to cause of death is not always available for all claims paid, and such cause of death data does not always capture the existence of comorbid conditions. The regulatory approach to the pandemic and impact on the insurance industry is continuing to evolve and its ultimate impact remains uncertain.

We have a diverse investment portfolio with material exposures to various forms of credit risk. To date, there has been minimal impact on the value of the portfolio. At this point in time, uncertainty surrounding the duration and severity of the COVID-19 pandemic makes the long-term financial impact difficult to quantify.

COVID-19 continued to have an impact in 2022. Circumstances resulting from the COVID-19 pandemic, in addition to an increase in claims, may also impact utilization of benefits, lapses or surrenders of policies and payments of insurance premiums, all of which have impacted and could further impact the revenues and expenses associated with our products.

Selkirk Transactions

During 2013 and 2014, the Company entered into securitization transactions in which portfolios of the Company's commercial mortgage loans were transferred to special purpose entities (Selkirk No.2 Investments, Selkirk No.3V Investments), with the Company retaining a significant beneficial interest in the securitized loans. As consideration for the transferred loans, the Company received beneficial interests in certain special purpose entities and cash proceeds from the securitized notes issued to third party investors by other special purpose entities. Selkirk No.2 Investments was redeemed in full in 2020, and Selkirk No.3V Investments was redeemed in full in 2021.

Lighthouse VI

During 2013, the Company, along with an affiliate, executed three transactions in which a portfolio of securities was, in each transaction, transferred into a newly established Common Trust Fund (CTF) in exchange for proportionate interests in all assets within each CTF as evidenced by specific securities controlled by and included within the Company's Representative Security Account (RSA).

In each transaction, a portion of the Company's securities were transferred to the RSA of the affiliate, AGL, in exchange for other AGL securities. As of October 2021, the CTFs for the Lighthouse I and Lighthouse II transactions were liquidated.

Ambrose

During 2012, 2013 and 2014, the Company entered into securitization transactions in which the Company transferred portfolios of high grade corporate securities, and structured securities acquired from AIG, to newly formed special purpose entities (the Ambrose entities). As consideration for the transferred securities, the Company received beneficial interests in tranches of structured securities issued by each Ambrose entity. These structured securities were designed to closely replicate the interest and principal amortization payments of the transferred securities.

The Ambrose entities received capital commitments from a non-U.S. subsidiary of AIG, which are guaranteed by AIG. Pursuant to these capital commitments, the promissor will contribute funds to the respective Ambrose entity upon demand.

These capital commitments received by the Ambrose entities range from $200 million to $400 million per entity.

In February 2021, March 2021 and May 2021, the structured securities issued by Ambrose 2013-4, Ambrose 2012-1 and Ambrose 2014-6, respectively, were redeemed in full.

American Home Guarantee

The Company has a General Guarantee Agreement with American Home Assurance Company (American Home), an indirect wholly owned subsidiary of AIG. Pursuant to the terms of the agreement, American Home has unconditionally and irrevocably guaranteed insurance policies that the Company issued between March 3, 2003 and December 29, 2006. American Home's audited statutory financial statements are filed with the SEC in the Company's registration statements for variable products that are subject to the Guarantee.

Affiliate Transactions

Effective October 1, 2022, the Company entered into a modified coinsurance reinsurance agreement with American General Life Insurance Company (AGL), pursuant to which certain blocks of the Company's variable annuity (VA) business were ceded to AGL. The ceded reserves and assets supporting the reserves remain on the Company's balance sheet, pursuant to the modified coinsurance structure. The business covered by the agreement includes substantially all of the Company's VA contracts, excluding those issued by the Company in the State of New York and those that have been previously assumed (through reinsurance) by the Company. At inception, the Company ceded approximately $22.9 billion of reserves and received a ceding commission of approximately $1.5 billion from AGL representing the embedded profits in the business ceded. $23 billion was recorded as a reduction in premiums and $22 billion was recorded in reserve adjustments on reinsurance ceded in the statutory statement of operations. The majority of the initial ceding commission was recognized directly in surplus on an after-tax basis, while a portion of the ceding commission ($0.3 billion) was recognized as Commission and expense allowances on reinsured ceded in the Summary of Operations as an offset to the related tax expense. The after-tax surplus impact will be amortized over the life of the treaty as the after-tax profits emerge on the reinsured business and will be recognized as Commission and expense allowances on reinsured ceded in the Summary of Operations, offset by a corresponding charge to change in surplus as a result of reinsurance with no net impact on capital and surplus. After contract inception, AGL will pay a ceding commission and expense allowance to reimburse the Company for its commissions, related issue and policy administration expenses. The agreement was non-disapproved by the TDI. The agreement allows the Company and AGL to more efficiently manage the reserve and capital requirements for their VA business.

During the year ended December 31, 2022, the Company purchased $1.0 billion and sold $1.4 billion of securities, at fair market value, from or to one or more of its affiliates in the ordinary course of business. For additional information regarding purchase and sale transactions involving the Company with an affiliate, please refer to the Company's Annual Registration Statement and monthly amendments filed with the TDI, as applicable..

At December 31, 2022, the company's unfunded capital commitment to US Fund I, US Fund II, US Fund III, US Fund IV, Europe Fund I and Europe Fund II were approximately $10.9 million, $12.7 million, $35 million, $112.3 million, $4.9 million and $80.5 million, respectively.

At December 31, 2021, the Company's unfunded capital commitments to US Fund I, US Fund II, US Fund III, Europe Fund I and Europe Fund II were approximately $10.9 million, $13.1 million, $59.4 million, $5.5 million and $85.6 million, respectively.

At December 31, 2020, the Company's unfunded capital commitment to U.S. Fund I, U.S. Fund II, U.S Fund III, Europe Fund I and Europe Fund II were approximately $11.3 million, $14.9 million, $59.3 million, $6 million and $103.3 million, respectively.

Financing Agreements

On January 1, 2015, the Company and certain of its affiliates entered into a revolving loan facility with AIG, pursuant to which the Company and each such affiliate can, on a several basis, borrow monies from AIG (as lender) subject to the terms and conditions stated therein. Principal amounts borrowed under this facility may be repaid and reborrowed, in whole or in part, from time to time, without penalty. However, the total aggregate amount of loans borrowed by all borrowers under the facility cannot exceed $500 million. The loan facility also sets forth individual borrowing limits for each borrower, with the Company's maximum borrowing limit being $500 million. This agreement terminated concurrent with the IPO of Corebridge Financial on September 19, 2022.

On May 17, 2022, the Company and certain of its affiliates entered into a revolving loan facility with Corebridge, pursuant to which the Company and each such affiliate can, on a several basis, borrow monies from Corebridge (as lender) subject to the terms and conditions stated therein. Principal amounts borrowed under this facility may be repaid and re-borrowed, in whole or in part, from time to time, without penalty. However, the total aggregate amount of loans borrowed by all borrowers under the facility cannot exceed $500 million. The loan facility also sets forth individual borrowing limits for each borrower, with the Company's maximum borrowing limit being $500 million. As of December 31, 2022, the Company had no outstanding balance owing under this revolving loan facility.

Investments in Subsidiary, Controlled and Affiliated

The following table presents information regarding the Company's investments in non-insurance SCA entities as of December 31, 2022:

(in millions)	Gross Amount	Non-admitted Amount	Admitted Asset Amount	Date of NAIC Filing
VALIC Retirement Services Company	$ 78	$ —	$ 78	N/A
American Gen Asnmt Corp NY	—	—	—	N/A
HRA Administrator LLC	—	—	—	N/A
AG Insurance Agency	—	—	—	N/A
VALIC Finl Advisors Inc	71	—	71	N/A
Broadstone Juniper LLC	3	—	3	N/A
CIBANCO SA IBM Fideicomiso CIB/2133 (Mexico	17	—	17	N/A
AIGGRE Europe Real Estate Fund II LR Feeder, LLC	49	—	49	N/A
AIGGRE LB Southeast Industrial JV LLC	78	—	78	N/A
Bayshore PII Company LLC	6	—	6	N/A
AIGGRE US Real Estate Fund IV Development	20	—	20	N/A
GRE LB Industrial Joint Venture II, LP	15	—	15	N/A
AIGGRE U.S. Real Estate Fund IV, LP	93	—	93	N/A
Branch Retail Partners II, LP	11	—	11	N/A
Bayshore Shopping Center JV LLC	15	—	15	N/A
AIGGRE U.S. Real Estate Fund III, LP	93	—	93	N/A
Corebridge REI Bartlett Investor I LLC	2	—	2	N/A
Corebridge REI Papermill Investor I LLC	1	—	1	N/A
AIGGRE U.S. LT Apartments JV, LP	25	—	25	N/A
AIGGRE U.S. Real Estate Fund II, LP	16	—	16	N/A
AIGGRE Europe Real Estate Fund I S.C.SP	2	—	2	N/A
AIGGRE U.S. Real Estate Fund I, LP	(1)	—	(1)	N/A
Total	$ 594	—	$ 594	

Operating Agreements

The Company has investments in a Liquidity Pool in which funds are managed by an affiliate, AIG Capital Management Corporation, in the amount of $240 million and $35 million at December 31, 2022 and 2021, respectively. These funds were reclassified in 2021 to cash equivalents from short-term investments per NAIC guidelines.

Pursuant to service and expense agreements, AIG, Corebridge and affiliates provide, or cause to be provided, administrative, marketing, investment management, accounting, occupancy, and data processing services to the Company. The allocation of costs for services is based generally on estimated levels of usage, transactions or time incurred in providing the respective services. Generally, these agreements provide for the allocation of costs upon either the specific identification basis or a proportional cost allocation basis which management believes to be reasonable. In all cases, billed amounts pursuant to these agreements do not exceed the cost to AIG or the affiliate providing the service. The Company was charged $413 million, $419 million and $427 million as part of the cost sharing expenses attributed to the Company but incurred by AIG and affiliates in 2022, 2021 and 2020, respectively.

Pursuant to an amended and restated investment advisory agreement, the majority of the Company's invested assets are managed by an affiliate. The investment management fees incurred were $34 million in 2022, and $39 million in 2021 and $43 million in 2020, respectively.

21. SUBSEQUENT EVENTS

Management considers events or transactions that occur after the reporting date, but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosures. The Company has evaluated subsequent events through April 25, 2023, the date the financial statements were issued.

Supplemental Information

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY
SUPPLEMENTAL SCHEDULE OF ASSETS AND LIABILITIES (Continued)

(in millions)	December 31, 2022
Investment income earned:	
Government bonds	$ 31
Other bonds (unaffiliated)	1,589
Bonds of affiliates	—
Preferred stocks (unaffiliated)	3
Common stocks (unaffiliated)	100
Common stocks of affiliates	—
Cash and short-term investments	13
Mortgage loans	308
Real estate	2
Contract loans	22
Other invested assets	47
Derivative instruments	156
Miscellaneous income	—
Gross investment income	$ 2,271
Real estate owned - book value less encumbrances	$ 4
Mortgage loans - book value:	
Commercial mortgages	$ 6,748
Residential mortgages	551
Mezzanine loans	183
Affiliated residential mortgages	
Total mortgage loans	$ 7,482
Mortgage loans by standing - book value:	
Good standing	$ 7,344
Good standing with restructured terms	137
Interest overdue more than 90 days, not in foreclosure	1
Foreclosure in process	—
Total mortgage loans	$ 7,482
Partnerships - statement value	$ 2,241
Bonds and stocks of parents, subsidiaries and affiliates - statement value:	
Bonds	$ 38,055
Common stocks	208
Bonds, short-term and cash equivalent bond investments by class and maturity:	
Bonds, short-term and cash equivalent bond investments by maturity - statement value:	
Due within one year or less	$ 1,877
Over 1 year through 5 years	9,737
Over 5 years through 10 years	9,465
Over 10 years through 20 years	7,550
Over 20 years	9,500
Total maturity	$ 38,129
Bonds, short-term and cash equivalent bond investments by class - statement value:	
Class 1	$ 21,557
Class 2	14,081
Class 3	1,339
Class 4	661
Class 5	417
Class 6	74
Total by class	$ 38,129
Total bonds, short-term and cash equivalent bond investments publicly traded	$ 21,332
Total bonds, short-term and cash equivalent bond investments privately traded	16,797
Preferred stocks - statement value	$ 12
Common stocks - market value	208
Short-term investments - book value	74
Cash equivalents - book value	267
Options, caps and floors owned - statement value	56
Collar, swap and forward agreements open - statement value	218
Futures contracts open - current value	—
Cash on deposit	(156)

(in millions)		December 31, 2022
Life insurance in-force:		
Industrial	$	—
Ordinary		2
Credit		—
Group		—
Amount of accidental death insurance in-force under ordinary policies		—
Life insurance policies with disability provisions in-force:		
Industrial		—
Ordinary		—
Group life		—
Supplementary contracts in-force:		
Ordinary - not involving life contingencies:		
Amount on deposit		24
Income payable		6
Ordinary - involving life contingencies:		
Amount on deposit		284
Income payable		37
Group - not involving life contingencies:		
Amount on deposit		—
Annuities:		
Ordinary:		
Immediate - amount of income payable	$	17
Deferred, fully paid - account balance		24,102
Deferred, not fully paid - account balance		—
Group:		
Amount of income payable		11
Fully paid - account balance		18,677
Not fully paid - account balance		—
Accident and health insurance - premiums in-force:		
Other	$	—
Group		—
Credit		—
Deposit funds and dividend accumulations:		
Deposit funds - account balance	$	703
Dividend accumulations - account balance		—
Claim payments in 2022		
Group accident & health:		
2022	$	—
2021		—
2020		—
2019		—
2018		—
Prior		—
Other accident & health:		
2022		—
2021		—
2020		—
2019		—
2018		—
Prior		—

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY
SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES (Continued)
DECEMBER 31, 2022

(in millions)

1. The Company's total admitted assets as of December 31, 2022 are $84.6 billion.

The Company's total admitted assets, excluding separate accounts, as of December 31, 2022 are $49.8 billion.

2. Following are the 10 largest exposures to a single issuer/borrower/investment, by investment category, excluding: (i) U.S. Government, U.S. Government agency securities and those U.S. Government money market funds listed in the Appendix to the IAO Practices and Procedures Manual as exempt, (ii) property occupied by the Company, and (iii) policy loans:

	Issuer	Description of Exposure		Amount	Percentage of Total Admitted Assets	
a.	AIG DECO Fund II LP	OIA- LP	$	711	1.40	%
b.	AIG Global Real Estate Investment Corp	OIA		427	0.90	
c.	Amazon.com, Inc.	Bonds		238	0.50	
d.	Oracle Corporation	Bonds		232	0.50	
e.	Verizon Communications Inc.	Bonds		198	0.40	
f.	Duke Energy Corporation	Bonds		191	0.40	
g.	California, State of	Bonds		180	0.40	
h.	JPMorgan Chase & Co.	Bonds		177	0.40	
i.	Walt Disney Company, The	Bonds		173	0.30	
j.	Sempra Energy	Bonds		169	0.30	

3. The Company's total admitted assets held in bonds and preferred stocks, by NAIC rating, are:

Bonds and Short-Term Investments					Preferred Stocks				
NAIC Rating		Amount	Percentage of Total Admitted Assets		NAIC Rating		Amount	Percentage of Total Admitted Assets	
NAIC - 1	$	21,557	43.30	%	P/RP - 1	$	9	—	%
NAIC - 2		14,081	28.30		P/RP - 2		—	—	
NAIC - 3		1,339	2.70		P/RP - 3		—	—	
NAIC - 4		661	1.30		P/RP - 4		—	—	
NAIC - 5		417	0.80		P/RP - 5		3	—	
NAIC - 6		74	0.10		P/RP - 6		—	—	

4. Assets held in foreign investments:

			Amount	Percentage of Total Admitted Assets	
a.	Total admitted assets held in foreign investments	$	8,161	16.40	%
b.	Foreign currency denominated investments		2,392	4.80	
c.	Insurance liabilities denominated in that same foreign currency		—	—	

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

			Amount	Percentage of Total Admitted Assets	
a.	Countries rated NAIC - 1	$	6,935	13.90	%
b.	Countries rated NAIC - 2		829	1.70	
c.	Countries rated NAIC - 3 or below		397	0.80	

(in millions)

6. Two largest foreign investment exposures to a single country, categorized by the country's NAIC sovereign rating:

	Amount	Percentage of Total Admitted Assets
a. Countries rated NAIC - 1		
Country 1: United Kingdom	$ 1,579	3.20 %
Country 2: Australia	1,112	2.20
b. Countries rated NAIC - 2		
Country 1: Mexico	281	0.60
Country 2: Indonesia	159	0.30
c. Countries rated NAIC - 3 or below		
Country 1: British Virgin Isles	153	0.30
Country 2: Colombia	116	0.20

7. Aggregate unhedged foreign currency exposure:

	Amount	Percentage of Total Admitted Assets
Aggregate unhedged foreign currency exposure	$ 2,392	4.80 %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign rating:

	Amount	Percentage of Total Admitted Assets
a. Countries rated NAIC - 1	$ 2,280	4.60 %
b. Countries rated NAIC - 2	3	—
c. Countries rated NAIC - 3 or below	108	0.20

9. Two largest unhedged foreign currency exposures to a single country, categorized by the country's NAIC sovereign rating:

	Amount	Percentage of Total Admitted Assets
a. Countries rated NAIC - 1		
Country 1: United Kingdom	$ 893	1.80 %
Country 2: Ireland	382	0.80
b. Countries rated NAIC - 2		
Country 1: Peru	2	—
Country 2: Mexico	1	—
c. Countries rated NAIC - 3 or below		
Country 1: British Virgin Isles	84	0.20
Country 2: European Union	23	—

(in millions)

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

		NAIC Rating	Amount	Percentage of Total Admitted Assets
a.	Dexus	NAIC 1 - Bonds	$ 122	0.20 %
b.	5555187Get Living London EV Holdco Limited	MORTGAGE	120	0.20
c.	Vodafone Group Plc	NAIC 2 - Bonds	95	0.20
d.	5555143 GS London Portfolio II Unit Trust	MORTGAGE	90	0.20
e.	GPT Group, The	NAIC 1 - Bonds	85	0.20
f.	Royal Dutch Shell plc	NAIC 1 - Bonds	85	0.20
g.	5555149 DV4 Eadon CO. Limited	MORTGAGE	84	0.20
h.	5555229 Sponda PledgeCo B Oy	MORTGAGE	80	0.20
i.	IK VIII No. 1 Limited	NAIC 1 & 2 -	74	0.10
j.	Ausgrid Finance Pty Ltd	NAIC 2 - Bonds	70	0.10

11. Assets held in Canadian investments are less than 2.5% of the reporting entity's total admitted assets.

12. Assets held in investments with contractual sales restrictions are less than 2.5 percent of the Company's total admitted assets.

13. The Company's admitted assets held in the ten largest equity interests (including investments in the shares of mutual funds, preferred stocks, publicly traded equity securities, and other equity securities and excluding money market and bond mutual funds listed in the Appendix to the SVO Practices and Procedures Manual as exempt or Class 1) are:

		Amount	Percentage of Total Admitted Assets
a.	AIG DECO Fund II LP	$ 711	1.40 %
b.	AIG Global Real Estate Investment Corp	427	0.90
c.	Silver (BREDS)	75	0.20
d.	The Spiral	61	0.10
e.	Platinum Equity LLC	54	0.10
f.	MARSHALL WACE FUNDS	53	0.10
g.	Project Arrow USD	50	0.10
h.	Carlyle Group	47	0.10
i.	Marina	43	0.10
j.	Schonfeld Strategic Advisors LLC	43	0.10

(in millions)

14. Assets held in nonaffiliated, privately placed equities:

		Amount	Percentage of Total Admitted Assets	
Aggregate statement value of investment held in nonaffiliated, privately placed equities:	$	1,171	2.40	%
Largest three investments held in nonaffiliated, privately placed equities:				
a. AIG DECO Fund II LP	$	711	1.40	
b. Silver (BREDS)		75	0.20	
c. The Spiral		61	0.10	

Ten largest fund managers:

Fund Manager		Total Invested		Diversified		Non-diversified
a. AIG DECO Fund II LP	$	711	$	711	$	—
b. AIG Global Real Estate Investment Corp		427		—		427
c. Silver (BREDS)		75		—		75
d. The Spiral		61		—		61
e. Platinum Equity LLC		54		54		—
f. MARSHALL WACE FUNDS		53		53		—
g. Project Arrow USD		50		—		50
h. Carlyle Group		47		47		—
i. Marina		43		—		43
j. Schonfeld Strategic Advisors LLC		43		43		—

15. Assets held in general partnership interests are less than 2.5 percent of the Company's total admitted assets.

16. Mortgage loans reported in Schedule B, include the following ten largest aggregate mortgage interests. The aggregate mortgage interest represents the combined value of all mortgages secured by the same property or same group of properties:

		Amount	Percentage of Total Admitted Assets	
a. COMMERCIAL MORTGAGE LOAN, Loan No. 5555187, GBR	$	120	0.20	%
b. COMMERCIAL MORTGAGE LOAN, Loan No. 8002626, NY		104	0.20	
c. COMMERCIAL MORTGAGE LOAN, Loan No. 8002930, CA		100	0.20	
d. COMMERCIAL MORTGAGE LOAN, Loan No. 8002642, FL		100	0.20	
e. COMMERCIAL MORTGAGE LOAN, Loan No. 8002917, NY		99	0.20	
f. COMMERCIAL MORTGAGE LOAN, Loan No. 5555143, GBR		90	0.20	
g. COMMERCIAL MORTGAGE LOAN, Loan No. 8002282, HI		87	0.20	
h. COMMERCIAL MORTGAGE LOAN, Loan No. 8002587, NY		86	0.20	
i. COMMERCIAL MORTGAGE LOAN, Loan No. 8002157, NY		86	0.20	
j. COMMERCIAL MORTGAGE LOAN, Loan No. 5555149, GBR		84	0.20	

(in millions)

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

	Amount	Percentage of Total Admitted Assets
a. Construction loans	$ 295	0.60 %
b. Mortgage loans over 90 days past due	1	—
c. Mortgage loans in the process of foreclosure	—	—
d. Mortgage loans foreclosed	—	—
e. Restructured mortgage loans	137	0.30

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

	Residential		Commercial		Agricultural	
Loan-to-Value	Amount	Percentage of Total Admitted Assets	Amount	Percentage of Total Admitted Assets	Amount	Percentage of Total Admitted Assets
a. above 95%	$ 1	— %	$ 191	0.40 %	$ —	— %
b. 91% to 95%	—	—	61	0.10	—	—
c. 81% to 90%	—	—	201	0.40	—	—
d. 71% to 80%	—	—	606	1.20	—	—
e. below 70%	550	1.10	5,797	11.60	—	—

18. Assets held in each of the five largest investments in one parcel or group of contiguous parcels of real estate reported in Schedule A are less than 2.5 percent of the Company's total admitted assets.

19. Assets held in mezzanine real estate loans are less than 2.5 percent of the Company's total admitted assets.

20. The Company's total admitted assets subject to the following types of agreements as of the following dates:

	At Year-End		Unaudited At End of Each Quarter		
			1st Quarter	2nd Quarter	3rd Quarter
	Amount	Percentage of Total Admitted Assets	Amount	Amount	Amount
a. Securities lending (do not include assets held as collateral for such transactions)	$ —	— %	$ 731	$ 654	$ —
b. Repurchase agreements	1,524	3.10	68	93	32
c. Reverse repurchase agreements	—	—	—	—	—
d. Dollar repurchase agreements	—	—	—	—	—
e. Dollar reverse repurchase agreements	—	—	—	—	—

(in millions)

21. The Company's potential exposure to warrants not attached to other financial instruments, options, caps, and floors:

	Owned		Written	
	Amount	Percentage of Total Admitted Assets	Amount	Percentage of Total Admitted Assets
a. Hedging	$ —	— %	$ —	— %
b. Income generation	—	—	—	—
c. Other	—	—	—	—

22. The Company's potential exposure (defined as the amount determined in accordance with the NAIC Annual Statement Instructions) for collars, swaps, and forwards as of the following dates:

	At Year-End		Unaudited At End of Each Quarter		
			1st Quarter	2nd Quarter	3rd Quarter
	Amount	Percentage of Total Admitted Assets	Amount	Amount	Amount
a. Hedging	$ 47	0.10 %	$ 45	$ 46	$ 48
b. Income generation	—	—	—	—	—
c. Replications	—	—	—	—	—
d. Other	—	—	—	—	—

23. The Company's potential exposure (defined as the amount determined in accordance with the NAIC Annual Statement Instructions) for futures contracts as of the following dates:

	At Year-End		Unaudited At End of Each Quarter		
			1st Quarter	2nd Quarter	3rd Quarter
	Amount	Percentage of Total Admitted Assets	Amount	Amount	Amount
a. Hedging	$ 5	— %	$ 15	$ 9	$ 9
b. Income generation	—	—	—	—	—
c. Replications	—	—	—	—	—
d. Other	—	—	—	—	—

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY
SUPPLEMENTAL SUMMARY INVESTMENT SCHEDULE
DECEMBER 31, 2022

(in millions)	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
Investment Categories	Amount	Percentage	Amount	Securities Lending Reinvested Collateral Amount	Total Amount	Percentage
Bonds:						
U.S. governments	$ 609	1.3 %	$ 609	$ —	$ 609	1.3 %
All other governments	1,131	2.3	1,131	—	1,131	2.3
U.S. states, territories and possessions, etc. guaranteed	294	0.6	294	—	294	0.6
U.S. political subdivisions of states, territories, and possessions, guaranteed	174	0.4	174	—	174	0.4
U.S. special revenue and special assessment obligations, etc. non-guaranteed	3,121	6.4	3,121	—	3,121	6.4
Industrial and miscellaneous	31,510	64.5	31,510	—	31,510	64.5
Hybrid securities	105	0.2	105	—	105	0.2
Parent, subsidiaries and affiliates	—	—	—	—	—	—
SVO identified funds	—	—	—	—	—	—
Unaffiliated Bank loans	1,111	2.3	1,111	—	1,111	2.3
Total long-term bonds	$38,055	77.9	$ 38,055	$ —	$ 38,055	77.9
Preferred stocks:						
Industrial and miscellaneous (Unaffiliated)	$ 12	—	$ 12	$ —	$ 12	—
Parent, subsidiaries and affiliates	—	—	—	—	—	—
Total preferred stocks	$ 12	—	$ 12	$ —	$ 12	—
Common stocks:						
Industrial and miscellaneous Publicly traded (Unaffiliated)	$ 3	—	$ 3	$ —	$ 3	—
Industrial and miscellaneous Other (Unaffiliated)	55	0.1	55	—	55	0.1
Parent, subsidiaries and affiliates Publicly traded	—	—	—	—	—	—
Parent, subsidiaries and affiliates Other	150	0.3	150	—	150	0.3
Mutual funds	—	—	—	—	—	—
Total common stocks	$ 208	0.4	$ 208	$ —	$ 208	0.4
Mortgage loans:						
Farm mortgages	$ —	—	$ —	$ —	$ —	—
Residential mortgages	550	1.1	550	—	550	1.1
Commercial mortgages	6,748	13.8	6,748	—	6,748	13.8
Mezzanine real estate loans	183	0.4	183	—	183	0.4
Total valuation allowance	(75)	(0.2)	(75)	—	(75)	(0.2)
Total mortgage loans	$ 7,406	15.2	$ 7,406	$ —	$ 7,406	15.2
Real estate:						
Properties occupied by company	$ 4	—	$ 4	$ —	$ 4	—
Properties held for production of income	—	—	—	—	—	—
Properties held for sale	—	—	—	—	—	—
Total real estate	$ 4	—	$ 4	$ —	$ 4	—
Cash, cash equivalents and short-term investments:						
Cash	$ (156)	(0.3)	$ (156)	$ —	$ (156)	(0.3)
Cash equivalents	267	0.6	267	—	267	0.6
Short-term investments	74	0.2	74	—	74	0.2
Total cash, cash equivalents and short-term investments	$ 185	0.4	$ 185	$ —	$ 185	0.4
Contract loans	$ 422	0.9	$ 422	$ —	$ 422	0.9
Derivatives	275	0.6	275	—	275	0.6
Other invested assets	2,247	4.6	2,241	—	2,241	4.6
Receivables for securities	23	0.1	23	—	23	0.1
Securities Lending	—	—	—	—	—	—
Other invested assets	5	—	5	—	5	—
Total invested assets	$48,842	100.0 %	$ 48,836	$ —	$ 48,836	100 %

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY
SUPPLEMENTAL SCHEDULE OF REINSURANCE DISCLOSURES
December 31, 2022

The following information regarding reinsurance contracts is presented to satisfy the disclosure requirements in SSAP No. 61R, Life, Deposit-Type and Accident and Health Reinsurance, which apply to reinsurance contracts entered into, renewed or amended on or after January 1, 1996.

1. Has the Company reinsured any risk with any other entity under a reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) that is subject to Appendix A-791, Life and Health Reinsurance Agreements, and includes a provision that limits the reinsurer's assumption of significant risks identified in Appendix A-791?

   Yes [ ] No [X]

   If yes, indicate the number of reinsurance contracts to which such provisions apply: __________

   If yes, indicate if deposit accounting was applied for all contracts subject to Appendix A-791 that limit significant risks.

   Yes [ ] No [ ] N/A [X]

2. Has the Company reinsured any risk with any other entity under a reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) that is not subject to Appendix A-791, for which reinsurance accounting was applied and includes a provision that limits the reinsurer's assumption of risk?

   Yes [ ] No [X]

   If yes, indicate the number of reinsurance contracts to which such provisions apply: __________

   If yes, indicate whether the reinsurance credit was reduced for the risk-limiting features.

   Yes [ ] No [ ] N/A [X]

3. Does the Company have any reinsurance contracts (other than reinsurance contracts with a federal or state facility) that contain one or more of the following features which may result in delays in payment in form or in fact:

   (a) Provisions that permit the reporting of losses to be made less frequently than quarterly;

   (b) Provisions that permit settlements to be made less frequently than quarterly;

   (c) Provisions that permit payments due from the reinsurer to not be made in cash within ninety (90) days of the settlement date (unless there is no activity during the period); or

   (d) The existence of payment schedules, accumulating retentions from multiple years, or any features inherently designed to delay timing of the reimbursement to the ceding entity.

   Yes [ ] No [X]

4. Has the Company reflected reinsurance accounting credit for any contracts that are not subject to Appendix A-791 and not yearly renewable term reinsurance, which meet the risk transfer requirements of SSAP No. 61R?

Type of contract:	Response:	Identify reinsurance contract(s):	Has the insured event(s) triggering contract coverage been recognized?
Assumption reinsurance – new for the reporting period	Yes [ ] No [X]		N/A
Non-proportional reinsurance, which does not result in significant surplus relief	Yes [X] No [ ]		No

5. Has the Company ceded any risk, which is not subject to Appendix A-791 and not yearly renewable term reinsurance, under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statements, and either:

   (a) Accounted for that contract as reinsurance under statutory accounting principles (SAP) and as a deposit under generally accepted accounting principles (GAAP); or

   Yes [ ] No [X] N/A [ ]

   (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

   Yes [ ] No [X] N/A [ ]

   If the answer to item (a) or item (b) is yes, include relevant information regarding GAAP to SAP differences from the accounting policy footnote to the audited statutory-basis financial statements to explain why the contract(s) is treated differently for GAAP and SAP below: