CF Bermuda Holdings Limited

Consolidated Financial Statements

(With Independent Auditor's Report Thereon)

CF BERMUDA HOLDINGS LIMITED

INDEX OF CONSOLIDATED FINANCIAL STATEMENTS

KPMG LLP
2500 Ruan Center
666 Grand Avenue
Des Moines, IA 50309

Independent Auditors' Report

The Board of Directors
CF Bermuda Holdings Limited:

We have audited the accompanying consolidated financial statements of CF Bermuda Holdings Limited and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income (loss), changes in shareholder's equity, and cash flows for the year ended December 31, 2018 and the period from December 1 to December 31, 2017, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CF Bermuda Holdings Limited and its subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the year ended December 31, 2018 and the period from December 1 to December 31, 2017, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Des Moines, Iowa
March 29, 2019

CF BERMUDA HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	December 31, 2018	December 31, 2017
ASSETS		
Investments:		
Fixed maturity securities, available-for-sale, at fair value (amortized cost: December 31, 2018 - $22,163; December 31, 2017 - $20,847)	$ 21,055	$ 20,963
Equity securities, at fair value (cost: December 31, 2018 - $1,526; December 31, 2017 - $1,392)	1,382	1,388
Derivative investments	97	492
Short term investments	—	25
Mortgage loans	667	548
Other invested assets	662	188
Total investments	23,863	23,604
Cash and cash equivalents	564	1,145
Accrued investment income	216	211
Funds withheld for reinsurance receivables, at fair value	757	756
Reinsurance recoverable	3,190	2,494
Intangibles, net	1,359	853
Deferred tax assets, net	343	182
Goodwill	467	467
Other assets	125	141
Total assets	$ 30,884	$ 29,853
LIABILITIES AND SHAREHOLDER'S EQUITY		
Contractholder funds	$ 23,387	$ 21,827
Future policy benefits, including $725 and $728 at fair value at December 31, 2018 and December 31, 2017, respectively	4,641	4,751
Funds withheld for reinsurance liabilities	722	2
Liability for policy and contract claims	64	78
Debt	541	307
Revolving credit facility	—	105
Other liabilities	629	830
Total liabilities	29,984	27,900
Commitments and contingencies ("Note 11")		
Shareholder's equity:		
Common stock ($1 par value, 12,000 shares authorized, 1,000 shares issued and outstanding at December 31, 2018 and December 31, 2017, respectively	—	—
Additional paid-in capital	1,983	1,980
Retained earnings (Accumulated deficit)	(147)	(102)
Accumulated other comprehensive income (loss)	(936)	75
Total shareholder's equity	900	1,953
Total liabilities and shareholder's equity	$ 30,884	$ 29,853

See accompanying notes to consolidated financial statements.

CF BERMUDA HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except share data)

	Year ended December 31, 2018	Period from December 1 to December 31, 2017
Revenues:		
Premiums	$ 54	$ 3
Net investment income	1,105	92
Net investment gains (losses)	(629)	42
Insurance and investment product fees and other	179	16
Total revenues	709	153
Benefits and expenses:		
Benefits and other changes in policy reserves	423	124
Acquisition and operating expenses, net of deferrals	175	15
Amortization of intangibles	49	4
Total benefits and expenses	647	143
Operating income	62	10
Interest expense	(29)	(2)
Income (loss) before income taxes	33	8
Income tax expense	(16)	(110)
Net income (loss)	$ 17	$ (102)
Supplemental disclosures		
Total other-than-temporary impairments	$ (24)	$ —
Portion of other-than-temporary impairments included in other comprehensive income	—	—
Net other-than-temporary impairments	(24)	—
Gains (losses) on derivatives and embedded derivatives	(295)	37
Other investment gains (losses)	(310)	5
Total net investment gains (losses)	$ (629)	$ 42

See accompanying notes to consolidated financial statements.

CF BERMUDA HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)

	Year ended December 31, 2018	Period from December 1 to December 31, 2017
Net income (loss)	$ 17	$ (102)
Other comprehensive income (loss):		
Net change in unrealized gains/losses on investments	(1,019)	75
Change in reinsurance liabilities held at fair value resulting from a change in the instrument-specific credit risk	4	—
Non-credit related other-than-temporary impairment:		
Changes in non-credit related other than-temporary impairment	—	—
Net non-credit related other-than-temporary impairment	—	—
Net changes to derive comprehensive income (loss) for the period	(1,015)	75
Comprehensive income (loss), net of tax	$ (998)	$ (27)

See accompanying notes to consolidated financial statements.

CF BERMUDA HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(In millions)

	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Shareholder's Equity
Balance, December 1, 2017	$ —	$ 1,883	$ —	$ —	$ 1,883
Net income	—	—	(102)	—	(102)
Unrealized investment gains, net	—	—	—	75	75
Capital Contribution	—	97	—	—	97
Balance, December 31, 2017	$ —	$ 1,980	$ (102)	$ 75	$ 1,953
Dividends	—	—	(60)	—	(60)
Net income	—	—	17	—	17
Unrealized investment gains (losses), net	—	—	—	(1,019)	(1,019)
Change in reinsurance liabilities held at fair value resulting from a change in the instrument-specific credit risk	—	—	—	4	4
Stock-based compensation	—	3	—	—	3
Cumulative effect of changes in accounting principles and other	—	—	(2)	4	2
Balance, December 31, 2018	$ —	$ 1,983	$ (147)	$ (936)	$ 900

See accompanying notes to consolidated financial statements.

CF BERMUDA HOLDINGS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Year ended December 31, 2018	Period from December 1 to December 31, 2017
Cash flows from operating activities:		
Net income (loss)	$ 17	$ (102)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Stock based compensation	4	(1)
Amortization	43	6
Deferred income taxes	(30)	104
Interest credited/index credits to contractholder account balances	347	124
Net recognized losses (gains) on investments and derivatives	629	(42)
Charges assessed to contractholders for mortality and administration	(136)	(13)
Intangibles, net	(390)	(29)
Gain on extinguishment of debt	(2)	—
Changes in operating assets and liabilities:		
Reinsurance recoverable	24	16
Future policy benefits	(110)	4
Funds withheld for reinsurers	679	(2)
Collateral (returned) posted	(291)	17
Other assets and other liabilities	109	(9)
Net cash provided by (used in) operating activities	893	73
Cash flows from investing activities:		
Proceeds from available-for-sale investments sold, matured or repaid	8,265	313
Proceeds from derivatives instruments and other invested assets	499	169
Proceeds from mortgage loans	65	1
Cost of available-for-sale investments	(10,025)	(348)
Costs of derivatives instruments and other invested assets	(781)	(156)
Costs of mortgage loans	(185)	—
Capital expenditures	(7)	(1)
Contingent purchase price payment	(57)	—
Net cash provided by (used in) investing activities	(2,226)	(22)
Cash flows from financing activities:		
Capital contribution	—	97
Debt issuance costs	(6)	—
Proceeds from issuance of new debt	547	—
Retirement and paydown on debt and revolving credit facility	(440)	(105)
Draw on revolving credit facility	30	105
Dividends paid	(57)	—
Contractholder account deposits	3,352	217
Contractholder account withdrawals	(2,674)	(172)
Net cash provided by (used in) financing activities	752	142
Change in cash & cash equivalents	(581)	193
Cash & cash equivalents, beginning of period	1,145	952
Cash & cash equivalents, end of period	$ 564	$ 1,145
Supplemental disclosures of cash flow information:		
Interest paid	$ 30	$ —
Income taxes (refunded) paid	$ 41	$ (21)
Deferred sales inducements	$ 138	$ 10

See accompanying notes to consolidated financial statements.

CF BERMUDA HOLDINGS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation and Nature of Business

The accompanying consolidated financial statements include the accounts of CF Bermuda Holdings Limited ("CF Bermuda" and, collectively with its subsidiaries, the "Company"), a Bermuda corporation, which is a direct wholly owned subsidiary of FGL Holdings ("Parent" and, "FG", formerly known as CF Corporation (NASDAQ: CFCO) ("CF Corp") and its related entities ("CF Entities")). The Company was formed on May 22, 2017, but did not commence operations until the merger and acquisition with Fidelity & Guaranty Life was completed on November 30, 2017, as described below.

FG, a Cayman Islands exempted company, was originally incorporated in the Cayman Islands on February 26, 2016 as a Special Purpose Acquisition Company ("SPAC"). CF Corp formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, or other similar business combination with one or more target businesses. Prior to November 30, 2017, CF Corp. was a shell company with no operations. On November 30, 2017, CF Corp consummated the acquisition of Fidelity & Guaranty Life ("FGL"), a Delaware corporation, and its subsidiaries, pursuant to the Agreement and Plan of Merger, dated as of May 24, 2017 (the "FGL Merger Agreement"). The transactions contemplated by the FGL Merger Agreement are referred to herein as the "Business Combination."

Dollar amounts in the accompanying sections are presented in millions, unless otherwise noted.

Pursuant to the FGL Merger Agreement, except for shares specified in the FGL Merger Agreement, each issued and outstanding share of common stock of FGL was automatically canceled and converted into the right to receive $31.10 in cash, without interest and less any required withholding taxes (the "Merger Consideration"). Accordingly, CF Corp acquired FGL for a total of approximately $2 billion in cash, plus the assumption of $405 of existing debt.

In addition to the Business Combination, on November 30, 2017, CF Entities bought all of the issued and outstanding shares of Front Street Re Cayman Ltd ("FSRC") and F&G Reinsurance Ltd ("F&G Re") (formerly known as Front Street Re Ltd, and, together with FSRC herein referred to as the "F&G Reinsurance Companies") from Front Street Re (Delaware) Ltd ("FSRD"), a direct wholly owned subsidiary of HRG Group, Inc. ("HRG"; NYSE: HRG), pursuant to the Share Purchase Agreement, for cash consideration of $65, subject to certain adjustments.

On December 1, 2017, upon completion of the acquisitions, FGL Holdings began trading ordinary shares and warrants on the New York Stock Exchange ("NYSE") under the symbols "FG" and "FG WS," respectively.

The Company's primary business is the sale of individual life insurance products and annuities through independent agents, managing general agents, and specialty brokerage firms and in selected institutional markets. The Company's principal products are deferred annuities (including fixed indexed annuity ("FIA") contracts and fixed rate annuity contracts), immediate annuities and life insurance products. The Company markets products through its wholly-owned insurance subsidiaries, Fidelity & Guaranty Life Insurance Company ("FGL Insurance") and Fidelity & Guaranty Life Insurance Company of New York ("FGL NY Insurance"), which together are licensed in all fifty states and the District of Columbia. FSRC and F&G Re were established as a long-term reinsurer to provide reinsurance on asset intensive, long duration life and annuity liabilities, including but not limited to fixed, deferred and payout annuities, long-term care, group long-term disability and cash value life insurance.

We currently distribute and service primarily fixed rate annuities, including FIAs. Premiums and annuity deposits (net of coinsurance), which are not included as revenues (except for traditional premiums) in the accompanying Consolidated Statements of Operations, collected by product type were as follows:

	Year ended	
	December 31, 2018	**Period from December 1 to December 31, 2017**
Product Type		
Fixed indexed annuities	$ 2,253	$ 178
Fixed rate annuities	61	45
Single premium immediate annuities	24	—
Life insurance (a)	182	16
Total	$ 2,520	$ 239

(a) Life insurance includes Universal Life ("UL") and traditional life insurance products for FGL Insurance and FGL NY Insurance.

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

(2) Significant Accounting Policies and Practices

Principles of Consolidation

The accompanying audited consolidated financial statements include the accounts of the Company and all other entities in which the Company has a controlling financial interest and any variable interest entities ("VIEs") in which we are the primary beneficiary. All intercompany accounts and transactions have been eliminated in consolidation.

We are involved in certain entities that are considered VIEs as defined under GAAP. Our involvement with VIEs is primarily to invest in assets that allow us to gain exposure to a broadly diversified portfolio of asset classes. A VIE is an entity that does not have sufficient equity to finance its own activities without additional financial support or where investors lack certain characteristics of a controlling financial interest. We assess our relationships to determine if we have the ability to direct the activities, or otherwise exert control, to evaluate if we are the primary beneficiary of the VIE. If we determine we are the primary beneficiary of a VIE, we consolidate the assets and liabilities of the VIE in our audited consolidated financial statements. The Company has determined that we are not the primary beneficiary of a VIE as of December 31, 2018. See "Note 4. Investments" for additional information on the Company's investments in unconsolidated VIEs.

Revenue Recognition

Insurance Premiums

The Company's insurance premiums for traditional life insurance products are recognized as revenue when due from the contractholder. The Company's traditional life insurance products include those products with fixed and guaranteed premiums and benefits and consist primarily of term life insurance and certain annuities with life contingencies.

Premium collections for fixed indexed and fixed rate annuities, indexed universal life ("IUL") policies and immediate annuities without life contingency are reported as an increase to deposit liabilities (i.e., contractholder funds) instead of as revenues. Similarly, cash payments to policyholders are reported as decreases in the liability for contractholder funds and not as expenses. Sources of revenues for products accounted for as deposit liabilities are net investment income, surrender and other charges deducted from contractholder funds, and net realized gains (losses) on investments.

See a description of FSRC's and F&G Re's accounting policy for its assumed reinsurance contracts as described under "Future Policy Benefits" in Note 2.

Net Investment Income

Dividends and interest income, recorded in "Net investment income", are recognized when earned. Income or losses upon call or prepayment of available-for-sale fixed maturity securities are recognized in "Net investment income". Amortization of premiums and accretion of discounts on investments in fixed maturity securities are reflected in "Net investment income" over the contractual terms of the investments in a manner that produces a constant effective yield.

For mortgage-backed and asset-backed securities, included in the fixed maturity available-for-sale ("AFS") securities portfolios, the Company recognizes income using a constant effective yield based on anticipated prepayments and the estimated economic life of the securities. When actual prepayments differ significantly from originally anticipated prepayments, the effective yield is recalculated prospectively to reflect actual payments to date plus anticipated future payments. Any adjustments resulting from changes in effective yield are reflected in "Net investment income".

Net Investment Gains (Losses)

Net investment gains (losses) include realized gains and losses from the sale of investments, unrealized gains on equity securities at fair value, write-downs for other-than-temporary impairments ("OTTI") of AFS investments, and realized and unrealized gains and losses on derivatives and embedded derivatives. Realized gains and losses on the sale of investments are determined using the specific identification method.

Insurance and Investment Product Fees and Other

Product fee revenue from IUL products and annuities is comprised of policy and contract fees charged for the cost of insurance, and policy administration and rider fees. Fees are assessed on a monthly basis and recognized as revenue when earned. Product fee revenue also includes surrender charges which are collected and recognized as revenue when the policy is surrendered. Some of the product fee revenue is not level by policy year. The heaped portion of the revenues are deferred and brought into income relative to the gross profits of the business.

FSRC and F&G Re Insurance Revenue Recognition

Dividends and interest income are recorded in "Net investment income" in the consolidated financial statements and are recognized on an accrual basis. Amortization of premiums and accretion of discounts on investment in debt securities are reflected in "Net investment income" over the contractual terms of the investments in a manner that produces a constant effective yield. "Net investment income" is presented net of earned investment management fees.

Net investment gains (losses) include realized losses and gains from the sale of investments, changes in the fair value of FSRC's and F&G Re's funds withheld receivables and gains and losses on derivative investments.

Benefits and Other Changes in Policy Reserves

Benefit expenses for deferred annuity, FIA and IUL policies include index credits and interest credited to contractholder account balances and benefit claims in excess of contract account balances, net of reinsurance recoveries. Interest crediting rates associated with funds invested in the general account of our insurance subsidiaries during 2016 through 2018 ranged from 0.5% to 6.0% for deferred annuities and FIA's, combined, and 3.0% to 4.5% for IUL's. Other changes in policy reserves include the change in the fair value of the FIA embedded derivative and the change in the reserve for secondary guarantee benefit payments.

Other changes in policy reserves also include the change in reserves for life insurance products. For traditional life and immediate annuities, policy benefit claims are charged to expense in the period that the claims are incurred, net of reinsurance recoveries.

See a description of FSRC’s and F&G Re's accounting policy for its assumed reinsurance contracts as described under "Future Policy Benefits" in Note 2.

Stock-Based Compensation

In general, we expense the fair value of stock awards included in our incentive compensation plans. As of the date our stock awards are approved and communicated to the recipients, the fair value of stock options is determined using a Black-Scholes options valuation methodology based on market vesting conditions and we used a Monte Carlo simulation for the fair value of other stock awards based upon the market value of the stock. The fair value of the awards is expensed over the performance or service period, which generally corresponds to the vesting period, and is recognized as an increase to “Additional paid-in capital” in “Shareholders’ equity”. Upon exercise of the stock options, the recipient will receive FGL Holdings common shares. We classify certain stock awards as liabilities. For these awards, the fair value is classified as a liability on our Consolidated Balance Sheets, and the liability is marked-to-market through net income (loss) at the end of each reporting period. Stock-based compensation expense is reflected in “Acquisition and operating expenses, net of deferrals” on our Consolidated Statements of Operations. If we modify an award or change our intent to settle an award in equity or cash, we recognize additional compensation expense for the change in the fair value of the award between the grant date and the date of modification for change in intent and any periods subsequent to the modification, if applicable.

Interest Expense

Interest expense on our debt is recognized as due and any associated premiums, discounts, and costs are amortized (accreted) over the term of the related borrowing utilizing the straight line method. Interest expense also includes non-use fees on the revolving line of credit facility.

Cash Equivalents

The Company considers money market funds and highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. As of December 31, 2018 and December 31, 2017, the Company held cash equivalents of $84 and $292, respectively.

Investments

Investment Securities

The Company's investments in fixed maturity securities have been designated as AFS and are carried at fair value with unrealized gains and losses included in "Accumulated other comprehensive income" ("AOCI"), net of associated intangibles "shadow adjustments" (discussed in "Note 7. Intangibles") and deferred income taxes. The Company's investments in equity securities are carried at fair value with unrealized gains and losses included in "Realized gains (losses)". Prior to the adoption of ASU 2016-01, effective January 1, 2018, unrealized gains and losses were included in AOCI.

Available-for-Sale Securities' Other-Than-Temporary Impairments

The Company regularly reviews AFS securities for declines in fair value that it determines to be other-than-temporary. Prior to the adoption of ASU 2016-01, for an equity security, if the Company did not have the ability and intent to hold the security for a sufficient and reasonable period of time to allow for a recovery in value, it concluded that an OTTI had occurred and the amortized cost of the security was written down to the current fair value, with a corresponding charge to "Net investment gains (losses)" in the accompanying Consolidated Statements of Operations. Following the adoption of ASU 2016-01, equity securities are no longer reviewed for OTTI. When assessing its ability and intent to hold a security to recovery, the Company considers, among other things, the severity and duration of the decline in fair value of the security as well as the cause of the decline, business prospects and the overall financial condition of the issuer. When evaluating redeemable preferred stocks for OTTI the Company applies the accounting policy described above for fixed maturity securities (including an anticipated recovery period), provided there has been no evidence of a deterioration in credit of the issuer.

For its fixed maturity AFS securities, the Company generally considers the following in determining whether its unrealized losses are other-than-temporary:

- The estimated range and period until recovery;
- The extent and the duration of the decline;
- The reasons for the decline in value (credit event, currency or interest-rate related, including general credit spread widening);
- The financial condition of and near-term prospects of the issuer (including issuer's current credit rating and the probability of full recovery of principal based upon the issuer's financial strength);
- Current delinquencies and nonperforming assets of underlying collateral;
- Expected future default rates;
- Collateral value by vintage, geographic region, industry concentration or property type;
- Subordination levels or other credit enhancements as of the balance sheet date as compared to origination; and
- Contractual and regulatory cash obligations and the issuer's plans to meet such obligations.

The Company recognizes OTTI on fixed maturity securities in an unrealized loss position when one of the following circumstances exists:

- The Company does not expect full recovery of its amortized cost based on the present value of cash flows expected to be collected;
- The Company intends to sell a security; or
- It is more likely than not that the Company will be required to sell a security prior to recovery.

If the Company intends to sell a fixed maturity AFS security or it is more likely than not the Company will be required to sell the security before recovery of its amortized cost basis and the fair value of the security is below amortized cost, the Company will conclude that an OTTI has occurred and the amortized cost is written down to current fair value, with a corresponding charge to "Net investment gains (losses)" in the accompanying Consolidated Statements of Operations. If the Company does not intend to sell a fixed maturity security or it is more likely than not the Company will not be required to sell a fixed maturity security before recovery of its amortized cost basis and the present value of the cash flows expected to be collected is less than the amortized cost of the security (referred to as the credit loss), an OTTI has occurred and the amortized cost is written down to the estimated recovery value with a corresponding charge to "Net investment gains (losses)" in the accompanying Consolidated Statements of Operations, as this amount is deemed the credit loss portion of the OTTI. The remainder of the decline to fair value is recorded in AOCI as unrealized OTTI on AFS securities, as this amount is considered a non-credit impairment.

When assessing the Company's intent to sell a fixed maturity security or if it is more likely than not the Company will be required to sell a fixed maturity security before recovery of its cost basis, the Company evaluates facts and circumstances at the individual security level based on facts and circumstances relevant to that security and also consider decisions to reposition the Company's security portfolio, sale of securities to meet cash flow needs and sales of securities to capitalize on favorable pricing and tax planning strategies. In order to determine the amount of the credit loss for a security, the Company generally impairs to the current market value of the security.

When evaluating mortgage-backed securities and asset-backed securities, the Company considers a number of pool-specific factors as well as market level factors when determining whether or not the impairment on the security is temporary or other-than-temporary. The most important factor is the performance of the underlying collateral in the security and the trends of that performance. The Company uses this information about the collateral to forecast the timing and rate of mortgage loan defaults, including making projections for loans that are already delinquent and for those loans that are currently performing but may become delinquent in the future. Other factors used in this analysis include type of underlying collateral (e.g., prime, Alternative A-paper ("Alt-A"), or subprime), geographic distribution of underlying loans and timing of liquidations by state. Once default rates and timing assumptions are determined, the Company then makes assumptions regarding the severity of a default if it were to occur. Factors that impact the severity assumption include expectations for future home price appreciation or depreciation, loan size, first lien versus second lien, existence of loan level private mortgage insurance, type of occupancy and geographic distribution of loans. Once default and severity assumptions are determined for the security in question, cash flows for the underlying collateral are projected, including expected defaults and prepayments. These cash flows on the collateral are then translated to cash flows on the Company's tranche based on the cash flow waterfall of the entire capital security structure. If this analysis indicates the entire principal on a particular security will not be returned, the security is reviewed for OTTI by comparing the present value of expected cash flows to amortized cost. To the extent that the security has already been impaired or was purchased at a discount, such that the amortized cost of the security is less than or equal to the present value of cash flows expected to be collected, no impairment is required. The Company also considers the ability of monoline insurers to meet their contractual guarantees on wrapped mortgage-backed securities. Otherwise, if the amortized cost of the security is greater than the present value of the cash flows expected to be collected, then an OTTI is recognized.

The Company includes on the face of the Consolidated Statements of Operations the total OTTI recognized in "Net investment gains (losses)", with an offset for the amount of non-credit impairments recognized in AOCI. The Company discloses the amount of OTTI recognized in AOCI and other disclosures related to OTTI in "Note 4. Investments" and in the Consolidated Statements of Comprehensive Income (Loss).

Mortgage Loans on Real Estate

The Company's investment in mortgage loans consists of commercial and residential mortgage loans on real estate, which are reported at amortized cost, less impairment write-downs and allowance for losses. If a mortgage loan is determined to be impaired (i.e., when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement or the loan is modified in a troubled debt restructuring), the carrying value of the mortgage loan is reduced to the lower of either the present value of expected cash flows from the loan, discounted at the loan's original purchase yield, or fair value of the collateral. For those mortgages that are determined to require foreclosure, the carrying value is reduced to the fair value of the underlying collateral, net of estimated costs to obtain and sell at the point of foreclosure. The carrying value of the impaired loans is reduced by establishing an allowance with the offset recorded in "Net investment gains (losses)" in the Consolidated Statements of Operations.

Commercial mortgage loans are continuously monitored by reviewing appraisals, operating statements, rent revenues, annual inspection reports, loan specific credit quality, property characteristics, market trends and other factors.

Commercial mortgage loans are rated for the purpose of quantifying the level of risk. Loans are placed on a watch list when the debt service coverage ("DSC") ratio falls below and loan-to-value ("LTV") ratios exceeds certain thresholds and are closely monitored for collateral deficiency or other credit events that may lead to a potential loss of principal or interest when. The Company defines delinquent mortgage loans as 30 days past due, consistent with industry practice.

Residential mortgage loans have a primary credit quality indicator of either a performing or nonperforming loan. The Company defines nonperforming residential mortgage loans as those that are 90 or more days past due and/or in nonaccrual status which is assessed monthly. Generally, nonperforming residential mortgage loans have a higher risk of experiencing a credit loss.

Interest on loans is recognized on an accrual basis at the applicable interest rate on the principal amount outstanding. Loan origination fees and direct costs, as well as premiums and discounts, are amortized as level yield adjustments over the respective loan terms. Unamortized net fees or costs are recognized upon early repayment of the loans. Loan commitment fees are deferred and amortized on an effective yield basis over the term of the loan.

We establish mortgage loan valuation allowances both on a loan specific basis for those loans considered impaired where a property specific or market specific risk has been identified that could likely result in a future loss, as well as for pools of loans with similar risk characteristics where a property specific or market specific risk has not been identified, but for which we expect to incur a loss. Accordingly, a valuation allowance is provided to absorb these estimated probable credit losses. As of December 31, 2018 and December 31, 2017, the Company did not identify any specific loans that were impaired.

The determination of the amount of valuation allowances is based upon our periodic evaluation and assessment of inherent risks associated with our loan portfolios. Such evaluations and assessments are based upon several factors, including our experience for loan losses, defaults and loss severity, and loss expectations for loans with similar risk characteristics. We evaluate and monitor LTV ratios and DSC ratios of our loans as indicators of potential risk of default in establishing our valuation allowance.

Derivative Financial Instruments

The Company hedges certain portions of its exposure to product related equity market risk by entering into derivative transactions. All such derivative instruments are recognized as either assets or liabilities in the accompanying Consolidated Balance Sheets at fair value. The change in fair value is recognized within “Net investment gains (losses)” in the accompanying Consolidated Statements of Operations.

The Company purchases financial instruments and issues products that may contain embedded derivative instruments. If it is determined that the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract, and a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host contract for measurement purposes. The embedded derivative is carried at fair value, which is determined through a combination of market observable inputs such as market value of option and interest swap rates and unobservable inputs such as the mortality multiplier, surrender and withdrawal rates and non-performance spread. The changes in fair value are reported within “Benefits and other changes in policy reserves” in the accompanying Consolidated Statements of Operations. See a description of the fair value methodology used in "Note 6. Fair Value of Financial Instruments".

Funds withheld Receivable

FSRC and F&G Re have entered into various reinsurance agreements on a funds withheld basis, meaning that the funds are withheld by the ceding company from the coinsurance premium owed to FSRC and F&G Re as collateral for FSRC's and F&G Re's payment obligations. Accordingly, the collateral assets remain under the ultimate ownership of the ceding company. FSRC and F&G Re manage the assets supporting the reserves in accordance with the internal investments policies of the ceding companies and applicable law.

Limited Partnership Investment

Our investments in limited partnerships are included in other invested assets on our Consolidated Balance Sheets. We account for our investments in limited partnerships using the equity method and use net asset value ("NAV") as a practical expedient to determine the carrying value. Income from the limited partnership is included within "Net investment income" in the accompanying Consolidated Statements of Operations. Recognition of income is delayed due to the availability of the related financial statements, which are obtained from the partnership’s general partner generally on a one to three-month delay. Management meets quarterly with the general partner to determine whether any credit or other market events have occurred since prior quarter financial statements to ensure any material events are properly included in current quarter valuation and investment income. In addition, the impact of audit adjustments related to completion of calendar-year financial statement audits of the limited partnership are typically received during the second quarter of each calendar year. Accordingly, our investment income from the limited partnership investment for any calendar-year period may not include the complete impact of the change in the underlying net assets for the partnership for that calendar-year period.

Intangible Assets

The Company's intangible assets include an intangible asset reflecting the value of insurance and reinsurance contracts acquired (hereafter referred to as "the value of business acquired" or ("VOBA")), deferred acquisition cost ("DAC"), deferred sales inducements ("DSI"), and trademarks and state licenses.

VOBA is an intangible asset that reflects the amount recorded as insurance contract liabilities less the estimated fair value of in-force contracts in a life insurance company acquisition. It represents the portion of the purchase price allocated to the value of the rights to receive future cash flows from the business in force at the acquisition date. DAC consists principally of commissions that are related directly to the successful sale of new or recoverable insurance contracts, which may be deferred to the extent recoverable. Indirect or unsuccessful acquisition costs, maintenance, product development and overhead expenses are charged to expense as incurred. DSI represents up front bonus credits and vesting bonuses to policyholder account values which may be deferred to the extent recoverable.

The methodology for determining the amortization of DAC, DSI and VOBA varies by product type. For all insurance contracts accounted for under long-duration contract deposit accounting, amortization is based on assumptions consistent with those used in the development of the underlying contract liabilities adjusted for emerging experience and expected trends. Amortization is reported within "Amortization of intangibles" in the accompanying Consolidated Statements of Operations.

For all of the insurance intangibles (DAC, DSI and VOBA), the balances are generally amortized over the lives of the policies in relation to the expected emergence of estimated gross profits ("EGPs") from investment income, surrender charges and other product fees, less policy benefits, maintenance expenses, mortality net of reinsurance ceded, and expense margins. Recognized gains (losses) on investments and changes in fair value of the funds withheld coinsurance embedded derivative are included in actual gross profits in the period realized as described further below.

Changes in assumptions can have a significant impact on VOBA, DAC and DSI balances and amortization rates. Due to the relative size and sensitivity to minor changes in underlying assumptions of those intangible balances, the Company performs quarterly and annual analyses of the VOBA, DAC and DSI balances for recoverability to ensure that the unamortized portion does not exceed the expected recoverable amounts. At each evaluation date, actual historical gross profits are reflected with the impact on the intangibles reported as "unlocking" as a component of amortization expense, and estimated future gross profits and related assumptions are evaluated for continued reasonableness. Any adjustment in estimated future gross profits requires that the amortization rate be revised ("unlocking") retroactively to the date of the policy or contract issuance. The cumulative unlocking adjustment is recognized as a component of current period amortization.

The carrying amounts of VOBA, DAC and DSI are adjusted for the effects of unrealized gains and losses on fixed maturity securities classified as AFS. For investment-type products, the VOBA, DAC and DSI assets are adjusted for the impact of unrealized gains (losses) on investments as if these gains (losses) had been realized, with corresponding credits or charges included in AOCI.

Amortization expense of VOBA, DAC and DSI reflects an assumption for an expected level of credit-related investment losses. When actual credit-related investment losses are realized, the Company performs a retrospective unlocking of amortization for those intangibles as actual margins vary from expected margins. This unlocking is reflected in the accompanying Consolidated Statements of Operations.

Reinsurance

The Company's insurance subsidiaries enter into reinsurance agreements with other companies in the normal course of business. The assets, liabilities, premiums and benefits of certain reinsurance contracts are presented on a net basis in the accompanying Consolidated Balance Sheets and Consolidated Statements of Operations, respectively, when there is a right of offset explicit in the reinsurance agreement. All other reinsurance agreements are reported on a gross basis in the Company's Consolidated Balance Sheets as an asset for amounts recoverable from reinsurers or as a component of other liabilities for amounts, such as premiums, owed to the reinsurers, with the exception of amounts for which the right of offset also exists. Premiums and benefits are reported net of insurance ceded. The effects of certain reinsurance agreements are not accounted for as reinsurance as they do not satisfy the risk transfer requirements for GAAP. See "Note 12. Reinsurance" for details.

Income Taxes

The Company's life insurance subsidiaries file a consolidated life insurance income tax return. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company assesses the recoverability of its deferred tax assets in each reporting period under the guidance outlined within Accounting Standards Codification ("ASC") Topic 740, "Income Taxes". The guidance requires an assessment of both positive and negative evidence in determining the realizability of deferred tax assets. A valuation allowance is required to reduce the Company's deferred tax asset to an amount that is more likely than not to be realized. In determining the net deferred tax asset and valuation allowance, management is required to make judgments and estimates related to projections of future profitability. These judgments include the following: the timing and extent of the utilization of net operating loss carry-forwards, the reversals of temporary differences, and tax planning strategies. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company has the ability and intent to recover in a tax-free manner assets (or liabilities) with book/tax basis differences for which no deferred taxes have been provided, in accordance with ASC 740.

The Company applies the accounting guidance for uncertain tax positions which prescribes a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. The guidance also provides information on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Accrued interest expense and penalties related to uncertain tax positions are recorded in "Income tax expense (benefit)" in the Company's Consolidated Statements of Operations. The Company had no unrecognized tax benefits related to uncertain tax positions as of December 31, 2018 and December 31, 2017.

For discussion on the impact of tax reform and the 338(h)(10) election, see "Note 10. Income Taxes".

Contractholder Funds

The liabilities for contractholder funds for deferred annuities, IUL and UL policies consist of contract account balances that accrue to the benefit of the contractholders. The liabilities for FIA policies consist of the value of the host contract plus the fair value of the embedded derivative. The embedded derivative is carried at fair value in "Contractholder funds" in the accompanying Consolidated Balance Sheets with changes in fair value reported in "Benefits and other changes in policy reserves" in the accompanying Consolidated Statements of Operations. See a description of the fair value methodology used in "Note 6. Fair Value of Financial Instruments". Liabilities for immediate annuities with life contingencies are recorded at the present value of future benefits.

Liabilities for the secondary guarantees on UL-type products or Investment-type contracts are calculated by multiplying the benefit ratio by the cumulative assessments recorded from contract inception through the balance sheet date less the cumulative secondary guarantee benefit payments plus interest. The benefit ratio is the ratio of the present value of future secondary guarantees by the present value of the assessments used to provide the secondary guarantees using the same assumptions as the Company uses for its intangible assets. If experience or assumption changes result in a new benefit ratio, the reserves are adjusted to reflect the changes in a manner similar to the unlocking of DAC, DSI and VOBA. The accounting for secondary guarantee benefits impact EGPs used to calculate amortization of DAC, DSI and VOBA.

Future Policy Benefits

The liabilities for future policy benefits and claim reserves for traditional life policies and life contingent pay-out annuity policies are computed using assumptions for investment yields, mortality and withdrawals based principally on generally accepted actuarial methods and assumptions at the time of contract issue and include $725 future policy benefits related to FSRC and F&G Re (see "FSRC and F&G Re Reinsurance Agreements" below). Investment yield assumption for traditional direct life reserves for all contracts is 5.7%. The investment yield assumptions for life contingent pay-out annuities range from 0.1% to 5.5%.

FSRC and F&G Re Reinsurance Agreements

FSRC and F&G Re elected to apply the fair value option to account for its funds withheld receivables, non-funds withheld assets and insurance reserves related to its assumed third party reinsurance at the inception date of the reinsurance transactions. FSRC and F&G Re measure fair value of the funds withheld receivables based on the fair values of the securities in the underlying funds withheld portfolio held by the cedant. The non-funds withheld assets held by FSRC, backing the insurance reserves, are measured at fair value.

FSRC and F&G Re use a discounted cash flows approach to measure the fair value of the insurance reserves. The cash flows associated with future policy premiums and benefits are generated using best estimate assumptions (plus a risk margin, where applicable). Risk margins are typically applied to non-observable, non-hedgeable market inputs such as mortality, morbidity, lapse, discount rate for non-performance risk, discount rate for risk margin, surrenders, etc. Mortality relates to the occurrence of death and morbidity relates to health risks. Mortality and morbidity assumptions are based upon the experience of the cedant as well as past and emerging industry experience, when available. Mortality and morbidity assumptions may be different by sex, underwriting class and policy type. Assumptions are also made for future mortality and morbidity improvements.

Policies are terminated through surrenders and maturities, where surrenders represent the voluntary terminations of policies by policyholders and maturities are determined by policy contract terms. Surrender assumptions are based upon cedant experience adjusted for expected future conditions. FSRC and F&G Re use duration weighting in the development of the discount rate. FSRC and F&G Re discount the liability cash flows using the market yields on the underlying assets backing the liabilities less a risk margin to reflect uncertainty and an adjustment to reflect the credit risk of FSRC and F&G Re, respectively. The Company adopted ASU 2016-01 effective January 1, 2018, which requires FSRC and F&G Re to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. See "Note 12. Reinsurance" for further information.

The significant unobservable inputs used in the fair value measurement of the FSRC and F&G Re insurance reserves are non-performance risk spread and risk spread to reflect uncertainty. Significant increases (decreased) in non-performance risk spread and risk margin would result in a lower (higher) fair value measurement.

Federal Home Loan Bank of Atlanta Agreements

Contractholder funds include funds related to funding agreements that have been issued by the Company to the Federal Home Loan Bank of Atlanta ("FHLB") as a funding medium for single premium funding agreements. The funding agreements (i.e., immediate annuity contracts without life contingencies) provide a guaranteed stream of payments or provide for a bullet payment with renewal provisions. Single premiums were received at the initiation of the funding agreements and were in the form of advances from the FHLB. Payments under the funding agreements extend through 2022. The reserves for the funding agreements totaled $878 and $642 at December 31, 2018 and December 31, 2017, respectively, and are included in "Contractholder funds" in the accompanying Consolidated Balance Sheets.

In accordance with the agreements, the investments supporting the funding agreement liabilities are pledged as collateral to secure the FHLB funding agreement liabilities and are not available to settle the general obligations of the Company. The collateral investments had a fair value of $1,401 and $715 at December 31, 2018 and December 31, 2017, respectively.

Commitments and Contingencies

Contingencies arising from environmental remediation costs, regulatory judgments, claims, assessments, guarantees, litigation, recourse reserves, fines, penalties and other sources are recorded when deemed probable and reasonably estimable.

Business Combinations

In accordance with ASC Topic 805, Business Combinations ("ASC 805"), the Company accounts for acquisitions by applying the acquisition method of accounting. The acquisition method of accounting requires, among other things, that the assets acquired and liabilities assumed in a business combination be measured at their fair values as of the closing date of the acquisition. The fair values assigned to the assets acquired and liabilities assumed are based on valuations using market participant assumptions and are preliminary pending the completion of the valuation analysis of selected assets and liabilities. During the measurement period (which is not to exceed one year from the acquisition date), the Company is required to retrospectively adjust the provisional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of those assets or liabilities as of that date. As of December 31, 2018, the measurement period is closed.

Reclassifications and Retrospective Adjustments

The Company identified immaterial errors, as described below, during the year ended December 31, 2018. Management has reviewed the impact of these errors on prior periods in accordance with SEC Staff Accounting Bulletin No. 99, "Materiality," (SAB 99) and determined none of these were material to the prior periods impacted.

Effective December 1, 2017, the Company measured the identifiable assets acquired and liabilities assumed from the Business Combination at acquisition-date fair value in accordance with ASC 805. This required significant model changes for the re-bifurcation of the host contract and embedded derivative components of the fixed income annuity ("FIA") liability. During the year ended December 31, 2018, the Company identified an immaterial error resulting from the model code used in the calculation of the FIA embedded derivative liability. The Company recorded an immaterial correction to the Consolidated Balance Sheets as of December 31, 2017 by decreasing the contractholder funds liability by $17 as well as a resulting decrease to the intangibles and deferred tax assets of $3 and $3, respectively. In addition, the Company recorded immaterial corrections to the Consolidated Statements of Operations for the one month ended December 31, 2017 by decreasing the benefits and other changes in policy reserves by $17, as well as increasing the amortization of intangibles by $3, and income tax expense by $3.

During the year ended December 31, 2018, the Company identified an immaterial error related to the December 1, 2017 fair value of the deferred income tax valuation allowance acquired from the Business Combination. The Company recorded an immaterial correction to the Consolidated Balance Sheets as of December 31, 2017 by decreasing the deferred income tax valuation allowance by $9 and decreasing goodwill by a corresponding amount.

During the year ended December 31, 2018, the Company identified an immaterial error related to the classification of certain securities as debt or equity under ASC 320, "Investments - Debt and Equity Securities." The Company recorded an immaterial correction to the Consolidated Balance Sheets as of December 31, 2017 by decreasing fixed maturity securities, available for sale by $627 and increasing equity securities, at fair value by a corresponding amount.

Certain prior year amounts have been reclassified or combined to conform to the current year presentation. These reclassifications and combinations had no effect on previously reported results of operations.

Adoption of New Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued new guidance on revenue recognition (ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*), effective for fiscal years beginning after December 15, 2016 and interim periods within those years. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) - Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 by one year. The FASB also issued the following ASUs which clarify the guidance in ASU 2014-09:

- ASU 2016-08 - Revenue from Contracts with Customers (Topic 606) - Principal versus Agent Considerations (Reporting Revenue Gross versus Net) issued in March 2016
- ASU 2016-10 - Revenue from Contracts with Customers (Topic 606) - Identifying Performance Obligations and Licensing issued in April 2016
- ASU 2016-11 - Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815) - Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting issued in May 2016
- ASU 2016-12 - Revenue from Contracts with Customers (Topic 606) - Narrow-Scope Improvements and Practical Expedients issued in May 2016

The guidance in ASU 2014-09 and the related ASUs supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance unless the contracts are within the scope of other standards (for example, financial instruments, insurance contracts or lease contracts). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance establishes a five-step process to achieve this core principle.

The Company adopted these standards effective January 1, 2018. The adoption of these standards has had no impact on the Company's consolidated financial statements as the Company's primary sources of revenue, insurance contracts and financial instruments, are excluded from the scope of these standards.

Statement of Cash Flows Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued new guidance (ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments)*, effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. Notable amendments in this update change the classification of certain cash receipts and cash payments in the Statement of Cash Flows in the following ways:

- cash payments for debt prepayment or debt extinguishment costs should be classified as cash outflows for financing activities
- the settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing should be classified as follows: the portion of the cash payment attributable to the accreted interest related to the debt discount as cash outflows for operating activities, and the portion of the cash payment attributable to the principal as cash outflows for financing activities
- a reporting entity must make an accounting policy election to classify distributions received from equity method investees using either:
    - the cumulative earnings approach, which considers distributions received as returns on the investment and are classified as cash inflows from operating activities (with an exception when cumulative distributions received less distributions received in prior periods that were classified as returns of investment exceeds cumulative equity in earnings, in which case the current period distribution up to this excess amount will be considered a return of investment and classified as cash inflows from investing activities); or
    - the nature of the distribution approach, which classifies distributions received based on the nature of the activity or activities of the investee that generated the distribution (would be considered either a return on investment and classified as cash inflows from operating activities or a return of investment and classified as cash inflows from investing activities)
- in the absence of specific GAAP guidance, an entity should classify cash receipts and payments that have aspects of more than one class of cash flows by determining and appropriately classifying each separately identifiable source or use within the cash receipts and cash payments on the basis of the underlying cash flows. If cash receipts and payments have aspects of more than one class of cash flows and cannot be separated by source or use, the activity that is likely to be the predominant source or use of cash flows for the item will determine the classification.

The amendments in this ASU were adopted by the Company effective January 1, 2018, as required. The Company has elected to use the nature of distribution approach to classify distributions received from equity method investees. The amendments in the update should be applied using a retrospective transition method to each period presented (except where impracticable to apply retrospectively; those specific amendments would be applied prospectively as of the earliest date practicable). The adoption of this standard had an immaterial impact on the Company's Consolidated Statements of Cash Flows.

Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory

In October 2016, the FASB issued new guidance (ASU 2016-16, *Income Taxes (Topic 740), Intra-Entity Transfers of Assets Other Than Inventory)*, effective for fiscal years beginning after December 15, 2017 including interim periods within those fiscal years. Under this update:

- an entity should recognize current and deferred income taxes for an intra-entity transfer of an asset other than inventory at the time of the transfer

- the entity will no longer delay recognition of the income tax consequences of these types of intra-entity asset transfers until the asset has been sold to an outside party, as is practiced under current guidance

The amendments in this ASU were adopted by the Company effective January 1, 2018, as required. The Company does not have any intra-entity asset transfers, therefore this new accounting guidance had no impact on the Company's consolidated financial statements.

Presentation of Changes in Restricted Cash on the Cash Flow Statement

In November 2016, the FASB issued amended guidance regarding the presentation of changes in restricted cash on the cash flow statement (ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*), effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The ASU requires amounts generally described as changes in restricted cash and restricted cash equivalents to be included with cash and cash equivalents on the statement of cash flows. The amendments in this ASU were adopted effective January 1, 2018, as required. The adoption of this guidance had no impact on the Company's Consolidated Statements of Cash Flows.

Scope of Modification Accounting for Stock Compensation

In May 2017, the FASB issued new guidance on the scope of modification accounting for stock compensation (ASU 2017-09, *Compensation-Stock Compensation (Topic 718), Scope of Modification Accounting)*, effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. ASU 2017-09 may be early adopted. The ASU provides guidance on which changes to the terms or conditions of a share-based payment award would require an entity to apply modification accounting in *Topic 718, Stock Compensation*. Under the new guidance, an entity would account for the effects of a modification, immediately before the original award is modified, unless the fair value of the modified award is the same as the fair value of the original award, the vesting conditions of the modified award are the same as the vesting conditions of the original award, and the classification of the modified award (equity instrument or liability instrument) is the same as the classification of the original award. The amendments in this update should be applied prospectively to an award modified on or after the adoption date. The Company adopted the amendments in this ASU effective January 1, 2018 as required. The adoption of this guidance did not have an impact on the Company's consolidated financial statements.

Amendments to Recognition and Measurement of Financial Assets and Financial Liabilities

In March 2018, February 2018 and January 2016, the FASB issued amended guidance on the measurement of financial assets and financial liabilities (ASU 2018-04*, Investments-Debt Securities (Topic 320) and Regulated Operations (Topic 980) - Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 117 and SEC Release No. 33-9273;* ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities;* and ASU 2016-01, *Financial Instruments- Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities,* respectively), effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Notable amendments in these updates:

- require all equity securities (other than equity investments accounted for under the equity method of accounting or requiring the consolidation of the investee) to be measured at fair value with changes in fair value recognized through net income. Equity securities that do not have readily determinable fair values may be measured at cost minus impairment
- require qualitative assessment for impairment of equity investments without readily determinable fair values at each reporting period and, if the qualitative assessment indicates that impairment exists, to measure the investment at fair value
- eliminate the requirement to disclose the methods and significant assumptions used to estimate fair value (which is currently required to be disclosed, for financial instruments measured at amortized cost on the balance sheet)
- require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments

The amendments in these ASUs should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption, and the amendments related to equity securities without readily determinable fair values should be applied prospectively to equity investments that exist as of the date of adoption. The Company adopted ASUs 2016-01, 2018-03, and 2018-04 effective January 1, 2018, with a cumulative-effect adjustment to decrease retained earnings and increase AOCI by $4.

Internal Use Software

In August 2018, the FASB issued new guidance (ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract)*, effective for fiscal years beginning after December 15, 2019 including interim periods within those fiscal years. Under this update:

- entities are required to capitalize certain implementation costs incurred during the application development stage that relate to a hosting arrangement that is a service contract
- entities are required to amortize the capitalized implementation costs over the term of the hosting arrangement.

The Company early adopted ASU 2018-15 effective October 1, 2018 using the prospective transition method. Early adoption was elected as the Company began to incur capitalizable implementation costs associated with a cloud computing arrangement that is a service contract in 2018. Costs capitalized and the associated amortization of those costs under this standard impact "Other assets" and "Acquisition and operating expenses, net of deferrals", respectively, in the Company's consolidated financial statements. The adoption of this standard had an immaterial impact on the Company's consolidated financial statements.

Future Adoption of Accounting Pronouncements

Premium Amortization on Purchased Callable Debt Securities

In March 2017, the FASB issued new guidance on the amortization of callable securities (ASU 2017-08, *Receivables-Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities)*, effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. ASU 2017-08 may be early adopted. The ASU will require premiums paid on purchased debt securities with an explicit call option to be amortized to the earliest call date, as opposed to the maturity date (as under current GAAP). The updated guidance is applicable to instruments that are callable based on explicit, non-contingent call features that are callable at fixed prices on preset dates. The amendments in this update should be applied using the modified retrospective method through a cumulative effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company did not early adopt this standard and expects this new accounting guidance to have an immaterial impact on its consolidated financial statements.

Amendments to Lease Accounting

In February 2016, the FASB issued amended guidance (ASU 2016-02, *Leases (Topic 842)*), effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Notable amendments in this update will:

- require entities to recognize the rights and obligations resulting from all leases or lease components of contracts, including operating leases, as lease assets and lease liabilities, with an exception allowed for leases with a term of 12 months or less
- create a distinction between finance leases and operating leases, with classification criteria substantially similar to that for distinguishing between capital leases and operating leases under previous guidance
- not retain the accounting model for leveraged leases under previous guidance for leases that commence after the effective date of ASU 2016-02
- provide additional guidance on separating the lease components from the nonlease components of a contract
- require qualitative disclosures along with specific quantitative disclosures to provide information regarding the amount, timing, and uncertainty of cash flows arising from leases
- include modifications to align lessor accounting with the changes to lessee accounting, as well as changes to the requirements of recognizing a transaction as a sale and leaseback transaction, however, these changes will have no impact on the Company's current lease arrangements

The amendments in this ASU may be early adopted, however the Company has elected not to. The amendments are required to be applied at the beginning of the earliest period presented using a modified retrospective approach (including several optional practical expedients related to leases commenced before the effective date). The Company has completed its exercise to prepare for adoption of this standard and notes it will have an immaterial impact on its consolidated financial statements.

New Credit Loss Standard

In June 2016, the FASB issued new guidance (ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments)*, effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Notable amendments in this update will change the accounting for impairment of most financial assets and certain other instruments in the following ways:

- financial assets (or a group of financial assets) measured at amortized cost will be required to be presented at the net amount expected to be collected, with an allowance for credit losses deducted from the amortized cost basis, resulting in a net carrying value that reflects the amount the entity expects to collect on the financial asset at purchase
- credit losses relating to AFS fixed maturity securities will be recorded through an allowance for credit losses, rather than reductions in the amortized cost of the securities. The allowance methodology recognizes that value may be realized either through collection of contractual cash flows or through the sale of the security. Therefore, the amount of the allowance for credit losses will be limited to the amount by which fair value is below amortized cost because the classification as available for sale is premised on an investment strategy that recognizes that the investment could be sold at fair value, if cash collection would result in the realization of an amount less than fair value
- the income statement will reflect the measurement of expected credit losses for newly recognized financial assets as well as the expected increases or decreases (including the reversal of previously recognized losses) of expected credit losses that have taken place during the period. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount
- disclosures will be required to include information around how the credit loss allowance was developed, further details on information currently disclosed about credit quality of financing receivables and net investments in leases, and a rollforward of the allowance for credit losses for AFS fixed maturity securities as well as an aging analysis for securities that are past due

The amendments in this ASU may be early adopted during any interim or annual period beginning after December 15, 2018, however the Company has elected not to. The Company has identified the material asset classes impacted by the new guidance and is in the process of assessing the accounting, reporting and/or process changes that will be required to comply with the new guidance. The Company has developed a project plan to complete our adoption of this new standard, however, is still evaluating the impact of the new guidance on its consolidated financial statements.

Test for Goodwill Impairment

In January 2017, the FASB issued new guidance (ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment)*, effective for fiscal years beginning after December 15, 2019 including interim periods within those fiscal years. Under this update:

- the subsequent measurement of goodwill is simplified by the elimination of step 2 from the goodwill impairment test, which required an entity to determine the implied fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination
- the entity should perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit
- the entity is no longer required to perform a qualitative assessment for any reporting unit with a zero or negative carrying amount

The amendments in this ASU may be early adopted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not currently expect to early adopt this standard. When adopted, the Company does not expect this new accounting standard to have a significant impact on its consolidated financial statements.

Derivatives and Hedging

In August 2017, the FASB issued new guidance (ASU 2017-12, *Derivatives and Hedging (Topic 815), Targeted Improvements to the Accounting for Hedging Activities)*, effective for fiscal years beginning after December 15, 2020 including interim periods within those fiscal years. Under this update:

- removes previous limitations on designation of hedged risk in certain cash flow and fair value hedging relationships
- permits different measurements when accounting for hedged items in fair value hedges of interest rate risk
- the entity must present the hedging instrument earnings and hedged item earnings in the same income statement line
- in addition to exclusion of option premiums and forward points, also permits exclusion of the cross-currency basis spread portion of the change in fair value of a currency swap in assessment of hedge effectiveness

The amendments in this ASU may be early adopted as of the beginning of an annual reporting period for which financial statements have not yet been issued, including interim financial statements. The Company does not currently expect to early adopt this standard. When adopted, based on the Company's current hedging activity, this new accounting guidance is not expected to impact its consolidated financial statements.

Long-Duration Contracts

In August 2018, the FASB issued new guidance (ASU 2018-12, *Financial Services-Insurance (Topic 944), Targeted Improvements to the Accounting for Long-Duration Contracts)*, effective for fiscal years beginning after December 15, 2020 including interim periods within those fiscal years. Under this update:

- assumptions used to measure cash flows for traditional and limited-payment contracts must be reviewed at least annually with the effect of changes in those assumptions being recognized in the statement of operations
- the discount rate applied to measure the liability for future policy benefits and limited-payment contracts must be updated at each reporting date with the effect of changes in the rate being recognized in other comprehensive income
- market risk benefits associated with deposit contracts must be measured at fair value, with the effect of the change in the fair value attributable to a change in the instrument-specific credit risk being recognized in other comprehensive income
- deferred acquisition costs are required to be amortized in proportion to premiums, gross profits, or gross margins and those balances must be amortized on a constant level basis over the expected term of the related contracts
- deferred acquisition costs must be written off for unexpected contract terminations
- disaggregated rollforwards of beginning to ending balances of the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities and deferred acquisition costs, as well as information about significant inputs, judgments, assumptions, and methods used in measurement are required to be disclosed

The amendments in this ASU may be early adopted as of the beginning of an annual reporting period for which financial statements have not yet been issued, including interim financial statements. The Company does not currently expect to early adopt this standard and is currently evaluating the impact of this new accounting guidance on its consolidated financial statements.

Fair Value Measurement

In August 2018, the FASB issued new guidance (ASU 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement)*, effective for fiscal years beginning after December 15, 2019 including interim periods within those fiscal years. Under this update:

- for investments in certain entities that calculate net asset value, investors are required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse if the investee has communicated timing to the entity or announced timing publicly
- entities should use the measurement uncertainty disclosure to communicate information about the uncertainty in measurement as of the reporting date
- entities must disclose changes in unrealized gains and losses included in other comprehensive income for recurring Level 3 fair value measurements, as well as the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, or other quantitative information in lieu of weighted average if the entity determines such information would be more reasonable and rational
- entities are no longer required to disclose the amounts and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels, and the valuation processes for Level 3 fair value measurements

The amendments in this ASU may be early adopted. The Company does not currently expect to early adopt this standard and is currently evaluating the impact of this new accounting guidance on its consolidated financial statements.

Consolidation

In October 2018, the FASB issued new guidance (ASU 2018-17, *Consolidation (Topic 810), Targeted Improvements to Related Party Guidance for Variable Interest Entities)*, effective for fiscal years beginning after December 15, 2019 including interim periods within those fiscal years. Under this update, entities must consider indirect interests held through related parties under common control on a proportional basis to determine whether a decision-making fee is a variable interest.

The amendments in this ASU may be early adopted. The Company does not currently expect to early adopt this standard and is currently evaluating the impact of this new accounting guidance on its consolidated financial statements.

(3) Significant Risks and Uncertainties

Federal Regulation

In April 2016, the Department of Labor ("DOL") issued the "fiduciary" rule which could have had a material impact on the Company, its products, distribution, and business model. The rule provided that persons who render investment advice for a fee or other compensation with respect to an employer plan or individual retirement account ("IRA") are fiduciaries of that plan or IRA and would have expanded the definition of fiduciary under ERISA to apply to commissioned insurance agents who sell the Company's IRA products. On June 21, 2018, the United States Court of Appeals for the Fifth Circuit formally vacated the DOL fiduciary rule in total when it issued its mandate following the court's decision on March 15, 2018, in U.S. Chamber of Commerce v. U.S. Department of Labor, 885 F.3d 360 (5th Cir. 2018). Management will continue to monitor for potential action by state officials or the SEC to implement rules similar to the vacated DOL rule.

Use of Estimates and Assumptions

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

The Company's significant estimates which are susceptible to change in the near term relate to (1) recognition of deferred income tax valuation allowances (see "Note 10. Income Taxes"), (2) valuation of certain invested assets and derivatives including embedded derivatives (see "Note 4. Investments", "Note 5. Derivative Financial Instruments", and "Note 6. Fair Value of Financial Instruments"), (3) OTTI of available-for-sale investments (see "Note 4. Investments"), (4) amortization of intangibles (see "Note 7. Intangibles"), (5) and reserves for future policy benefits and product guarantees.

The Company periodically, and at least annually, reviews the assumptions associated with reserves for policy benefits, product guarantees, and amortization of intangibles. As part of the assumption review process that occurred in the year ended December 31, 2018, changes were made to the guaranteed minimum withdrawal benefit (“GMWB”) partial withdrawal utilization, the equity scenario generator, IUL mortality, and earned rates to bring these assumptions in line with current and expected future experience. The change in assumptions as of December 31, 2018 resulted in a net increase in future expected margins and a corresponding decrease in amortization expense reported as a component of “unlocking”. This ultimately resulted in a decrease to intangible assets of $2. These assumptions are also used in the reserve calculation and resulted in a decrease of $5 in the year ended December 31, 2018.

Concentrations of Financial Instruments

As of December 31, 2018 and December 31, 2017, the Company’s most significant investment in one industry, excluding United States ("U.S.") Government securities, was investment securities in the banking industry with a fair value of $2,491 or 10% and $2,851 or 12%, respectively, of the invested assets portfolio and an amortized cost of $2,691 and $2,850, respectively. As of December 31, 2018, the Company’s holdings in this industry include investments in 109 different issuers with the top ten investments accounting for 33% of the total holdings in this industry. As of December 31, 2018, the Company had investments in 16 issuers that exceeded 10% of shareholders' equity, with a total fair value of $1,634 or 7% of the invested assets portfolio; JP Morgan Chase & Co, Metropolitan Transportation Authority (NY), AT&T Inc, HSBC Holdings, Wells Fargo & Company, General Motors Co, Nationwide Mutual Insurance Company, Goldman Sachs Group Inc, United Mexican States, Energy Transfer Partners, Prudential Financial Inc, Citigroup Inc, HP Enterprise Co, Viacom Inc, Kinder Morgan Energy Partners, and Fuel Trust. As of December 31, 2017, the Company had no investments in issuers that exceeded 10% of shareholders' equity. The Company's largest concentration in any single issuer as of December 31, 2018 and December 31, 2017 was JP Morgan Chase & Co with a total fair value of $115 or 1% and Wells Fargo & Company with a total fair value of $155 or 1% of the invested assets portfolio, respectively.

Concentrations of Financial and Capital Markets Risk

The Company is exposed to financial and capital markets risk, including changes in interest rates and credit spreads which can have an adverse effect on the Company’s results of operations, financial condition and liquidity. The Company expects to continue to face challenges and uncertainties that could adversely affect its results of operations and financial condition. The Company attempts to mitigate the risk, including changes in interest rates by investing in less rate-sensitive investments, including senior tranches of collateralized loan obligations, non-agency residential mortgage-backed securities, and various types of asset backed securities.

The Company’s exposure to such financial and capital markets risk relates primarily to the market price and cash flow variability associated with changes in interest rates. A rise in interest rates, in the absence of other countervailing changes, will decrease the net unrealized gain (loss) position of the Company’s investment portfolio and, if long-term interest rates rise dramatically within a six to twelve month time period, certain of the Company’s products may be exposed to disintermediation risk. Disintermediation risk refers to the risk that policyholders may surrender their contracts in a rising interest rate environment, requiring the Company to liquidate assets in an unrealized loss position. Management believes this risk is mitigated to some extent by surrender charge protection provided by the Company’s products.

Concentration of Reinsurance Risk

The Company has a significant concentration of reinsurance with third party reinsurers, Wilton Reassurance Company (“Wilton Re”) and Kubera Insurance (SAC) Ltd. acting in respect of Annuity Reinsurance Cell A1 ("Kubera") that could have a material impact on the Company’s financial position in the event that Wilton Re or Kubera fail to perform their obligations under the various reinsurance treaties. Wilton Re is a wholly-owned subsidiary of Canada Pension Plan Investment Board ("CPPIB"). CPPIB has an AAA issuer credit rating from Standard & Poor's Ratings Services ("S&P") as of December 31, 2018. Kubera is not rated, however, management has attempted to mitigate the risk of non-performance through the funds withheld arrangement. As of December 31, 2018, the net amount recoverable from Wilton Re was $1,543 and the net amount recoverable from Kubera was $758. The Company monitors both the financial condition of individual reinsurers and risk concentration arising from similar geographic regions, activities, and economic characteristics of reinsurers to attempt to reduce the risk of default by such reinsurers. Wilton Re and Kubera are current on all amounts due as of December 31, 2018.

(4) Investments

The Company’s investments in fixed maturity securities have been designated as available-for-sale and are carried at fair value with unrealized gains and losses included in AOCI, net of associated adjustments for DAC, VOBA, DSI, unearned revenue ("UREV"), and deferred income taxes. The Company's equity securities investments are carried at fair value with unrealized gains and losses included in net income. The Company’s consolidated investments at December 31, 2018 and December 31, 2017 are summarized as follows:

	December 31, 2018				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
Available-for sale securities					
Asset-backed securities	$ 4,928	$ 15	$ (135)	$ 4,808	$ 4,808
Commercial mortgage-backed securities	2,568	9	(40)	2,537	2,537
Corporates	11,213	16	(848)	10,381	10,381
Hybrids	992	—	(91)	901	901
Municipals	1,216	3	(32)	1,187	1,187
Residential mortgage-backed securities	1,027	12	(8)	1,031	1,031
U.S. Government	90	—	(1)	89	89
Foreign Governments	129	—	(8)	121	121
Total available-for-sale securities	22,163	55	(1,163)	21,055	21,055
Equity securities	1,526	1	(145)	1,382	1,382
Derivative investments	330	2	(235)	97	97
Commercial mortgage loans	482	—	—	483	482
Residential mortgage loans	185	—	—	187	185
Other invested assets	662	—	—	651	662
Total investments	$ 25,348	$ 58	$ (1,543)	$ 23,855	$ 23,863

	December 31, 2017				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
Available-for sale securities					
Asset-backed securities	$ 3,061	$ 7	$ (3)	$ 3,065	$ 3,065
Commercial mortgage-backed securities	956	1	(1)	956	956
Corporates	12,467	122	(19)	12,570	12,570
Hybrids	1,066	4	(3)	1,067	1,067
Municipals	1,736	12	(1)	1,747	1,747
Residential mortgage-backed securities	1,279	1	(3)	1,277	1,277
U.S. Government	84	—	—	84	84
Foreign Governments	198	—	(1)	197	197
Total available-for-sale securities	20,847	147	(31)	20,963	20,963
Equity securities	1,392	3	(7)	1,388	1,388
Derivative investments	459	36	(3)	492	492
Short term investments	25	—	—	25	25
Commercial mortgage loans	548	—	—	549	548
Other invested assets	188	—	—	186	188
Total investments	$ 23,459	$ 186	$ (41)	$ 23,603	$ 23,604

The unrealized gains and losses were reset to zero effective November 30, 2017 as a result of the Business Combination and application of acquisition accounting.

Securities held on deposit with various state regulatory authorities had a fair value of $19,930 and $20,301 at December 31, 2018 and December 31, 2017, respectively. Under Iowa regulations, insurance companies are required to hold securities on deposit in an amount no less than the Company's legal reserve as prescribed by Iowa regulations.

At December 31, 2018, and December 31, 2017, the Company held investments that were non-income producing for a period greater than twelve months with fair values of $0 and $0, respectively.

In accordance with the Company's FHLB agreements, the investments supporting the funding agreement liabilities are pledged as collateral to secure the FHLB funding agreement liabilities. The collateral investments had a fair value of $1,401 and $715 at December 31, 2018 and December 31, 2017, respectively.

The amortized cost and fair value of fixed maturity available-for-sale securities by contractual maturities, as applicable, are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or pre-pay obligations.

	December 31, 2018	
	Amortized Cost	**Fair Value**
Corporates, Non-structured Hybrids, Municipal and Government securities:		
Due in one year or less	$ 191	$ 191
Due after one year through five years	787	764
Due after five years through ten years	2,219	2,137
Due after ten years	10,443	9,587
Subtotal	13,640	12,679
Other securities which provide for periodic payments:		
Asset-backed securities	4,928	4,808
Commercial mortgage-backed securities	2,568	2,537
Residential mortgage-backed securities	1,027	1,031
Subtotal	8,523	8,376
Total fixed maturity available-for-sale securities	$ 22,163	$ 21,055

The Company's available-for-sale securities with unrealized losses are reviewed for potential OTTI. For factors considered in evaluating whether a decline in value is other-than-temporary, please refer to “Note 2. Significant Accounting Policies and Practices".

Included in AOCI were cumulative gross unrealized gains of $0 and gross unrealized losses of $0 related to the non-credit portion of other-than-temporary-impairments ("OTTI") on non-agency residential mortgage backed securities ("RMBS") at December 31, 2018 and December 31, 2017.

The Company analyzes its ability to recover the amortized cost by comparing the net present value of cash flows expected to be collected with the amortized cost of the security. For mortgage-backed and asset-backed securities, cash flow estimates consider the payment terms of the underlying assets backing a particular security, including interest rate and prepayment assumptions, based on data from widely accepted third-party data sources or internal estimates. In addition to interest rate and prepayment assumptions, cash flow estimates also include other assumptions regarding the underlying collateral including default rates and recoveries, which vary based on the asset type and geographic location, as well as the vintage year of the security. For structured securities, the payment priority within the tranche structure is also considered. For all other fixed maturity securities, cash flow estimates are driven by assumptions regarding probability of default and estimates regarding timing and amount of recoveries associated with a default. If the net present value is less than the amortized cost of the investment, an OTTI is recognized.

Based on the results of our process for evaluating available-for-sale securities in unrealized loss positions for OTTI as discussed above, the Company determined that the unrealized losses as of December 31, 2018 increased due to significant spread widening in credit-related assets during the year but particularly in the month of December. Based on an assessment of all securities in the portfolio in unrealized loss positions, the Company determined that the unrealized losses on the securities presented in the table below were not other-than-temporarily impaired as of December 31, 2018.

The fair value and gross unrealized losses of available-for-sale securities, aggregated by investment category and duration of fair value below amortized cost, were as follows:

	December 31, 2018					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities						
Asset-backed securities	$ 2,900	$ (114)	$ 643	$ (21)	$ 3,543	$ (135)
Commercial mortgage-backed securities	1,466	(34)	262	(6)	1,728	(40)
Corporates	8,016	(772)	1,465	(76)	9,481	(848)
Hybrids	858	(90)	7	(1)	865	(91)
Municipals	850	(27)	172	(5)	1,022	(32)
Residential mortgage-backed securities	139	(3)	190	(5)	329	(8)
U.S. Government	39	—	50	(1)	89	(1)
Foreign Governments	47	(3)	68	(5)	115	(8)
Total available-for-sale securities	$ 14,315	$ (1,043)	$ 2,857	$ (120)	$ 17,172	$ (1,163)
Total number of available-for-sale securities in an unrealized loss position less than twelve months						1,546
Total number of available-for-sale securities in an unrealized loss position twelve months or longer						556
Total number of available-for-sale securities in an unrealized loss position						2,102

	December 31, 2017					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale securities						
Asset-backed securities	$ 1,944	$ (3)	$ —	$ —	$ 1,944	$ (3)
Commercial mortgage-backed securities	478	(1)	—	—	478	(1)
Corporates	3,814	(19)	—	—	3,814	(19)
Hybrids	266	(3)	—	—	266	(3)
Municipals	285	(1)	—	—	285	(1)
Residential mortgage-backed securities	939	(3)	—	—	939	(3)
U.S. Government	74	—	—	—	74	—
Foreign Governments	140	(1)	—	—	140	(1)
Total available-for-sale securities	$ 7,940	$ (31)	$ —	$ —	$ 7,940	$ (31)
Total number of available-for-sale securities in an unrealized loss position less than twelve months						1,182
Total number of available-for-sale securities in an unrealized loss position twelve months or longer						0
Total number of available-for-sale securities in an unrealized loss position						1,182

At December 31, 2018 and December 31, 2017, securities in an unrealized loss position were primarily concentrated in corporate debt and asset-backed securities.

At December 31, 2018 and December 31, 2017, securities with a fair value of $132 and $10, respectively, had an unrealized loss greater than 20% of amortized cost (excluding U.S. Government and U.S. Government sponsored agency securities), which were insignificant to the carrying value of all investments, respectively.

The following table provides a reconciliation of the beginning and ending balances of the credit loss portion of OTTI on fixed maturity available-for-sale securities held by the Company for the periods presented, for which a portion of the OTTI was recognized in AOCI:

	Year ended December 31, 2018	Period from December 1 to December 31, 2017
Beginning balance	$ —	$ —
Increases attributable to credit losses on securities:		
OTTI was previously recognized	—	—
OTTI was not previously recognized	—	—
Ending balance	$ —	$ —

The following table breaks out the credit impairment loss type, the associated amortized cost and fair value of the investments at the balance sheet date and non-credit losses in relation to fixed maturity securities and other invested assets held by the Company for the periods presented:

	Year ended December 31, 2018	Period from December 1 to December 31, 2017
Credit impairment losses in operations	$ (24)	$ —
Change-of-intent losses in operations	—	—
Amortized cost	64	—
Fair value	64	—
Non-credit losses in other comprehensive income for investments which experienced OTTI	—	—

The portion of OTTI recognized in AOCI is disclosed in the Consolidated Statements of Comprehensive Income (Loss).

As of December 31, 2018, the Company recognized credit-related impairment losses of $18 on available-for-sale debt securities related to investments in Pacific Gas and Electric (“PG&E”). PG&E filed chapter 11 reorganization on January 29, 2019 in relation to the California wildfires and the Company has reflected the impairment in its financial statements for the year ended December 31, 2018 as the events are reflective of conditions that existed at the balance sheet date.

Details of OTTI that were recognized in "Net income (loss)" and included in net realized gains on securities were as follows:

	Year ended December 31, 2018	Period from December 1 to December 31, 2017
Asset-backed securities	$ —	$ —
Corporates	(24)	—
Related party loans	—	—
Other invested assets	—	—
Total	$ (24)	$ —

Mortgage Loans

The Company's mortgage loans are collateralized by commercial and residential properties. Prior to the quarter ended December 31, 2018, the Company held no residential mortgage loans.

Commercial Mortgage Loans

CMLs represented approximately 2% of the Company's total investments as of December 31, 2018 and December 31, 2017. The Company primarily invests in mortgage loans on income producing properties including hotels, industrial properties, retail buildings, multifamily properties and office buildings. The Company diversifies its CML portfolio by geographic region and property type to attempt to reduce concentration risk. The Company continuously evaluates CMLs based on relevant current information to ensure properties are performing at a consistent and acceptable level to secure the related debt. The distribution of CMLs, gross of valuation allowances, by property type and geographic region is reflected in the following tables:

	December 31, 2018		December 31, 2017	
	Gross Carrying Value	% of Total	Gross Carrying Value	% of Total
Property Type:				
Funeral Home	$ —	—%	$ —	—%
Hotel	21	4%	22	4%
Industrial - General	37	8%	46	9%
Industrial - Warehouse	20	4%	38	6%
Multifamily	56	12%	70	13%
Office	147	30%	158	29%
Retail	201	42%	214	39%
Total commercial mortgage loans, gross of valuation allowance	$ 482	100%	$ 548	100%
Allowance for loan loss	—		—	
Total commercial mortgage loans	$ 482		$ 548	
U.S. Region:				
East North Central	$ 98	20%	$ 108	20%
East South Central	19	4%	20	4%
Middle Atlantic	79	17%	85	15%
Mountain	65	13%	67	12%
New England	10	2%	14	3%
Pacific	116	24%	135	25%
South Atlantic	57	12%	65	12%
West North Central	13	3%	13	2%
West South Central	25	5%	41	7%
Total commercial mortgage loans, gross of valuation allowance	$ 482	100%	$ 548	100%
Allowance for loan loss	—		—	
Total commercial mortgage loans	$ 482		$ 548	

All of the Company's investments in CMLs had a loan-to-value ("LTV") ratio of less than 75% at December 31, 2018 and December 31, 2017, as measured at inception of the loans unless otherwise updated. As of December 31, 2018, all CMLs are current and have not experienced credit or other events which would require the recording of an impairment loss.

LTV and DSC ratios are measures commonly used to assess the risk and quality of mortgage loans. The LTV ratio is expressed as a percentage of the amount of the loan relative to the value of the underlying property. A LTV ratio in excess of 100% indicates the unpaid loan amount exceeds the underlying collateral. The DSC ratio, based upon the most recently received financial statements, is expressed as a percentage of the amount of a property's net income to its debt service payments. A DSC ratio of less than 1.00 indicates that a property's operations do not generate sufficient income to cover debt payments. We normalize our DSC ratios to a 25-year amortization period for purposes of our general loan allowance evaluation.

The following table presents the recorded investment in CMLs by LTV and DSC ratio categories and estimated fair value by the indicated loan-to-value ratios at December 31, 2018 and December 31, 2017:

	Debt-Service Coverage Ratios				Total Amount	% of Total	Estimated Fair Value	% of Total
	>1.25	1.00 - 1.25	<1.00	N/A(a)				
December 31, 2018								
LTV Ratios:								
Less than 50%	$ 296	$ 6	$ —	$ —	$ 302	63%	$ 302	63%
50% to 60%	169	—	—	—	169	35%	170	35%
60% to 75%	11	—	—	—	11	2%	11	2%
Commercial mortgage loans	$ 476	$ 6	$ —	$ —	$ 482	100%	$ 483	100%
December 31, 2017								
LTV Ratios:								
Less than 50%	$ 293	$ —	$ —	$ —	$ 293	54%	$ 294	54%
50% to 60%	236	7	—	—	243	44%	243	44%
60% to 75%	12	—	—	—	12	2%	12	2%
Commercial mortgage loans	$ 541	$ 7	$ —	$ —	$ 548	100%	$ 549	100%

(a) N/A - Current DSC ratio not available.

The Company establishes a general mortgage loan allowance based upon the underlying risk and quality of the mortgage loan portfolio using DSC ratio and LTV ratio. The Company believes that the LTV ratio is an indicator of the principal recovery risk for loans that default. A higher LTV ratio will result in a higher allowance. The Company believes that the DSC ratio is an indicator of default risk on loans. A higher DSC ratio will result in a lower allowance.

The Company recognizes a mortgage loan as delinquent when payments on the loan are greater than 30 days past due. At December 31, 2018 and December 31, 2017, the Company had no CMLs that were delinquent in principal or interest payments.

Mortgage loan workouts, refinances or restructures that are classified as troubled debt restructurings ("TDRs") are individually evaluated and measured for impairment. As of December 31, 2018 and December 31, 2017, our CML portfolio had no impairments, modifications or TDR.

Residential Mortgage Loans

Residential mortgage loans ("RMLs") represented approximately 1% of the Company's total investments as of December 31, 2018. The Company's residential mortgage loans are closed end, amortizing loans. Of the Company's RMLs, 100% of the properties are located in the United States. The Company diversifies its RML portfolio by state to attempt to reduce concentration risk. The distribution of RMLs, gross of valuation allowances, by state with highest-to-lowest concentration is reflected in the following table:

	Year ended December 31, 2018	
US State:	Unpaid Principal Balance	% of Total
Florida	$ 25	14%
Illinois	24	13%
New Jersey	17	9%
All Other States (a)	114	64%
Total mortgage loans	$ 180	100%

(a) The individual concentration of each state is less than 9%.

The credit quality of RMLs as at December 31, 2018 was as follows:

	Year ended December 31, 2018	
Performance indicators:	Carrying Value	% of Total
Performing	$ 185	100%
Non-performing	—	—%
Total residential mortgage loans, gross of valuation allowance	$ 185	100%
Allowance for loan loss	—	—%
Total residential mortgage loans	$ 185	100%

Net Investment Income

The major sources of "Net investment income" on the accompanying Consolidated Statements of Operations were as follows:

	Year ended December 31, 2018	Period from December 1 to December 31, 2017
Fixed maturity securities, available-for-sale	$ 1,007	$ 80
Equity securities	73	6
Mortgage loans	24	2
Invested cash and short-term investments	16	1
Funds withheld	28	2
Limited partnerships	17	1
Other investments	10	1
Gross investment income	1,175	93
Investment expense	(70)	(1)
Net investment income	$ 1,105	$ 92

Net Investment Gains (Losses)

Details underlying "Net investment gains (losses)" reported on the accompanying Consolidated Statements of Operations were as follows:

	Year ended December 31, 2018	Period from December 1 to December 31, 2017
Net realized gains (losses) on fixed maturity available-for-sale securities	$ (187)	$ 5
Net realized/unrealized gains (losses) on equity securities	(142)	—
Realized gains (losses) on other invested assets	(5)	—
Derivatives and embedded derivatives:		
Realized gains (losses) on certain derivative instruments	(2)	3
Unrealized gains (losses) on certain derivative instruments	(248)	34
Change in fair value of reinsurance related embedded derivatives (a)	(42)	—
Change in fair value of other derivatives and embedded derivatives	(3)	—
Realized gains (losses) on derivatives and embedded derivatives	(295)	37
Net investment gains (losses)	$ (629)	$ 42

(a) Change in fair value of reinsurance related embedded derivatives is due to F&G Re and FSRC unaffiliated third party business under the fair value option election. See "Note 13. Related Party Transactions".

The proceeds from the sale of fixed-maturity available for-sale-securities and the gross gains and losses associated with those transactions were as follows:

	Year ended	
	December 31, 2018	Period from December 1 to December 31, 2017
Proceeds	$ 6,260	$ 125
Gross gains	12	—
Gross losses	(171)	—

In accordance with the Company's adoption of ASU 2016-01, for the year ended December 31, 2018 the Company had the following realized and unrealized gains and losses on equity securities:

	Year ended
	December 31, 2018
Net gains (losses) recognized during the period on equity securities	$ (142)
Less: Net gains (losses) recognized during the period on equity securities sold during the period	(2)
Unrealized gains (losses) recognized during the reporting period on equity securities still held at the reporting date	$ (140)

The Company's adoption of ASU 2016-01 with respect to gains and losses on equity securities had a $(140) impact on pre-tax net income.

Unconsolidated Variable Interest Entities

The Company owns investments in VIEs that are not consolidated within the Company’s financial statements. VIEs do not have sufficient equity to finance their own activities without additional financial support and certain of its investors lack certain characteristics of a controlling financial interest. These VIEs are not consolidated in the Company’s financial statements for the following reasons: 1) the Company either does not control or does not have any voting rights or notice rights; 2) the Company does not have any rights to remove the investment manager; and 3) the Company was not involved in the design of the investment. These characteristics indicate that FGL Insurance lacks the ability to direct the activities, or otherwise exert control, of the VIEs and is not considered the primary beneficiary of them.

The Company also executed a commitment of $75 to purchase common shares in an unaffiliated private business development company ("BDC"). The BDC invests in secured and unsecured fixed maturity and equity securities of middle market companies in the United States. Due to the voting structure of the transaction, CF Bermuda does not have voting power. The Company has funded $50 as of December 31, 2018, with the remaining commitment expected to fund June 2019.

The Company invests in various limited partnerships as a passive investor. These investments are in corporate credit and real estate debt strategies that have a current income bias. Limited partnership interests are accounted for under the equity method and are included in “Other invested assets” on the Company’s consolidated balance sheets. The Company's maximum exposure to loss with respect to these investments is limited to the investment carrying amounts reported in the Company's consolidated balance sheets in addition to any required unfunded commitments. As of December 31, 2018, the Company's maximum exposure to loss was $510 in recorded carrying value and $1,132 in unfunded commitments.

(5) Derivative Financial Instruments

The carrying amounts of derivative instruments, including derivative instruments embedded in FIA contracts, is as follows:

	December 31, 2018	December 31, 2017
Assets:		
Derivative investments:		
Call options	$ 97	$ 492
Futures contracts	—	—
Other invested assets:		
Other derivatives and embedded derivatives	14	17
	$ 111	$ 509
Liabilities:		
Contractholder funds:		
FIA embedded derivative	$ 2,476	$ 2,277
	$ 2,476	$ 2,277

The change in fair value of derivative instruments included in the accompanying Consolidated Statements of Operations is as follows:

	Year ended December 31, 2018	Period from December 1 to December 31, 2017
Revenues:		
Net investment gains (losses):		
Call options	$ (244)	$ 34
Futures contracts	(8)	3
Foreign currency forward	2	—
Other derivatives and embedded derivatives	(3)	—
Reinsurance related embedded derivatives (a)	(42)	—
Total net investment gains (losses)	$ (295)	$ 37
Benefits and other changes in policy reserves:		
FIA embedded derivatives	$ 199	$ (54)

(a) Change in fair value of reinsurance related embedded derivatives is due to F&G Re and FSRC unaffiliated third party business under the fair value option election. See "Note 13. Related Party Transactions".

Additional Disclosures

Other Derivatives and Embedded Derivatives

FGL Insurance holds a $35 fund-linked note issued by Nomura International Funding Pte. Ltd. The note provides for an additional payment at maturity based on the value of an embedded derivative in AnchorPath Dedicated Return Fund (the "AnchorPath Fund") of $11 which was based on the actual return of the fund. At December 31, 2018, the fair value of the fund-linked note and embedded derivative were $26 and $14, respectively. At maturity of the fund-linked note, FGL Insurance will receive the $35 face value of the note plus the value of the embedded derivative in the AnchorPath Fund. The additional payment at maturity is an embedded derivative reported in "Other invested assets", while the host is an available-for-sale security reported in "Fixed maturities, available-for-sale".

Fixed Index Annuity ("FIA") Embedded Derivative, Call Options and Futures

The Company has FIA Contracts that permit the holder to elect an interest rate return or an equity index linked component, where interest credited to the contracts is linked to the performance of various equity indices, primarily the S&P 500 Index. This feature represents an embedded derivative under GAAP. The FIA embedded derivative is valued at fair value and included in the liability for contractholder funds in the accompanying Consolidated Balance Sheets with changes in fair value included as a component of “Benefits and other changes in policy reserves” in the Consolidated Statements of Operations. See a description of the fair value methodology used in "Note 6. Fair Value of Financial Instruments".

The Company purchases derivatives consisting of a combination of call options and futures contracts on the applicable market indices to fund the index credits due to FIA contractholders. The call options are one, two, three, and five year options purchased to match the funding requirements of the underlying policies. On the respective anniversary dates of the index policies, the index used to compute the interest credit is reset and the Company purchases new one, two, three, or five year call options to fund the next index credit. The Company manages the cost of these purchases through the terms of its FIA contracts, which permit the Company to change caps, spreads or participation rates, subject to guaranteed minimums, on each contract’s anniversary date. The change in the fair value of the call options and futures contracts is generally designed to offset the portion of the change in the fair value of the FIA embedded derivative related to index performance. The call options and futures contracts are marked to fair value with the change in fair value included as a component of “Net investment gains (losses).” The change in fair value of the call options and futures contracts includes the gains and losses recognized at the expiration of the instrument term or upon early termination and the changes in fair value of open positions.

Other market exposures are hedged periodically depending on market conditions and the Company’s risk tolerance. The Company’s FIA hedging strategy economically hedges the equity returns and exposes the Company to the risk that unhedged market exposures result in divergence between changes in the fair value of the liabilities and the hedging assets. The Company uses a variety of techniques, including direct estimation of market sensitivities and value-at-risk to monitor this risk daily. The Company intends to continue to adjust the hedging strategy as market conditions and the Company’s risk tolerance change.

Credit Risk

The Company is exposed to credit loss in the event of non-performance by its counterparties on the call options and reflects assumptions regarding this non-performance risk in the fair value of the call options. The non-performance risk is the net counterparty exposure based on the fair value of the open contracts less collateral held. The Company maintains a policy of requiring all derivative contracts to be governed by an International Swaps and Derivatives Association ("ISDA") Master Agreement.

Information regarding the Company's exposure to credit loss on the call options it holds is presented in the following table:

		December 31, 2018			
Counterparty	**Credit Rating (Fitch/Moody's/ S&P) (a)**	**Notional Amount**	**Fair Value**	**Collateral**	**Net Credit Risk**
Merrill Lynch	A+/*/A+	$ 3,952	$ 25	$ —	$ 25
Deutsche Bank	A-/A3/BBB+	1,327	5	6	(1)
Morgan Stanley	*/A1/A+	1,648	9	6	3
Barclay's Bank	A+/A2/A	2,205	27	20	7
Canadian Imperial Bank of Commerce	*/Aa2/A+	1,716	11	8	3
Wells Fargo	A+/A2/A-	1,635	17	16	1
Goldman Sachs	A/A3/BBB+	647	3	3	—
Total		$ 13,130	$ 97	$ 59	$ 38

		December 31, 2017			
Counterparty	**Credit Rating (Fitch/Moody's/ S&P) (a)**	**Notional Amount**	**Fair Value**	**Collateral**	**Net Credit Risk**
Merrill Lynch	A/*/A+	$ 2,780	$ 150	$ 118	$ 32
Deutsche Bank	A-/A3/A-	1,345	51	55	(4)
Morgan Stanley	*/A1/A+	1,555	92	101	(9)
Barclay's Bank	A*+/A1/A	2,090	103	95	8
Canadian Imperial Bank of Commerce	AA-/Aa3/A+	2,807	96	98	(2)
Total		$ 10,577	$ 492	$ 467	$ 25

(a) An * represents credit ratings that were not available.

Collateral Agreements

The Company is required to maintain minimum ratings as a matter of routine practice as part of its over-the-counter derivative agreements on ISDA forms. Under some ISDA agreements, the Company has agreed to maintain certain financial strength ratings. A downgrade below these levels provides the counterparty under the agreement the right to terminate the open option contracts between the parties, at which time any amounts payable by the Company or the counterparty would be dependent on the market value of the underlying option contracts. The Company's current rating doesn't allow any counterparty the right to terminate ISDA agreements. In certain transactions, the Company and the counterparty have entered into a collateral support agreement requiring either party to post collateral when the net exposures exceed pre-determined thresholds. For all counterparties, except one, this threshold is set to zero. As of December 31, 2018 and December 31, 2017, counterparties posted $59 and $467 of collateral, respectively, of which $59 and $349 is included in "Cash and cash equivalents" with an associated payable for this collateral included in "Other liabilities" on the Consolidated Balance Sheets. The remaining $0 and $118 of non-cash collateral was held by a third-party custodian and may not be sold or re-pledged, except in the event of default, and, therefore, is not included in the Company's Consolidated Balance Sheets at December 31, 2018 and December 31, 2017, respectively. This collateral generally consists of U.S. treasury bonds and agency mortgage-backed securities ("Agency MBS"). Accordingly, the maximum amount of loss due to credit risk that the Company would incur if parties to the call options failed completely to perform according to the terms of the contracts was $38 and $25 at December 31, 2018 and December 31, 2017, respectively.

The Company is required to pay counterparties the effective federal funds rate each day for cash collateral posted to FGL for daily mark to market margin changes. The Company reinvests derivative cash collateral to reduce the interest cost. Cash collateral is invested in short term Treasury securities and A1/P1 commercial paper which are included in "Cash and cash equivalents" in the Consolidated Balance Sheets.

The Company held 664 and 1,754 futures contracts at December 31, 2018 and December 31, 2017, respectively. The fair value of the futures contracts represents the cumulative unsettled variation margin (open trade equity, net of cash settlements). The Company provides cash collateral to the counterparties for the initial and variation margin on the futures contracts which is included in "Cash and cash equivalents" in the Consolidated Balance Sheets. The amount of cash collateral held by the counterparties for such contracts was $3 and $8 at December 31, 2018 and December 31, 2017, respectively.

(6) Fair Value of Financial Instruments

The Company's measurement of fair value is based on assumptions used by market participants in pricing the asset or liability, which may include inherent risk, restrictions on the sale or use of an asset, or non-performance risk, which may include the Company's own credit risk. The Company's estimate of an exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability ("exit price") in the principal market, or the most advantageous market for that asset or liability in the absence of a principal market as opposed to the price that would be paid to acquire the asset or assume a liability ("entry price"). The Company categorizes financial instruments carried at fair value into a three-level fair value hierarchy, based on the priority of inputs to the respective valuation technique. The three-level hierarchy for fair value measurement is defined as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

When a determination is made to classify an asset or liability within Level 3 of the fair value hierarchy, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement. Because certain securities trade in less liquid or illiquid markets with limited or no pricing information, the determination of fair value for these securities is inherently more difficult. In addition to the unobservable inputs, Level 3 fair value investments may include observable components, which are components that are actively quoted or can be validated to market-based sources.

The carrying amounts and estimated fair values of the Company's financial instruments for which the disclosure of fair values is required, including financial assets and liabilities measured and carried at fair value on a recurring basis, with the exception of investment contracts, related party loans, portions of other invested assets and debt which are disclosed later within this footnote, was summarized according to the hierarchy previously described, as follows:

	December 31, 2018				
	Level 1	Level 2	Level 3	Fair Value	Carrying Amount
Assets					
Cash and cash equivalents	$ 564	$ —	$ —	$ 564	$ 564
Fixed maturity securities, available-for-sale:					
Asset-backed securities	—	4,364	444	4,808	4,808
Commercial mortgage-backed securities	—	2,470	67	2,537	2,537
Corporates	—	9,150	1,231	10,381	10,381
Hybrids	265	626	10	901	901
Municipals	—	1,150	37	1,187	1,187
Residential mortgage-backed securities	—	417	614	1,031	1,031
U.S. Government	84	5	—	89	89
Foreign Governments	—	105	16	121	121
Equity securities	454	874	4	1,332	1,332
Derivative investments	—	97	—	97	97
Other invested assets	—	—	39	39	39
Funds withheld for reinsurance receivables, at fair value	169	576	4	749	749
Total financial assets at fair value	$ 1,536	$ 19,834	$ 2,466	$ 23,836	$ 23,836
Liabilities					
Derivatives:					
FIA embedded derivatives, included in contractholder funds	$ —	$ —	$ 2,476	$ 2,476	$ 2,476
Fair value of future policy benefits	—	—	725	725	725
Total financial liabilities at fair value	$ —	$ —	$ 3,201	$ 3,201	$ 3,201

	December 31, 2017				
	Level 1	Level 2	Level 3	Fair Value	Carrying Amount
Assets					
Cash and cash equivalents	$ 1,145	$ —	$ —	$ 1,145	$ 1,145
Fixed maturity securities, available-for-sale:					
Asset-backed securities	—	2,653	412	3,065	3,065
Commercial mortgage-backed securities	—	907	49	956	956
Corporates	—	11,401	1,169	12,570	12,570
Hybrids	253	804	10	1,067	1,067
Municipals	—	1,709	38	1,747	1,747
Residential mortgage-backed securities	—	1,211	66	1,277	1,277
U.S. Government	52	32	—	84	84
Foreign Governments	—	180	17	197	197
Equity securities	404	937	3	1,344	1,344
Derivative investments	—	492	—	492	492
Short term investments	25	—	—	25	25
Other invested assets	—	—	17	17	17
Funds withheld for reinsurance receivables, at fair value	88	648	4	740	740
Total financial assets at fair value	$ 1,967	$ 20,974	$ 1,785	$ 24,726	$ 24,726
Liabilities					
Derivatives:					
FIA embedded derivatives, included in contractholder funds	$ —	$ —	$ 2,277	$ 2,277	$ 2,277
Fair value of future policy benefits	—	—	728	728	728
Total financial liabilities at fair value	$ —	$ —	$ 3,005	$ 3,005	$ 3,005

The carrying amounts of accrued investment income, and portions of other insurance liabilities, approximate fair value due to their short duration and, accordingly, they are not presented in the tables above.

Valuation Methodologies

Fixed Maturity Securities & Equity Securities

The Company measures the fair value of its securities based on assumptions used by market participants in pricing the security. The most appropriate valuation methodology is selected based on the specific characteristics of the fixed maturity or equity security, and the Company will then consistently apply the valuation methodology to measure the security's fair value. The Company's fair value measurement is based on a market approach, which utilizes prices and other relevant information generated by market transactions involving identical or comparable securities. Sources of inputs to the market approach include third-party pricing services, independent broker quotations, or pricing matrices. The Company uses observable and unobservable inputs in its valuation methodologies. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data. In addition, market indicators and industry and economic events are monitored and further market data will be acquired when certain thresholds are met.

For certain security types, additional inputs may be used, or some of the inputs described above may not be applicable. The significant unobservable input used in the fair value measurement of equity securities for which the market approach valuation technique is employed is yield for comparable securities. Increases or decreases in the yields would result in lower or higher, respectively, fair value measurements. For broker-quoted only securities, quotes from market makers or broker-dealers are obtained from sources recognized to be market participants. Management believes the broker quotes are prices at which trades could be executed based on historical trades executed at broker-quoted or slightly higher prices. The Company has an equity investment in a private business development company which is not traded on an exchange or valued by other sources such as analytics or brokers. The Company based the fair value of this investment on an estimated net asset value provided by the investee. Management did not make any adjustments to this valuation.

The fair value of the Company's investment in mutual funds is based on the net asset value published by the respective mutual fund and represents the value the Company would have received if it withdrew its investment on the balance sheet date.

The Company did not adjust prices received from third parties as of December 31, 2018 and December 31, 2017. However, the Company does analyze the third-party valuation methodologies and related inputs to perform assessments to determine the appropriate level within the fair value hierarchy.

Derivative Financial Instruments

The fair value of call option assets is based upon valuation pricing models, which represents what the Company would expect to receive or pay at the balance sheet date if it canceled the options, entered into offsetting positions, or exercised the options. Fair values for these instruments are determined internally, based on valuation pricing models which use market-observable inputs, including interest rates, yield curve volatilities, and other factors.

The fair value of futures contracts represents the cumulative unsettled variation margin (open trade equity, net of cash settlements) which represents what the Company would expect to receive or pay at the balance sheet date if it canceled the futures contract or entered into offsetting positions. These contracts are classified as Level 1.

The fair value measurement of the FIA embedded derivatives included in contractholder funds is determined through a combination of market observable information and significant unobservable inputs. The market observable inputs are the market value of option and interest swap rates. The significant unobservable inputs are the mortality multiplier, surrender rates, non-performance spread and option costs. The mortality multiplier at December 31, 2018 and December 31, 2017 was applied to the Annuity 2000 mortality tables. Significant increases or decreases in the market value of an option in isolation would result in a higher or lower, respectively, fair value measurement. Significant increases or decreases in interest swap rates, mortality multiplier, surrender rates, or non-performance spread in isolation would result in a lower or higher fair value measurement, respectively. Generally, a change in any one unobservable input would not directly result in a change in any other unobservable input.

Other Invested Assets

Fair value of our loan participation interest securities approximated the unpaid principal balance of the participation interest as of the balance sheet dates. In making this assessment, the Company considered the sufficiency of the underlying loan collateral, movements in the benchmark interest rate between origination date, and the balance sheet dates, the primary market participant for these securities, and the short-term maturity of these loans (less than 1 year).

Fair value of the AnchorPath embedded derivative is based on an unobservable input, the net asset value of the AnchorPath fund at the balance sheet date. The embedded derivative is similar to a call option on the net asset value of the AnchorPath fund with a strike price of zero since FGL Insurance will not be required to make any additional payments at maturity of the fund-linked note in order to receive the net asset value of the AnchorPath fund on the maturity date. A Black-Scholes model determines the net asset value of the AnchorPath fund as the fair value of the call option regardless of the values used for the other inputs to the option pricing model. The net asset value of the AnchorPath fund is provided by the fund manager at the end of each calendar month and represents the value an investor would receive if it withdrew its investment on the balance sheet date. Therefore, the key unobservable input used in the Black-Scholes model is the value of the AnchorPath fund. As the value of the AnchorPath fund increases or decreases, the fair value of the embedded derivative will increase or decrease.

FSRC and F&G Re Funds Withheld for Reinsurance Receivables and Future Policy Benefits

FSRC and F&G Re elected to apply the Fair Value Option to account for its funds withheld receivables and future policy benefits liability related to its assumed reinsurance. FSRC and F&G Re measure the fair value of the Funds Withheld for Reinsurance Receivables based on the fair values of the securities in the underlying funds withheld portfolio held by the cedant. FSRC and F&G Re use a discounted cash flows approach to measure the fair value of the Future Policy Benefits Reserve. The cash flows associated with future policy premiums and benefits are generated using best estimate assumptions (plus a risk margin, where applicable) and are consistent with market prices, where available. Risk margins are typically applied to non-observable, non-hedgeable market inputs such as long term volatility, mortality, morbidity, lapse, etc.

The significant unobservable inputs used in the fair value measurement of the FSRC and F&G Re future policy benefit liability are undiscounted cash flows, non-performance risk spread and risk margin to reflect uncertainty. Undiscounted cash flows used in our December 31, 2018 discounted cash flow model equaled $1,199. Increases or decreases in non-performance risk spread and risk margin to reflect uncertainty would result in a lower or higher fair value measurement, respectively.

Quantitative information regarding significant unobservable inputs used for recurring Level 3 fair value measurements of financial instruments carried at fair value as of December 31, 2018 and December 31, 2017, are as follows:

	Fair Value at December 31, 2018	Valuation Technique	Unobservable Input(s)	Range (Weighted average) December 31, 2018
Assets				
Asset-backed securities	$ 405	Broker-quoted	Offered quotes	97.00% - 102.00% (99.77%)
Asset-backed securities	24	Matrix Pricing	Quoted prices	96.07% - 96.07% (96.07%)
Asset-backed securities	15	Third-Party Valuation	Offered quotes	0.00% - 99.29% (23.05%)
Commercial mortgage-backed securities	43	Broker-quoted	Offered quotes	77.12% - 100.08% (85.46%)
Commercial mortgage-backed securities	24	Matrix Pricing	Quoted prices	117.72% - 117.72% (117.72%)
Corporates	577	Broker-quoted	Offered quotes	74.63% - 104.62% (97.80%)
Corporates	654	Matrix Pricing	Quoted prices	91.74% - 113.25% (98.86%)
Hybrids	10	Matrix Pricing	Quoted prices	96.60% - 96.60% (96.60%)
Municipals	37	Broker-quoted	Offered quotes	111.23% - 111.23% (111.23%)
Residential mortgage-backed securities	614	Broker-quoted	Offered quotes	89.80% - 100.99% (100.73%)
Foreign governments	16	Broker-quoted	Offered quotes	98.38% - 99.01% (98.58%)
Equity securities (Salus preferred equity)	4	Income-Approach	Yield	7.15%
Other invested assets:				
Available-for-sale embedded derivative (AnchorPath)	14	Black Scholes model	Market value of AnchorPath fund	100.00%
Credit linked note	25	Broker-quoted	Offered quotes	100.00%
Funds withheld for reinsurance receivables at fair value	4	Matrix pricing	Calculated prices	100.00%
Total	$ 2,466			
Liabilities				
Future policy benefits	$ 725	Discounted cash flow	Non-Performance risk spread	0.00% - 0.22% (0.18%)
			Risk margin to reflect uncertainty	0.35% - 0.71% (0.68%)
Derivatives:				
FIA embedded derivatives included in contractholder funds	2,476	Discounted cash flow	Market value of option	0.00% - 31.06% (0.94%)
			SWAP rates	2.57% - 2.71% (2.63%)
			Mortality multiplier	80.00% - 80.00% (80.00%)
			Surrender rates	0.50% - 75.00% (5.90%)
			Partial withdrawals	1.00% - 2.50% (2.00%)
			Non-performance spread	0.25% - 0.25% (0.25%)
			Option cost	0.11% - 16.61% (2.18%)
Total liabilities at fair value	$ 3,201			

	Fair Value at December 31, 2017		Valuation Technique	Unobservable Input(s)	Range (Weighted average) December 31, 2017
Assets					
Asset-backed securities	$	412	Broker-quoted	Offered quotes	98.00% - 102.56% (100.27%)
Commercial mortgage-backed securities		49	Broker-quoted	Offered quotes	99.50% - 122.78% (114.09%)
Corporates		763	Broker-quoted	Offered quotes	73.55% - 109.63% (99.66%)
Corporates		406	Matrix Pricing	Quoted prices	67.72% - 115.04% (103.72%)
Hybrids		10	Broker-quoted	Offered quotes	96.89% - 96.89% (96.89%)
Municipals		38	Broker-quoted	Offered quotes	111.84% - 111.84% (111.84%)
Residential mortgage-backed securities		66	Broker-quoted	Offered quotes	93.25% - 102.25% (100.11%)
Foreign governments		17	Broker-quoted	Offered quotes	104.16% - 106.28% (104.82%)
Equity securities (Salus preferred equity)		3	Income-Approach	Yield	5.00%
Other invested assets:					
Available-for-sale embedded derivative (AnchorPath)		17	Black Scholes model	Market value of AnchorPath fund	100.00%
Funds withheld for reinsurance receivables, at fair value		3	Matrix pricing	Quoted prices	100.00%
Funds withheld for reinsurance receivables, at fair value		1	Loan recovery value	Recovery rate	26.00%
Total	$	1,785			
Liabilities					
Future policy benefits (FSRC)	$	728	Discounted cash flow	Non-Performance risk spread	0.27%
				Risk margin to reflect uncertainty	0.54%
Derivatives:					
FIA embedded derivatives, included in contractholder funds	$	2,277	Discounted cash flow	Market value of option	0.00% - 29.93% (4.11%)
				SWAP rates	2.24% - 2.40% (2.31%)
				Mortality multiplier	80.00% - 80.00% (80.00%)
				Surrender rates	0.50% - 75.00% (6.13%)
				Partial withdrawals	2.00% - 3.50% (2.75%)
				Non-performance spread	0.25% - 0.25% (0.25%)
				Option cost	0.06% - 17.33% (1.99%)
Total liabilities at fair value	$	3,005			

Changes in unrealized losses (gains), net in the Company's FIA embedded derivatives are included in "Benefits and other changes in policy reserves" in the Consolidated Statements of Operations.

The following tables summarize changes to the Company's financial instruments carried at fair value and classified within Level 3 of the fair value hierarchy for the year ended December 31, 2018 and the period from December 1, 2017 to December 31, 2017, respectively. This summary excludes any impact of amortization of VOBA and DAC. The gains and losses below may include changes in fair value due in part to observable inputs that are a component of the valuation methodology.

	Year ended December 31, 2018							
		Total Gains (Losses)						
	Balance at Beginning of Period	Included in Earnings	Included in AOCI	Purchases	Sales	Settlements	Net transfer In (Out) of Level 3 (a)	Balance at End of Period
Assets								
Fixed maturity securities available-for-sale:								
Asset-backed securities	$ 412	$ —	$ (4)	$ 476	$ —	$ (28)	$ (412)	$ 444
Commercial mortgage-backed securities	49	—	(3)	46	—	(6)	(19)	67
Corporates	1,169	—	(29)	288	—	(126)	(71)	1,231
Hybrids	10	—	—	—	—	—	—	10
Municipals	38	—	(1)	—	—	—	—	37
Residential mortgage-backed securities	66	—	5	560	(1)	(15)	(1)	614
Foreign governments	17	—	(1)	—	—	—	—	16
Equity securities	3	1	—	—	—	—	—	4
Other invested assets:								
Available-for-sale embedded derivative	17	(3)	—	—	—	—	—	14
Credit linked note	—	—	—	25	—	—	—	25
Funds withheld for reinsurance receivables, at fair value	4	—	—	6	—	(4)	(2)	4
Total assets at Level 3 fair value	$ 1,785	$ (2)	$ (33)	$ 1,401	$ (1)	$ (179)	$ (505)	$ 2,466
Liabilities								
FIA embedded derivatives, included in contractholder funds	$ 2,277	$ 199	$ —	$ —	$ —	$ —	$ —	$ 2,476
Future policy benefits (F&G Re and FSRC)	728	(49)	—	—	—	46	—	725
Total liabilities at Level 3 fair value	$ 3,005	$ 150	$ —	$ —	$ —	$ 46	$ —	$ 3,201

(a) The net transfers out of Level 3 during the year ended December 31, 2018 were exclusively to Level 2.

	Period from December 1 to December 31, 2017							
		Total Gains (Losses)						
	Balance at Beginning of Period	Included in Earnings	Included in AOCI	Purchases	Sales	Settlements	Net transfer In (Out) of Level 3 (a)	Balance at End of Period
Assets								
Fixed maturity securities available-for-sale:								
Asset-backed securities	$ 225	$ —	$ —	$ 143	$ —	$ (1)	$ 45	$ 412
Commercial mortgage-backed securities	49	—	—	—	—	—	—	49
Corporates	1,163	—	2	30	(10)	(16)	—	1,169
Hybrids	10	—	—	—	—	—	—	10
Municipals	38	—	—	—	—	—	—	38
Residential mortgage-backed securities	67	—	—	—	—	(1)	—	66
Foreign governments	17	—	—	—	—	—	—	17
Equity securities	38	—	—	—	—	—	(35)	3
Other invested assets:								
Available-for-sale embedded derivative	17	—	—	—	—	—	—	17
HGI Energy Note	20	—	—	—	(20)	—	—	—
Funds withheld for reinsurance receivables, at fair value	4	—	—	—	—	—	—	4
Total assets at Level 3 fair value	$ 1,648	$ —	$ 2	$ 173	$ (30)	$ (18)	$ 10	$ 1,785
Liabilities								
FIA embedded derivatives, included in contractholder funds	$ 2,331	$ (54)	$ —	$ —	$ —	$ —	$ —	$ 2,277
Future policy benefits (FSRC)	723	9	—	—	—	(4)	—	728
Total liabilities at Level 3 fair value	$ 3,054	$ (45)	$ —	$ —	$ —	$ (4)	$ —	$ 3,005

(a) The net transfers out of Level 3 during the period from December 1 to December 31, 2017 were exclusively to Level 2.

Valuation Methodologies and Associated Inputs for Financial Instruments Not Carried at Fair Value

The following discussion outlines the methodologies and assumptions used to determine the fair value of our financial instruments not carried at fair value. Considerable judgment is required to develop these assumptions used to measure fair value. Accordingly, the estimates shown are not necessarily indicative of the amounts that would be realized in a one-time, current market exchange of all of our financial instruments.

Mortgage Loans

The fair value of mortgage loans is established using a discounted cash flow method based on credit rating, maturity and future income. This yield-based approach is sourced from our third-party vendor. The ratings for mortgages in good standing are based on property type, location, market conditions, occupancy, debt service coverage, loan-to-value, quality of tenancy, borrower, and payment record. In the event of an impairment, the carrying value is based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's market price, or the fair value of the collateral if the loan is collateral-dependent. The inputs used to measure the fair value of our mortgage loans are classified as Level 3 within the fair value hierarchy.

Policy Loans (included within Other Invested Assets)

Fair values for policy loans are estimated from a discounted cash flow analysis, using interest rates currently being offered for loans with similar credit risk. Loans with similar characteristics are aggregated for purposes of the calculations.

Investment Contracts

Investment contracts include deferred annuities, FIAs, indexed universal life policies ("IULs") and immediate annuities. The fair value of deferred annuity, FIA, and IUL contracts is based on their cash surrender value (i.e. the cost the Company would incur to extinguish the liability) as these contracts are generally issued without an annuitization date. The fair value of immediate annuities contracts is derived by calculating a new fair value interest rate using the updated yield curve and treasury spreads as of the respective reporting date. At December 31, 2018 and December 31, 2017, this resulted in lower fair value reserves relative to the carrying value. The Company is not required to, and has not, estimated the fair value of the liabilities under contracts that involve significant mortality or morbidity risks, as these liabilities fall within the definition of insurance contracts that are exceptions from financial instruments that require disclosures of fair value.

Debt

The fair value of debt is based on quoted market prices. The inputs used to measure the fair value of our outstanding debt are classified as Level 2 within the fair value hierarchy. Our revolving credit facility debt is classified as Level 3 within the fair value hierarchy, and the estimated fair value reflects the carrying value as the revolver has no maturity date.

The following tables provide the carrying value and estimated fair value of our financial instruments that are carried on the Consolidated Balance Sheets at amounts other than fair value, summarized according to the fair value hierarchy previously described.

	December 31, 2018				
	Level 1	Level 2	Level 3	Total Estimated Fair Value	Carrying Amount
Assets					
FHLB common stock, included in other invested assets	$ —	$ 52	$ —	$ 52	$ 52
Commercial mortgage loans	—	—	483	483	482
Residential mortgage loans			187	187	185
Policy loans, included in other invested assets	—	—	11	11	22
Affiliated bank loan	—	—	39	39	39
Funds withheld for reinsurance receivables, at fair value	—	—	8	8	8
Total	$ —	$ 52	$ 728	$ 780	$ 788
Liabilities					
Investment contracts, included in contractholder funds	$ —	$ —	$ 18,358	$ 18,358	$ 20,911
Debt	—	520	—	520	541
Total	$ —	$ 520	$ 18,358	$ 18,878	$ 21,452

	December 31, 2017				
	Level 1	Level 2	Level 3	Total Estimated Fair Value	Carrying Amount
Assets					
Commercial mortgage loans	$ —	$ —	$ 549	$ 549	$ 548
Policy loans, included in other invested assets	—	—	15	15	17
Funds withheld for reinsurance receivables, at fair value	—	—	16	16	16
Total	$ —	$ —	$ 580	$ 580	$ 581
Liabilities					
Investment contracts, included in contractholder funds	$ —	$ —	$ 16,769	$ 16,769	$ 19,550
Debt	—	307	105	412	412
Total	$ —	$ 307	$ 16,874	$ 17,181	$ 19,962

The following table includes assets that have not been classified in the fair value hierarchy as the fair value of these investments is measured using the net asset value per share practical expedient. For further discussion about this adoption see "Note 2. Significant Accounting Policies and Practices".

	Carrying Value After Measurement	
	December 31, 2018	December 31, 2017
Equity securities	$ 50	$ 44
Limited partnership investment, included in other invested assets	510	154

For investments for which NAV is used as a practical expedient for fair value, the Company does not have any significant restrictions in their ability to liquidate their positions in these investments, other than obtaining general partner approval, nor does the Company believe it is probable a price less than NAV would be received in the event of a liquidation.

The Company reviews the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers in and out of Level 3, or between other levels, at the beginning fair value for the reporting period in which the changes occur. The transfers into and out of Level 3 were related to changes in the primary pricing source and changes in the observability of external information used in determining the fair value.

The Company's assessment resulted in gross transfers into and gross transfers out of certain fair value levels by asset class for the year ended December 31, 2018 and the period from December 1, 2017 to December 31, 2017, respectively, are as follows:

	Transfers Between Fair Value Levels					
	Level 1		Level 2		Level 3	
	In	Out	In	Out	In	Out
Year ended December 31, 2018						
Asset-backed securities	$ —	$ —	$ 425	$ 13	$ 13	$ 425
Commercial mortgage-backed securities	—	—	28	9	9	28
Corporates	—	—	75	4	4	75
Hybrids	20	—	—	20	—	—
Residential mortgage-backed securities	—	—	36	35	35	36
Equity securities	25	30	30	25	—	—
Funds withheld for reinsurance receivables	—	—	2	—	—	2
Total transfers	$ 45	$ 30	$ 596	$ 106	$ 61	$ 566
Period from December 1 to December 31, 2017						
Asset-backed securities	$ —	$ —	$ 1	$ 46	$ 46	$ 1
Commercial mortgage-backed securities	—	—	1	—	—	1
Hybrids	27	15	15	27	—	—
Equity securities	53	26	61	53	—	35
Total transfers	$ 80	$ 41	$ 78	$ 126	$ 46	$ 37

(7) Intangibles

A summary of the changes in the carrying amounts of the Company's VOBA, DAC and DSI intangible assets are as follows:

	VOBA	DAC	DSI	Total
Balance at December 31, 2017	$ 821	$ 22	$ 10	$ 853
Deferrals	—	317	138	455
Amortization	(58)	(4)	(2)	(64)
Interest	19	4	1	24
Unlocking	(9)	—	—	(9)
Adjustment for net unrealized investment (gains) losses	93	5	2	100
Balance at December 31, 2018	$ 866	$ 344	$ 149	$ 1,359

	VOBA	DAC	DSI	Total
Balance at December 1, 2017	$ 844	$ —	$ —	$ 844
Deferrals	—	23	10	33
Amortization	(7)	(1)	—	(8)
Interest	2	—	—	2
Unlocking	—	—	—	—
Adjustment for net unrealized investment (gains) losses	(18)	—	—	(18)
Balance at December 31, 2017	$ 821	$ 22	$ 10	$ 853

Amortization of VOBA, DAC, and DSI is based on the historical, current and future expected gross margins or profits recognized, including investment gains and losses. The interest accrual rate utilized to calculate the accretion of interest on VOBA ranged from 0.05% to 4.01%. The adjustment for unrealized net investment losses (gains) represents the amount of VOBA, DAC, and DSI that would have been amortized if such unrealized gains and losses had been recognized. This is referred to as the "shadow adjustments" as the additional amortization is reflected in AOCI rather than the Consolidated Statements of Operations. As of December 31, 2018 and December 31, 2017, the VOBA balances included cumulative adjustments for net unrealized investment (gains) losses of $75, and $(18), respectively, and the DAC balances included cumulative adjustments for net unrealized investment (gains) losses of $5 and $0, respectively. As of December 31, 2018, the DSI balance included net unrealized investment (gains) losses of $2.

Estimated amortization expense for VOBA in future fiscal periods is as follows:

Fiscal Year	Estimated Amortization Expense
2019	75
2020	92
2021	88
2022	83
2023	74
Thereafter	379

The Company had an unearned revenue balance of $41 as of December 31, 2018, including deferrals of $(37), amortization of $18, unlocking of $4, and adjustment for net unrealized investment gains (losses) of $(26).

Definite and Indefinite Lived Intangible Assets

On November 30, 2017, $467 of goodwill was recognized as a result of the FGL and FSR acquisitions. These transactions were accounted for separately using the acquisition method under which the Company recorded the identifiable assets acquired, including indefinite-lived and definite-lived intangible assets, and liabilities assumed, at their acquisition date fair values.

Other identifiable intangible assets as of December 31, 2018 consist of the following:

	December 31, 2018			
	Cost	Accumulated amortization	Net carrying amount	Weighted average useful life (years)
Trade marks / trade names	$ 16	$ 2	$ 14	10
State insurance licenses	6	N/A	6	Indefinite
Total			$ 20	

(8) Debt

On November 30, 2017, the Company and FGL Holdings, Inc. (FGLH), together as borrowers and each as a borrower, entered into a credit agreement with certain financial institutions party thereto, as lenders, and Royal Bank of Canada, as administrative agent and letter of credit issuer, which provides for a $250 senior unsecured revolving credit facility with a maturity of three years (the "Current Credit Agreement"). Various financing options are available within the Current Credit Agreement, including overnight and term based borrowing. In each case, a margin is ascribed based on the Debt to Capitalization ratio of the Company. The loan proceeds from the Current Credit Agreement may be used for working capital and general corporate purposes. On November 30, 2017, FGLH drew $105 from the Current Credit Agreement and repaid the Former Credit Agreement entered into by FGLH, as borrower, and the Predecessor as guarantor, with certain lenders and RBC Capital Markets and Credit Suisse Securities (USA) LLC ("Credit Suisse"), acting as joint lead arrangers.

On April 20, 2018, FGLH completed a debt offering of $550 aggregate principal amount of 5.50% senior notes due 2025, issued at 99.5% for proceeds of $547. The Company used the net proceeds of the offering (i) to repay $135 of borrowings under its revolving credit facility and related expenses and (ii) to redeem in full and satisfy and discharge all of the outstanding $300 aggregate principal amount of FGLH's outstanding 6.375% Senior Notes due 2021. The Company expects to use the remaining proceeds of the offering for general corporate purposes, which may include additional capital contributions to the Company's insurance subsidiaries. This exchange of debt instruments constituted an extinguishment. As a result, the Company recognized a $2 gain on the extinguishment of the 6.375% Senior Notes.

The Company capitalized $7 of debt issuance costs in connection with the 5.50% Senior Notes offering, which are classified as an offset within the "Debt" line on the Company's Consolidated Balance Sheets, and are being amortized from the date of issue to the redemption date using the straight-line method.

The carrying amount of the Company's outstanding debt as of December 31, 2018 and December 31, 2017 is as follows:

	December 31, 2018	December 31, 2017
Debt	$ 541	$ 307
Revolving credit facility	—	105

The $0 and $105 drawn balances on the revolver carried interest rates equal to 5.27% (had we drawn on the revolver) and 4.17%, as of December 31, 2018 and December 31, 2017, respectively. As of December 31, 2018 and December 31, 2017, the amount available to be drawn on the revolver was $250 and $145, respectively.

The interest expense and amortization of debt issuance costs for the year ended December 31, 2018 and the period from December 1, 2017 to December 31, 2017, respectively, were as follows:

	Year ended December 31, 2018		Period from December 1 to December 31, 2017	
	Interest Expense	Amortiz-ation	Interest Expense	Amortiz-ation
Debt	$ 28	$ 1	$ 2	$ —
Revolving credit facility	2	—	—	—
Gain on extinguishment of debt	(2)	—	—	—

(9) Stock Compensation

On August 8, 2017, FGL Holdings adopted a stock-based incentive plan (the "FGL Incentive Plan") that permits the granting of awards in the form of qualified stock options, non-qualified stock options, restricted stock, restricted stock units, stock appreciation rights, unrestricted stock, performance-based awards, dividend equivalents, cash awards and any combination of the foregoing. FGL Holdings' Compensation Committee is authorized to grant up to 15,006 thousand equity awards under the Incentive Plan. At December 31, 2018, 5,418 thousand equity awards are available for future issuance.

FGL Incentive Plan

On May 15, 2018 FGL Holdings granted 13,835 thousand stock options to certain officers of FGL Holdings. The following table summarizes the vesting conditions for these options:

Vesting mechanism	Vest Dates	Number of options subject to these vesting conditions
Service	Each March 15 from 2019 through 2023; subject to continued service	3,937
Service and return on equity performance	March 15, 2020, 2021 and 2022 subject to continued service and targeted return on equity	4,949
Service and stock price performance	Each March 15 from 2019 through 2023; subject to continued service and target stock price goals being achieved	4,949

The total fair value of the options granted on May 15, 2018 was $29. The fair value of the awards is expensed over the service period, which generally corresponds to the vesting period.

On December 21, 2018, FGL Holdings issued 5,920 thousand stock options under an inducement grant to certain officers of FGL Holdings. As an inducement grant, these issuances do not impact total share available to be granted under the FGL Incentive Plan. As of December 31, 2018, 2,500 thousand of these issued stock options have not yet granted per ASC 718 as their vesting conditions - which are in part performance based - have not been established. The remaining 3,420 thousand stock options were granted with a total fair value of $3. The following table summarizes the vesting conditions for these options:

Vesting mechanism	Vest Dates	Number of options subject to these vesting conditions
Service	Each December 21 from 2019 through 2023; subject to continued service	2,500
Service and return on equity performance	March 15, 2021, 2022 and 2023 subject to continued service and targeted return on equity	460
Service and stock price performance	Each March 15 from 2020 through 2024; subject to continued service and target stock price goals being achieved	460

At December 31, 2018, the intrinsic value of stock options outstanding or expected to vest was $0. At December 31, 2018, the weighted average remaining contractual term of stock options outstanding or expected to vest was 7 years. At December 31, 2018 there were no options that were exercisable or vested.

A summary of FGL Holdings' outstanding stock options as of December 31, 2018, and related activity during the twelve months ended December 31, 2018, is as follows (share amount in thousands):

Stock Option Awards	Options	Weighted Average Exercise Price
Stock options outstanding at January 1, 2018	—	$ —
Granted	17,255	9.76
Exercised	—	—
Forfeited or expired	(4,248)	(10.00)
Stock options outstanding at December 31, 2018	13,007	9.68
Exercisable at December 31, 2018	—	—
Vested or projected to vest at December 31, 2018	13,007	$ 9.68

To value the options granted with service and return on equity performance vesting conditions, we used a Black Scholes valuation model. To value the options granted with stock price market performance vesting conditions, we used a Monte Carlo simulation. The following inputs and assumptions were used in the determination of the grant date fair values of the May 15, 2018 grants for each.

	Black-Scholes Model		Monte Carlo Model	
	Serviced based	ROE Performance based	Stock Price Performance based	Source of input/ assumption
Weighted average fair value per options granted	$2.20	$2.35	$1.77	N/A
Risk-free interest rate	2.95%	2.98%	3.02%	US Treasury Curve
Assumed dividend yield	—%	—%	—%	Internal projection
Expected option term	5.5 years	6.0 years	N/A	Internal model
Contractual term	N/A	N/A	7.0 years	N/A
Volatility	25.00%	25.00%	25.72%	Predecessor and peer group experience
Early exercise multiple	N/A	N/A	2.8	Hull White model
Cost of equity	N/A	N/A	10.50%	Capital asset pricing model - 20 year risk free rate

The following inputs and assumptions were used in the determination of the grant date fair values of the December 21, 2018 grants for each.

	Black-Scholes Model		Monte Carlo Model	
	Serviced based	ROE Performance based	Stock Price Performance based	Source of input/ assumption
Weighted average fair value per options granted	$1.19	$0.89	$0.18	N/A
Risk-free interest rate	2.68%	2.70%	2.70%	US Treasury Curve
Assumed dividend yield	0.64%	0.64%	0.64%	Internal projection
Expected option term	6.0 years	6.5 years	N/A	Internal model
Contractual term	N/A	N/A	7.0 years	N/A
Volatility	26.00%	26.00%	26.00%	Predecessor and peer group experience
Early exercise multiple	N/A	N/A	2.8	Hull White model

Management Incentive Plan

In the twelve months ended December 31, 2018, FGL Holdings granted 374 thousand phantom units to members of management under a management incentive plan (the "Management Incentive Plan"). The phantom units are settled in cash, and therefore the Management Incentive Plan is classified as a liability plan. The value of this plan is classified within "Other liabilities" on the Consolidated Balance Sheets and is adjusted each period, with a corresponding adjustment to “Acquisition and operating expenses, net of deferrals”, to reflect changes in the Company’s stock price. The total fair value of the restricted shares granted in the twelve months ended December 31, 2018 was $3.

One half of the phantom units vest in three equal installments on each March 15th from 2019 to 2021, subject to awardees continued service. The other half will begin vesting on March 15, 2020 and cliff vest on March 15, 2021 based on continued service and attainment of a performance metric: FGL Holdings adjusted operating income return on equity for the fiscal year 2020.

At December 31, 2018, the liability for phantom units of $0 was based on the number of units granted, the elapsed portion of the service period and the fair value of FGL Holdings’ common stock on that date which was $6.66.

A summary of the Management Incentive Plan nonvested phantom units outstanding as of December 31, 2018, and related activity during the twelve months ended is as follows (share amount in thousands):

Phantom units	Shares	Weighted Average Grant Date Fair Value
Phantom units outstanding at December 31, 2017	—	$ —
Granted	374	8.95
Vested	—	—
Forfeited or expired	(18)	8.96
Phantom units outstanding at December 31, 2018	356	$ 8.95

The Company recognized total stock compensation expense related to the FGL Incentive Plan and Management Incentive Plan is as follows:

	Twelve months ended December 31, 2018	One month ended December 31, 2017
FGL Holdings Incentive Plan		
Stock options	$ 3	$ —
Restricted shares	1	1
	4	1
Management Incentive Plan		
Phantom units	—	—
	—	—
Total stock compensation expense	4	1
Related tax benefit	1	—
Net stock compensation expense	$ 3	$ 1

The stock compensation expense is included in "Acquisition and operating expenses, net of deferrals" in the Company's Consolidated Statements of Operations.

Total compensation expense related to the FGL Incentive Plan and Management Incentive Plan not yet recognized as of December 31, 2018 and the weighted-average period over which this expense will be recognized are as follows:

	Unrecognized Compensation Expense		Weighted Average Recognition Period in Years
FGL Incentive Plan			
Stock options	$	20	3
		20	
Management Incentive Plan			
Phantom units		1	2
		1	
Total unrecognized stock compensation expense	$	21	3

(10) Income Taxes

CF Bermuda is a Bermuda-domiciled corporation, and a direct wholly owned subsidiary of FGL Holdings, a Cayman-domiciled corporation that has operations in Bermuda and the U.S.. Bermuda does not impose a corporate income tax. The Company's U.S. non-life subsidiaries file a consolidated non-life U.S. Federal income tax return. The Company's US life insurance subsidiaries file a separate life subgroup consolidated U.S. Federal income tax return. The life insurance companies will be eligible to join in a consolidated filing with the U.S. non-life companies in 2022.

On May 24, 2017, FGL, HRG and CF Corp executed a letter agreement (the "side letter") which set forth the settlement provisions between the parties related to the Section 338(h)(10) transaction. The Section 338(h)(10) election treated the merger as an asset acquisition for U.S. tax purposes resulting in stub period tax yearends for both the life and non-life subsidiaries within the target group acquired as part of the acquisition. The side letter agreement between the parties specified that the purchase price would be adjusted for incremental tax costs attributable to the election. As such, the Company made two payments to HRG totaling $57 in March and May of 2018. The target 338(h)(10) group did not include FSRC, a 953(d) election U.S. tax payer. Any tax liability of the non-life entities' arising from the deemed asset sale will be reflected on HRG's consolidated return, with the Companies' non-life entities retaining successor liability. The life entities filed a separate final short-period return reflecting gain (or loss) from the deemed asset sale.

The Company's U.S. subsidiaries are taxed at corporate rates on taxable income based on existing U.S. tax laws. Current income taxes are charged or credited to net income based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year.

Deferred income taxes are provided for the tax effect of temporary differences in the financial reporting and income tax bases of assets and liabilities, net operating loss carryforwards and tax credit carryforwards using enacted income tax rates and laws. The effect on deferred income tax assets and deferred income tax liabilities of a change in tax rates is recognized in net income in the period in which the change is enacted. A valuation allowance is required if it is more likely than not that a deferred tax asset will not be realized. In assessing the need for a valuation allowance we considered the scheduled reversal of deferred tax liabilities, projected future taxable income, and taxable income from prior years available for recovery and tax planning strategies. Based on the available positive and negative evidence regarding future sources of taxable income, we have determined that the establishment of a valuation allowance was necessary for the U.S. non-life companies and FSRC at December 31, 2018. The valuation allowance reflects a history of cumulative losses for both the US non-life subgroup, as well as for FSRC. In addition, due to the debt structure of the US non-life entities, particularly at the holding company level, it is unlikely the US non-life subgroup will be in a net cumulative taxable income position in a near term projection window. We have also determined that a partial valuation allowance was necessary for the US life companies' unrealized capital losses. The US life companies do not have enough built in capital gains to offset the entire amount of unrealized capital losses. All deferred tax assets were more likely than not to be realized based on expectations regarding future taxable income and considering all other available evidence, both positive and negative.

The Tax Cut and Jobs Act ("TCJA") was enacted on December 22, 2017, and it amended many provisions of the Internal Revenue Code that will have effect on the Company. Because the TCJA reduced the statutory tax rate from 35% to 21%, the Company was required to remeasure its deferred tax assets and liabilities using the lower rate at the December 22, 2017, date of enactment. This remeasurement resulted in a reduction of net deferred tax assets of $131, which includes a $0 benefit related to deferred taxes previously recognized in accumulated other comprehensive income. The Company evaluated whether or not to make a Section 953(d) election with respect to F&G Life Re Ltd. which would have resulted in F&G Life Re Ltd. being treated as if it were a US Tax Payer. Ultimately, the Company chose to be subject to the Base Erosion and Anti-Abuse Tax ("BEAT") through September 30, 2018 and then recapture the business that was subject to the Modco Agreement. The Modco Agreement was terminated effective September 30, 2018.

The SEC's Staff Accounting Bulletin No. 118 ("SAB 118") provides guidance on accounting for the effects of U.S. tax reform in circumstances in which an exact calculation cannot be made, but for which a reasonable estimate can be determined. December 22, 2018 marked the end of the measurement period for purposes of SAB 118. As such, we have completed our analysis based on the legislative updates relating to TCJA currently available. The only provision amount utilized in the preparation of the Company's December 31, 2017 financial statements was tax reserves. There are no provisional amounts utilized in the preparation of the Company's December 31, 2018 financial statements.

Income tax (expense) benefit is calculated based upon the following components of income before income taxes:

	Year ended December 31, 2018	Period from December 1 to December 31, 2017
Pretax income (loss):		
United States	$ (271)	$ (55)
Outside the United States	304	62
Total pretax income	$ 33	$ 7

The components of income tax (expense) benefit are as follows:

	Year ended December 31, 2018	Period from December 1 to December 31, 2017
Current:		
Federal	$ (42)	$ (5)
State	—	—
Total current	$ (42)	$ (5)
Deferred:		
Federal	$ 26	$ (105)
State	—	—
Total deferred	$ 26	$ (105)
Income tax (expense)/benefit	$ (16)	$ (110)

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

	Year ended December 31, 2018	Period from December 1 to December 31, 2017
Expected income tax (expense)/benefit at Federal statutory rate	$ (7)	$ (3)
Valuation allowance for deferred tax assets	(38)	13
Amortization of low income housing tax credits	(4)	(1)
Benefit on LIHTC under proportional amortization method	5	—
Remeasurement of deferred taxes under U.S. tax reform	—	(131)
Dividends received deduction	5	—
Benefit on Outside of United States Income taxed at 0%	64	22
Write off of 382 Limited NOL	—	(12)
Base Erosion & Antiabuse Tax "BEAT"	(44)	—
Other	3	2
Reported income tax (expense)/benefit	$ (16)	$ (110)
Effective tax rate	48%	1,571%

For the year ended December 31, 2018, the Company's effective tax rate was 48%. The effective tax rate was negatively impacted by the valuation allowance expense on the US life companies' unrealized capital losses and the FSRC and non-life insurance companies' deferred tax assets. The negative impacts of the valuation allowance were partially offset by the benefit of low taxed international income in excess of the BEAT, and favorable permanent adjustments, including low income housing tax credits ("LIHTC") and the dividends received deduction ("DRD").

For the period December 1, 2017 to December 31, 2017, the Company's effective tax rate includes the effects of rate change from 35% to 21% in connection with TCJA as well as certain reinsurance effects between the Companies' onshore and offshore insurance entities. Reversing out the effects of the tax reform rate change and impacts of FAS 133/DIGB36, (i.e. Embedded Derivatives impacts under Modified Coinsurance Arrangements) in regards to US/offshore reinsurance treatment of unrealized gains on funds withheld assets, results in an adjusted effective rate for the period of approximately 44% and is a more useful comparative to prior period rates reflected in the schedule above. The effective tax rate was impacted by tax expense recorded related to the remeasurement of deferred tax assets and liabilities as a result of tax reform. Additionally, the tax rate was positively impacted by income earned by foreign companies that is taxed at 0%.

For the year ended December 31, 2018, the company recorded a net valuation allowance expense of $38 (comprised of a net increase to valuation allowance of $3 related to the Company's non-life companies, a net increase to valuation allowance of $21 related to FSRC, and a net increase to valuation allowance of $14 related to the US life insurance companies unrealized capital losses on equity securities that are recorded through net income).

For the period from December 1, 2017 to December 31, 2017, the Company recorded a net valuation allowance release of $13 primarily related to the DTA write off of the Net Operating Loss ("NOL") on FSRC that would not be able to be utilized as a result of the Section 382 limitation created by the merger with CF Corporation.

The Company records tax expense (benefit) that results from a change in Other Comprehensive Income ("OCI") directly to OCI. Tax expense recorded directly to OCI includes deferred tax expense arising from a change in unrealized gain (loss) on available-for-sale securities and the tax-effects of other income items that are recorded to OCI. Changes in valuation allowance that are solely due to a deferred tax asset related to the unrealized gain on an available-for-sale security are allocated to other comprehensive income in accordance with ASC 740-10-45-20, "Income Taxes: Other Presentation Matters".

The Company recorded the following deferred tax expense to OCI:

	Year ended December 31, 2018	Period from December 1 to December 31, 2017
Deferred Tax Expense in OCI	$ 132	$ (19)

An excess tax benefit is the realized tax benefit related to the amount of deductible compensation cost reported on an employer's tax return for equity instruments in excess of the compensation cost for those instruments recognized for financial reporting purposes. The Company adopted ASU-2016-09 (Stock Compensation) effective October 1, 2015. ASU-2016-09 eliminates the requirement for excess tax benefits to be recorded as additional paid-in capital when realized. For the year ended December 31, 2018 and the period from December 1, 2017 to December 31, 2017, the Company recorded all excess tax benefits in the Consolidated Statements of Operations as a component of current income tax expense in accordance with the adopted guidance.

The following table is a summary of the components of deferred income tax assets and liabilities:

	December 31, 2018	December 31, 2017
Deferred tax assets:		
Net operating loss, credit and capital loss carryforwards	$ 94	$ 7
Insurance reserves and claim related adjustments	620	684
Unrealized Investment Losses	201	—
Derivatives	36	—
Deferred acquisition costs	—	2
Other	30	36
Valuation allowance	(154)	(15)
Total deferred tax assets	$ 827	$ 714
Deferred tax liabilities:		
Value of business acquired	$ (181)	$ (172)
Unrealized Investment Gains	—	(104)
Investments	(133)	(150)
Derivatives	—	(11)
Deferred acquisition costs	(76)	—
Transition reserve on new reserve method	(75)	(84)
Funds held under Reinsurance Agreements	(11)	—
Other	(8)	(11)
Total deferred tax liabilities	$ (484)	$ (532)
Net deferred tax assets and (liabilities)	$ 343	$ 182

For the year ended December 31, 2018, the Company's valuation allowance of $154 consisted of a valuation allowance of $115 on US life company unrealized capital loss deferred tax assets, a full valuation allowance on the Company's non-life insurance net deferred taxes, and a full valuation allowance on FSRC's net deferred taxes.

For the period from December 1, 2017 to December 31, 2017, the Company's valuation allowance of $15 consisted of a valuation allowance of $0 on US life company deferred tax assets, a full valuation allowance on the Company's non-life insurance net deferred taxes, and a full valuation allowance on FSRC's net deferred taxes.

As of December 31, 2018, the Company has NOL carryforwards of $430, consisting of NOL carryforwards of $369 on the US life companies and $61 on FSRC. A portion of the FSRC losses existed prior to the November 30, 2017 acquisition and are therefore subject to Section 382 limitations. The remaining NOLs are not subject to any limitation and have an indefinite carryforward period.

The U.S. Federal income tax returns of the Company for years prior to 2015 are no longer subject to examination by the taxing authorities except for the tax return items that related to the 2016 carryback of losses to 2013. The Company has responded timely to the Agent with no additional follow-up at this time. The Company is not aware of any proposed changes to the tax return filing. With limited exception, the Company is no longer subject to state and local income tax audits for years prior to 2014. The Company does not have any unrecognized tax benefits (“UTBs”) at December 31, 2017. In the event the Company has UTBs, interest and penalties related to uncertain tax positions would be recorded as part of income tax expense in the financial statements. The Company regularly assesses the likelihood of additional tax assessments by jurisdiction and, if necessary, adjusts its tax reserves based on new information or developments.

(11) Commitments and Contingencies

Commitments

The Company has unfunded investment commitments as of December 31, 2018 based upon the timing of when investments are executed compared to when the actual investments are funded, as some investments require that funding occur over a period of months or years. A summary of unfunded commitments by invested asset class are included below:

	December 31, 2018	
Asset Type		
Other invested assets	$	1,132
Equity securities		25
Fixed maturity securities, available-for-sale		38
Other assets		8
Total	$	1,203

As of December 31, 2018, the Company had unfunded commitments in affiliated investments which are included in the table above. See "Note 13. Related Party Transactions" for further information.

Lease Commitments

The Company leases office space under non-cancelable operating leases that expire in May 2021. Rent expense and minimal rental commitments under non-cancelable leases are immaterial.

Contingencies

Regulatory and Litigation Matters

The Company is involved in various pending or threatened legal proceedings, including purported class actions, arising in the ordinary course of business. In some instances, these proceedings include claims for unspecified or substantial punitive damages and similar types of relief in addition to amounts for alleged contractual liability or requests for equitable relief. In the opinion of the Company's management and in light of existing insurance and other potential indemnification, reinsurance and established accruals, such litigation is not expected to have a material adverse effect on the Company's financial position, although it is possible that the results of operations and cash flows could be materially affected by an unfavorable outcome in any one period.

The Company is assessed amounts by state guaranty funds to cover losses to policyholders of insolvent or rehabilitated insurance companies. Those mandatory assessments may be partially recovered through a reduction in future premium taxes in certain states. At December 31, 2018, FGL has accrued $2 for guaranty fund assessments that is expected to be offset by estimated future premium tax deductions of $2.

We have received inquiries from a number of state regulatory authorities regarding our use of the U.S. Social Security Administration’s Death Master File (“Death Master File”) and compliance with state claims practices regulations and unclaimed property or escheatment laws. We have established procedures to periodically compare our in-force life insurance and annuity policies against the Death Master File or similar databases; investigate any identified potential matches to confirm the death of the insured; and determine whether benefits are due and attempt to locate the beneficiaries of any benefits due or, if no beneficiary can be located, escheat the benefit to the state as unclaimed property. We believe we have established sufficient reserves with respect to these matters; however, it is possible that third parties could dispute these amounts and additional payments or additional unreported claims or liabilities could be identified which could be significant and could have a material adverse effect on our results of operations.

On June 30, 2017, a putative class action complaint was filed against FGL Insurance, FGL, and FS Holdco II Ltd in the United States District Court for the District of Maryland, captioned *Brokerage Insurance Partners v. Fidelity & Guaranty Life Insurance Company, Fidelity & Guaranty Life, FS Holdco II Ltd, and John Doe,* No. 17-cv-1815. The complaint alleges that FGL Insurance breached the terms of its agency agreement with Brokerage Insurance Partners ("BIP") and other agents by changing certain compensation terms. The complaint asserts, among other causes of action, breach of contract, defamation, tortious interference with contract, negligent misrepresentation, and violation of the Racketeer Influenced and Corrupt Organizations Act ("RICO"). The complaint seeks to certify a class composed of all persons who entered into an agreement with FGL Insurance to sell life insurance and who sold at least one life insurance policy between January 1, 2015 and January 1, 2017. The complaint seeks unspecified compensatory, consequential, and punitive damages in an amount not presently determinable, among other forms of relief.

On September 1, 2017, FGL Insurance filed a counterclaim against BIP and John and Jane Does 1-10, asserting, among other causes of action, breach of contract, fraud, civil conspiracy and violations of RICO. On September 22, 2017, Plaintiff filed an Amended Complaint, and on October 16, 2017, FGL Insurance filed an Amended Counterclaim against BIP, Agent Does 1-10, and Other Person Does 1-10. The parties also filed cross-Motions to Dismiss in Part.

On August 17, 2018, the Court in the BIP Litigation denied all pending Motions to Dismiss filed by all parties without prejudice, pending a decision as to whether the BIP Litigation will be consolidated into related litigation, captioned *Fidelity & Guaranty Life Insurance Company v. Network Partners,* et al., Case No. 17-cv-1508. On August 31, 2018, FGL filed its Answer to BIP's Amended Complaint. Also on that date, FGL Insurance filed its Answer to Amended Complaint, Affirmative Defenses, and Counterclaim, Filed Pursuant to Fed. R. Civ. P. 12(a)(4)(A). As of December 31, 2018, BIP has not filed any document in response to the Court's August 17, 2018 Order or to FGL Insurance's filing.

As of the date of this report, the Company does not have sufficient information to determine whether it has exposure to any losses that would be either probable or reasonably estimable.

(12) Reinsurance

The Company reinsures portions of its policy risks with other insurance companies. The use of indemnity reinsurance does not discharge an insurer from liability on the insurance ceded. The insurer is required to pay in full the amount of its insurance liability regardless of whether it is entitled to or able to receive payment from the reinsurer. The portion of risks exceeding the Company's retention limit is reinsured. The Company primarily seeks reinsurance coverage in order to limit its exposure to mortality losses and enhance capital management. The Company follows reinsurance accounting when there is adequate risk transfer. Otherwise, the deposit method of accounting is followed. The Company also assumes policy risks from other insurance companies.

The effect of reinsurance on net premiums earned and net benefits incurred (benefits incurred and reserve changes) for the year ended December 31, 2018 and the period from December 1, 2017 to December 31, 2017, respectively, were as follows:

	Year ended December 31, 2018		Period from December 1 to December 31, 2017	
	Net Premiums Earned	Net Benefits Incurred	Net Premiums Earned	Net Benefits Incurred
Direct	$ 223	$ 646	$ 17	$ 142
Assumed	—	(13)	—	7
Ceded	(169)	(210)	(14)	(25)
Net	$ 54	$ 423	$ 3	$ 124

Amounts payable or recoverable for reinsurance on paid and unpaid claims are not subject to periodic or maximum limits. The Company did not write off any significant reinsurance balances during the year ended December 31, 2018 and the period from December 1, 2017 to December 31, 2017. The Company did not commute any ceded reinsurance during the year ended December 31, 2018 and the period from December 1, 2017 to December 31, 2017.

No policies issued by the Company have been reinsured with any foreign company, which is controlled, either directly or indirectly, by a party not primarily engaged in the business of insurance.

The Company has not entered into any reinsurance agreements in which the reinsurer may unilaterally cancel any reinsurance for reasons other than non-payment of premiums or other similar credit issues.

Effective January 1, 2017, FGL Insurance entered into an indemnity reinsurance agreement with Hannover Life Reassurance Company of America (Bermuda) Ltd. ("Hannover Re"), a third party reinsurer, to reinsure an inforce block of its FIA and fixed deferred annuity contracts with GMWB and Guaranteed Minimum Death Benefit (“GMDB”) secondary guarantees. In accordance with the terms of this agreement, FGL Insurance cedes 70% net retention of secondary guarantee payments in excess of account value for GMWB and GMDB guarantees. The effects of this agreement are not accounted for as reinsurance as it does not satisfy the risk transfer requirements for GAAP, since it is not “reasonably possible” that the reinsurer may realize significant loss from assuming the insurance risk. Effective July 1, 2017 and January 1, 2018, FGL Insurance extended this agreement to included new business issued during 2017 and 2018. FGL Insurance incurred risk charge fees of $11 and $2 during the year ended December 31, 2018 and the period from December 1, 2017 to December 31, 2017, respectively, in relation to this reinsurance agreement.

On December 28, 2018, FGL Insurance entered into a reinsurance agreement with Kubera to cede approximately $758 of certain MYGA and deferred annuity GAAP reserve on a coinsurance funds withheld basis, net of applicable existing reinsurance. In accordance with the terms of this agreement, FGL Insurance cedes a 40%, 45%, and 63% quota share percentage of these annuity plans for issue years 2013, 2001 through 2012, and 2000 and prior, respectively.

On December 28, 2018, FGL Insurance entered into a reinsurance agreement with Kubera to cede approximately $4 billion of certain FIA statutory reserve on a coinsurance funds withheld basis, net of applicable existing reinsurance. In accordance with the terms of this agreement, FGL Insurance cedes an 80% and 90% quota share percentage of these annuity plans for issue years 2013 through 2014, and 2007 and prior, respectively. The effects of this agreement are not accounted for as reinsurance as it does not satisfy the risk transfer requirements for GAAP, since it is not “reasonably possible” that the reinsurer may realize significant loss from assuming the insurance risk.

Intercompany Reinsurance Agreements

A description of significant intercompany reinsurance agreements appears below. All intercompany balances have been eliminated in the preparation of the Company's consolidated financial statements. However, these agreements have a material impact on the regulatory capital position of FGL Insurance and the effective tax rate of the Company.

Effective December 31, 2012, FGL Insurance entered into a reinsurance treaty with FSRC, an affiliated reinsurer, whereby FGL Insurance ceded 10% of its June 30, 2012 in-force annuity block of business not already reinsured on a funds withheld basis. Effective September 17, 2014, FGL Insurance entered into a second reinsurance treaty with FSRC whereby FGL Insurance ceded 30% of any new business of its MYGA issued effective September 17, 2014 and later on a funds withheld basis. The September 17, 2014 treaty was subsequently terminated as to new business effective April 30, 2015, but will remain in effect for policies ceded to FSRC with an effective date between September 17, 2014 and April 30, 2015. Accordingly, MYGA policies issued with an effective date of May 1, 2015 and later will not be ceded to FSRC.

In anticipation of the merger of CF Corp. and FGL, a new Bermuda based reinsurance entity, F&G Life Re Ltd. ("F&G Life Re") was formed as an indirect wholly owned subsidiary of the Company. Effective December 1, 2017, FGL Insurance entered into an indemnity modified coinsurance agreement with F&G Life Re to reinsure up to 80% of its in-force FIA business and 40% of its in-force deferred annuity business on a net retained basis. Additionally, this treaty stipulates that up to 80% of future FIAs, deferred annuities and indexed universal life policies may be ceded. Effective October 1, 2018, FGL Insurance and F&G Life Re mutually agreed to terminate this reinsurance agreement. Upon termination of the reinsurance agreement, F&G Life Re made a $1,094 extraordinary dividend to its sole shareholder, CF Bermuda, of which $830 was contributed to FGL Insurance to support the recapture of the insurance liabilities and to allow FGL Insurance to maintain appropriate solvency ratios. The $1,094 extraordinary dividend included $750 return of capital which was approved by the Bermuda Monetary Authority ("BMA").

Effective October 1, 2012, FGL Insurance entered into a reinsurance treaty with Raven Reinsurance Company ("Raven Re"), its wholly-owned captive reinsurance company, to cede the Commissioners Annuity Reserve Valuation Method (CARVM) liability for annuity benefits where surrender charges are waived. In connection with the CARVM reinsurance agreement, FGL Insurance and Raven Re entered into an agreement with Nomura Bank International plc ("NBI") to establish a $295 reserve financing facility in the form of a letter of credit issued by NBI.

Effective October 1, 2017, the letter of credit facility was amended to reduce the available amount to $110 and extend the termination date to October 1, 2022, although the facility may terminate earlier, in accordance with the terms of the Reimbursement Agreement. Under the terms of the reimbursement agreement, in the event the letter of credit is drawn upon, Raven Re is required to repay the amounts utilized, and FGLH is obligated to repay the amounts utilized if Raven Re fails to make the required reimbursement. FGLH also is required to make capital contributions to Raven Re in the event that Raven Re's statutory capital and surplus falls below certain defined levels. As of December 31, 2018 and 2017, Raven Re's statutory capital and surplus was $20 and $31, respectively, in excess of the minimum level required under the Reimbursement Agreement.

As this letter of credit is provided by an unaffiliated financial institution, Raven Re is permitted to carry the letter of credit as an admitted asset on the Raven Re statutory balance sheet.

F&G Reinsurance Companies

FSRC has entered into various reinsurance agreements on a funds withheld basis, meaning that funds are withheld by the ceding company from the coinsurance premium owed to FSRC as collateral for FSRC's payment obligations. Accordingly, the collateral assets remain under the ultimate ownership of the ceding company. FSRC manages the assets supporting the reserves assumed in accordance with the internal investment policy of the ceding companies and applicable law. Three treaties were recaptured by the ceding company during the year ended December 31, 2018 resulting in a $18 loss upon recapture, which is included in the "Benefits and other changes in policy reserves" line in the Company's Consolidated Statements of Operations.

At December 31, 2018 and 2017, FSRC had $275 and $756 of funds withheld receivables and $254 and $727 of insurance reserves related to these reinsurance treaties, respectively.

F&G Re, an affiliate of FGL Insurance, has entered into one reinsurance agreement on a funds withheld basis with an unaffiliated party. At December 31, 2018, F&G Re had $482 of funds withheld receivables and $471 of insurance reserves related to these reinsurance treaties.

See a description of FSRC's and F&G Re's accounting policy for its assumed reinsurance contracts as described under the section titled "Reinsurance" in Note 2. Significant Accounting Policies and Practices.

The Company adopted ASU 2016-01 effective January 1, 2018, which requires FSRC and F&G Re to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The adoption of this new accounting guidance had a $(3) impact on pre-tax net income for the year ended December 31, 2018.

(13) Related Party Transactions

Affiliated Investments

Upon the closing of the Business Combination, FGL Holdings re-evaluated what related parties would exist in the periods after December 1, 2017. It was determined that related parties would fall into the following categories; (i) affiliates of the entity, (ii) entities for which investments in their equity securities would be required to be accounted for by the equity method by the investing entity, (iii) trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management, (iv) principal owners (>10% equity stake) of the entity and members of their immediate families, (v) management (including BOD, CEO, and other persons responsible for achieving the objectives of the entity and who have the authority to establish policies and make decisions) of the entity and other members of their immediate families, (vi) other parties with which the entity may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests (vii) other parties that can significantly influence management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate business, (viii) attorney in fact of a reciprocal reporting entity or any affiliate of the attorney in fact, and (ix) a U.S. manager of a U.S. branch or any affiliate of the U.S. manager of a U.S. branch. The Company has determined that for the year ended December 31, 2018 and the period from December 1, 2017 to December 31, 2017, the Blackstone Group LP ("Blackstone") and its affiliates as well as the FGL Holdings' directors and officers (along with their immediate family members) are related parties.

FGL Holdings, and certain subsidiaries of FGL Holdings, entered into investment management agreements with Blackstone ISG-I Advisors LLC ("BISGA"), a wholly-owned subsidiary of Blackstone on December 1, 2017. Pursuant to the terms of the investment management agreements, BISGA may delegate certain of its investment management services to sub-managers and any fees or other remuneration payable to such sub-managers is payable by the Company out of the assets managed by such sub-managers. BISGA has delegated certain investment management services to its affiliates, Blackstone Real Estate Special Situations Advisors L.L.C. ("BRESSA") and GSO Capital Advisors II LLC ("GSO Capital Advisors II"), pursuant to sub-management agreements executed between BISGA and each of BRESSA and GSO Capital Advisors. FGL Holdings paid $23 to BISGA upon the close of the merger for services rendered related to the transaction and BISGA will forego approximately 30% of the first thirteen months' management fee to which it is entitled under the investment management agreements. As of December 31, 2018 and 2017, the Company has a net liability of $20 and $(1) for the services consumed under the investment management agreements and related sub-management agreements, partially offset by fees received and expense reimbursements from BISGA.

During the year ended December 31, 2018 and the period from December 1, 2017 to December 31, 2017, the Company received expense reimbursements from BISGA for the services consumed under these agreements. Fees received for these types of services are $9 and $0 for year ended December 31, 2018 and the period from December 1, 2017 to December 31, 2017, respectively.

The Company holds certain fixed income security interests, limited partnerships and bank loans issued by portfolio companies that are affiliates of Blackstone Tactical Opportunities, an affiliate of Blackstone Tactical Opportunities LR Associates-B (Cayman) Ltd (the "Blackstone Fixed Income Securities") both on a direct and indirect basis. Indirect investments include an investment made in an affiliates' asset backed fund while direct investments are an investment in affiliates' equity or debt securities. As of December 31, 2018 and December 31, 2017 the Company held $1,461 and $188 in affiliated investments, respectively, which includes foreign exchange unrealized loss of $(2) and $0, respectively. As of December 31, 2018, the Company had unfunded commitments relating to affiliated investments of $990.

The Company purchased $185 of residential loans from Finance of America Holdings LLC, a Blackstone affiliate, on December 17, 2018.

The Company earned $33 and $1 net investment income for the year ended December 31, 2018 and the period from December 1, 2017 to December 31, 2017, respectively, on affiliated investments. The Company had $0 net realized gains (losses) and realized impairment losses on related party investments during the year ended December 31, 2018 and the period from December 1, 2017 to December 31, 2017.

On December 1, 2017, FGL Holdings executed an agreement with Blackstone Tactical Opportunities Advisors LLC ("BTO Advisors") and Fidelity National Financial, Inc. ("FNF"), to provide FGL Holdings and its subsidiaries transactional and operational services and advice through December 31, 2018. The agreement was amended on November 2, 2018 to provide services through June 30, 2019. FGL Holdings will pay fees to BTO Advisors (or its designee(s)), and to FNF in consideration for such services in cash, ordinary shares or warrants exercisable for ordinary shares of FGL Holdings. As of December 31, 2018, no such services have been provided.

For additional information on our liabilities and obligations to FSRC, see “Note 12. Reinsurance”.

(14) Insurance Subsidiary Financial Information and Regulatory Matters

The Company's U.S. insurance subsidiaries file financial statements with state insurance regulatory authorities and the National Association of Insurance Commissioners ("NAIC") that are prepared in accordance with Statutory Accounting Principles ("SAP") prescribed or permitted by such authorities, which may vary materially from GAAP. Prescribed SAP includes the Accounting Practices and Procedures Manual of the NAIC as well as state laws, regulations and administrative rules. Permitted SAP encompasses all accounting practices not so prescribed. The principal differences between SAP financial statements and financial statements prepared in accordance with GAAP are that SAP financial statements do not reflect DAC, DSI and VOBA, some bond portfolios may be carried at amortized cost, assets and liabilities are presented net of reinsurance, contractholder liabilities are generally valued using more conservative assumptions and certain assets are non-admitted. Accordingly, SAP operating results and SAP capital and surplus may differ substantially from amounts reported in the GAAP basis financial statements for comparable items.

FSRC (Cayman), F&G Re (Bermuda) and F&G Life Re (Bermuda) file financial statements with their respective regulators that are based on U.S. GAAP.

The Company's principal insurance subsidiaries' statutory (SAP and GAAP) financial statements are based on a December 31 year end. Statutory net income and statutory capital and surplus of the Company's wholly-owned insurance subsidiaries were as follows:

	Subsidiary (state/country of domicile)(a)		
	FGL Insurance (IA)	FGL NY Insurance (NY)	F&G Life Re (Bermuda)
Statutory Net income (loss):			
Year ended December 31, 2018	$ (151)	$ (3)	$ 319
Year ended December 31, 2017	222	41	60
Statutory Capital and Surplus:			
December 31, 2018	$ 1,545	$ 85	$ 2
December 31, 2017	919	89	813

(a) FGL NY Insurance is a subsidiary of FGL Insurance, and the columns should not be added together.

	Subsidiary (state/country of domicile)		
	FSR (Cayman)	F&G Re (Bermuda)	F&G Reinsurance Companies (Cayman and Bermuda)
Statutory Net income (loss):			
Year ended December 31, 2018	$ (29)	$ (14)	$ (43)
Year ended December 31, 2017	*	*	(19)
Statutory Capital and Surplus:			
December 31, 2018	$ 73	$ 38	$ 111
December 31, 2017	*	*	101

(*) For years prior to 2018, FSRC & F&G Re are presented together as the "F&G Reinsurance Companies", consistent with the companies' standalone financial reporting for those years.

Capital Requirements and Restrictions on Dividends and Distribution

U.S. Companies

The amount of statutory capital and surplus necessary to satisfy the applicable regulatory requirements is less than FGL Insurance's and FGL NY Insurance's respective statutory capital and surplus.

Life insurance companies domiciled in the U.S. are subject to certain Risk-Based Capital ("RBC") requirements as specified by the NAIC. The RBC is used to evaluate the adequacy of capital and surplus maintained by an insurance company in relation to risks associated with: (i) asset risk, (ii) insurance risk, (iii) interest rate risk and (iv) business risk. The Company monitors the RBC of FGLH's insurance subsidiaries. As of December 31, 2018 and December 31, 2017, each of FGLH's insurance subsidiaries had exceeded the minimum RBC requirements.

The Company's insurance subsidiaries domiciled in the U.S. are restricted by state laws and regulations as to the amount of dividends they may pay to their parent without regulatory approval in any year, the purpose of which is to protect affected insurance policyholders, depositors or investors. Any dividends in excess of limits are deemed "extraordinary" and require approval. Based on statutory results as of December 31, 2018 and December 31, 2017, in accordance with applicable dividend restrictions, the Company's subsidiaries may not pay "ordinary" dividends in 2019. In February 2018, upon approval by the Iowa Commissioner, FGL Insurance declared and paid extraordinary dividends of $60 to its parent, FGLH. Pursuant to an order issued in connection with the approval of the Merger Agreement by the Iowa Commissioner on November 28, 2017, FGL Insurance shall not pay any dividend or other distribution to shareholders prior to November 28, 2021 without the prior approval of the Iowa Commissioner.

Pursuant to an order issued in connection with the Merger agreements, F&G Life Re will not, for a period of three (3) years from November 28, 2017, declare, set aside or distribute any dividends or distributions other than solely (a) dividends or distributions that would be permitted in accordance with Section 521A.5(3) of the Iowa Code if F&G Life Re were a life insurance company domesticated in Iowa, upon prior written notice to the Iowa Commissioner, but limited only to the amount necessary to service interest payments on outstanding indebtedness and other obligations of CF Bermuda and FGLH, and (b) dividends or distributions upon written notice to, and with the prior written approval of, the Iowa Commissioner.

FGL Insurance's statutory carrying value of Raven Re reflects the effect of permitted practices Raven Re received to treat the available amount of a letter of credit as an admitted asset which increased Raven Re's statutory capital and surplus by $110 and $110 at December 31, 2018 and December 31, 2017, respectively.

Effective April, 1 2017, FGL Insurance and Raven Re amended the reinsurance treaty and related trust and letter of credit agreements to extend the term of the letter of credit which would have matured on September 30, 2017 (Predecessor). The amendments added additional in-force business to the reinsurance treaty (fixed indexed annuities without a GMWB rider and multi-year guarantee annuities ("MYGA") issued between January 1, 2011 and December 31, 2016). No initial ceding commission was paid or received by FGL Insurance or Raven Re in connection with the cession of additional in-force business. No assets were transferred to or from FGL Insurance or Raven Re in connection with the cession of additional in-force business. The amendments extended the letter of credit for an additional five year period and reduced the face amount of the letter of credit at April 1, 2017 from $183 to $115.

Raven Re is also permitted to follow Iowa prescribed statutory accounting practice for its reserves on reinsurance assumed from FGL Insurance which increased Raven Re's statutory capital and surplus by $0 and $5 at December 31, 2018 and December 31, 2017, respectively. Without such permitted statutory accounting practices Raven Re's statutory capital and (deficit) surplus would be $(16) and $(18) as of December 31, 2018 and December 31, 2017, respectively, and its risk-based capital would fall below the minimum regulatory requirements. The letter of credit facility is collateralized by NAIC 1 rated debt securities. If the permitted practice was revoked, the letter of credit could be replaced by the collateral assets with Nomura's consent. FGL Insurance's statutory carrying value of Raven Re at December 31, 2018 and December 31, 2017 was $94 and $97, respectively.

FGL Insurance applies Iowa-prescribed accounting practices that permit Iowa-domiciled insurers to report equity call options used to economically hedge FIA index credits at amortized cost for statutory accounting purposes and to calculate FIA statutory reserves such that index credit returns will be included in the reserve only after crediting to the annuity contract. This resulted in a $30 increase and $54 decrease to statutory capital and surplus at December 31, 2018 and December 31, 2017, respectively.

As of December 31, 2018, FGL NY Insurance did not follow any prescribed or permitted statutory accounting practices that differ from the NAIC's statutory accounting practices.

On May 14, 2018, FGLH made a dividend payment of $27 to FGL US Holdings, Inc. ("FGL US Holdings"). On June 28, 2018, FGL US Holdings issued a $65 intercompany note to F&G Life Re and subsequently approved a $65 capital contribution to its wholly owned subsidiary, FGLH. On June 28, 2018, FGLH made a capital contribution for $125 to FGL Insurance. On July 3, 2018, the Company issued a $50 intercompany note to F&G Life Re and subsequently approved a $50 capital contribution to its wholly owned subsidiary, F&G Re. Included within the December 2018 extraordinary dividend from F&G Life Re was the retirement of the $50 intercompany note to F&G Life Re and the transfer of the $65 intercompany note with FGL US Holdings to CF Bermuda. For further details refer to Note 12. Reinsurance.

Non-U.S. companies

As licensed class C insurers in Bermuda, F&G Life Re and F&G Re are required to maintain available capital and surplus at a level equal to or in excess of the applicable enhanced capital requirement ("ECR"), which is established by reference to either the applicable Bermuda Solvency Capital Requirements ("BSCR") model or an approved internal capital model. Furthermore, to enable the Bermuda Monetary Authority ("BMA") to better assess the quality of the insurer's capital resources, a Class C insurer is required to disclose the makeup of its capital in accordance with its 3-tiered capital system. An insurer may file an application under the Insurance Act to have the aforementioned ECR requirements waived.

In addition to the requirements under the Companies Act (as discussed below), the Insurance Act limits the maximum amount of annual dividends and distributions that may be paid or distributed by F&G Life Re and F&G Re without prior regulatory approval.

F&G Life Re and F&G Re are prohibited from declaring or paying a dividend if it fails to meet its minimum solvency margin, or ECR, or if the declaration or payment of such dividend would cause such breach. Additionally, annual distributions that would result in a reduction of the insurer's prior year-end balance of statutory capital and surplus by more than 25% also requires the prior approval of the BMA.

If F&G Life Re or F&G Re were to fail to meet its minimum solvency margin on the last day of any financial year, it would be prohibited from declaring or paying any dividends during the next financial year without the approval of the BMA.

In addition, as Class C insurers, each of F&G Life Re and F&G Re must: (i) not make any payment from its long-term business fund for any purpose other than a purpose of the insurer's long-term business, except in so far as such payment can be made out of any surplus certified by the insurer's approved actuary to be available for distribution otherwise than to policyholders; and (ii) not declare or pay a dividend to any person other than a policyholder unless the value of the assets of its long-term business fund, as certified by the insurer's approved actuary, exceeds the extent (as to certified) of the liabilities of the insurer's long-term business. In the event a dividend complies with the above, each of F&G Life Re and F&G Re must ensure the amount of any such dividend does not exceed the aggregate of (i) that excess and (ii) any other funds properly available for the payment of dividend, being funds arising out of business of the insurer other than long-term business.

The Companies Act also limits F&G Life Re's and F&G Re's ability to pay dividends and make distributions to its shareholders. Each of F&G Life Re and F&G Re is not permitted to declare or pay a dividend, or make a distribution out of its contributed surplus, if it is, or would after the payment be, unable to pay its liabilities as they become due or if the realizable value of its assets would be less than its liabilities.

The laws and regulations of the Cayman Islands require that, among other things, FSRC maintain minimum levels of statutory capital, surplus and liquidity, meet solvency standards, submit to periodic examinations of its financial condition and restrict payments of dividends and reductions of capital. Statutes, regulations and policies that FSRC is subject to may also restrict the ability of FSRC to write insurance and reinsurance policies, make certain investments and distribute funds. Any failure to meet the applicable requirements or minimum statutory capital requirements could subject it to further examination or corrective action by Cayman Islands Monetary Authority ("CIMA"), including restrictions on dividend payments, limitations on our writing of additional business or engaging in finance activities, supervision or liquidation.

At December 31, 2018, F&G Life Re made an extraordinary dividend to the Company. See "Note 12. Reinsurance" for more details.

(15) Other Liabilities

Other liabilities consisted of the following:

	December 31, 2018	December 31, 2017
Amounts payable for investment purchases	$ 37	$ 82
Retained asset account	162	190
Option collateral liabilities	59	349
Remittances and items not allocated	101	28
Amounts payable to reinsurers	(3)	3
Accrued expenses	71	42
Deferred reinsurance revenue	39	—
Escrow liabilities	—	57
Unearned revenue liability	41	—
Negative cash liability	126	45
Other	(4)	34
Total	$ 629	$ 830