

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended March 31, 2024

or

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

For the transition period from _____ to _____

Commission File Number: 001-40274

Jackson Financial Inc.

(Exact name of registrant as specified in its charter)

Delaware
**(State or other jurisdiction of incorporation or
organization)**

98-0486152
(I.R.S. Employer Identification No.)

1 Corporate Way, Lansing, Michigan
(Address of principal executive offices)

48951
(Zip Code)

(517) 381-5500
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, Par Value \$0.01 Per Share	JXN	New York Stock Exchange
Depository Shares, each representing a 1/1,000th interest in a share of Fixed-Rate Reset Noncumulative Perpetual Preferred Stock, Series A	JXN PRA	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 2, 2024, there were 76,264,349 shares of the registrant's common stock, \$0.01 par value, outstanding.

TABLE OF CONTENTS
PART I—FINANCIAL INFORMATION

<u>Item 1. Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023</u>	<u>2</u>
<u>Condensed Consolidated Income Statements for the three months ended March 31, 2024, and 2023</u>	<u>3</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2024, and 2023</u>	<u>4</u>
<u>Condensed Consolidated Statements of Equity for the three months ended March 31, 2024, and 2023</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2024, and 2023</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	
<u> Note 1. Business and Basis of Presentation</u>	<u>8</u>
<u> Note 2. New Accounting Standards</u>	<u>10</u>
<u> Note 3. Segment Information</u>	<u>11</u>
<u> Note 4. Investments</u>	<u>16</u>
<u> Note 5. Derivative Instruments</u>	<u>31</u>
<u> Note 6. Fair Value Measurements</u>	<u>35</u>
<u> Note 7. Deferred Acquisition Costs</u>	<u>52</u>
<u> Note 8. Reinsurance</u>	<u>53</u>
<u> Note 9. Reserves for Future Policy Benefits and Claims Payable</u>	<u>57</u>
<u> Note 10. Other Contract Holder Funds</u>	<u>63</u>
<u> Note 11. Separate Account Assets and Liabilities</u>	<u>68</u>
<u> Note 12. Market Risk Benefits</u>	<u>69</u>
<u> Note 13. Long-Term Debt</u>	<u>71</u>
<u> Note 14. Federal Home Loan Bank Advances</u>	<u>73</u>
<u> Note 15. Income Taxes</u>	<u>73</u>
<u> Note 16. Commitments and Contingencies</u>	<u>74</u>
<u> Note 17. Operating Costs and Other Expenses</u>	<u>74</u>
<u> Note 18. Accumulated Other Comprehensive Income (Loss)</u>	<u>75</u>
<u> Note 19. Equity</u>	<u>76</u>
<u> Note 20. Earnings Per Share</u>	<u>78</u>
<u> Note 21. Subsequent Events</u>	<u>78</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	
<u> Forward-looking Statements - Cautionary Language</u>	<u>79</u>
<u> Available Information</u>	<u>80</u>
<u> Principal Definitions, Abbreviations and Acronyms Used in the Text and Notes of this Report</u>	<u>80</u>
<u> Overview of Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>82</u>
<u> Executive Summary</u>	<u>82</u>
<u> Key Operating Measures</u>	<u>84</u>
<u> Macroeconomic, Industry, and Regulatory Trends</u>	<u>87</u>
<u> Non-GAAP Financial Measures</u>	<u>91</u>
<u> Consolidated Results of Operations</u>	<u>94</u>
<u> Segment Results of Operations</u>	<u>96</u>
<u> Investments</u>	<u>102</u>
<u> Policy and Contract Liabilities</u>	<u>108</u>
<u> Liquidity and Capital Resources</u>	<u>109</u>
<u> Impact of Recent Accounting Pronouncements</u>	<u>117</u>
<u> Summary of Critical Accounting Estimates</u>	<u>117</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>118</u>
<u>Item 4. Controls and Procedures</u>	<u>118</u>
PART II—OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	<u>119</u>
<u>Item 1A. Risk Factors</u>	<u>119</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>119</u>
<u>Item 5. Other Information</u>	<u>120</u>
<u>Item 6. Exhibits</u>	<u>120</u>
SIGNATURES	
<u>Signatures</u>	<u>121</u>

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

**Jackson Financial Inc.
Condensed Consolidated Balance Sheets
(in millions, except share data)**

	March 31, 2024	December 31, 2023
	(Unaudited)	
Assets		
Investments:		
Debt Securities, available-for-sale, net of allowance for credit losses of \$20 and \$21 at March 31, 2024 and December 31, 2023, respectively (amortized cost: 2024 \$44,796; 2023 \$44,844)	\$ 40,090	\$ 40,422
Debt Securities, at fair value under fair value option	2,256	2,153
Debt Securities, trading, at fair value	70	68
Equity securities, at fair value	222	394
Mortgage loans, net of allowance for credit losses of \$162 and \$165 at March 31, 2024 and December 31, 2023, respectively	9,899	10,082
Mortgage loans, at fair value under fair value option	455	481
Policy loans (including \$3,448 and \$3,457 at fair value under the fair value option at March 31, 2024 and December 31, 2023, respectively)	4,386	4,399
Freestanding derivative instruments	213	390
Other invested assets	2,580	2,466
Total investments	<u>60,171</u>	<u>60,855</u>
Cash and cash equivalents	2,542	2,688
Accrued investment income	488	512
Deferred acquisition costs	12,173	12,302
Reinsurance recoverable, net of allowance for credit losses of \$30 and \$29 at March 31, 2024 and December 31, 2023, respectively	24,558	25,422
Reinsurance recoverable on market risk benefits, at fair value	126	149
Market risk benefit assets, at fair value	8,025	6,737
Deferred income taxes, net	749	640
Other assets	675	1,294
Separate account assets	230,773	219,656
Total assets	<u>\$ 340,280</u>	<u>\$ 330,255</u>
Liabilities and Equity		
Liabilities		
Reserves for future policy benefits and claims payable	\$ 11,585	\$ 11,898
Other contract holder funds	54,897	55,319
Market risk benefit liabilities, at fair value	3,843	4,785
Funds withheld payable under reinsurance treaties (including \$3,618 and \$3,626 at fair value under the fair value option at March 31, 2024 and December 31, 2023, respectively)	19,244	19,952
Long-term debt	2,033	2,037
Repurchase agreements and securities lending payable	1,820	19
Collateral payable for derivative instruments	92	780
Freestanding derivative instruments	1,288	1,210
Notes issued by consolidated variable interest entities, at fair value under fair value option (Note 4)	2,068	1,988
Other liabilities	2,281	2,277
Separate account liabilities	230,773	219,656
Total liabilities	<u>329,924</u>	<u>319,921</u>
Commitments, Contingencies, and Guarantees (Note 16)		
Equity		
Series A non-cumulative preferred stock and additional paid in capital, \$1.00 par value per share: 24,000 shares authorized; 22,000 shares issued and outstanding at March 31, 2024 and December 31, 2023; liquidation preference \$25,000 per share (See Note 19)	533	533
Common stock; 1,000,000,000 shares authorized, \$0.01 par value per share and 76,621,374 and 78,660,221 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively (See Note 19)	1	1
Additional paid-in capital	6,005	6,005
Treasury stock, at cost; 17,859,632 and 15,820,785 shares at March 31, 2024 and December 31, 2023, respectively	(713)	(599)
Accumulated other comprehensive income (loss), net of tax expense (benefit) of \$(274) and \$(178) at March 31, 2024 and December 31, 2023, respectively	(3,423)	(2,808)
Retained earnings	7,766	7,038
Total shareholders' equity	<u>10,169</u>	<u>10,170</u>
Noncontrolling interests	187	164
Total equity	<u>10,356</u>	<u>10,334</u>
Total liabilities and equity	<u>\$ 340,280</u>	<u>\$ 330,255</u>

See Notes to Condensed Consolidated Financial Statements.

Jackson Financial Inc.
Condensed Consolidated Income Statements
(Unaudited, in millions, except per share data)

	Three Months Ended March 31,	
	2024	2023
Revenues		
Fee income	\$ 1,998	\$ 1,888
Premiums	38	25
Net investment income:		
Net investment income excluding funds withheld assets	464	400
Net investment income on funds withheld assets	270	307
Total net investment income	734	707
Net gains (losses) on derivatives and investments:		
Net gains (losses) on derivatives and investments	(2,892)	(2,726)
Net gains (losses) on funds withheld reinsurance treaties	(201)	(673)
Total net gains (losses) on derivatives and investments	(3,093)	(3,399)
Other income	1	15
Total revenues	(322)	(764)
Benefits and Expenses		
Death, other policy benefits and change in policy reserves, net of deferrals	221	228
(Gain) loss from updating future policy benefits cash flow assumptions, net	11	14
Market risk benefits (gains) losses, net	(2,718)	(174)
Interest credited on other contract holder funds, net of deferrals and amortization	273	285
Interest expense	25	28
Operating costs and other expenses, net of deferrals	685	616
Amortization of deferred acquisition costs	278	293
Total benefits and expenses	(1,225)	1,290
Pretax income (loss)	903	(2,054)
Income tax expense (benefit)	101	(558)
Net income (loss)	802	(1,496)
Less: Net income (loss) attributable to noncontrolling interests	7	1
Net income (loss) attributable to Jackson Financial Inc.	795	(1,497)
Less: Dividends on preferred stock	11	—
Net income (loss) attributable to Jackson Financial Inc. common shareholders	\$ 784	\$ (1,497)
Earnings per share		
Basic	\$ 10.04	\$ (18.11)
Diluted	\$ 9.94	\$ (18.11)

See Notes to Condensed Consolidated Financial Statements.

Jackson Financial Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited, in millions)

	Three Months Ended March 31,	
	2024	2023
Net income (loss)	\$ 802	\$ (1,496)
Other comprehensive income (loss), net of tax:		
Change in unrealized gains (losses) on securities with no credit impairment, net of tax expense (benefit) of: \$ (3) and \$92, for the three months ended March 31, 2024 and 2023, respectively.	(278)	968
Change in unrealized gains (losses) on securities with credit impairment, net of tax expense (benefit) of: nil and \$(2) million for the three months ended March 31, 2024 and 2023, respectively.	—	(8)
Change in current discount rate related to reserve for future policy benefits, net of tax expense (benefit) of \$18 and \$(32) for the three months ended March 31, 2024 and 2023, respectively.	63	(114)
Change in non-performance risk on market risk benefits, net of tax expense (benefit) of \$(111) and \$60 for the three months ended March 31, 2024 and 2023, respectively.	(400)	224
Total other comprehensive income (loss)	(615)	1,070
Comprehensive income (loss)	187	(426)
Less: Comprehensive income (loss) attributable to noncontrolling interests	7	1
Comprehensive income (loss) attributable to Jackson Financial Inc.	\$ 180	\$ (427)

See Notes to Condensed Consolidated Financial Statements.

Jackson Financial Inc.
Condensed Consolidated Statements of Equity
(Unaudited, in millions)

	Accumulated								
	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock at Cost	Other Comprehensive Income	Retained Earnings	Total Shareholders' Equity	Non- Controlling Interests	Total Equity
Balances as of December 31, 2023	\$ 533	\$ 1	\$ 6,005	\$ (599)	\$ (2,808)	\$ 7,038	\$ 10,170	\$ 164	\$ 10,334
Net income (loss)	—	—	—	—	—	795	795	7	802
Other comprehensive income (loss)	—	—	—	—	(615)	—	(615)	—	(615)
Change in equity of noncontrolling interests	—	—	—	—	—	—	—	16	16
Dividends on preferred stock	—	—	—	—	—	(11)	(11)	—	(11)
Dividends on common stock	—	—	—	—	—	(56)	(56)	—	(56)
Purchase of treasury stock	—	—	—	(120)	—	—	(120)	—	(120)
Share based compensation	—	—	—	6	—	—	6	—	6
Balances as of March 31, 2024	\$ 533	\$ 1	\$ 6,005	\$ (713)	\$ (3,423)	\$ 7,766	\$ 10,169	\$ 187	\$ 10,356

	Accumulated								
	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock at Cost	Other Comprehensive Income	Retained Earnings	Total Shareholders' Equity	Non- Controlling Interests	Total Equity
Balances as of December 31, 2022	\$ —	\$ 1	\$ 6,063	\$ (443)	\$ (3,378)	\$ 6,403	\$ 8,646	\$ 732	\$ 9,378
Net income (loss)	—	—	—	—	—	(1,497)	(1,497)	1	(1,496)
Other comprehensive income (loss)	—	—	—	—	1,070	—	1,070	—	1,070
Change in equity of noncontrolling interests	—	—	—	—	—	—	—	96	96
Dividends on common stock	—	—	—	—	—	(54)	(54)	—	(54)
Purchase of treasury stock	—	—	—	(70)	—	—	(70)	—	(70)
Issuance of preferred stock	533	—	—	—	—	—	533	—	533
Share based compensation	—	—	7	3	—	—	10	—	10
Balances as of March 31, 2023	\$ 533	\$ 1	\$ 6,070	\$ (510)	\$ (2,308)	\$ 4,852	\$ 8,638	\$ 829	\$ 9,467

See Notes to Condensed Consolidated Financial Statements.

Jackson Financial Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited, in millions)

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net income (loss)	\$ 802	\$ (1,496)
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized losses (gains) on investments	7	68
Net losses (gains) on derivatives	2,885	2,658
Net losses (gains) on funds withheld reinsurance treaties	201	673
Net (gain) loss on market risk benefits	(2,718)	(174)
(Gain) loss from updating future policy benefits cash flow assumptions, net	11	14
Interest credited on other contract holder funds, gross	273	285
Mortality, expense and surrender charges	(133)	(132)
Amortization of discount and premium on investments	(14)	(6)
Deferred income tax expense (benefit)	(13)	(553)
Share-based compensation	45	24
Change in:		
Accrued investment income	24	17
Deferred acquisition costs	128	163
Funds withheld, net of reinsurance	136	75
Future policy benefits	(238)	(122)
Other assets and liabilities, net	30	(33)
Net cash provided by (used in) operating activities	1,426	1,461
Cash flows from investing activities:		
Sales, maturities and repayments of:		
Debt securities	2,553	2,931
Equity securities	185	157
Mortgage loans	360	469
Purchases of:		
Debt securities	(2,613)	(3,325)
Equity securities	(5)	(2)
Mortgage loans	(152)	(348)
Settlements related to derivatives and collateral on investments	(2,261)	(3,046)
Other investing activities	(73)	282
Net cash provided by (used in) investing activities	(2,006)	(2,882)

(continued)

See Notes to Condensed Consolidated Financial Statements.

Jackson Financial Inc.
Condensed Consolidated Statements of Cash Flows (continued)
(Unaudited, in millions)

	Three Months Ended March 31,	
	2024	2023
Cash flows from financing activities:		
Policyholders' account balances:		
Deposits	\$ 3,860	\$ 3,874
Withdrawals	(8,984)	(7,517)
Net transfers from (to) separate accounts	4,143	2,060
Proceeds from (payments on) repurchase agreements and securities lending	1,798	76
Net proceeds from (payments on) Federal Home Loan Bank notes	(250)	—
Payments on debt	(4)	(4)
Issuance of debt of consolidated investment entities	383	—
Repayments of debt of consolidated investment entities	(345)	—
Contributions from partners of consolidated investments	17	—
Dividends on common stock	(54)	(51)
Dividends on preferred stock	(11)	—
Purchase of treasury stock	(120)	(70)
Issuance of preferred stock	—	533
Net cash provided by (used in) financing activities	433	(1,099)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(147)	(2,520)
Cash, cash equivalents, and restricted cash at beginning of period	2,691	4,301
Total cash, cash equivalents, and restricted cash at end of period	\$ 2,544	\$ 1,781
Supplemental cash flow information		
Income taxes paid (received)	\$ —	\$ —
Interest paid	\$ 33	\$ 21
Non-cash investing activities		
Debt securities acquired from exchanges, payments-in-kind, and similar transactions	\$ 27	\$ 32
Other invested assets acquired from stock splits and stock distributions	\$ 19	\$ 9
Non-cash financing activities		
Non-cash dividend equivalents on stock-based awards	\$ (2)	\$ (3)
Reconciliation to Condensed Consolidated Balance Sheets		
Cash and cash equivalents	\$ 2,542	\$ 1,779
Restricted cash (included in Other assets)	2	2
Total cash, cash equivalents, and restricted cash	\$ 2,544	\$ 1,781

See Notes to Condensed Consolidated Financial Statements.

Jackson Financial Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Business and Basis of Presentation

Jackson Financial Inc. ("JFI" or "Jackson Financial") together with its subsidiaries (the "Company," which also may be referred to as "we," "our" or "us"), is a financial services company focused on helping Americans grow and protect their retirement savings and income to enable them to pursue financial freedom for life. Jackson Financial is domiciled in the state of Delaware in the United States ("U.S.").

Prior to September 13, 2021, we were a majority-owned subsidiary of Prudential plc ("Prudential"), London, England and served as Prudential's holding company for its U.S. operations. On September 13, 2021, the Company demerged from Prudential (the "Demerger") and became a stand-alone U.S. public company. Prudential retained an equity interest in the Company after the Demerger, but as of June 30, 2023, sold its entire equity interest in the Company.

Jackson Financial's primary life insurance subsidiary, Jackson National Life Insurance Company and its insurance subsidiaries (collectively, "Jackson"), is licensed to sell group and individual annuity products (including immediate, registered index-linked, deferred fixed, fixed index and variable annuities), and individual life insurance products, including variable universal life, in all 50 states and the District of Columbia. Jackson also participates in the institutional products market through the issuance of guaranteed investment contracts ("GICs"), funding agreements and medium-term note funding agreements. In addition to Jackson, Jackson Financial's other operating subsidiaries are as follows:

- PPM America, Inc. ("PPM"), a registered investment adviser, is the Company's investment management operation that manages the life insurance companies' general account investment funds. PPM also provides investment services to other former affiliated and unaffiliated institutional clients.
- Brooke Life Insurance Company ("Brooke Life"), the direct parent of Jackson, is a Michigan life insurance company licensed to sell life insurance and annuity products in the state of Michigan.
- Brooke Life Reinsurance Company ("Brooke Re"), also a direct subsidiary of Brooke Life, was formed January 1, 2024, as a Michigan captive reinsurance company.

Other significant wholly-owned subsidiaries of Jackson are as follows:

- Life insurers: Jackson National Life Insurance Company of New York ("Jackson NY" or "JNY"); Squire Reassurance Company LLC ("Squire Re"); Squire Reassurance Company II, Inc. ("Squire Re II"); and VFL International Life Company SPC, LTD;
- Registered broker-dealer: Jackson National Life Distributors LLC ("JNLD"); and
- Registered investment adviser: Jackson National Asset Management LLC ("JNAM") manages the life insurance companies' separate account funds underlying our variable annuities products, which funds are sub-advised. JNAM manages and oversees those sub-advisers.

The Company's Condensed Consolidated Financial Statements also include other insignificant partnerships, limited liability companies ("LLCs") and other variable interest entities ("VIEs") in which the Company is deemed the primary beneficiary.

Brooke Life Reinsurance Company

During the first quarter of 2024, Jackson entered into a reinsurance transaction with Brooke Re and all economics of the transaction were effective as of January 1, 2024. Jackson and Brooke Re are both direct subsidiaries of Brooke Life and the reinsurance transaction eliminates upon consolidation at JFI. The reinsurance transaction primarily provides for the cession from Jackson to Brooke Re of liabilities associated with certain guaranteed benefit riders under our variable annuity contracts and similar products of Jackson (“market risk benefits”), both in-force on the effective date of the reinsurance agreement and written in the future (i.e., on a “flow” basis). Brooke Re utilizes a modified U.S. generally accepted accounting principles (“U.S. GAAP”) approach primarily related to market risk benefits, to increase alignment between assets and liabilities in response to changes in economic factors. The reinsurance transaction allows us to mitigate the impact of the cash surrender value floor on Jackson’s total adjusted capital, statutory required capital, and risk-based capital ratio, as well as to allow for more efficient economic hedging of the underlying risks of Jackson’s business.

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. GAAP for interim financial information. Accordingly, certain financial information that is normally included in annual financial statements prepared in accordance with U.S. GAAP, but not required for interim reporting purposes, has been condensed or omitted. These Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on February 28, 2024, (the “2023 Annual Report”). The condensed consolidated financial information as of December 31, 2023, included herein, has been derived from the audited Consolidated Financial Statements in the 2023 Annual Report.

Certain accounting policies, which significantly affect the determination of financial condition, results of operations and cash flows, are summarized in the Notes to Consolidated Financial Statements in the Company’s 2023 Annual Report.

In the opinion of management, these Condensed Consolidated Financial Statements include all normal recurring adjustments necessary for a fair presentation of the Company’s results. Operating results for the three months ended March 31, 2024, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2024. All material intercompany accounts and transactions have been eliminated in consolidation.

With the establishment of Brooke Re in the first quarter of 2024, the Company’s hedging program was enhanced to align hedging instruments more closely with market risk benefit reserves which resulted in higher levels of interest rate hedging consistent with the economics of our business. In connection with this enhanced hedging approach, the Company reviewed its existing interest rate hedging instruments and determined that interest rate swaps that were historically used for duration management purposes should be recharacterized as supporting our hedging of variable annuity market risk benefits. Accordingly, effective January 1, 2024, the periodic settlements and change in settlement accruals on interest rate swaps will now be classified as non-operating and excluded from pretax adjusted operating earnings. Prior period amounts have not been adjusted for this prospective recharacterization with respect to interest rate swaps.

Additionally, to better represent the underlying performance of our business, we have made certain reclassifications between financial statement line items within the Condensed Consolidated Income Statement and our non-GAAP financial measure of pretax adjusted operating earnings. These reclassifications described below had no impact on Net Income or Adjusted Operating Earnings.

- Operating derivative income (loss) will no longer be shown as a separate line item within pretax adjusted operating earnings, and these amounts have been reclassified to net investment income. After recharacterizing the interest rate swaps described above, the only item remaining in operating derivatives was periodic settlements and change in settlement accruals on cross-currency swaps that are intended to hedge certain foreign denominated fixed maturity securities. This reclassification only applies to pretax adjusted operating earnings (non-GAAP).
- Interest costs related to portfolio leverage transactions (repurchase agreements, Federal Home Loan Bank short-term advances, and cash collateral costs) were reclassified from Interest Expense to Net Investment Income. This reclassification applies to Net Income (GAAP) and pretax adjusted operating earnings (non-GAAP).

All prior period amounts have been conformed to the current period presentation for the reclassifications discussed above.

Use of Estimates

The preparation of these Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires the use of estimates and assumptions about future events that affect the amounts reported in the Condensed Consolidated Financial Statements and the accompanying notes. Significant estimates or assumptions, as further discussed in these notes, include:

- Valuation of investments and derivative instruments, including fair values of securities deemed to be in an illiquid market and the determination of when an impairment is necessary;
- Assessments as to whether certain entities are VIEs, the existence of reconsideration events and the determination of which party, if any, should consolidate the entity;
- Assumptions used in calculating policy reserves and liabilities including policyholder behavior, mortality rates, expenses, investment returns and policy crediting rates;
- Assumptions as to future earnings levels being sufficient to realize deferred tax benefits;
- Estimates related to expectations of credit losses on certain financial assets and off-balance sheet exposures;
- Assumptions and estimates associated with the Company's tax positions, including an estimate of the dividends received deduction, which impact the amount of recognized tax benefits recorded by the Company;
- Assumptions used in calculating market risk benefits including policyholder behavior, mortality rates, and capital market assumptions; and
- Assumptions impacting the expected term used in amortizing deferred acquisition costs, including policyholder behavior and mortality rates.

These estimates and assumptions are based on management's best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other appropriate factors. As facts and circumstances dictate, these estimates and assumptions may be adjusted. Since future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in estimates, including those resulting from continuing changes in the economic environment, will be reflected in the Consolidated Financial Statements in the periods the estimates are changed.

2. New Accounting Standards

Changes in Accounting Principles – Adopted in Current Year

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance provides optional expedients for applying U.S. GAAP to contracts and other transactions affected by reference rate reform and was originally effective for contract modifications made between March 12, 2020 and December 31, 2022. In December 2022, the FASB issued ASU 2022-06, "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848" that defers the sunset date of Topic 848 from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. If certain criteria are met, an entity will not be required to remeasure or reassess contracts impacted by reference rate reform. The practical expedient allowed by this standard was elected and is being applied prospectively by the Company as reference rate reform has unfolded. The contracts modified to date met the criteria for the practical expedient and, therefore, had no material impact on the Company's Condensed Consolidated Financial Statements. The Company will continue to evaluate the impact of reference rate reform on contract modifications and other transactions through December 31, 2024.

Changes in Accounting Principles – Issued but Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, "Improvements to Reportable Segment Disclosures", which requires a public entity to disclose its significant segment expenses regularly provided to the chief operating decision maker (CODM) and the amount and composition of other segment items. It also requires a public entity to disclose the title and position of the CODM. The ASU allows a public entity to disclose multiple measurements of segment profit or loss if a CODM uses multiple measures to assess segment's performance and allocate resources. This ASU also expands the current interim disclosure requirements to require that nearly all of the annual segment disclosures be made on an interim basis. The

amendments in this ASU will be effective for the Company for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted, and are to be applied retrospectively. The Company is in the process of evaluating the impact of the new guidance and does not plan to early adopt.

In December 2023, the FASB issued ASU 2023-09, "Improvements to Income Tax Disclosures", which requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The new requirements in this ASU will be effective for the Company for annual periods beginning after December 15, 2024, with early adoption permitted, and are to be applied on a prospective basis with the option to apply retrospectively. The Company is in the process of evaluating the impact of the new guidance and determining the transition method and the timing of adoption.

3. Segment Information

The Company has three reportable segments: Retail Annuities, Institutional Products, and Closed Life and Annuity Block. The Company reports certain activities and items that are not included in these reportable segments, including the results of PPM Holdings, Inc., the holding company of PPM, which manages the majority of the Company's general account investment portfolio, in Corporate and Other. The reportable segments reflect how the Company's chief operating decision maker views and manages the business. The following is a brief description of the Company's reportable segments, plus its Corporate and Other segment.

Retail Annuities

The Company's Retail Annuities segment offers a variety of retirement income and savings products through its diverse suite of products, consisting primarily of variable annuities, fixed index annuities, fixed annuities, payout annuities, and registered index-linked annuities ("RILA"). These products are distributed through various wirehouses, insurance brokers and independent broker-dealers, as well as through banks and financial institutions.

The Company's variable annuities represent an attractive option for retirees and soon-to-be retirees, providing access to equity market appreciation and add-on benefits, including guaranteed lifetime income. A fixed index annuity is designed for investors who desire principal protection with the opportunity to participate in capped upside investment returns linked to a reference market index. The Company also provides access to guaranteed lifetime income as an add-on benefit. A fixed annuity is a guaranteed product designed to build wealth without market exposure, through a crediting rate that is likely to be superior to interest rates offered by banks or money market funds. A RILA offers customers access to market returns through market index-linked investment options, subject to a cap, and offers a variety of features designed to modify or limit losses.

The financial results of the variable annuity business within the Company's Retail Annuities segment are largely dependent on the performance of the contract holder account value, which impacts both the level of fees collected and the benefits paid to the contract holder. The financial results of the Company's fixed annuities, including the fixed option on variable annuities, RILA and fixed index annuities, are largely dependent on the Company's ability to earn a spread between earned investment rates on general account assets and the interest credited to contract holders.

Institutional Products

The Company's Institutional Products segment consists of traditional Guaranteed Investment Contracts ("GICs"), funding agreements (including agreements issued in conjunction with the Company's participation in the U.S. Federal Home Loan Bank ("FHLB") program) and medium-term note funding agreements. The Company's GIC products are marketed to defined contribution pension and profit-sharing retirement plans. Funding agreements are marketed to institutional investors, including corporate cash accounts and securities lending funds, as well as money market funds, and are issued to the FHLB in connection with its program.

The financial results of the Company's institutional products business are primarily dependent on the Company's ability to earn a spread between earned investment rates on general account assets and the interest credited on GICs and funding agreements.

Closed Life and Annuity Blocks

The Company's Closed Life and Annuity Blocks segment is primarily composed of blocks of business that have been acquired since 2004. This segment includes various protection products, primarily whole life, universal life, variable universal life, and term life insurance products, as well as fixed, fixed index, and payout annuities. The Closed Life and Annuity Blocks segment also includes a block of group payout annuities that we assumed from John Hancock Life Insurance Company (USA) and John Hancock Life Insurance Company of New York through reinsurance transactions in 2018 and 2019, respectively. The Company historically offered traditional and interest-sensitive life insurance products but discontinued new sales of life insurance products in 2012, as we believe opportunistically acquiring mature blocks of life insurance policies was a more efficient means of diversifying our in-force business than selling new life insurance products.

The profitability of the Company's Closed Life and Annuity Blocks segment is largely driven by its historical ability to appropriately price its products and purchase appropriately priced blocks of business, as realized through underwriting, expense and net gains (losses) on derivatives and investments, and the ability to earn an assumed rate of return on the assets supporting that business.

Corporate and Other

The Company's Corporate and Other segment primarily consists of the operations of its investment management subsidiary, PPM, VIE's, and unallocated corporate income and expenses. The Corporate and Other segment also includes certain eliminations and consolidation adjustments.

Segment Performance Measurement

Segment operating revenues and pretax adjusted operating earnings are non-GAAP financial measures that management believes are critical to the evaluation of the financial performance of the Company's segments. The Company uses the same accounting policies and procedures to measure segment pretax adjusted operating earnings as used in its reporting of consolidated net income. Its primary measure is pretax adjusted operating earnings, which is defined as net income recorded in accordance with U.S. GAAP, excluding certain items that may be highly variable from period to period due to accounting treatment under U.S. GAAP, or that are non-recurring in nature, as well as certain other revenues and expenses that are not considered to drive underlying performance. Operating revenues and pretax adjusted operating earnings should not be used as a substitute for revenues and net income, respectively, as calculated in accordance with U.S. GAAP.

Pretax adjusted operating earnings equals net income adjusted to eliminate the impact of the items described in the following numbered paragraphs. These items are excluded from pretax adjusted operating earnings as they may vary significantly from period to period due to near-term market conditions and, therefore, are not directly comparable or reflective of the underlying performance of our business. We believe these exclusions provide investors a better picture of the drivers of our underlying performance.

1. *Net Hedging Results*: Comprised of: (i) fees attributed to guaranteed benefits; (ii) changes in the fair value of freestanding derivatives used to manage the risk associated with market risk benefits and other guaranteed benefit features, excluding earned income from periodic settlements and changes in settlement accruals on cross-currency swaps; (iii) the movements in reserves, market risk benefits, guaranteed benefit features accounted for as embedded derivative instruments, and related claims and benefit payments; (iv) amortization of the balance of unamortized deferred acquisition costs at the date of transition to current LDTI accounting guidance on January 1, 2021 associated with items excluded from pretax adjusted operating earnings prior to transition; and (v) the impact on the valuation of Guaranteed Benefits and Net Hedging Results arising from changes in underlying actuarial assumptions. We believe excluding these items removes the impact to both revenue and related expenses associated with Guaranteed Benefits and Net Hedging Results.
2. *Net Realized Investment Gains and Losses*: Comprised of: (i) realized investment gains and losses associated with the periodic sales or disposals of securities, excluding those held within our trading portfolio; and (ii) impairments of securities, after adjustment for the non-credit component of the impairment charges.

3. *Change in Value of Funds Withheld Embedded Derivative and Net Investment Income on Funds Withheld Assets:* Comprised of: (i) the change in fair value of funds withheld embedded derivatives; and (ii) net investment income on funds withheld assets related to funds withheld reinsurance transactions.
4. *Other items:* Comprised of: (i) the impact of investments that are consolidated in our financial statements due to U.S. GAAP accounting requirements, such as our investments in collateralized loan obligations ("CLOs"), but for which the consolidation effects are not consistent with our economic interest or exposure to those entities, and (ii) one-time or other non-recurring items.
5. *Income taxes.*

Set forth in the tables below is certain information with respect to the Company's segments (in millions):

Three Months Ended March 31, 2024	Retail Annuities	Institutional Products	Closed Life and Annuity Blocks	Corporate and Other	Total Consolidated
Operating Revenues					
Fee income	\$ 1,083	\$ —	\$ 112	\$ 12	\$ 1,207
Premiums	10	—	30	—	40
Net investment income	152	113	163	4	432
Other income	8	—	7	(14)	1
Total Operating Revenues	1,253	113	312	2	1,680
Operating Benefits and Expenses					
Death, other policy benefits and change in policy reserves, net of deferrals	16	—	144	—	160
(Gain) loss from updating future policy benefits cash flow assumptions, net	1	—	8	—	9
Interest credited on other contract holder funds, net of deferrals and amortization	88	81	104	—	273
Interest expense	6	—	—	19	25
Operating costs and other expenses, net of deferrals	586	1	35	63	685
Amortization of deferred acquisition costs	137	—	2	—	139
Total Operating Benefits and Expenses	834	82	293	82	1,291
Pretax Adjusted Operating Earnings	\$ 419	\$ 31	\$ 19	\$ (80)	\$ 389

Three Months Ended March 31, 2023	Retail Annuities	Institutional Products	Closed Life and Annuity Blocks	Corporate and Other	Total Consolidated
Operating Revenues					
Fee income	\$ 975	\$ —	\$ 117	\$ 13	\$ 1,105
Premiums	4	—	23	—	27
Net investment income	115	86	167	18	386
Other income	9	—	4	2	15
Total Operating Revenues	1,103	86	311	33	1,533
Operating Benefits and Expenses					
Death, other policy benefits and change in policy reserves, net of deferrals	(15)	—	163	—	148
(Gain) loss from updating future policy benefits cash flow assumptions, net	(2)	—	16	—	14
Interest credited on other contract holder funds, net of deferrals and amortization	98	76	111	—	285
Interest expense	6	—	—	22	28
Operating costs and other expenses, net of deferrals	522	1	39	54	616
Amortization of deferred acquisition costs	138	—	2	—	140
Total Operating Benefits and Expenses	747	77	331	76	1,231
Pretax Adjusted Operating Earnings	\$ 356	\$ 9	\$ (20)	\$ (43)	\$ 302

Intersegment eliminations in the above tables are included in the Corporate and Other segment. These include the elimination of investment income, between Retail Annuities and the Corporate and Other segments, as well as the elimination from fee income and investment income of investment fees paid by Jackson Financial and its subsidiaries to PPM, which were \$19 million and \$18 million for the three months ended March 31, 2024 and 2023, respectively.

The following table summarizes the reconciling items from the non-GAAP measure of total operating revenues to the U.S. GAAP measure of total revenues attributable to the Company (in millions):

	Three Months Ended March 31,	
	2024	2023
Total operating revenues	\$ 1,680	\$ 1,533
Fees attributed to guarantee benefit reserves	788	780
Net gains (losses) on derivatives and investments	(3,085)	(3,362)
Net investment income (loss) related to noncontrolling interests	7	1
Consolidated investments	18	(23)
Net investment income on funds withheld assets	270	307
Total revenues⁽¹⁾	\$ (322)	\$ (764)

⁽¹⁾ Substantially all the Company's revenues originated in the U.S. There were no customers that, individually, generate revenues that exceeded 10% of total revenues.

The following table summarizes the reconciling items from the non-GAAP measure of total operating benefits and expenses to the U.S. GAAP measure of total benefits and expenses attributable to the Company (in millions):

	Three Months Ended March 31,	
	2024	2023
Total operating benefits and expenses	\$ 1,291	\$ 1,231
Net (gain) loss on market risk benefits	(2,718)	(174)
Benefits attributed to guaranteed benefit features	63	80
Amortization of DAC related to non-operating revenues and expenses	139	153
Total benefits and expenses	\$ (1,225)	\$ 1,290

The following table summarizes the reconciling items, from the non-GAAP measure of pretax adjusted operating earnings to the U.S. GAAP measure of net income attributable to the Company (in millions):

	Three Months Ended March 31,	
	2024	2023
Pretax adjusted operating earnings	\$ 389	\$ 302
Pre-tax reconciling items from adjusted operating income to net income (loss) attributable to Jackson Financial Inc.:		
Fees attributable to guarantee benefit reserves	788	780
Net movement in freestanding derivatives	(2,576)	(2,512)
Market risk benefits gains (losses), net	2,718	174
Net reserve and embedded derivative movements	(364)	(189)
Amortization of DAC associated with non-operating items at date of transition to LDTI	(139)	(153)
Total Guaranteed benefits and net hedging results	427	(1,900)
Net realized investment gains (losses)	(7)	(68)
Net realized investment gains (losses) on funds withheld assets	(201)	(673)
Net investment income on funds withheld assets	270	307
Other items	18	(23)
Pretax income (loss) attributable to Jackson Financial Inc.	896	(2,055)
Income tax expense (benefit)	101	(558)
Net income (loss) attributable to Jackson Financial Inc.	795	(1,497)
Dividends on preferred stock	11	—
Net income (loss) attributable to Jackson Financial Inc. common shareholders	<u>\$ 784</u>	<u>\$ (1,497)</u>

4. Investments

Investments consist primarily of fixed-income securities and loans, principally publicly-traded corporate and government bonds, asset-backed securities and mortgage loans. Asset-backed securities include mortgage-backed and other structured securities. The Company generates the majority of its general account deposits from interest-sensitive individual annuity contracts, life insurance products and institutional products on which it has committed to pay a declared rate of interest. The Company's strategy of investing in fixed-income securities and loans seeks the matching of the asset yield with the amounts credited to the interest-sensitive liabilities and to earn a stable return on its investments.

Debt Securities

The following table sets forth the composition of the fair value of debt securities at March 31, 2024 and December 31, 2023, classified by rating categories as assigned by a nationally recognized statistical rating organization (a "rating agency"), the National Association of Insurance Commissioners ("NAIC"), or if not rated by such organizations, the Company's investment advisors. The Company uses the second lowest rating by a rating agency when rating agencies ratings are not equivalent and, for purposes of the table, if not otherwise rated by a rating agency, the NAIC rating of a security is converted to an equivalent rating agency rating. At March 31, 2024 and December 31, 2023, the carrying value of investments rated by the Company's consolidated investment advisor totaled \$389 million and \$486 million, respectively.

Investment Rating	Percent of Total Debt Securities Carrying Value	
	March 31, 2024	December 31, 2023
U.S. government securities	9.4%	10.1%
AAA	6.6%	6.5%
AA	9.4%	9.0%
A	31.5%	31.5%
BBB	36.0%	35.9%
Investment grade	92.9%	93.0%
BB	3.6%	3.5%
B and below	3.5%	3.5%
Below investment grade	7.1%	7.0%
Total debt securities	100.0%	100.0%

At March 31, 2024 and December 31, 2023, the total carrying value of debt securities in an unrealized loss position consisted of:

	March 31, 2024	December 31, 2023
Investment grade securities	77%	77%
Below investment grade securities	2%	2%
Not rated securities	21%	21%

Unrealized losses on debt securities that were below investment grade or not rated were approximately 21% and 21% of the aggregate gross unrealized losses on available-for-sale debt securities at March 31, 2024 and December 31, 2023, respectively.

Corporate securities in an unrealized loss position were diversified across industries as follows (in millions, except percentages):

	March 31, 2024	December 31, 2023
Industries accounting for the largest percentage of corporate gross unrealized losses:		
Utility	17%	17%
Financial Services	13%	14%
Largest unrealized loss related to a single corporate obligor	\$ 52	\$ 50

At March 31, 2024 and December 31, 2023, the amortized cost, allowance for credit loss ("ACL"), gross unrealized gains and losses, and fair value of debt securities, including trading securities and securities carried at fair value under the fair value option, were as follows (in millions):

March 31, 2024	Amortized Cost ⁽¹⁾	Allowance for Credit Loss	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government securities	\$ 4,872	\$ —	\$ 1	\$ 907	\$ 3,966
Other government securities	1,615	—	—	242	1,373
Public utilities	5,550	—	31	563	5,018
Corporate securities	28,258	13	136	2,704	25,677
Residential mortgage-backed	409	6	11	60	354
Commercial mortgage-backed	1,601	—	2	126	1,477
Other asset-backed securities	4,817	1	7	272	4,551
Total debt securities	<u>\$ 47,122</u>	<u>\$ 20</u>	<u>\$ 188</u>	<u>\$ 4,874</u>	<u>\$ 42,416</u>
December 31, 2023	Amortized Cost ⁽¹⁾	Allowance for Credit Loss	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government securities	\$ 5,154	\$ —	\$ 3	\$ 845	\$ 4,312
Other government securities	1,622	—	1	221	1,402
Public utilities	5,598	—	42	513	5,127
Corporate securities	27,870	15	194	2,572	25,477
Residential mortgage-backed	422	6	12	53	375
Commercial mortgage-backed	1,569	—	1	147	1,423
Other asset-backed securities	4,830	—	6	309	4,527
Total debt securities	<u>\$ 47,065</u>	<u>\$ 21</u>	<u>\$ 259</u>	<u>\$ 4,660</u>	<u>\$ 42,643</u>

⁽¹⁾ Amortized cost, apart from the carrying value for securities carried at fair value under the fair value option and trading securities.

The amortized cost, ACL, gross unrealized gains and losses, and fair value of debt securities at March 31, 2024, by contractual maturity, are shown below (in millions). Actual maturities may differ from contractual maturities where securities can be called or prepaid with or without early redemption penalties.

	Amortized Cost ⁽¹⁾	Allowance for Credit Loss	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Due in 1 year or less	\$ 2,878	\$ —	\$ —	\$ 24	\$ 2,854
Due after 1 year through 5 years	10,150	10	31	288	9,883
Due after 5 years through 10 years	11,808	3	70	1,010	10,865
Due after 10 years through 20 years	8,582	—	57	1,402	7,237
Due after 20 years	6,877	—	10	1,692	5,195
Residential mortgage-backed	409	6	11	60	354
Commercial mortgage-backed	1,601	—	2	126	1,477
Other asset-backed securities	4,817	1	7	272	4,551
Total	\$ 47,122	\$ 20	\$ 188	\$ 4,874	\$ 42,416

⁽¹⁾ Amortized cost, apart from the carrying value for securities carried at fair value under the fair value option and trading securities.

As required by law in various states in which business is conducted, securities with a carrying value of \$88 million and \$91 million at March 31, 2024 and December 31, 2023, respectively, were on deposit with regulatory authorities.

Residential mortgage-backed securities (“RMBS”) include certain RMBS that are collateralized by residential mortgage loans and are neither expressly nor implicitly guaranteed by U.S. government agencies (“non-agency RMBS”). The Company’s non-agency RMBS include investments in securities backed by prime, Alt-A, and subprime loans, as follows (in millions):

March 31, 2024	Amortized Cost ⁽¹⁾	Allowance for Credit Loss	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Prime	\$ 163	\$ 3	\$ 1	\$ 18	\$ 143
Alt-A	77	3	5	27	52
Subprime	6	—	4	—	10
Total non-agency RMBS	<u>\$ 246</u>	<u>\$ 6</u>	<u>\$ 10</u>	<u>\$ 45</u>	<u>\$ 205</u>

December 31, 2023	Amortized Cost ⁽¹⁾	Allowance for Credit Loss	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Prime	\$ 164	\$ 2	\$ 1	\$ 19	\$ 144
Alt-A	71	3	5	20	53
Subprime	7	1	4	—	10
Total non-agency RMBS	<u>\$ 242</u>	<u>\$ 6</u>	<u>\$ 10</u>	<u>\$ 39</u>	<u>\$ 207</u>

⁽¹⁾ Amortized cost, apart from carrying value for securities carried at fair value under the fair value option and trading securities.

The Company defines its exposure to non-agency RMBS as follows:

- Prime loan-backed securities are collateralized by mortgage loans made to the highest rated borrowers.
- Alt-A loan-backed securities are collateralized by mortgage loans made to borrowers who lack credit documentation or necessary requirements to obtain prime borrower rates.
- Subprime loan-backed securities are collateralized by mortgage loans made to borrowers that have a FICO score of 660 or lower.

The following table summarizes the number of securities, fair value and the gross unrealized losses of debt securities, aggregated by investment category and length of time that individual debt securities have been in a continuous loss position (dollars in millions):

	March 31, 2024			December 31, 2023		
	Less than 12 months			Less than 12 months		
	Gross Unrealized Losses	Fair Value	# of securities	Gross Unrealized Losses	Fair Value	# of securities
U.S. government securities	\$ 58	\$ 969	17	\$ 52	\$ 306	11
Other government securities	1	64	12	1	51	9
Public utilities	14	414	54	11	287	32
Corporate securities	82	2,625	386	50	1,331	227
Residential mortgage-backed	2	43	45	2	48	45
Commercial mortgage-backed	—	33	6	—	46	6
Other asset-backed securities	31	645	53	27	707	55
Total temporarily impaired securities	\$ 188	\$ 4,793	573	\$ 143	\$ 2,776	385
	12 months or longer			12 months or longer		
	Gross Unrealized Losses	Fair Value	# of securities	Gross Unrealized Losses	Fair Value	# of securities
	Gross Unrealized Losses	Fair Value	# of securities	Gross Unrealized Losses	Fair Value	# of securities
U.S. government securities	\$ 849	\$ 2,714	24	\$ 793	\$ 2,774	23
Other government securities	241	1,282	150	220	1,301	151
Public utilities	549	3,904	484	502	4,105	491
Corporate securities	2,622	16,328	2,108	2,522	17,457	2,207
Residential mortgage-backed	58	248	225	51	251	219
Commercial mortgage-backed	126	1,315	177	147	1,294	177
Other asset-backed securities	241	2,763	357	282	3,141	427
Total temporarily impaired securities	\$ 4,686	\$ 28,554	3,525	\$ 4,517	\$ 30,323	3,695
	Total			Total		
	Gross Unrealized Losses	Fair Value	# of securities ⁽¹⁾	Gross Unrealized Losses	Fair Value	# of securities ⁽¹⁾
	Gross Unrealized Losses	Fair Value	# of securities ⁽¹⁾	Gross Unrealized Losses	Fair Value	# of securities ⁽¹⁾
U.S. government securities	\$ 907	\$ 3,683	36	\$ 845	\$ 3,080	30
Other government securities	242	1,346	160	221	1,352	157
Public utilities	563	4,318	521	513	4,392	513
Corporate securities	2,704	18,953	2,394	2,572	18,788	2,355
Residential mortgage-backed	60	291	267	53	299	262
Commercial mortgage-backed	126	1,348	181	147	1,340	182
Other asset-backed securities	272	3,408	402	309	3,848	469
Total temporarily impaired securities	\$ 4,874	\$ 33,347	3,961	\$ 4,660	\$ 33,099	3,968

⁽¹⁾ Certain securities contain multiple lots and fit the criteria of both aging groups.

Debt securities in an unrealized loss position as of March 31, 2024 did not require an impairment recognized in earnings as (i) the Company did not intend to sell these debt securities, (ii) it is not more likely than not that the Company will be required to sell these securities before recovery of their amortized cost basis, and (iii) the difference in the fair value compared to the amortized cost was due to factors other than credit loss. Based upon this evaluation, the Company believes it has the ability to generate adequate amounts of cash from normal operations to meet cash requirements with a reasonable margin of safety without requiring the sale of impaired securities.

As of March 31, 2024, unrealized losses associated with debt securities are primarily due to widening credit spreads or rising risk-free rates since purchase. As described below, the Company performed analyses of the financial performance of the underlying issues in an unrealized loss position and determined that recovery of the entire amortized cost of each impaired security is expected.

Evaluation of Available-for-Sale Debt Securities for Credit Loss

For debt securities in an unrealized loss position, management first assesses whether the Company has the intent to sell, or whether it is more likely than not it will be required to sell the security before the amortized cost basis is fully recovered. If either criterion is met, the amortized cost is written down to fair value through net gains (losses) on derivatives and investments as an impairment. If neither criterion is met, the securities are further evaluated to determine if the cause of the decline in fair value resulted from credit losses or other factors, such as estimates about issuer operations and future earnings potential.

The credit loss evaluation for a security may consider the following: the extent to which the fair value is below amortized cost; changes in ratings; whether a significant covenant has been breached; assessments of the issuer's ability to make scheduled debt payments based upon judgments related to its current and projected financial position, including whether it has filed or indicated a possibility of filing for bankruptcy, has missed or announced it intends to miss a scheduled debt service payment, or has experienced a specific material adverse change that may impair its creditworthiness; the existence of, and realizable value of, any collateral backing the obligations; and the macro-economic and micro-economic outlooks for the issuer and its industry.

In addition to the above, the credit loss review of asset-backed securities includes an assessment of future estimated cash flows under expected and stress case scenarios, to identify potential shortfalls in contractual payments. These estimated cash flows are developed using available performance indicators from the underlying assets, such as current and projected default or delinquency rates, levels of credit enhancement, current subordination levels, vintage, expected loss severity and other relevant characteristics.

For mortgage-backed securities, credit losses are assessed using a cash flow model that estimates the cash flows on the underlying mortgages, using the security-specific collateral characteristics and transaction structure. The model estimates cash flows from the underlying mortgage loans and distributes those cash flows to various tranches of securities based on the transaction structure and any existing subordination and credit enhancements. The cash flow model incorporates actual cash flows on the mortgage-backed securities through the current period and then projects the remaining cash flows using a number of assumptions, including prepayment timing, default rates and loss severity. Specifically, for prime and Alt-A RMBS, the assumed default percentage is dependent on the severity of delinquency status, with foreclosures and real estate owned receiving higher rates, but also includes the currently performing loans.

These estimates reflect a combination of data derived by third parties and internally developed assumptions. Where possible, this data is benchmarked against other third-party sources. In addition, these estimates are extrapolated along a default timing curve to estimate the total lifetime pool default rate. When a credit loss is determined to exist and the present value of cash flows expected to be collected is less than the amortized cost of the security, an allowance for credit loss is recorded along with a charge to net gains (losses) on derivatives and investments, limited by the amount that the fair value is less than amortized cost. Any remaining unrealized loss after recording the allowance for credit loss is the non-credit amount and is recorded to other comprehensive income.

There are inherent uncertainties in assessing the fair values assigned to the Company's investments. The Company's reviews of net present value and fair value involve several criteria including economic conditions, credit loss experience, other issuer-specific developments and estimated future cash flows. These assessments are based on the best available information at the time. Factors such as market liquidity, the widening of bid/ask spreads and a change in the cash flow assumptions can contribute to future price volatility. If actual experience differs negatively from the assumptions and other considerations used in the Consolidated Financial Statements, unrealized losses currently reported in accumulated other comprehensive income (loss) may be recognized in the Consolidated Income Statements in future periods.

The Company currently has no intent to sell securities with unrealized losses considered to be temporary until they mature or recover in value and believes that it has the ability to do so. However, if the specific facts and circumstances surrounding an individual security, or the outlook for its industry sector change, the Company may sell the security prior to its maturity or recovery and realize a loss.

The allowance for credit loss for specific debt securities may be increased or reversed in subsequent periods due to changes in the assessment of the present value of cash flows that are expected to be collected. Any changes to the allowance for credit loss is recorded as a provision for (or reversal of) credit loss expense in net gains (losses) on derivatives and investments.

When all, or a portion, of a security is deemed uncollectible, the uncollectible portion is written-off with an adjustment to amortized cost and a corresponding reduction to the allowance for credit losses.

Accrued interest receivables are presented separate from the amortized cost basis of debt securities. Accrued interest receivables that are determined to be uncollectible are written off with a corresponding reduction to net investment income. Accrued interest of nil and nil was written off during the three months ended March 31, 2024, and 2023, respectively.

The roll-forward of the allowance for credit loss for available-for-sale securities by sector is as follows (in millions):

Three Months Ended March 31, 2024	US government securities	Other government securities	Public utilities	Corporate securities	Residential mortgage- backed	Commercial mortgage- backed	Other asset- backed securities	Total
Balance at January 1, 2024	\$ —	\$ —	\$ —	\$ 15	\$ 6	\$ —	\$ —	\$ 21
Additions for which credit loss was not previously recorded	—	—	—	—	—	—	1	1
Changes for securities with previously recorded credit loss	—	—	—	—	—	—	—	—
Additions for purchases of PCD debt securities ⁽¹⁾	—	—	—	—	—	—	—	—
Reductions from charge-offs	—	—	—	—	—	—	—	—
Reductions for securities disposed	—	—	—	(2)	—	—	—	(2)
Securities intended/required to be sold before recovery of amortized cost basis	—	—	—	—	—	—	—	—
Balance at March 31, 2024 ⁽²⁾	\$ —	\$ —	\$ —	\$ 13	\$ 6	\$ —	\$ 1	\$ 20

Three Months Ended March 31, 2023	US government securities	Other government securities	Public utilities	Corporate securities	Residential mortgage- backed	Commercial mortgage- backed	Other asset- backed securities	Total
Balance at January 1, 2023	\$ —	\$ 2	\$ —	\$ 15	\$ 6	\$ —	\$ —	\$ 23
Additions for which credit loss was not previously recorded	—	—	—	32	—	—	—	32
Changes for securities with previously recorded credit loss	—	1	—	—	—	—	—	1
Additions for purchases of PCD debt securities ⁽¹⁾	—	—	—	—	—	—	—	—
Reductions from charge-offs	—	—	—	—	—	—	—	—
Reductions for securities disposed	—	—	—	(9)	(1)	—	—	(10)
Securities intended/required to be sold before recovery of amortized cost basis	—	—	—	(17)	—	—	—	(17)
Balance at March 31, 2023 ⁽²⁾	\$ —	\$ 3	\$ —	\$ 21	\$ 5	\$ —	\$ —	\$ 29

⁽¹⁾ Represents purchased credit-deteriorated ("PCD") fixed maturity available-for-sale securities.

⁽²⁾ Accrued interest receivable on debt securities totaled \$403 million and \$413 million as of March 31, 2024 and 2023, respectively, and was excluded from the determination of credit losses for the three months ended March 31, 2024, and 2023.

Net Investment Income

The sources of net investment income were as follows (in millions):

	Three Months Ended March 31,	
	2024	2023
Debt securities ⁽¹⁾	\$ 404	\$ 382
Equity securities	2	(10)
Mortgage loans	83	76
Policy loans	17	17
Limited partnerships	41	37
Other investment income	39	28
Total investment income excluding funds withheld assets	586	530
Investment expenses ⁽²⁾	(122)	(130)
Net investment income excluding funds withheld assets	464	400
Net investment income on funds withheld assets (see Note 8)	270	307
Net investment income	\$ 734	\$ 707

⁽¹⁾ Includes changes in fair value gains (losses) on trading securities and includes \$25 million and \$27 million for the three months ended March 31, 2024, and 2023, respectively, related to the change in fair value for securities carried under the fair value option.

⁽²⁾ In the first quarter of 2024, interest costs principally associated with repurchase agreements and cash collateral were reclassified from interest expense to net investment income. All prior period amounts have been conformed to current period presentation.

Unrealized gains (losses) included in investment income that were recognized on equity securities held were \$7 million and \$(14) million, for the three months ended March 31, 2024 and 2023, respectively.

Net Gains (Losses) on Derivatives and Investments

The following table summarizes net gains (losses) on derivatives and investments (in millions):

	Three Months Ended March 31,	
	2024	2023
Available-for-sale securities		
Realized gains on sale	\$ 13	\$ 4
Realized losses on sale	(81)	(25)
Credit loss income (expense)	—	(11)
Credit loss income (expense) on mortgage loans	(4)	(47)
Other ⁽¹⁾	65	11
Net gains (losses) excluding derivatives and funds withheld assets	(7)	(68)
Net gains (losses) on derivative instruments (see Note 5)	(2,885)	(2,658)
Net gains (losses) on derivatives and investments	(2,892)	(2,726)
Net gains (losses) on funds withheld reinsurance treaties (see Note 8)	(201)	(673)
Total net gains (losses) on derivatives and investments	\$ (3,093)	\$ (3,399)

⁽¹⁾ Includes the foreign currency gain or loss related to foreign denominated trust instruments supporting funding agreements.

Net gains (losses) on funds withheld reinsurance treaties represents income (loss) from the sale of investments held in segregated funds withheld accounts in support of reinsurance agreements for which Jackson retains legal ownership of the underlying investments. These gains (losses) are increased or decreased by changes in the embedded derivative liability related to the Athene funds withheld coinsurance agreement and also include (i) changes in the related funds withheld payable, as all economic performance of the investments held in the segregated accounts inure to the benefit of the reinsurers under the respective reinsurance agreements with each reinsurer, and (ii) amortization of the difference between book value and fair value of the investments as of the effective date of the reinsurance agreements with each reinsurer.

The aggregate fair value of securities sold at a loss for the three months ended March 31, 2024 and 2023 was \$1,270 million and \$1,797 million, which was approximately 93% and 97% of book value, respectively.

Proceeds from sales of available-for-sale debt securities were \$1.7 billion and \$2.1 billion during the three months ended March 31, 2024 and 2023, respectively.

Consolidated Variable Interest Entities ("VIEs")

The Company concluded that the following entities are VIEs and that the Company is the primary beneficiary as it has both the power to direct the most significant activities of the VIE and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. In each case, the Company's exposure to loss is limited to the capital invested plus, in the cases of the limited liability companies ("LLCs") and the Private Equity Funds, unfunded capital commitments.

- The Company funds affiliated LLCs to facilitate the issuance of collateralized loan obligations ("CLOs"). In December 2023, a consolidated CLO expanded its issuance by \$97 million, net of the Company's holding, which was not reflected in the Company's Consolidated Balance Sheet as of December 31, 2023 due to the reporting lag. In March 2024, a new consolidated CLO was created. It has total assets of \$37 million net of the Company's holding, which was not reflected in the Company's Consolidated Balance Sheet as of March 31, 2024 due to the reporting lag. The inclusion of these additional issuances would not materially impact the financial position of the Company due to the offsetting changes to assets and liabilities.
- Private Equity Funds III – VIII are limited partnership structures that invest the ownership capital in portfolios of various other limited partnership structures. The Company sold all of its investment in Private Equity Funds III - VI and the majority of its investment in Private Equity Fund VII during the year ended December 31, 2023. The Company recorded a loss of \$97 million on the sale, which it recognized in Net Investment Income for the year ended December 31, 2023. Those entities were deconsolidated as of December 31, 2023.
- PPM has created and managed institutional share class mutual funds, where Jackson seeds new funds, or new share classes within a fund, when deemed necessary to develop the requisite track record prior to allowing investment by external parties. Jackson may sell its interest in a fund once opened to investment by external parties.

Asset and liability information for the consolidated VIEs included on the Condensed Consolidated Balance Sheets are as follows (in millions):

	March 31, 2024	December 31, 2023
Assets		
Debt securities, at fair value under fair value option	\$ 2,165	\$ 2,037
Debt securities, trading	70	68
Equity securities	6	7
Other invested assets	443	396
Cash and cash equivalents	113	93
Other assets	52	49
Total assets	<u>\$ 2,849</u>	<u>\$ 2,650</u>
Liabilities		
Notes issued by consolidated VIEs, at fair value under fair value option	\$ 2,068	\$ 1,988
Other liabilities	127	98
Total other liabilities	<u>2,195</u>	<u>2,086</u>
Securities lending payable	2	2
Total liabilities	<u>\$ 2,197</u>	<u>\$ 2,088</u>
Equity		
Noncontrolling interests	\$ 187	\$ 164

Unconsolidated VIEs

The Company has concluded the following entities are VIEs but does not consolidate them. Based on analysis of the limited partnerships ("LPs"), LLCs and the mutual funds, the Company is not the primary beneficiary of the VIE because the Company lacks the power to direct the activities of the VIE that most significantly impact the VIE's performance or lacks the obligation to absorb losses or the right to receive benefits that could potentially be significant to the entities, or both.

- The Company invests in certain LPs and LLCs. The carrying amounts of the Company's investments in these LPs and LLCs are recognized in other invested assets on the Condensed Consolidated Balance Sheets. Unfunded capital commitments for these investments are detailed in Note 16 of the Notes to Condensed Consolidated Financial Statements. The Company's exposure to loss is limited to the capital invested and unfunded capital commitments related to the LPs/LLCs, which was \$2,578 million and \$2,576 million as of March 31, 2024 and December 31, 2023, respectively. The capital invested in an LP or LLC equals the original capital contributed, increased for additional capital contributed after the initial investment, and reduced for any returns of capital from the LP or LLC. LPs and LLCs are carried at fair value.
- The Company invests in certain mutual funds. Mutual funds are recognized in equity securities on the Condensed Consolidated Balance Sheets and were \$22 million and \$21 million as of March 31, 2024 and December 31, 2023, respectively. The Company's maximum exposure to loss on these mutual funds is limited to the amortized cost for these investments.

The Company makes investments in structured debt securities issued by VIEs for which it is not the manager. These structured debt securities include RMBS, Commercial Mortgage-Backed Securities ("CMBS"), and asset-backed securities ("ABS"). The Company does not consolidate the securitization trusts utilized in these transactions because it does not have the power to direct the activities that most significantly impact the economic performance of these securitization trusts. The Company does not consider its continuing involvement with these VIEs to be significant because it either invests in securities issued by the VIE and was not involved in the design of the VIE or no transfers have occurred between the Company and the VIE. The Company's maximum exposure to loss on these structured debt securities is limited to the amortized cost of these investments. The Company does not have any further contractual obligations to the VIE. The Company recognizes the variable interest in these VIEs at fair value on the Condensed Consolidated Balance Sheets.

Commercial and Residential Mortgage Loans

The following table shows commercial mortgage loans, residential mortgage loans, and the respective accrued interest thereon at March 31, 2024 and December 31, 2023 (in millions):

	March 31, 2024	December 31, 2023
Commercial mortgage loans ⁽¹⁾	\$ 9,407	\$ 9,562
Accrued interest receivable on commercial mortgage loans	40	39
Residential mortgage loans ⁽²⁾	947	1,001
Accrued interest receivable on residential mortgage loans	7	7

⁽¹⁾ Net of an allowance for credit losses of \$158 million and \$160 million at each date, respectively.

⁽²⁾ Net of an allowance for credit losses of \$4 million and \$5 million at each date, respectively.

At March 31, 2024, commercial mortgage loans were collateralized by properties located in 36 states, the District of Columbia, and Europe, while residential mortgage loans were collateralized by properties located in 49 states, the District of Columbia, Mexico, and Europe.

Evaluation for Credit Losses on Mortgage Loans

The Company reviews mortgage loans that are not carried at fair value under the fair value option on a quarterly basis to estimate the ACL with changes in the ACL recorded in net gains (losses) on derivatives and investments. Apart from an ACL recorded on individual mortgage loans where the borrower is experiencing financial difficulties, the Company records an ACL on the pool of mortgage loans based on lifetime expected credit losses. The Company utilizes a third-party forecasting model to estimate lifetime expected credit losses at a loan level for mortgage loans. The model forecasts net operating income and property values for the economic scenario selected. The debt service coverage ratios (“DSCR”) and loan to values (“LTV”) are calculated over the forecastable period by comparing the projected net operating income and property valuations to the loan payment and principal amounts of each loan. The model utilizes historical mortgage loan performance based on DSCRs and LTV to derive probability of default and expected losses based on the economic scenario that is similar to the Company’s expectations of economic factors such as unemployment, gross domestic product growth, and interest rates. The Company determined the forecastable period to be reasonable and supportable for a period of two years beyond the end of the reporting period. Over the following one-year period, the model reverts to the historical performance of the portfolio for the remainder of the contractual term of the loans. In cases where the Company does not have an appropriate length of historical performance, the relevant historical rate from an index or the lifetime expected credit loss calculated from the model may be used.

Unfunded commitments are included in the model and an ACL is determined accordingly. Credit loss estimates are pooled by property type and the Company does not include accrued interest in the determination of ACL.

For individual loans or for types of loans for which the third-party model is deemed not suitable, the Company utilizes relevant current market data, industry data, and publicly available historical loss rates to calculate an estimate of the lifetime expected credit loss.

Mortgage loans on real estate deemed uncollectible are charged against the ACL, and subsequent recoveries, if any, are credited to the ACL, limited to the aggregate of amounts previously charged-off and expected to be charged-off. Mortgage loans on real estate are presented net of the ACL on the Condensed Consolidated Balance Sheets.

The following table provides the change in the allowance for credit losses in the Company's mortgage loan portfolios (in millions):

Three Months Ended March 31, 2024	Apartment	Hotel	Office	Retail	Warehouse	Residential Mortgage	Total
Balance at January 1, 2024	\$ 31	\$ 5	\$ 79	\$ 28	\$ 17	\$ 5	\$ 165
Charge offs, net of recoveries	—	—	—	—	—	—	—
Additions from purchase of PCD mortgage loans	—	—	—	—	—	—	—
Provision (release)	2	1	(6)	—	1	(1)	(3)
Balance at March 31, 2024 ⁽¹⁾	<u>\$ 33</u>	<u>\$ 6</u>	<u>\$ 73</u>	<u>\$ 28</u>	<u>\$ 18</u>	<u>\$ 4</u>	<u>\$ 162</u>

Three Months Ended March 31, 2023	Apartment	Hotel	Office	Retail	Warehouse	Residential Mortgage	Total
Balance at January 1, 2023	\$ 18	\$ 20	\$ 15	\$ 22	\$ 16	\$ 4	\$ 95
Charge offs, net of recoveries	—	—	—	—	—	—	—
Additions from purchase of PCD mortgage loans	—	—	—	—	—	—	—
Provision (release)	2	(1)	52	—	(5)	3	51
Balance at March 31, 2023 ⁽¹⁾	<u>\$ 20</u>	<u>\$ 19</u>	<u>\$ 67</u>	<u>\$ 22</u>	<u>\$ 11</u>	<u>\$ 7</u>	<u>\$ 146</u>

⁽¹⁾ Accrued interest receivable totaled \$47 million and \$47 million as of March 31, 2024 and 2023, respectively, and was excluded from the determination of credit losses.

The Company's mortgage loans that are current and in good standing are accruing interest. Interest is not accrued on loans greater than 90 days delinquent and in process of foreclosure, when deemed uncollectible. Delinquency status is determined from the date of the first missed contractual payment. No accrued interest was written off as of March 31, 2024 and 2023, respectively, relating to loans that were greater than 90 days delinquent or in the process of foreclosure.

The following table provides information about our impaired residential mortgage loans (in millions):

	March 31, 2024	December 31, 2023
Recorded investment	\$ 23	\$ 24
Unpaid principal balance	26	27
Related loan allowance	(1)	1
Average recorded investment	21	19
Investment income recognized	—	1

The following tables provide information about the credit quality with vintage year and category of mortgage loans (dollars in millions):

March 31, 2024										
	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total	% of Total	
Commercial mortgage loans										
Loan to value ratios:										
Less than 70%	\$ 86	\$ 660	\$ 800	\$ 903	\$ 590	\$ 5,432	\$ 4	\$ 8,475	90 %	
70% - 80%	—	24	99	313	121	102	—	659	7 %	
80% - 100%	—	—	25	—	—	133	—	158	2 %	
Greater than 100%	—	—	38	26	27	24	—	115	1 %	
Total commercial mortgage loans	86	684	962	1,242	738	5,691	4	9,407	100 %	
Debt service coverage ratios:										
Greater than 1.20x	86	547	611	881	669	5,377	4	8,175	87 %	
1.00x - 1.20x	—	129	276	361	69	215	—	1,050	11 %	
Less than 1.00x	—	8	75	—	—	99	—	182	2 %	
Total commercial mortgage loans	86	684	962	1,242	738	5,691	4	9,407	100 %	
Residential mortgage loans										
Performing	14	193	94	144	34	368	—	847	89 %	
Nonperforming	—	3	51	10	7	29	—	100	11 %	
Total residential mortgage loans	14	196	145	154	41	397	—	947	100 %	
Total mortgage loans	\$ 100	\$ 880	\$ 1,107	\$ 1,396	\$ 779	\$ 6,088	\$ 4	\$ 10,354	100 %	

December 31, 2023										
	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total	% of Total	
Commercial mortgage loans										
Loan to value ratios:										
Less than 70%	\$ 659	\$ 800	\$ 937	\$ 653	\$ 1,251	\$ 4,300	\$ 4	\$ 8,604	90 %	
70% - 80%	24	138	325	122	61	41	—	711	7 %	
80% - 100%	—	25	—	37	41	93	—	196	2 %	
Greater than 100%	—	—	26	—	22	3	—	51	1 %	
Total commercial mortgage loans	683	963	1,288	812	1,375	4,437	4	9,562	100 %	
Debt service coverage ratios:										
Greater than 1.20x	546	611	932	667	1,302	4,189	4	8,251	86 %	
1.00x - 1.20x	129	277	356	145	30	191	—	1,128	12 %	
Less than 1.00x	8	75	—	—	43	57	—	183	2 %	
Total commercial mortgage loans	683	963	1,288	812	1,375	4,437	4	9,562	100 %	
Residential mortgage loans										
Performing	193	136	155	36	30	361	—	911	91 %	
Nonperforming	3	41	10	7	3	26	—	90	9 %	
Total residential mortgage loans	196	177	165	43	33	387	—	1,001	100 %	
Total mortgage loans	\$ 879	\$ 1,140	\$ 1,453	\$ 855	\$ 1,408	\$ 4,824	\$ 4	\$ 10,563	100 %	

March 31, 2024					
	In Good Standing ⁽¹⁾	Restructured	Greater than 90 Days Delinquent	In the Process of Foreclosure	Total Carrying Value
Apartment	\$ 3,077	\$ —	\$ —	\$ —	\$ 3,077
Hotel	870	—	—	—	870
Office	1,394	43	—	—	1,437
Retail	2,001	—	—	—	2,001
Warehouse	2,022	—	—	—	2,022
Total commercial	9,364	43	—	—	9,407
Residential ⁽²⁾	847	—	77	23	947
Total	<u>\$ 10,211</u>	<u>\$ 43</u>	<u>\$ 77</u>	<u>\$ 23</u>	<u>\$ 10,354</u>

December 31, 2023					
	In Good Standing ⁽¹⁾	Restructured	Greater than 90 Days Delinquent	In the Process of Foreclosure	Total Carrying Value
Apartment	\$ 3,213	\$ —	\$ —	\$ —	\$ 3,213
Hotel	870	—	—	—	870
Office	1,440	—	—	—	1,440
Retail	1,992	—	—	—	1,992
Warehouse	2,047	—	—	—	2,047
Total commercial	9,562	—	—	—	9,562
Residential ⁽²⁾	911	—	66	24	1,001
Total	<u>\$ 10,473</u>	<u>\$ —</u>	<u>\$ 66</u>	<u>\$ 24</u>	<u>\$ 10,563</u>

⁽¹⁾ At March 31, 2024 and December 31, 2023, includes mezzanine and bridge loans of \$382 million and \$391 million in the Apartment category, \$22 million and \$21 million in the Hotel category, \$168 million and \$171 million in the Office category, \$32 million and \$32 million in the Retail category, and \$315 million and \$312 million in the Warehouse category, respectively.

⁽²⁾ At March 31, 2024 and December 31, 2023, includes \$23 million and \$22 million of loans purchased when the loans were greater than 90 days delinquent and \$4 million and \$5 million of loans in process of foreclosure, are supported with insurance or other guarantees provided by various governmental programs, respectively.

The following table provides information about the mortgage loans modified during the periods indicated to borrowers experiencing financial difficulty (dollars in millions):

	Term Extension	
	Amortized Cost Basis	Percent of Total Class
March 31, 2024		
Commercial mortgage loans	\$ 27	0.28 %
March 31, 2023		
Commercial mortgage loans	\$ —	— %

The following table describes the financial effect of the modifications made to the loans noted above:

	Term Extension
	Financial Effect
March 31, 2024	
Commercial mortgage loans	Granted extension of term for three-years and rate converted from variable to 4% fixed.

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table depicts the performance of loans that have been modified in the last 12 months (in millions):

	Payment Status (Amortized Cost Basis)		
	Current	30-89 Days Past Due	90+ Days Past Due
March 31, 2024			
Commercial mortgage loans	\$ 43	\$ —	\$ —
March 31, 2023			
Commercial mortgage loans	\$ —	\$ —	\$ —

As of March 31, 2024 and 2023, stressed mortgage loans for which the Company is dependent, or expects to be dependent, on the underlying property to satisfy repayment were \$19 million and \$4 million, respectively.

Policy Loans

Policy loans are loans the Company issues to contract holders that use the cash surrender value of their life insurance policy or annuity contract as collateral. At March 31, 2024 and December 31, 2023, \$3.4 billion and \$3.5 billion of these loans were carried at fair value, which the Company believes is equal to unpaid principal balances, plus accrued investment income. At March 31, 2024 and December 31, 2023, the Company had \$0.9 billion and \$0.9 billion, respectively, of policy loans not held as collateral for reinsurance, which were carried at the unpaid principal balances.

Other Invested Assets

Other invested assets primarily include investments in Federal Home Loan Bank of Indianapolis ("FHLBI") capital stock, limited partnerships ("LPs"), and real estate. FHLBI capital stock is carried at cost and adjusted for any impairment. At March 31, 2024 and December 31, 2023, FHLB capital stock had a carrying value of \$127 million and \$108 million, respectively. Real estate is carried at the lower of depreciated cost or fair value and real estate occupied by the Company is carried at depreciated cost. At March 31, 2024 and December 31, 2023, real estate totaling \$226 million and \$226 million, respectively, included foreclosed properties with a book value of \$7 million and \$6 million at March 31, 2024 and December 31, 2023, respectively. Carrying values for LP investments are generally determined by using the proportion of the Company's investment in each fund (Net Asset Value ("NAV") equivalent) as a practical expedient for fair value, and generally are recorded on a three-month lag, with changes in value included in net investment income. At March 31, 2024 and December 31, 2023, investments in LPs had carrying values of \$2.2 billion and \$2.1 billion, respectively.

Securities Lending

The Company has entered into securities lending agreements with agent banks whereby blocks of securities are loaned to third parties, primarily major brokerage firms. As of March 31, 2024 and December 31, 2023, the estimated fair value of loaned securities was \$20 million and \$19 million, respectively. The agreements require a minimum of 102% of the fair value of the loaned securities to be held as collateral, calculated daily. To further minimize the credit risks related to these programs, the financial condition of counterparties is monitored on a regular basis. At March 31, 2024 and December 31, 2023, cash collateral received in the amount of \$21 million and \$19 million, respectively, was invested by the agent banks and included in cash and cash equivalents of the Company. A securities lending payable for the overnight and continuous loans is included in liabilities in the amount of cash collateral received. Securities lending transactions are used to generate income. Income and expenses associated with these transactions are reported as net investment income.

Repurchase Agreements

The Company routinely enters into repurchase agreements whereby the Company agrees to sell and repurchase securities. These agreements are accounted for as financing transactions, with the assets and associated liabilities included in the Condensed Consolidated Balance Sheets.

At March 31, 2024 and December 31, 2023, the outstanding repurchase agreement balance was \$1.8 billion and nil, collateralized with U.S. Treasury securities and corporate securities of \$1.8 billion and nil maturing within 30 days, and was included within repurchase agreements and securities lending payable in the Condensed Consolidated Balance Sheets.

In the event of a decline in the fair value of the pledged collateral under these agreements, the Company may be required to transfer cash or additional securities as pledged collateral. Interest expense totaled \$19 million and \$8 million for the three months ended March 31, 2024, and 2023, respectively, and is included within net investment income.

Collateral Upgrade Transactions

During the three months ended March 31, 2024, Jackson executed certain paired repurchase and reverse repurchase transactions (“collateral upgrade” transactions) totaling \$1.5 billion pursuant to master repurchase agreements with participating bank counterparties. Under these collateral upgrade transactions, the Company lends securities (e.g., corporate debt securities or other securities agreed upon between the parties) to bank counterparties in exchange for U.S. Treasury securities that the Company then uses to provide as collateral. The paired repurchase and reverse repurchase transactions are settled on a net basis in accordance with master netting agreements. As a result, there was no cash exchanged at initiation of these agreements. The paired transactions are reported net within the Condensed Consolidated Balance Sheets. These transactions do not have a stated maturity and require at least 150-days' notice prior to termination of the transaction.

At March 31, 2024 and December 31, 2023, the fair value of the U.S. treasuries received was \$1.5 billion and nil, collateralized with corporate securities with a fair value of \$1.6 billion and nil. Subsequently, the Company provided these U.S. Treasury securities as collateral for derivative trades and they are included as part of the derivative collateral disclosures.

In the event of a decline in the fair value of the pledged collateral under these agreements, the Company may be required to transfer cash or additional securities as pledged collateral. Gross interest income of \$12 million and nil and gross interest expense of \$13 million and nil for the three months ended March 31, 2024, and 2023, respectively, are included within net investment income.

5. Derivative Instruments

The Company's business model includes the acceptance, monitoring and mitigation of risk. Specifically, the Company considers, among other factors, exposures to interest rate and equity market movements, foreign exchange rates and other asset or liability prices. The Company uses derivative instruments to mitigate or reduce these risks in accordance with established policies and goals. The Company's derivative holdings, while effective in managing defined risks, are not structured to meet accounting requirements to be designated as hedging instruments. As a result, freestanding derivatives are carried at fair value with changes recorded in net gains (losses) on derivatives and investments.

A summary of the aggregate contractual or notional amounts and fair values of the Company's freestanding and embedded derivative instruments are as follows (in millions):

	March 31, 2024			
	Contractual/ Notional Amount ⁽¹⁾	Assets Fair Value	Liabilities Fair Value	Net Fair Value Asset (Liability)
Freestanding derivatives				
Cross-currency swaps	\$ 1,665	\$ 95	\$ 140	\$ (45)
Equity index futures ⁽²⁾	23,931	—	—	—
Equity index put options	11,000	55	—	55
Interest rate swaps	6,228	5	188	(183)
Put-swaptions	10,000	—	910	(910)
Interest rate futures ⁽²⁾	37,433	—	—	—
Total return swaps	1,766	—	26	(26)
Total freestanding derivatives	<u>92,023</u>	<u>155</u>	<u>1,264</u>	<u>(1,109)</u>
Embedded derivatives				
Fixed index annuity embedded derivatives ⁽³⁾	N/A	—	865	(865)
Registered index linked annuity embedded derivatives ⁽³⁾	N/A	—	1,703	(1,703)
Total embedded derivatives	N/A	—	2,568	(2,568)
Derivatives related to funds withheld under reinsurance treaties				
Cross-currency swaps	158	15	1	14
Cross-currency forwards	1,453	43	23	20
Funds withheld embedded derivative ⁽⁴⁾	N/A	2,496	—	2,496
Total derivatives related to funds withheld under reinsurance treaties	<u>1,611</u>	<u>2,554</u>	<u>24</u>	<u>2,530</u>
Total	<u>\$ 93,634</u>	<u>\$ 2,709</u>	<u>\$ 3,856</u>	<u>\$ (1,147)</u>

⁽¹⁾ The notional amount for swaps and swaptions represents the stated principal balance used as a basis for calculating payments. The contractual amount for futures and options represents the market exposure of open positions.

⁽²⁾ Variation margin is considered settlement resulting in the netting of cash received/paid for variation margin against the fair value of the trades.

⁽³⁾ Included within other contract holder funds on the Condensed Consolidated Balance Sheets. The non-performance risk adjustment is included in the balance above.

⁽⁴⁾ Included within funds withheld payable under reinsurance treaties on the Condensed Consolidated Balance Sheets.

	December 31, 2023			
	Contractual/ Notional Amount ⁽¹⁾	Assets Fair Value	Liabilities Fair Value	Net Fair Value Asset (Liability)
Freestanding derivatives				
Cross-currency swaps	\$ 1,665	\$ 123	\$ 116	\$ 7
Equity index futures ⁽²⁾	24,739	—	—	—
Equity index put options	26,000	59	—	59
Interest rate swaps	6,228	5	132	(127)
Put-swaptions	23,500	153	905	(752)
Interest rate futures ⁽²⁾	33,926	—	—	—
Total return swaps	1,599	1	23	(22)
Total freestanding derivatives	117,657	341	1,176	(835)
Embedded derivatives				
Fixed index annuity embedded derivatives ⁽³⁾	N/A	—	866	(866)
Registered index linked annuity embedded derivatives ⁽³⁾	N/A	—	1,224	(1,224)
Total embedded derivatives	N/A	—	2,090	(2,090)
Derivatives related to funds withheld under reinsurance treaties				
Cross-currency swaps	158	14	1	13
Cross-currency forwards	1,410	35	33	2
Funds withheld embedded derivative ⁽⁴⁾	N/A	2,468	—	2,468
Total derivatives related to funds withheld under reinsurance treaties	1,568	2,517	34	2,483
Total	\$ 119,225	\$ 2,858	\$ 3,300	\$ (442)

⁽¹⁾ The notional amount for swaps and swaptions represents the stated principal balance used as a basis for calculating payments. The contractual amount for futures and options represents the market exposure of open positions.

⁽²⁾ Variation margin is considered settlement resulting in the netting of cash received/paid for variation margin against the fair value of the trades.

⁽³⁾ Included within other contract holder funds on the Condensed Consolidated Balance Sheets. The non-performance risk adjustment is included in the balance above.

⁽⁴⁾ Included within funds withheld payable under reinsurance treaties on the Condensed Consolidated Balance Sheets.

The following table reflects the results of the Company's derivatives, including gains (losses) and change in fair value of freestanding derivative instruments and embedded derivatives (in millions):

	Three Months Ended March 31,	
	2024	2023
Derivatives excluding funds withheld under reinsurance treaties		
Cross-currency swaps	\$ (59)	\$ (26)
Equity index call options	—	(164)
Equity index futures	(903)	(1,885)
Equity index put options	(114)	(762)
Interest rate swaps	(74)	66
Interest rate swaps - cleared	—	16
Put-swaptions	(477)	573
Interest rate futures	(810)	(306)
Total return swaps	(147)	(61)
Fixed index annuity embedded derivatives	(1)	(2)
Registered index linked annuity embedded derivatives	(300)	(107)
Total net gains (losses) on derivative instruments excluding derivative instruments related to funds withheld under reinsurance treaties	(2,885)	(2,658)
Derivatives related to funds withheld under reinsurance treaties		
Cross-currency swaps	1	1
Cross-currency forwards	13	(10)
Funds withheld embedded derivative	29	(370)
Total net gains (losses) on derivative instruments related to funds withheld under reinsurance treaties	43	(379)
Total net gains (losses) on derivative instruments including derivative instruments related to funds withheld under reinsurance treaties	<u>\$ (2,842)</u>	<u>\$ (3,037)</u>

All the Company's trade agreements for freestanding, over-the-counter derivatives, contain credit downgrade provisions that allow a party to assign or terminate derivative transactions if the counterparty's credit rating declines below an established limit. At March 31, 2024 and December 31, 2023, the fair value of the Company's net non-cleared, over-the-counter derivative assets by counterparty were \$108 million and \$117 million, respectively, and held collateral was \$92 million and \$841 million, respectively, related to these agreements. At March 31, 2024 and December 31, 2023, the fair value of the Company's net non-cleared, over-the-counter derivative liabilities by counterparty were \$1,183 million and \$937 million, respectively, and provided collateral was \$1,382 million and \$751 million, respectively, related to these agreements. If all the downgrade provisions had been triggered at March 31, 2024 and December 31, 2023, in aggregate, the Company would have had to disburse nil and \$910 million, respectively, and would have been allowed to claim \$215 million and nil, respectively.

The Company pledged collateral of \$2,294 million and \$2,616 million as of March 31, 2024 and December 31, 2023, respectively, for initial margin related to uncleared margin for over-the-counter derivatives and exchange-traded futures. Variation margin on exchange traded futures is settled through the netting of cash paid/received for variation margin against the fair value of the trades.

Offsetting Assets and Liabilities

The Company's derivative instruments, repurchase agreements and securities lending agreements are subject to master netting arrangements and collateral arrangements. A master netting arrangement with a counterparty creates a right of offset for amounts due to and due from that same counterparty that is enforceable in the event of a default or bankruptcy. The Company recognizes amounts subject to master netting arrangements on a gross basis within the Condensed Consolidated Balance Sheets.

The following tables present the gross and net information about the Company's financial instruments subject to master netting arrangements (in millions):

March 31, 2024							
	Gross Amounts Recognized	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Condensed Consolidated Balance Sheets	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets			Net Amount
				Financial Instruments ⁽¹⁾	Cash Collateral	Securities Collateral ⁽²⁾	
Financial Assets:							
Freestanding derivative assets	\$ 213	\$ —	\$ 213	\$ 105	\$ 91	\$ —	\$ 17
Financial Liabilities:							
Freestanding derivative liabilities	\$ 1,288	\$ —	\$ 1,288	\$ 105	\$ —	\$ 1,182	\$ 1
Securities loaned	21	—	21	—	21	—	—
Repurchase agreements	1,799	—	1,799	—	—	1,799	—
Repurchase agreements - collateral upgrade	1,498	(1,498)	—	—	—	—	—
Total financial liabilities	<u>\$ 4,606</u>	<u>\$ (1,498)</u>	<u>\$ 3,108</u>	<u>\$ 105</u>	<u>\$ 21</u>	<u>\$ 2,981</u>	<u>\$ 1</u>

⁽¹⁾ Represents the amount that could be offset under master netting or similar arrangements that management elects not to offset on the Condensed Consolidated Balance Sheets.

⁽²⁾ Excludes initial margin amounts for exchange-traded derivatives.

December 31, 2023							
	Gross Amounts Recognized	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Condensed Consolidated Balance Sheets	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets			Net Amount
				Financial Instruments ⁽¹⁾	Cash Collateral	Securities Collateral ⁽²⁾	
Financial Assets:							
Freestanding derivative assets	\$ 390	\$ —	\$ 390	\$ 273	\$ 108	\$ —	\$ 9
Financial Liabilities:							
Freestanding derivative liabilities	\$ 1,210	\$ —	\$ 1,210	\$ 273	\$ 6	\$ 744	\$ 187
Securities loaned	19	—	19	—	19	—	—
Repurchase agreements	—	—	—	—	—	—	—
Total financial liabilities	<u>\$ 1,229</u>	<u>\$ —</u>	<u>\$ 1,229</u>	<u>\$ 273</u>	<u>\$ 25</u>	<u>\$ 744</u>	<u>\$ 187</u>

⁽¹⁾ Represents the amount that could be offset under master netting or similar arrangements that management elects not to offset on the Condensed Consolidated Balance Sheets.

⁽²⁾ Excludes initial margin amounts for exchange-traded derivatives.

In the above tables, the amounts of assets or liabilities presented in the Company's Condensed Consolidated Balance Sheets are offset first by financial instruments that have the right of offset under master netting or similar arrangements with any remaining amount reduced by the amount of cash and securities collateral. The actual amount of collateral may be greater than amounts presented in the tables. The above tables exclude net embedded derivative liabilities of \$2,568 million and \$2,090 million as of March 31, 2024 and December 31, 2023, respectively, as these derivatives are not subject to master netting arrangements. The above tables also exclude the funds withheld embedded derivative asset (liability) of \$2,496 million and \$2,468 million at March 31, 2024 and December 31, 2023.

6. Fair Value Measurements

The following table summarizes the fair value and carrying value of the Company's financial instruments (in millions):

	March 31, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Debt securities ⁽¹⁾	\$ 42,416	\$ 42,416	\$ 42,643	\$ 42,643
Equity securities	222	222	394	394
Mortgage loans ⁽¹⁾	10,354	9,737	10,563	9,994
Limited partnerships	2,227	2,227	2,132	2,132
Policy loans ⁽¹⁾	4,386	4,386	4,399	4,399
Freestanding derivative instruments	213	213	390	390
FHLBI capital stock	127	127	108	108
Cash and cash equivalents	2,542	2,542	2,688	2,688
Reinsurance recoverable on market risk benefits	126	126	149	149
Market risk benefit assets	8,025	8,025	6,737	6,737
Separate account assets	230,773	230,773	219,656	219,656
Liabilities				
Annuity reserves ⁽²⁾	35,630	34,271	35,251	33,678
Market risk benefit liabilities	3,843	3,843	4,785	4,785
Reserves for guaranteed investment contracts ⁽³⁾	640	616	700	674
Trust instruments supported by funding agreements ⁽³⁾	5,185	5,007	5,756	5,601
FHLB funding agreements ⁽³⁾	2,000	1,822	1,950	1,893
Funds withheld payable under reinsurance treaties ⁽¹⁾	19,244	19,244	19,952	19,952
Long-term debt	2,033	1,829	2,037	1,851
Securities lending payable	21	21	19	19
Freestanding derivative instruments	1,288	1,288	1,210	1,210
Notes issued by consolidated VIEs	2,068	2,068	1,988	1,988
Repurchase agreements	1,799	1,799	—	—
FHLB advances	—	—	250	250
Separate account liabilities	230,773	230,773	219,656	219,656

⁽¹⁾ Includes items carried at fair value under the fair value option and trading securities included as a component of debt securities.

⁽²⁾ Annuity reserves represent only the components of other contract holder funds and reserves for future policy benefits and claims payable that are considered to be financial instruments.

⁽³⁾ Included as a component of other contract holder funds on the Condensed Consolidated Balance Sheets.

The following is a discussion of the methodologies used to determine fair values of the financial instruments measured on a recurring basis reported in the following tables.

Debt and Equity Securities

The fair values for debt and equity securities are determined using information available from independent pricing services, broker-dealer quotes, or internally derived estimates. Priority is given to publicly available prices from independent sources, when available. Securities for which the independent pricing service does not provide a quotation are either submitted to independent broker-dealers for prices or priced internally. Typical inputs used by these three pricing methods include reported trades, benchmark yields, credit spreads, liquidity premiums and/or estimated cash flows based on default and prepayment assumptions.

As a result of typical trading volumes and the lack of specific quoted market prices for most debt securities, independent pricing services will normally derive the security prices through recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available market observable information as outlined above. If

there are no recently reported trades, the independent pricing services and broker-dealers may use matrix or pricing model processes to develop a security price where future cash flow expectations are developed based upon collateral performance and discounted at relevant market rates. Certain securities are priced using broker-dealer quotes, which may utilize proprietary inputs and models. Additionally, the majority of these quotes are non-binding. These securities are classified as Level 3 in the fair value hierarchy.

Included in the pricing of asset-backed securities are estimates of the rate of future prepayments of principal over the remaining life of the securities. Such estimates are derived based on the characteristics of the underlying structure and prepayment assumptions believed to be relevant for the underlying collateral. Actual prepayment experience may vary from these estimates.

Internally derived estimates may be used to develop a fair value for securities for which the Company is unable to obtain either a reliable price from an independent pricing service or a suitable broker-dealer quote. These fair value estimates may incorporate Level 2 and Level 3 inputs, as defined below, and are generally derived using expected future cash flows, discounted at market interest rates available from market sources based on the credit quality and duration of the instrument. For securities that may not be reliably priced using these internally developed pricing models, a fair value may be estimated using indicative market prices. These prices are indicative of an exit price, but the assumptions used to establish the fair value may not be observable or corroborated by market observable information and, therefore, represent Level 3 inputs.

The Company performs an analysis on the prices and credit spreads received from third parties to ensure that the prices represent a reasonable estimate of the fair value. This process involves quantitative and qualitative analysis and is overseen by investment and accounting professionals. Examples of procedures performed include initial and ongoing review of third-party pricing service methodologies, review of pricing statistics and trends, back testing recent trades and monitoring of trading volumes. In addition, the Company considers whether prices received from independent broker-dealers represent a reasonable estimate of fair value using internal and external cash flow models, which are developed based on spreads and, when available, market indices. As a result of this analysis, if the Company determines there is a more appropriate fair value based upon the available market data, the price received from the third party may be adjusted accordingly.

For those securities that were internally valued at March 31, 2024 and December 31, 2023, the pricing model used by the Company utilizes current spread levels of similarly rated securities to determine the market discount rate for the security. Furthermore, appropriate risk premiums for illiquidity and non-performance are incorporated in the discount rate. Cash flows, as estimated by the Company using issuer-specific default statistics and prepayment assumptions, are discounted to determine an estimated fair value.

On an ongoing basis, the Company reviews the independent pricing services' valuation methodologies and related inputs and evaluates the various types of securities in its investment portfolio to determine an appropriate fair value hierarchy distribution based upon trading activity and the observability of inputs. Based on the results of this evaluation, each price is classified into Level 1, 2, or 3. Most prices provided by independent pricing services are classified into Level 2 due to their use of market observable inputs.

Limited Partnerships

Fair values for limited partnership interests, which are included in other invested assets, are generally determined using the proportion of the Company's investment in the value of the net assets of each fund ("NAV equivalent") as a practical expedient for fair value, and generally, are recorded on a three-month lag. No adjustments to these amounts were deemed necessary at March 31, 2024 and December 31, 2023. As a result of using the net asset value per share practical expedient, limited partnership interests are not classified in the fair value hierarchy.

The Company's limited partnership interests are not redeemable, and distributions received are generally the result of liquidation of the underlying assets of the partnerships. The Company generally has the ability under the partnership agreements to sell its interest to another limited partner with the prior written consent of the general partner. In cases when the Company expects to sell the limited partnership interest, the estimated sales price is used to determine the fair value rather than the practical expedient. Limited partnership interests expected to be sold are classified as Level 2 in the fair value hierarchy.

In cases when a limited partnership's financial statements are unavailable and a NAV equivalent is not available or practical, the fair value may be based on an internally developed model or provided by the general partner as determined using private transactions, information obtained from the primary co-investor or underlying company, or financial metrics provided by the lead sponsor. These investments are classified as Level 3 in the fair value hierarchy.

Policy Loans

Policy loans are funds provided to policyholders in return for a claim on the policies values and function like demand deposits, which are redeemable upon repayment, death or surrender, and there is only one market price at which the transaction could be settled – the then current carrying value. The funds provided are limited to the cash surrender value of the underlying policy. The nature of policy loans is to have a negligible default risk as the loans are fully collateralized by the value of the policy. Policy loans do not have a stated maturity and the balances and accrued interest are repaid either by the policyholder or with proceeds from the policy. Due to the collateralized nature of policy loans and unpredictable timing of payments, the Company believes the carrying value of policy loans approximates fair value. The reinsurance related component of policy loans at fair value under the fair value option have been classified as Level 3 within the fair value hierarchy.

Freestanding Derivative Instruments

Freestanding derivative instruments are reported at fair value, which reflects the estimated amounts, net of payment accruals, that the Company would receive or pay upon sale or termination of the contracts at the reporting date. Changes in fair value are included in net gains (losses) on derivatives and investments. Freestanding derivatives priced using third-party pricing services incorporate inputs that are observable in the market. Inputs used to value derivatives include interest rate swap curves, credit spreads, interest rates, counterparty credit risk, equity volatility and equity index levels.

Freestanding derivative instruments classified as:

- Level 1 include futures, which are traded on active exchanges.
- Level 2 include interest rate swaps, cross currency swaps, cross-currency forwards, credit default swaps, total return swaps, put-swaptions and certain equity index call and put options. These derivative valuations are determined by third-party pricing services using pricing models with inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data.
- Level 3 include interest rate contingent options that are valued by third-party pricing services utilizing significant unobservable inputs.

Cash and Cash Equivalents

Cash and cash equivalents primarily include money market instruments and bank deposits. Cash equivalents also include all highly liquid securities and other investments purchased with an original or remaining maturity of three months or less at the date of purchase. Certain money market instruments are valued using unadjusted quoted prices in active markets and are classified as Level 1.

Funds Withheld Payable Under Reinsurance Treaties

The funds withheld payable under reinsurance treaties includes both the funds withheld payable that are held at fair value under the fair value option and the funds withheld embedded derivative and are both considered Level 3 in the fair value hierarchy.

- The fair value of the funds withheld payable that are held at fair value under the fair value option is equal to the fair value of the assets held as collateral, which primarily consists of policy loans using industry standard valuation techniques.
- The funds withheld embedded derivative is determined based upon a total return swap technique referencing the fair value of the investments held under the reinsurance contract and requires certain significant unobservable inputs.

Separate Account Assets

Separate account assets are comprised of investments in mutual funds that transact regularly, but do not trade in active markets as they are not publicly available and are categorized as Level 2 assets.

Market Risk Benefits

Variable Annuities

Variable annuity contracts issued by the Company may include various guaranteed minimum death, withdrawal, income and accumulation benefits, which are classified as market risk benefits ("MRBs") and measured at fair value.

Our MRB assets and MRB liabilities are reported separately on our Condensed Consolidated Balance Sheets. Increases to an asset or decreases to a liability are described as favorable changes to fair value. Changes in fair value are reported in Market risk benefits (gains) losses, net on the Condensed Consolidated Income Statements. However, the change in fair value related to our own non-performance risk is recognized as a component of other comprehensive income ("OCI") and is reported in Change in non-performance on market risk benefits, net of tax expense (benefit) on the Condensed Consolidated Statements of Comprehensive Income (Loss).

The fair value of variable annuity guaranteed benefit features classified as MRBs, which have explicit fees, are measured using the attributed fee method as the difference between the present value of projected future liabilities and the present value of projected attributed fees. At the inception of the contract, the Company attributes to the MRB a portion of total fees expected to be assessed against the contract holder's account value to offset the projected claims over the lifetime of the contract. The attributed fee is expressed as a percentage of total projected future fees at inception of the contract. This percentage of total projected fees is considered a fixed term of the MRB feature and is held static over the life of the contract. This percentage may not exceed 100% of the total projected contract fees as of contract inception. As the Company may issue contracts that have projected future liabilities greater than the projected future guaranteed benefit fees at issue, the Company may also attribute mortality and expense charges when performing this calculation. The percentage of guaranteed benefit fees and the percentage of mortality and expense charges may not exceed 100% of the total projected fees as of contract inception. In subsequent valuations, both the present value of future projected liabilities and the present value of projected attributed fees are remeasured based on current market conditions and policyholder behavior assumptions.

The Company has ceded the guaranteed minimum income benefit ("GMIB") features elected on certain annuity contracts to an unrelated party. The GMIBs ceded under this reinsurance treaty are classified as a MRB in their entirety. The reinsurance contract is measured at fair value and reported in Reinsurance recoverable on market risk benefits. Changes in fair value are recorded in Market risk benefits (gains) losses, net. Due to the inability to economically reinsure or hedge new issues of the GMIB, the Company discontinued offering the benefit in 2009.

Fair values for MRBs related to variable annuities, including the contract reinsuring GMIB features, are calculated using internally developed models because active, observable markets do not exist for those guaranteed benefits.

The fair value calculation is based on the present value of future cash flows comprised of future expected benefit payments, less future attributed rider fees, over the lives of the contracts. Estimating these cash flows requires numerous estimates and subjective judgments related to capital market inputs, as well as actuarially determined assumptions related to expectations concerning policyholder behavior. Capital market inputs include expected market rates of return, market volatility, correlations of market index returns to fund returns, and discount rates, which includes an adjustment for non-performance risk. The more significant actuarial assumptions include benefit utilization by policyholders, lapse, mortality, and withdrawal rates. Best estimate assumptions plus risk margins are used as applicable.

At each valuation date, the fair value calculation reflects expected returns based on treasury rates as of that date to determine the value of expected future cash flows produced in a stochastic process. Volatility assumptions are based on a weighting of available market data for implied market volatility for durations up to 10 years, grading to a historical volatility level by year 15, where such long-term historical volatility levels contain an explicit risk margin. Non-performance risk is incorporated into the calculation through the adjustment of the risk-free rate curve based on credit spreads for debt and debt-like instruments issued by the Company or its insurance operating subsidiaries, adjusted, as necessary, to reflect the financial strength ratings of the issuing insurance subsidiaries. Risk margins are also incorporated into the model assumptions, particularly for policyholder behavior. Estimates of future policyholder behavior are subjective and are based primarily on the Company's experience.

As markets change, mature and evolve and actual policyholder behavior emerges, management continually evaluates the appropriateness of its assumptions for the fair value model.

The use of the models and assumptions described above requires a significant amount of judgment. Management believes this results in an amount that the Company would be required to transfer for a liability, or receive for an asset, to or from a willing buyer or seller, if one existed, for those market participants to assume the risks associated with the guaranteed benefits and the related reinsurance. However, the ultimate settlement amount of the asset or liability, which is currently unknown, could likely be significantly different than this fair value.

Fixed Index Annuities

The longevity riders issued on fixed index annuities are classified as MRBs and measured at fair value. Similar to the variable annuity guaranteed benefit features, these contracts have explicit fees and are measured using the attributed fee method. The Company attributes a percentage of total projected future fees expected to be assessed against the policyholder to offset the projected future claims over the lifetime of the contract. If the fees attributed are insufficient to offset the claims at issue, the shortfall is borrowed from the host contract rather than recognizing a loss at inception.

RILA

RILA guaranteed benefit features are classified as MRBs and measured at fair value. Unlike variable or fixed index annuities, RILA products do not have explicit fees and are measured using an option-based method. The fair value measurement represents the present value of future claims payable by the MRB feature. At inception, the value of the MRB is deducted from the value of the contract resulting in no gain or loss.

See Note 12 - Market Risk Benefits of the Notes to Condensed Consolidated Financial Statements for more information regarding MRBs.

Fixed Index Annuities

The fair value of the index-linked crediting derivative feature embedded in fixed index annuities, included in Annuity Reserves in the above tables, is calculated using the closed form Black-Scholes Option Pricing model or Monte Carlo simulations, as appropriate for the type of option, incorporating such factors as the volatility of returns, the level of interest rates and the time remaining until the option expires. Additionally, although not a significant input, assumed withdrawal rates are used to estimate the expected volume of embedded options that will be realized by policyholders.

RILA

The fair value of the index-linked crediting derivative feature embedded in RILAs, included in Annuity Reserves in the above table, is calculated using the closed form Black-Scholes Option Pricing model, incorporating such factors as the volatility of returns, the level of interest rates and the time remaining until the option expires. Additionally, although not a significant input, assumed withdrawal rates are used to estimate the expected volume of embedded options that will be realized by policyholders.

Notes Issued by Consolidated VIEs

These notes are issued by CLOs and are carried at fair value under the fair value option based on the fair values of corresponding fixed maturity collateral. The CLO liabilities are also reduced by the fair value of the beneficial interest the Company retains in the CLO and the carrying value of any beneficial interests that represent compensation for services. As the notes are valued based on the reference collateral, they are classified as Level 2.

Fair Value Option

The Company elected the fair value option for debt securities related to certain consolidated investments totaling \$2,165 million and \$2,037 million at March 31, 2024 and December 31, 2023, respectively. These debt securities are reflected on the Company's Condensed Consolidated Balance Sheets as debt securities, at fair value under the fair value option.

The Company has elected the fair value option for certain funds withheld assets, which are held as collateral for reinsurance, totaling \$3,994 million and \$4,054 million at March 31, 2024 and December 31, 2023, respectively, as discussed above, and includes mortgage loans as discussed below.

The Company elected the fair value option for certain mortgage loans held under the funds withheld reinsurance agreement with Athene. The fair value option was elected for these mortgage loans, purchased or funded after December 31, 2021, to mitigate inconsistency in earnings that would otherwise result between these mortgage loan assets and the funds withheld liability, including the associated embedded derivative, and are valued using third-party pricing services. Changes in fair value are reflected in net investment income on the Condensed Consolidated Income Statements.

The fair value and aggregate contractual principal for mortgage loans where the fair value option was elected after December 31, 2021, were as follows (in millions):

	March 31, 2024	December 31, 2023
Fair value	\$ 455	\$ 481
Aggregate contractual principal	467	491

As of March 31, 2024, no loans in good standing for which the fair value option was elected were in non-accrual status, and no loans were more than 90 days past due and still accruing interest.

The Company elected the fair value option for notes issued by consolidated VIEs totaling \$2,068 million and \$1,988 million at March 31, 2024 and December 31, 2023, respectively.

Income and changes in unrealized gains and losses on other assets for which the Company has elected the fair value option are immaterial to the Company's Condensed Consolidated Financial Statements.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables summarize the Company's assets and liabilities that are carried at fair value by hierarchy levels (in millions):

	March 31, 2024			
	Total	Level 1	Level 2	Level 3
Assets				
Debt securities				
U.S. government securities	\$ 3,966	\$ 3,966	\$ —	\$ —
Other government securities	1,373	—	1,221	152
Public utilities	5,018	—	4,974	44
Corporate securities	25,677	—	25,583	94
Residential mortgage-backed	354	—	354	—
Commercial mortgage-backed	1,477	—	1,477	—
Other asset-backed securities	4,551	—	3,563	988
Equity securities	222	—	214	8
Mortgage loans	455	—	—	455
Limited partnerships ⁽¹⁾	137	—	—	137
Policy loans	3,448	—	—	3,448
Freestanding derivative instruments	213	—	213	—
Cash and cash equivalents	2,542	2,542	—	—
Reinsurance recoverable on market risk benefits	126	—	—	126
Market risk benefit assets	8,025	—	—	8,025
Separate account assets	230,773	—	230,773	—
Total	<u>\$ 288,357</u>	<u>\$ 6,508</u>	<u>\$ 268,372</u>	<u>\$ 13,477</u>
Liabilities				
Embedded derivative liabilities ⁽²⁾	\$ 2,568	\$ —	\$ 2,568	\$ —
Funds withheld payable under reinsurance treaties ⁽³⁾	1,122	—	—	1,122
Freestanding derivative instruments	1,288	—	1,288	—
Notes issued by consolidated VIEs	2,068	—	2,068	—
Market risk benefit liabilities	3,843	—	—	3,843
Total	<u>\$ 10,889</u>	<u>\$ —</u>	<u>\$ 5,924</u>	<u>\$ 4,965</u>

⁽¹⁾ Excludes \$2,090 million of limited partnership investments measured at NAV.

⁽²⁾ Includes the embedded derivative liabilities of \$1,703 million related to RILA and \$865 million liability of fixed index annuities, both included in other contract holder funds on the Condensed Consolidated Balance Sheets.

⁽³⁾ Includes the Athene embedded derivative asset of \$2,496 million and funds withheld payable under reinsurance treaties at fair value under the fair value option.

	December 31, 2023			
	Total	Level 1	Level 2	Level 3
Assets				
Debt securities				
U.S. government securities	\$ 4,312	\$ 4,312	\$ —	\$ —
Other government securities	1,402	—	1,252	150
Public utilities	5,127	—	5,086	41
Corporate securities	25,477	—	25,394	83
Residential mortgage-backed	375	—	375	—
Commercial mortgage-backed	1,423	—	1,423	—
Other asset-backed securities	4,527	—	3,552	975
Equity securities	394	182	204	8
Mortgage loans	481	—	—	481
Limited partnerships ⁽¹⁾	135	—	—	135
Policy loans	3,457	—	—	3,457
Freestanding derivative instruments	390	—	390	—
Cash and cash equivalents	2,688	2,688	—	—
Reinsurance recoverable on market risk benefits	149	—	—	149
Market risk benefit assets	6,737	—	—	6,737
Separate account assets	219,656	—	219,656	—
Total	<u>\$ 276,730</u>	<u>\$ 7,182</u>	<u>\$ 257,332</u>	<u>\$ 12,216</u>
Liabilities				
Embedded derivative liabilities ⁽²⁾	\$ 2,090	\$ —	\$ 2,090	\$ —
Funds withheld payable under reinsurance treaties ⁽³⁾	1,158	—	—	1,158
Freestanding derivative instruments	1,210	—	1,210	—
Notes issued by consolidated VIEs	1,988	—	1,988	—
Market risk benefit liabilities	4,785	—	—	4,785
Total	<u>\$ 11,231</u>	<u>\$ —</u>	<u>\$ 5,288</u>	<u>\$ 5,943</u>

⁽¹⁾ Excludes \$1,997 million of limited partnership investments measured at NAV.

⁽²⁾ Includes the embedded derivative liabilities of \$1,224 million related to RILA and \$866 million of fixed index annuities, both included in other contract holder funds on the Condensed Consolidated Balance Sheets.

⁽³⁾ Includes the Athene embedded derivative asset of \$2,468 million and funds withheld payable under reinsurance treaties at fair value under the fair value option.

Assets and Liabilities Measured at Fair Value Using Significant Unobservable Inputs (Level 3)**Level 3 Assets and Liabilities by Price Source**

The table below presents the balances of Level 3 assets and liabilities measured at fair value with their corresponding pricing sources (in millions):

Assets	March 31, 2024		
	Total	Internal	External
Debt securities:			
Other government securities	\$ 152	\$ —	\$ 152
Public utilities	44	44	—
Corporate	94	—	94
Other asset-backed securities	988	44	944
Equity securities	8	1	7
Mortgage loans	455	—	455
Limited partnerships	137	1	136
Policy loans	3,448	3,448	—
Reinsurance recoverable on market risk benefits	126	126	—
Market risk benefit assets	8,025	8,025	—
Total	<u>\$ 13,477</u>	<u>\$ 11,689</u>	<u>\$ 1,788</u>
Liabilities			
Funds withheld payable under reinsurance treaties ⁽¹⁾	1,122	1,122	—
Market risk benefit liabilities	3,843	3,843	—
Total	<u>\$ 4,965</u>	<u>\$ 4,965</u>	<u>\$ —</u>

⁽¹⁾ Includes the Athene Embedded Derivative asset of \$2,496 million and funds withheld payable under reinsurance treaties at fair value under the fair value option.

Assets	December 31, 2023		
	Total	Internal	External
Debt securities:			
Other government securities	\$ 150	\$ —	\$ 150
Public utilities	41	41	—
Corporate	83	—	83
Other asset-backed securities	975	50	925
Equity securities	8	1	7
Mortgage loans	481	—	481
Limited partnerships	135	1	134
Policy loans	3,457	3,457	—
Reinsurance recoverable on market risk benefits	149	149	—
Market risk benefit assets	6,737	6,737	—
Total	<u>\$ 12,216</u>	<u>\$ 10,436</u>	<u>\$ 1,780</u>
Liabilities			
Funds withheld payable under reinsurance treaties ⁽¹⁾	1,158	1,158	—
Market risk benefit liabilities	4,785	4,785	—
Total	<u>\$ 5,943</u>	<u>\$ 5,943</u>	<u>\$ —</u>

⁽¹⁾ Includes the Athene Embedded Derivative asset of \$2,468 million and funds withheld payable under reinsurance treaties at fair value under the fair value option.

External pricing sources for securities represent unadjusted prices from independent pricing services and independent indicative broker quotes where pricing inputs are not readily available.

Quantitative Information Regarding Internally-Priced Level 3 Assets and Liabilities

The table below presents quantitative information on internally-priced Level 3 assets and liabilities that use significant unobservable inputs (in millions):

As of March 31, 2024					
	Fair Value	Valuation Technique(s)	Significant Unobservable Input(s)	Assumption or Input Range	Impact of Increase in Input on Fair Value
Assets					
Reinsurance recoverable on market risk benefits	\$ 126	Discounted cash flow	Mortality ⁽¹⁾	0.01% - 20.71%	Increase
			Lapse ⁽²⁾	1.47% - 8.55%	Increase
			Utilization ⁽³⁾	0.00% - 50.00%	Decrease
			Withdrawal ⁽⁴⁾	47.50% - 50.00%	Decrease
			Non-performance risk adjustment ⁽⁵⁾	0.21% - 1.39%	Increase
			Long-term Equity Volatility ⁽⁶⁾	18.50%	Decrease
Market risk benefit assets	\$ 8,025	Discounted cash flow	Mortality ⁽¹⁾	0.01% - 23.46%	Increase
			Lapse ⁽²⁾	0.05% - 37.06%	Increase
			Utilization ⁽³⁾	0.00% - 100.00%	Decrease
			Withdrawal ⁽⁴⁾	11.25% - 100.00%	Decrease
			Non-performance risk adjustment ⁽⁵⁾	1.15% - 1.94%	Increase
			Long-term Equity Volatility ⁽⁶⁾	18.50%	Decrease
Liabilities					
Market risk benefit liabilities	\$ 3,843	Discounted cash flow	Mortality ⁽¹⁾	0.01% - 23.46%	Decrease
			Lapse ⁽²⁾	0.05% - 37.06%	Decrease
			Utilization ⁽³⁾	0.00% - 100.00%	Increase
			Withdrawal ⁽⁴⁾	11.25% - 100.00%	Increase
			Non-performance risk adjustment ⁽⁵⁾	1.15% - 1.94%	Decrease
			Long-term Equity Volatility ⁽⁶⁾	18.50%	Increase

(1) Mortality rates vary by attained age, tax qualification status, guaranteed benefit election, and duration. The range displayed reflects ages from the minimum issue age for the benefit through age 95, which corresponds to the typical maturity age. A mortality improvement assumption is also applied.

(2) Base lapse rates vary by contract-level factors, such as product type, surrender charge schedule and optional benefits election. Lapse rates are further adjusted based on the degree to which a guaranteed benefit is in-the-money, with lower lapse applying when benefits are more in-the-money. Lapse rates are also adjusted to reflect lower lapse expectations when guaranteed benefits are utilized.

(3) The utilization rate represents the expected percentage of contracts that will utilize the benefit through annuitization (GMIB) or commencement of withdrawals (GMWB). Utilization may vary by benefit type, attained age, duration, tax qualification status, benefit provision, and degree to which the guaranteed benefit is in-the-money.

(4) The withdrawal rate represents the percentage of annual withdrawal assumed relative to the maximum allowable withdrawal amount under the free partial withdrawal provision or the GMWB, as applicable. Free partial withdrawal rates vary based on the product type and duration. Withdrawal rates on contracts with a GMWB vary based on attained age, tax qualification status, GMWB type and GMWB benefit provisions.

(5) Non-performance risk adjustment is applied as a spread over the risk-free rate to determine the rate used to discount the related cash flows and varies by projection year.

(6) Long-term equity volatility represents the equity volatility beyond the period for which observable equity volatilities are available.

As of December 31, 2023					
	Fair Value	Valuation Technique(s)	Significant Unobservable Input(s)	Assumption or Input Range	Impact of Increase in Input on Fair Value
Assets					
Reinsurance recoverable on market risk benefits	\$ 149	Discounted cash flow	Mortality ⁽¹⁾	0.01% - 20.71%	Increase
			Lapse ⁽²⁾	1.47% - 8.55%	Increase
			Utilization ⁽³⁾	0.00% - 50.00%	Decrease
			Withdrawal ⁽⁴⁾	47.50% - 50.00%	Decrease
			Non-performance risk adjustment ⁽⁵⁾	0.10% - 1.50%	Increase
			Long-term Equity Volatility ⁽⁶⁾	18.50%	Decrease
Market risk benefit assets	\$ 6,737	Discounted cash flow	Mortality ⁽¹⁾	0.01% - 23.46%	Increase
			Lapse ⁽²⁾	0.05% - 37.06%	Increase
			Utilization ⁽³⁾	0.00% - 100.00%	Decrease
			Withdrawal ⁽⁴⁾	11.25% - 100.00%	Decrease
			Non-performance risk adjustment ⁽⁵⁾	0.70% - 2.11%	Increase
			Long-term Equity Volatility ⁽⁶⁾	18.50%	Decrease
Liabilities					
Market risk benefit liabilities	\$ 4,785	Discounted cash flow	Mortality ⁽¹⁾	0.01% - 23.46%	Decrease
			Lapse ⁽²⁾	0.05% - 37.06%	Decrease
			Utilization ⁽³⁾	0.00% - 100.00%	Increase
			Withdrawal ⁽⁴⁾	11.25% - 100.00%	Increase
			Non-performance risk adjustment ⁽⁵⁾	0.70% - 2.11%	Decrease
			Long-term Equity Volatility ⁽⁶⁾	18.50%	Increase

(1) Mortality rates vary by attained age, tax qualification status, guaranteed benefit election, and duration. The range displayed reflects ages from the minimum issue age for the benefit through age 95, which corresponds to the typical maturity age. A mortality improvement assumption is also applied.

(2) Base lapse rates vary by contract-level factors, such as product type, surrender charge schedule and optional benefits election. Lapse rates are further adjusted based on the degree to which a guaranteed benefit is in-the-money, with lower lapse applying when benefits are more in-the-money. Lapse rates are also adjusted to reflect lower lapse expectations when guaranteed benefits are utilized.

(3) The utilization rate represents the expected percentage of contracts that will utilize the benefit through annuitization (GMIB) or commencement of withdrawals (GMWB). Utilization may vary by benefit type, attained age, duration, tax qualification status, benefit provision, and degree to which the guaranteed benefit is in-the-money.

(4) The withdrawal rate represents the percentage of annual withdrawal assumed relative to the maximum allowable withdrawal amount under the free partial withdrawal provision or the GMWB, as applicable. Free partial withdrawal rates vary based on the product type and duration. Withdrawal rates on contracts with a GMWB vary based on attained age, tax qualification status, GMWB type and GMWB benefit provisions.

(5) Non-performance risk adjustment is applied as a spread over the risk-free rate to determine the rate used to discount the related cash flows and varies by projection year.

(6) Long-term equity volatility represents the equity volatility beyond the period for which observable equity volatilities are available.

Sensitivity to Changes in Unobservable Inputs

The following is a general description of sensitivities of significant unobservable inputs and their impact on the fair value measurement for the assets and liabilities reflected in the tables above.

At March 31, 2024 and December 31, 2023, securities of \$90 million and \$93 million, respectively, are fair valued using techniques incorporating unobservable inputs and are classified in Level 3 of the fair value hierarchy. For these assets, their unobservable inputs and ranges of possible inputs do not materially affect their fair valuations and have been excluded from the quantitative information in the tables above.

Policy loans that support funds withheld reinsurance agreements that are held at fair value under the fair value option on the Company's Condensed Consolidated Balance Sheets are excluded from the tables above. These policy loans do not have a stated maturity and the balances, plus accrued investment income, are repaid either by the policyholder or with proceeds from the policy. Due to the collateralized nature of policy loans and unpredictable timing of payments, the Company believes the carrying value of policy loans, which includes accrued investment income, approximates fair value and is classified as Level 3 within the fair value hierarchy.

The fair value of funds withheld payable under the Reassure America Life Insurance Company ("REALIC") reinsurance treaties, is determined based upon the fair value of the funds withheld investments held by the Company and is excluded from the tables above.

The funds withheld payable under the Athene reinsurance treaty includes the Athene embedded derivative which is measured at fair value. The valuation of the embedded derivative utilizes a total return swap technique that incorporates the fair value of the invested assets supporting the reinsurance agreement as a component of the valuation. As a result, these valuations for the funds withheld payable under the REALIC reinsurance treaties and the Athene embedded derivative require certain significant inputs that are generally not observable and, accordingly, the valuation is considered Level 3 in the fair value hierarchy.

The GMIB reinsurance recoverable fair value calculation is based on the present value of future cash flows comprised of future expected reinsurance benefit receipts, less future attributed premium payments to reinsurers, over the lives of the contracts. Estimating these cash flows requires actuarially determined assumptions related to expectations concerning policyholder behavior and long-term market volatility. The more significant policyholder behavior actuarial assumptions include benefit utilization, fund allocation, lapse, and mortality.

The MRB asset and liability fair value calculation is based on the present value of future cash flows comprised of future expected benefit payments, less future attributed fees (if applicable), over the lives of the contracts. Estimating these cash flows requires numerous estimates and subjective judgments related to capital market inputs, as well as actuarially determined assumptions related to expectations concerning policyholder behavior. The more significant actuarial assumptions include benefit utilization by policyholders, lapse, mortality, and withdrawal rates. Best estimate assumptions plus risk margins are used as applicable.

The tables below provide roll-forwards for the three months ended March 31, 2024, and 2023 of the financial instruments for which significant unobservable inputs (Level 3) are used in the fair value measurement. Gains and losses in the tables below include changes in fair value due partly to observable and unobservable factors. The Company utilizes derivative instruments to manage the risk associated with certain assets and liabilities. However, the derivative instruments hedging the related risks may not be classified within the same fair value hierarchy level as the associated assets and liabilities. Therefore, the impact of the derivative instruments reported in Level 3 may vary significantly from the total income effect of the hedged instruments.

	<u>Total Realized/Unrealized Gains (Losses) Included in</u>					
	Fair Value			Purchases,	Transfers	Fair Value
	as of January 1, 2024	Net Income (Loss)	Other Comprehensive Income (Loss)	Sales, Issuances and Settlements	in and/or (out of) Level 3	as of March 31, 2024
Three Months Ended March 31, 2024						
Assets						
Debt securities						
Other government securities	\$ 150	\$ —	\$ 2	\$ —	\$ —	\$ 152
Public utilities	41	—	—	3	—	44
Corporate securities	83	—	—	5	6	94
Other asset-backed securities	975	(1)	—	14	—	988
Equity securities	8	—	—	—	—	8
Mortgage loans	481	(2)	—	(24)	—	455
Limited partnerships	135	2	—	—	—	137
Policy loans	3,457	29	—	(38)	—	3,448
Reinsurance recoverable on market risk benefits	149	(23)	—	—	—	126
Market risk benefit assets	6,737	1,288	—	—	—	8,025
Liabilities						
Funds withheld payable under reinsurance treaties	(1,158)	(1)	—	37	—	(1,122)
Market risk benefit liabilities	(4,785)	1,452	(510)	—	—	(3,843)
Three Months Ended March 31, 2023						
Assets						
Debt securities						
Corporate securities	\$ 56	\$ —	\$ (1)	\$ (3)	\$ (26)	\$ 26
Equity securities	122	(10)	—	(1)	—	111
Mortgage loans	582	(2)	—	(100)	—	480
Limited partnerships	440	4	—	11	(7)	448
Policy loans	3,419	29	—	(21)	—	3,427
Reinsurance recoverable on market risk benefits	221	17	—	—	—	238
Market risk benefit assets	4,865	339	—	—	—	5,204
Liabilities						
Funds withheld payable under reinsurance treaties	(424)	(399)	—	20	—	(803)
Market risk benefit liabilities	(5,662)	(182)	284	—	—	(5,560)

The components of the amounts included in purchases, sales, issuances and settlements for the three months ended March 31, 2024, and 2023 shown above are as follows (in millions):

Three Months Ended March 31, 2024	Purchases	Sales	Issuances	Settlements	Total
Assets					
Debt securities					
Public utilities	\$ 3	\$ —	\$ —	\$ —	3
Corporate securities	13	(8)	—	—	5
Other asset-backed securities	74	(60)	—	—	14
Equity securities	—	—	—	—	—
Mortgage loans	48	(72)	—	—	(24)
Policy loans	—	—	63	(101)	(38)
Total	\$ 138	\$ (140)	\$ 63	\$ (101)	\$ (40)
Liabilities					
Funds withheld payable under reinsurance treaties	\$ —	\$ —	\$ (160)	\$ 197	\$ 37
Three Months Ended March 31, 2023					
	Purchases	Sales	Issuances	Settlements	Total
Assets					
Debt securities					
Corporate securities	\$ 1	\$ (4)	\$ —	\$ —	(3)
Equity securities	—	(1)	—	—	(1)
Mortgage loans	36	(136)	—	—	(100)
Limited partnerships	18	(7)	—	—	11
Policy loans	—	—	35	(56)	(21)
Total	\$ 55	\$ (148)	\$ 35	\$ (56)	\$ (114)
Liabilities					
Funds withheld payable under reinsurance treaties	\$ —	\$ —	\$ (35)	\$ 55	\$ 20

For the three months ended March 31, 2024, transfers from Level 3 to Level 2 of the fair value hierarchy were \$9 million, transfers from Level 2 to Level 3 were \$15 million.

For the three months ended March 31, 2023, transfers from Level 3 to Level 2 of the fair value hierarchy were \$37 million, transfers from Level 2 to Level 3 were \$11 million, and transfers from Level 3 to NAV were \$7 million.

During 2023, management determined that the fair value measurements for certain securities, primarily comprised of asset-backed and other debt securities included in funds withheld accounts, which were classified as Level 2 measurements within the fair value hierarchy in prior reporting periods, should be classified as Level 3 fair value measurements. The fair value of these securities is primarily obtained from external sources which may use unobservable inputs, proprietary inputs and models, or inputs or values that cannot be corroborated by market transactions and should be classified as externally priced Level 3 fair value measurements. The 2023 Fair Value on a Recurring Basis table and the Level 3 Assets and Liabilities by Price Source table reflect this change in classification. In the fourth quarter of 2023, securities totaling \$1,336 million, that were previously reported as Level 3 were included in “Transfers in and/or (out of) Level 3”. For the three months ended March 31, 2023, the Level 3 Rollforward table and the Level 3 Purchases, Sales, Issuances, and Settlements tables are shown as previously reported and do not reflect this change in classification. The change in classification did not change the fair value of these securities and did not impact the Condensed Consolidated Balance Sheets or Condensed Consolidated Income Statements.

The portion of gains (losses) included in net income (loss) or OCI attributable to the change in unrealized gains and losses on Level 3 financial instruments still held was as follows (in millions):

	Three Months Ended March 31,			
	2024		2023	
	Included in Net Income	Included in OCI	Included in Net Income	Included in OCI
Assets				
Debt securities				
Other government securities	\$ —	\$ 2	\$ —	\$ —
Corporate securities	(1)	—	—	(1)
Other asset-backed securities	(1)	—	—	—
Equity securities	—	—	(10)	—
Mortgage loans	(2)	—	(2)	—
Limited partnerships	—	—	10	—
Policy loans	29	—	29	—
Reinsurance recoverable on market risk benefits	(23)	—	17	—
Market risk benefit assets	1,288	—	339	—
Liabilities				
Funds withheld payable under reinsurance treaties	(1)	—	(399)	—
Market risk benefit liabilities	1,452	(510)	(182)	284

Fair Value of Financial Instruments Carried at Other Than Fair Value

The table below presents the carrying amount and fair value by fair value hierarchy level of certain financial instruments that are not reported at fair value (in millions):

	March 31, 2024				
	Carrying Value	Fair Value			
		Total	Level 1	Level 2	Level 3
Assets					
Mortgage loans	\$ 9,899	\$ 9,282	\$ —	\$ —	\$ 9,282
Policy loans	938	938	—	—	938
FHLBI capital stock	127	127	127	—	—
Liabilities					
Annuity reserves ⁽¹⁾	\$ 33,062	\$ 31,703	\$ —	\$ —	\$ 31,703
Reserves for guaranteed investment contracts ⁽²⁾	640	616	—	—	616
Trust instruments supported by funding agreements ⁽²⁾	5,185	5,007	—	—	5,007
FHLB funding agreements ⁽²⁾	2,000	1,822	—	—	1,822
Funds withheld payable under reinsurance treaties	18,122	18,122	—	—	18,122
Long-term debt	2,033	1,829	—	1,829	—
Securities lending payable ⁽³⁾	21	21	—	21	—
Repurchase agreements ⁽³⁾	1,799	1,799	—	1,799	—
Separate account liabilities ⁽⁵⁾	230,773	230,773	—	230,773	—
December 31, 2023					
	Carrying Value	Fair Value			
		Total	Level 1	Level 2	Level 3
Assets					
Mortgage loans	\$ 10,082	\$ 9,513	\$ —	\$ —	\$ 9,513
Policy loans	942	942	—	—	942
FHLBI capital stock	108	108	108	—	—
Liabilities					
Annuity reserves ⁽¹⁾	\$ 33,161	\$ 31,588	\$ —	\$ —	\$ 31,588
Reserves for guaranteed investment contracts ⁽²⁾	700	674	—	—	674
Trust instruments supported by funding agreements ⁽²⁾	5,756	5,601	—	—	5,601
FHLB funding agreements ⁽²⁾	1,950	1,893	—	—	1,893
Funds withheld payable under reinsurance treaties	18,794	18,794	—	—	18,794
Long-term debt	2,037	1,851	—	1,851	—
Securities lending payable ⁽³⁾	19	19	—	19	—
FHLB advances ⁽⁴⁾	250	250	—	250	—
Separate account liabilities ⁽⁵⁾	219,656	219,656	—	219,656	—

⁽¹⁾ Annuity reserves represent only the components of other contract holder funds that are considered to be financial instruments.

⁽²⁾ Included as a component of other contract holder funds on the Condensed Consolidated Balance Sheets.

⁽³⁾ Included as a component of repurchase agreements and securities lending payable on the Condensed Consolidated Balance Sheets.

⁽⁴⁾ Included as a component of other liabilities on the Condensed Consolidated Balance Sheets.

⁽⁵⁾ The values of separate account liabilities are set equal to the values of separate account assets.

The following is a discussion of the methodologies used to determine fair values of the financial instruments that are not reported at fair value reported in the table above:

Mortgage Loans

Fair values are generally determined by discounting expected future cash flows at current market interest rates, inclusive of a credit spread, for similar quality loans. For loans whose value is dependent on the underlying property, fair value is the estimated value of the collateral. Certain characteristics considered significant in determining the spread or collateral value may be based on internally developed estimates. As a result, these investments have been classified as Level 3 within the fair value hierarchy.

Mortgage loans held under the funds withheld reinsurance agreement are valued using third-party pricing services, which may use economic inputs, geographical information, and property specific assumptions in deriving the fair value price. The Company reviews the valuations from these pricing providers to ensure they are reasonable. Due to lack of observable inputs, these investments have been classified as Level 3 within the fair value hierarchy.

Policy Loans

Policy loans are funds provided to policyholders in return for a claim on the policies values and function like demand deposits which are redeemable upon repayment, death or surrender, and there is only one market price at which the transaction could be settled – the then current carrying value. The funds provided are limited to the cash surrender value of the underlying policy. The nature of policy loans is to have a negligible default risk as the loans are fully collateralized by the value of the policy. Policy loans do not have a stated maturity and the balances and accrued interest are repaid either by the policyholder or with proceeds from the policy. Due to the collateralized nature of policy loans and unpredictable timing of payments, the Company believes the carrying value of policy loans approximates fair value. The non-reinsurance related component of policy loans has been classified as Level 3 within the fair value hierarchy.

FHLBI Capital Stock

FHLBI capital stock, which is included in other invested assets, can only be sold to FHLBI at a constant price of \$100 per share. Due to the lack of valuation uncertainty, the investment has been classified as Level 1.

Other Contract Holder Funds

Fair values for immediate annuities without mortality features are derived by discounting the future estimated cash flows using current market interest rates for similar maturities. Fair values for deferred annuities, including the fixed option on variable annuities, fixed annuities, fixed index annuities and RILAs, are determined using projected future cash flows discounted at current market interest rates.

Fair values for guaranteed investment contracts, trust instruments supported by funding agreements and FHLB funding agreements are based on the present value of future cash flows discounted at current market interest rates.

Funds Withheld Payable Under Reinsurance Treaties

The fair value of the funds withheld payable is equal to the fair value of the assets held as collateral, which primarily consists of bonds, mortgages, limited partnerships, and cash and cash equivalents. The fair value of the assets generally uses industry standard valuation techniques as described above and the funds withheld payable components are valued consistent with the assets in the fair value hierarchy and the funds withheld payable is classified in its entirety according to the lowest level input that is significant to the determination of the fair value. The funds withheld payable is classified as Level 3 within the fair value hierarchy.

Debt

Fair values for the Company's surplus notes and long-term debt are generally determined by prices obtained from independent broker dealers or discounted cash flow models. Such prices are derived from market observable inputs and are classified as Level 2.

Securities Lending Payable

The Company's securities lending payable is set equal to the cash collateral received. Due to the short-term nature of the loans, carrying value is a reasonable estimate of fair value and is classified as Level 2.

FHLB Advances

Carrying value of the Company's FHLB advances, which are included in other liabilities, is considered a reasonable estimate of fair value due to their short-term maturities and are classified as Level 2.

Repurchase Agreements

Carrying value of the Company's repurchase agreements is considered a reasonable estimate of fair value due to their short-term maturities and are classified as Level 2.

Separate Account Liabilities

The values of separate account liabilities are set equal to the values of separate account assets, which are comprised of investments in mutual funds that transact regularly, but do not trade in active markets as they are not publicly available, and, are categorized as Level 2.

7. Deferred Acquisition Costs

Certain costs that are directly related to the successful acquisition of new or renewal insurance business are capitalized as deferred acquisition costs ("DAC") in the period in which they are incurred. These costs primarily pertain to commissions and certain costs associated with policy issuance and underwriting. All other acquisition costs are expensed as incurred.

Contracts are grouped into cohorts by contract type and issue year. For traditional and limited-payment insurance contracts, contracts are grouped consistent with the groupings used in estimating the associated liability. DAC are amortized into expense on a constant level basis over the expected term of the grouped contracts. For traditional and limited-payment insurance contracts, amortization is determined based on projected in force amounts. For non-traditional contracts, amortization is determined based on projected policy counts.

The expected term used to amortize DAC is determined using best estimate assumptions, including mortality and persistency, consistent with the best estimate assumptions used to determine the reserve for future policy benefits, MRBs, and additional liabilities for applicable contracts. For amortization of DAC related to contracts without these balances, assumptions used to determine expected term are developed in a similar manner. The amortization rate is determined using all information available as of the end of the reporting period, including actual experience and any assumption updates. Annually, or as circumstances warrant, a comprehensive review of assumptions is conducted, and assumptions are revised as appropriate. If assumptions are revised, the amortization rate is calculated using revised assumptions such that the effect of revised assumptions is recognized prospectively as of the beginning of that reporting period.

Unamortized DAC are written off when a contract is internally replaced and substantially changed. Substantially unchanged contracts are treated as a continuation of the replaced contract, with no change to the unamortized DAC at the time of the replacement.

The following table presents the roll-forward of the DAC (in millions). The current period amortization is based on the end of the period estimates of mortality and persistency. The amortization pattern is revised on a prospective basis at the beginning of the period based on the period's actual experience.

	Three Months Ended March 31, 2024	Year Ended December 31, 2023
Variable Annuities		
Balance, beginning of period	\$ 11,967	\$ 12,699
Deferrals of acquisition costs	98	394
Amortization	(269)	(1,126)
Variable Annuities balance, end of period	<u>\$ 11,796</u>	<u>\$ 11,967</u>
Reconciliation of total DAC		
Variable Annuities balance, end of period	\$ 11,796	\$ 11,967
Other product lines, end of period	377	335
Total balance, end of period	<u>\$ 12,173</u>	<u>\$ 12,302</u>

8. Reinsurance

The Company, through its subsidiary insurance companies, assumes and cedes reinsurance from and to other insurance companies to limit losses from large exposures. However, if the reinsurer is unable to meet its obligations, the originating issuer of the coverage retains the liability. The Company reinsures certain of its risks to other reinsurers on a coinsurance, coinsurance with funds withheld, modified coinsurance, or yearly renewable term basis. The Company regularly monitors the financial strength ratings of its reinsurers.

Athene Reinsurance

The Company entered into a funds withheld coinsurance agreement with Athene effective June 1, 2020, to reinsure on a 100% quota share basis, a block of Jackson's in-force fixed and fixed-index annuity product liabilities in exchange for a \$1.2 billion ceding commission. The coinsurance with funds withheld agreement ("the coinsurance agreement") required Jackson to establish a segregated account in which the investments supporting the ceded obligations are maintained. While the economic benefits of the investments flow to Athene, Jackson retains physical possession and legal ownership of the investments supporting the reserve. Further, the investments in the segregated account are not available to settle any policyholder obligations other than those specifically covered by the coinsurance agreement and are not available to settle obligations to general creditors of Jackson. The profit and loss with respect to obligations ceded to Athene are included in periodic net settlements pursuant to the coinsurance agreement. To further support its obligations under the coinsurance agreement, Athene procured \$1.2 billion in letters of credit for Jackson's benefit and established a trust account for Jackson's benefit, which had a book value of approximately \$85 million at March 31, 2024.

Swiss Re Reinsurance

Jackson has three retrocession reinsurance agreements ("retro treaties") with Swiss Reinsurance Company Ltd. ("SRZ"). Pursuant to these retro treaties, Jackson ceded certain blocks of business to SRZ on a 100% coinsurance with funds withheld basis, subject to pre-existing reinsurance with other parties. As a result of the reinsurance agreements with SRZ, Jackson withholds certain assets, primarily in the form of policy loans and debt securities, as collateral for the reinsurance recoverable.

The Company has also acquired certain blocks of business that are closed to new business and wholly ceded to non-affiliates. These include both direct and assumed accident and health businesses, direct and assumed life insurance business, and certain institutional annuities.

GMIB Reinsurance

The Company's guaranteed minimum income benefits ("GMIBs") are reinsured with an unrelated party. GMIB reinsured benefits are subject to aggregate annual claim limits. Deductibles also apply on reinsurance of GMIB business issued since March 1, 2005. The Company discontinued offering the GMIB in 2009.

Reinsurance Recoverables and Reinsured Market Risk Benefits

Ceded reinsurance agreements are reported on a gross basis on the Company's Condensed Consolidated Balance Sheets as an asset for amounts recoverable from reinsurers or as a component of other assets or liabilities for amounts, such as premiums, owed to or due from reinsurers.

Reinsurance recoverables relating to reinsurance of traditional and limited-payment contracts are required to be recognized and measured in a manner consistent with liabilities relating to the underlying reinsured contracts, including using consistent assumptions. Reinsurance contracts may be executed subsequent to the direct contract issue dates, and market interest rates may have changed between the date that the underlying insurance contracts were issued and the date the reinsurance contract is recognized in the financial statements, resulting in the underlying discount rate differing between the direct and reinsured business.

The Company regularly monitors the financial strength ratings of its reinsurers. At March 31, 2024 and December 31, 2023, the Company had an allowance for credit losses ("ACL") of \$30 million and \$29 million, respectively, on its reinsurance recoverables, which are reported net of ACL on the Condensed Consolidated Balance Sheets. The ACL considers the credit quality of the reinsurer and is generally determined based on probability of default and loss given default assumptions, after considering any applicable collateral arrangements.

For reinsurance recoverables that are collateralized, and the amount of collateral is expected to be adjusted as necessary as a result of fair value changes in the collateral, the Company determines that the expectation of nonpayment of the carrying value of the reinsurance recoverable is zero. If the fair value of the collateral at the reporting date is less than the carrying value of the reinsurance recoverable, the Company recognizes an ACL on the difference between the fair value of the collateral at the reporting date and the carrying value of the reinsurance recoverable. Additions to or releases of the ACL are reported in Death, other policyholder benefits, and changes in reserves, net of deferrals in the Condensed Consolidated Income Statements.

Reinsurance recoverable on market risk benefits is recognized at fair value with changes being recognized in current period earnings within market risk benefit (gains) losses, net. Non-performance risk of the reinsurer is incorporated into the calculation through the adjustment of the risk-free rate curve based on credit spreads observed on instruments issued by similarly-rated life insurance companies.

The Company's reinsurance contract that cedes only the GMIB elected on certain variable annuity products is classified as a reinsurance recoverable on market risk benefits. These reinsured MRBs may have direct MRB balances recorded as either assets or liabilities; however, because the unit of account for the reinsured MRB is the reinsurance contract, the ceded MRB is presented in total within reinsurance recoverable on market risk benefits. The fees used to determine the fair value of the reinsurance recoverable on market risk benefits are those defined in the reinsurance contract.

Guaranteed benefits related to the optional lifetime income rider offered on certain fixed index annuities are MRBs that are reinsured with Athene. The reinsured MRBs are measured using a non-option valuation approach which uses cash flow assumptions and an attributed fee ratio consistent with those used to measure the MRBs on the direct contract and a discount rate that considers the reinsurer's credit risk. The attributed fee is locked-in at inception of the contract.

Components of the Company's reinsurance recoverable excluding MRBs were as follows (in millions):

	March 31, 2024	December 31, 2023
Reserves:		
Life	\$ 5,293	\$ 5,370
Accident and health	486	510
Annuity benefits ⁽¹⁾	18,120	18,873
Claims liability and other	659	669
Total	<u>\$ 24,558</u>	<u>\$ 25,422</u>

⁽¹⁾ Other annuity benefits primarily attributable to fixed and fixed index annuities reinsured with Athene.

Components of the Company's reinsurance recoverable on market risk benefits were as follows (in millions):

	March 31, 2024	December 31, 2023
Variable annuity	\$ 72	\$ 90
Other product lines	54	59
Total	<u>\$ 126</u>	<u>\$ 149</u>

Reinsurance and Funds Withheld Payable Under Reinsurance Treaties

Under the reinsurance agreement with Athene and the retro treaties with SRZ, the Company maintains ownership of the underlying investments instead of transferring them to the reinsurer and, as a result, records a funds withheld liability payable to the reinsurer. Investment returns earned on withheld assets are paid by the Company to the reinsurer, pursuant to the terms of the agreements. Investment income and net gains (losses) on derivatives and investments are reported net of gains or losses on the funds withheld payable under reinsurance treaties.

The amounts credited to reinsurers on the funds withheld payable is based on the return earned on those assets. The return earned on the assets is subject to the credit risk of the original issuer of the instrument rather than Jackson's own creditworthiness, which results in an embedded derivative (total return swap).

Funds withheld under reinsurance agreement with Athene

The Company recognizes a liability for the embedded derivative related to the funds withheld under the reinsurance agreement with Athene within funds withheld payable under reinsurance treaties in the Condensed Consolidated Balance Sheets. The embedded derivative is measured at fair value with changes in fair value reported in net gains (losses) on derivatives and investments in the Condensed Consolidated Income Statements. At inception of the reinsurance agreement with Athene, the fair value of the withheld investments differed from their book value and, accordingly, while the investments are held, the amortization of this difference is reported in net gains (losses) on derivatives and investments in the Condensed Consolidated Income Statements. See Note 5 - Derivative Instruments of the Notes to Consolidated Financial Statements for more information on the embedded derivative.

Funds withheld under reinsurance agreements with SRZ

At execution of the retro treaties with SRZ, the Company elected the fair value option for the withheld assets, as well as the related funds withheld payable. Accordingly, the embedded derivative is not bifurcated or separately measured. The funds withheld payable is measured at fair value with changes in fair value reported in net gains (losses) on derivatives and investments. The fair value of the funds withheld payable is equal to the fair value of the assets held as collateral.

The following assets and liabilities were held in support of reserves associated with the Company's funds withheld reinsurance agreements and were reported in the respective financial statement line items in the Condensed Consolidated Balance Sheets (in millions):

	March 31, 2024	December 31, 2023
Assets		
Debt securities, available-for-sale	\$ 11,070	\$ 11,526
Debt securities, at fair value under the fair value option	91	116
Equity securities	159	151
Mortgage loans	2,916	3,067
Mortgage loans, at fair value under the fair value option	455	481
Policy loans	3,461	3,471
Freestanding derivative instruments, net	34	15
Other invested assets	718	709
Cash and cash equivalents	497	543
Accrued investment income	136	146
Other assets and liabilities, net	(13)	1
Total assets ⁽¹⁾	<u>\$ 19,524</u>	<u>\$ 20,226</u>
Liabilities		
Funds held under reinsurance treaties ⁽²⁾	<u>\$ 19,244</u>	<u>\$ 19,952</u>
Total liabilities	<u>\$ 19,244</u>	<u>\$ 19,952</u>

⁽¹⁾ Certain assets are reported at amortized cost while the fair value of those assets is reported in the embedded derivative in the funds withheld liability.

⁽²⁾ Includes funds withheld embedded derivative asset (liability) of \$2,496 million and \$2,468 million at March 31, 2024 and December 31, 2023, respectively.

The sources of income related to funds withheld under reinsurance treaties reported in net investment income in the Condensed Consolidated Income Statements were as follows (in millions):

	Three Months Ended March 31,	
	2024	2023
Debt securities ⁽¹⁾	\$ 145	\$ 172
Equity securities	9	(1)
Mortgage loans ⁽²⁾	49	66
Policy loans	82	81
Limited partnerships	(4)	8
Other investment income	5	—
Total investment income on funds withheld assets	<u>286</u>	<u>326</u>
Other investment expenses on funds withheld assets ⁽³⁾	<u>(16)</u>	<u>(19)</u>
Total net investment income on funds withheld reinsurance treaties	<u>\$ 270</u>	<u>\$ 307</u>

⁽¹⁾ Includes \$1 million and \$2 million for the three months ended March 31, 2024 and 2023, respectively, related to the change in fair value for securities carried under the fair value option.

⁽²⁾ Includes \$(2) million and \$(2) million for the three months ended March 31, 2024 and 2023, respectively, related to the change in fair value for mortgage loans carried under the fair value option.

⁽³⁾ Includes management fees.

The gains and losses on funds withheld reinsurance treaties as a component of net gains (losses) on derivatives and investments in the Condensed Consolidated Income Statements were as follows (in millions):

	Three Months Ended March 31,	
	2024	2023
Available-for-sale securities		
Realized gains on sale	\$ 2	\$ 5
Realized losses on sale	(19)	(38)
Credit loss expense	1	(11)
Credit loss expense on mortgage loans	7	(3)
Other	(7)	9
Net gains (losses) on non-derivative investments	(16)	(38)
Net gains (losses) on derivative instruments	14	(9)
Net gains (losses) on funds withheld payable under reinsurance treaties ⁽¹⁾	(199)	(626)
Total net gains (losses) on derivatives and investments	<u>\$ (201)</u>	<u>\$ (673)</u>

⁽¹⁾ Includes the Athene embedded derivative gain (loss) of \$29 million and \$(370) million for the three months ended March 31, 2024 and 2023, respectively.

9. Reserves for Future Policy Benefits and Claims Payable

Reserves for Future Policy Benefits

For non-participating traditional and limited-payment insurance contracts, the reserve for future policy benefits represents the present value of estimated future policy benefits to be paid to or on behalf of policyholders in future periods and certain related expenses less the present value of estimated future net premiums.

Reserves for future policy benefits for non-participating traditional and limited-payment insurance contracts are measured using the net premium ratio ("NPR") measurement model. The NPR measurement model accrues for future policy benefits in proportion to the premium revenue recognized. The reserve for future policy benefits is derived from the Company's best estimate of future net premium and future benefits and expenses, which is based on best estimate assumptions including mortality, persistency, claims expense, and discount rate. On an annual basis, or as circumstances warrant, we conduct a comprehensive review of our current best estimate assumptions based on our experience, industry benchmarking, and other factors, as applicable. Expense assumptions are updated based on estimates of expected non-level costs, such as termination or settlement costs, and costs after the premium-paying period and exclude acquisition costs or any costs that are required to be charged to expenses as incurred. Updates to assumptions are applied on a retrospective basis, and the change in the reserve for future policy benefits resulting from updates to assumptions is reported separately on the Condensed Consolidated Income Statements within the (Gain) loss from updating future policy benefits cash flow assumptions, net. Each reporting period the reserve for future policy benefits is updated to reflect actual experience to date.

The Company establishes cohorts, which are groupings used to measure reserves for future policy benefits. In determining cohorts, the Company considered both qualitative and quantitative factors, including the issue year, type of product, product features, and legal entity.

The discount rate used to estimate reserves for future policy benefits is consistent with an upper-medium grade (low-credit risk) fixed-income corporate instrument yield, which has been interpreted to represent a single-A corporate instrument yield. This discount rate curve is determined by fitting a parametric function to yields to maturity and related times to maturity of market observable single-A rated corporate instruments. The discount rate used to recognize interest accretion on the reserves for future policy benefits is locked at the initial measurement of the cohort. Each reporting period, the reserve for future policy benefits is remeasured using the current discount rate. The difference between the reserve calculated using the current discount rate and the reserve calculated using the locked-in discount rate is recorded in OCI.

For limited-payment insurance contracts, premiums are paid over a period shorter than the period over which benefits are provided. Gross premiums received in excess of the net premium are deferred and recognized as a deferred profit liability ("DPL"). The DPL is included within the reserve for future policy benefits and profits are recognized in income as a component of benefit expenses on a constant relationship with the amount of expected future benefit payments. Interest is accreted on the balance of the DPL using the discount rate locked in at the initial measurement of the cohort. Measurement of the DPL uses best estimate assumptions for mortality. These assumptions are similarly subject to the annual review process discussed above.

Additional Liabilities – Universal Life-type

For universal life-type insurance contracts, a liability is recognized for the policyholder's account value as discussed further in Note 10 of the Notes to Condensed Consolidated Financial Statements. Where these contracts provide additional benefits beyond the account balance or base insurance coverage that are not market risk benefits or embedded derivatives, liabilities in addition to the policyholder's account value are recognized. These additional liabilities for annuitization, death and other insurance benefits are reported within reserves for future policy benefits and claims payable. The methodology uses a benefit ratio defined as a constant percentage of the assessment base. This ratio is multiplied by current period assessments to determine the reserve accrual for the period. The assumptions used in the measurement of the additional liabilities for annuitization, death and other insurance benefits are based on best estimate assumptions including mortality, persistency, investment returns, and discount rates. These assumptions are similarly subject to the annual review process discussed above. As available-for-sale debt securities are carried at fair value, an adjustment is made to these additional liabilities equal to the change in liability that would have occurred if such securities had been sold at their stated fair value and the proceeds reinvested at current yields. This adjustment, along with the change in net unrealized gains (losses) on available-for-sale debt securities, net of applicable tax, is credited or charged directly to equity as a component of OCI.

See Note 10 - Other Contract Holder Funds of the Notes to Condensed Consolidated Financial Statements for more information regarding other contract holder funds.

Other Future Policy Benefits and Claims Payable

In conjunction with a prior acquisition, the Company recorded a fair value adjustment at acquisition related to certain annuity and interest-sensitive liability blocks of business to reflect the cost of the interest guarantees within the in-force liabilities, based on the difference between the guaranteed interest rate and an assumed new money guaranteed interest rate at acquisition. This adjustment is included in other future policy benefits and claims payable as disclosed in the table below. This liability is remeasured at the end of each period, taking into account changes in the in-force block. Any resulting change in the liability is recorded as a Gain (loss) from updating future policy benefits cash flow assumptions, net through the Condensed Consolidated Income Statements.

In addition, annuity and life claims liabilities in course of settlement are included in other future policy benefits and claims payable as disclosed in the table below.

The following table summarizes the Company's reserves for future policy benefits and claims payable balances (in millions):

	March 31, 2024	December 31, 2023
Reserves for future policy benefits		
Payout Annuities	\$ 1,092	\$ 1,090
Closed Block Life	3,843	3,994
Closed Block Annuity	4,092	4,215
Reserves for future policy benefits	9,027	9,299
Additional liabilities		
Closed Block Life	1,125	1,153
Other future policy benefits and claims payable	1,433	1,446
Reserves for future policy benefits and claims payable	\$ 11,585	\$ 11,898

The following tables present the roll-forward of components of reserves for future policy benefits (in millions):

	Present Value of Expected Net Premiums					
	Three Months Ended March 31,			Year Ended December 31,		
	2024			2023		
	Payout Annuities	Closed Block Life	Closed Block Annuity	Payout Annuities	Closed Block Life	Closed Block Annuity
Balance, beginning of period	\$ —	\$ 1,140	\$ —	\$ —	\$ 1,287	\$ —
Beginning of period cumulative effect of changes in discount rate assumptions	—	113	—	—	161	—
Beginning balance at original discount rate	—	1,253	—	—	1,448	—
Effect of changes in cash flow assumptions	—	—	—	—	22	—
Effect of actual variances from expected experience	—	—	—	—	(95)	—
Balance adjusted for variances from expectation	—	1,253	—	—	1,375	—
Issuances	—	1	—	—	6	—
Interest accrual	—	11	—	—	38	—
Net premiums collected	—	(34)	—	—	(166)	—
Ending balance at original discount rate	—	1,231	—	—	1,253	—
End of period cumulative effect of changes in discount rate assumptions	—	(125)	—	—	(113)	—
Balance, end of period	\$ —	\$ 1,106	\$ —	\$ —	\$ 1,140	\$ —

	Present Value of Expected Future Policy Benefits					
	Three Months Ended March 31,			Year Ended December 31,		
	2024			2023		
	Payout Annuities	Closed Block Life	Closed Block Annuity	Payout Annuities	Closed Block Life	Closed Block Annuity
Balance, beginning of period	\$ 1,090	\$ 5,134	\$ 4,215	\$ 1,042	\$ 5,448	\$ 4,434
Beginning of period cumulative effect of changes in discount rate assumptions	99	767	185	132	958	275
Beginning balance at original discount rate (including DPL of \$42, \$0 and \$626 in March 31, 2024, and \$40, \$0 and \$671 in December 31, 2023 for payout annuities, closed block life and closed block annuity, respectively)	1,189	5,901	4,400	1,174	6,406	4,709
Effect of changes in cash flow assumptions	—	—	—	—	65	(3)
Effect of actual variances from expected experience	—	1	—	(16)	(95)	(8)
Balance adjusted for variances from expectation	1,189	5,902	4,400	1,158	6,376	4,698
Issuances	38	3	—	117	15	1
Interest accrual	11	43	47	43	195	194
Benefits payments	(34)	(177)	(121)	(129)	(685)	(493)
Ending balance of original discount rate (including DPL of \$42, \$0 and \$614 in March 31, 2024, and \$42, \$0 and \$626 in December 31, 2023 for payout annuities, closed block life and closed block annuity, respectively)	1,204	5,771	4,326	1,189	5,901	4,400
End of period cumulative effect of changes in discount rate assumptions	(112)	(822)	(234)	(99)	(767)	(185)
Balance, end of period	\$ 1,092	\$ 4,949	\$ 4,092	\$ 1,090	\$ 5,134	\$ 4,215
Reserves for future policy benefits	1,092	3,843	4,092	1,090	3,994	4,215
Less: Reinsurance recoverable	98	2,132	4	94	2,200	4
Reserves for future policy benefits, after reinsurance recoverable	\$ 994	\$ 1,711	\$ 4,088	\$ 996	\$ 1,794	\$ 4,211

The following table presents the weighted average duration of the reserves for future policy benefits. The weighted average duration represents average cohort-level duration weighted by the benefit reserves amount:

	Payout Annuities	Closed Block Life	Closed Block Annuity
March 31, 2024			
Weighted average duration (years)	6.9	7.1	6.9
December 31, 2023			
Weighted average duration (years)	7.0	7.2	7.0

The discount rate assumption was updated based on current market data. Discount rates increased in the first quarter of 2024 compared to the fourth quarter of 2023. Discount rates increased primarily due to increases in risk-free rates, which resulted in a decrease in the liability for future policy benefits. Refer to the roll-forward above for further details.

The following table presents the amount of undiscounted and discounted expected future gross premiums and expected future benefit payments for future policy benefits for non-participating traditional and limited-payment insurance contracts (in millions). The discounted premiums are calculated using the current discount rate, while the undiscounted cash flows represent the gross cash flows before any discounting is applied:

	March 31, 2024		December 31, 2023	
	Undiscounted	Discounted	Undiscounted	Discounted
Payout Annuities				
Expected future benefit payments	\$ 1,609	\$ 1,045	\$ 1,579	\$ 1,043
Expected future gross premiums	—	—	—	—
Closed Block Life				
Expected future benefit payments	7,553	5,065	7,729	5,251
Expected future gross premiums	4,931	2,995	5,056	3,119
Closed Block Annuity				
Expected future benefit payments	5,323	3,455	5,421	3,565
Expected future gross premiums	\$ —	\$ —	\$ —	\$ —

The following table presents the amount of revenue and interest related to non-participating traditional and limited-pay insurance contracts recognized in the Condensed Consolidated Income Statements (in millions):

	Gross Premiums		Interest Expense	
	Three Months Ended March 31, 2024	Year Ended December 31, 2023	Three Months Ended March 31, 2024	Year Ended December 31, 2023
Payout Annuities	\$ 10	\$ 22	\$ 11	\$ 43
Closed Block Life	79	340	32	157
Closed Block Annuity	—	1	47	194
Total	\$ 89	\$ 363	\$ 90	\$ 394

The following table presents the weighted average interest rate for the reserves for future policy benefits at the cohort's level for the locked-in discount rate (interest accretion rate), and current discount rate, weighted by the cohort's benefit reserve amount:

	March 31, 2024	December 31, 2023
Payout Annuities		
Interest accretion rate	3.90 %	3.86 %
Current discount rate	5.34 %	5.12 %
Closed Block Life		
Interest accretion rate	3.06 %	3.07 %
Current discount rate	5.32 %	5.06 %
Closed Block Annuity		
Interest accretion rate	4.40 %	4.40 %
Current discount rate	5.35 %	5.12 %

The following table presents a roll-forward of Closed Block Life additional liabilities for annuitization, death and other insurance benefits (in millions):

	Three Months Ended March 31, 2024	Year Ended December 31, 2023
Balance, beginning of period	\$ 1,153	\$ 1,131
Beginning of period cumulative effect of changes in shadow adjustments	17	41
Beginning balance excluding shadow	1,170	1,172
Effect of changes in cash flow assumptions	—	44
Effect of actual variances from expected experience	10	46
Interest accrual	14	56
Net assessments collected	(47)	(148)
Ending balance excluding shadow	1,147	1,170
End of period cumulative effect of changes in shadow adjustments	(22)	(17)
Balance, end of period	<u>\$ 1,125</u>	<u>\$ 1,153</u>

The following table presents the weighted average duration of Closed Block Life additional liabilities for annuitization, death and other insurance benefits. The weighted average duration represents average cohort-level duration weighted by the benefit reserves amount:

	March 31, 2024	December 31, 2023
Weighted average duration (years)	9.5	9.7

The following table presents assessments and interest expense of Closed Block Life additional liabilities for annuitization, death and other insurance benefits recognized in the Condensed Consolidated Income Statements (in millions):

	Assessments		Interest Expense	
	Three Months Ended March 31, 2024	Year Ended December 31, 2023	Three Months Ended March 31, 2024	Year Ended December 31, 2023
Additional liability for annuitization, death and other insurance benefits	\$ (47)	\$ (148)	\$ 14	\$ 56

The following table presents the weighted average current discount rate of Closed Block Life additional liabilities for annuitization, death and other insurance benefits, applied at the cohort level weighted by reserve benefit amount:

	March 31, 2024	December 31, 2023
Weighted average current discount rate	4.97 %	4.97 %

10. Other Contract Holder Funds

Other contract holder funds represent the policyholder account balance on our universal life-type products, investment contracts, and the fair value of the embedded derivatives associated with the indexed crediting features on our fixed index annuities and registered index-linked annuities.

Universal life type contracts have, as a principal component, an account balance in which interest is credited to policyholders and assessments are deducted for mortality risk and contract administration. The account balance is recognized as a liability within other contract holder funds, and the liability is updated each period for fee and assessment deductions and increased for interest or returns credited to the account balance.

Certain of our universal life type contracts contain features that are not classified as market risk benefits or embedded derivatives but provide additional benefits beyond the account balance or base insurance coverage for which a liability in addition to the account balance is necessary. These additional liabilities for death or other insurance benefits are reported as a component of reserves for future policy benefits and claims payable in the Condensed Consolidated Balance Sheets. *See Note 9 - Reserves for Future Policy Benefits and Claims Payable of the Notes to the Condensed Consolidated Financial Statements for more information regarding these additional liabilities.*

Certain contracts without significant mortality or morbidity risk and certain annuities that lack insurance risk are treated as investment contracts. For investment contracts, payments received are reported as liabilities and accounted for in a manner consistent with the accounting for interest-bearing or other financial instruments, within other contract holder funds.

The Company issues a variety of annuity products including fixed annuities, fixed index annuities, registered index linked annuities, variable annuities and payout annuities. For annuity contracts that are classified as investment contracts, the liability is the account balance as of the reporting date, reported within the other contract holder funds. For the variable annuity products, only the allocations to fixed fund options are reported in other contract holder funds.

For our fixed index annuities and registered index linked annuities, the equity-linked option issued by the Company is accounted for as an embedded derivative measured at fair value and reported as a component of other contract holder funds on the Condensed Consolidated Balance Sheets with changes in fair value recorded in net income within net gains (losses) on derivatives and investments. The fair value is determined using an option-budget method with capital market inputs of market index returns and discount rates as well as actuarial assumptions including lapse, mortality and withdrawal rates. Favorable equity market movements cause increases in future contract holder benefits, resulting in an increase in the fair value of the embedded derivative liability (and vice versa). The Company also establishes a host contract reserve to support the underlying guaranteed account value growth. This host contract liability is included as a component of other contract holder funds on the Condensed Consolidated Balance Sheets. Interest is accreted to the host contract liability using an effective yield method.

Our annuity products may contain certain features or guarantees that are classified as MRBs. These market risk benefits are a component of the market risk benefits line items in the Condensed Consolidated Balance Sheet. *See Note 12 - Market Risk Benefits of the Notes to Condensed Consolidated Financial Statements for more information regarding market risk benefits.*

The Company's institutional products business is comprised of the guaranteed investment contracts, medium-term funding agreement-backed notes and funding agreements (including agreements issued in conjunction with the Company's participation in the U.S. Federal Home Loan Bank ("FHLB") program) described below.

The Company has established a \$27 billion aggregate Global Medium-Term Note ("MTN") program. Jackson National Life Global Funding was formed as a statutory business trust, solely for the purpose of issuing Medium-Term Note instruments to institutional investors, the proceeds of which are deposited with the Company and secured by the issuance of funding agreements. The carrying values at March 31, 2024 and December 31, 2023 totaled \$5.2 billion and \$5.8 billion, respectively.

Those Medium-Term Note instruments issued in a foreign currency have been hedged for changes in exchange rates using cross-currency swaps. The unrealized foreign currency gains and losses on those Medium-Term Note instruments are included in the carrying value of the trust instruments supported by funding agreements.

Trust instrument liabilities are adjusted to reflect the effects of foreign currency translation gains and losses using exchange rates as of the reporting date. Foreign currency translation gains and losses are included in net gains (losses) on derivatives and investments.

Jackson is a member of the FHLBI primarily for the purpose of participating in the bank's mortgage-collateralized loan advance program with long-term funding facilities. Advances are in the form of funding agreements, short-term and long-term borrowings issued to FHLBI. At March 31, 2024 and December 31, 2023, the Company held \$127 million and \$108 million of FHLBI capital stock, respectively, supporting \$2.0 billion and \$2.3 billion in funding agreements and short-term and long-term borrowings at March 31, 2024 and December 31, 2023, respectively. At March 31, 2024 and December 31, 2023, the funding agreements and short-term and long-term borrowings were collateralized by mortgage-related securities and commercial mortgage loans with a carrying value of \$3.1 billion and \$3.5 billion, respectively.

The following table presents the liabilities for other contract holder funds (in millions):

	March 31, 2024	December 31, 2023
Payout Annuity	\$ 851	\$ 860
Variable Annuity	7,991	8,396
Fixed Annuity	9,350	9,736
Fixed Indexed Annuities	9,923	10,243
RILA	6,644	5,219
Closed Block Life	10,926	11,039
Closed Block Annuity	1,220	1,252
Institutional Products	7,825	8,406
Other Product Lines	167	168
Total other contract holder funds	\$ 54,897	\$ 55,319

The following table presents a roll-forward of other contract holder funds, gross of reinsurance (in millions):

	Payout Annuity	Variable Annuity	Fixed Annuity	Fixed Indexed Annuities	RILA	Closed Block Life	Closed Block Annuity	Total
Balance as of January 1, 2024	\$ 860	\$ 8,396	\$ 9,736	\$ 10,243	\$ 5,219	\$ 11,039	\$ 1,252	\$ 46,745
Deposits	49	173	60	40	1,155	74	1	1,552
Surrenders, withdrawals and benefits	(64)	(518)	(490)	(440)	(36)	(222)	(44)	(1,814)
Net transfers from (to) separate accounts	—	(99)	—	—	—	—	—	(99)
Investment performance / change in value of equity option	—	—	—	37	300	—	—	337
Interest credited	7	60	78	48	6	161	11	371
Policy charges and other	(1)	(21)	(34)	(5)	—	(126)	—	(187)
Balance as of March 31, 2024	\$ 851	\$ 7,991	\$ 9,350	\$ 9,923	\$ 6,644	\$ 10,926	\$ 1,220	\$ 46,905

	Payout Annuity	Variable Annuity	Fixed Annuity	Fixed Indexed Annuities	RILA	Closed Block Life	Closed Block Annuity	Total
Balance as of January 1, 2023	\$ 837	\$ 10,259	\$ 11,696	\$ 11,787	\$ 1,875	\$ 11,215	\$ 1,319	\$ 48,988
Deposits	202	995	234	211	2,890	307	4	4,843
Surrenders, withdrawals and benefits	(231)	(1,788)	(2,406)	(1,954)	(70)	(738)	(115)	(7,302)
Net transfers from (to) separate accounts	—	(1,256)	—	—	—	—	—	(1,256)
Investment performance / change in value of equity option	—	—	—	51	509	—	—	560
Interest credited	25	273	342	210	14	730	44	1,638
Policy charges and other	27	(87)	(130)	(62)	1	(475)	—	(726)
Balance as of December 31, 2023	<u>\$ 860</u>	<u>\$ 8,396</u>	<u>\$ 9,736</u>	<u>\$ 10,243</u>	<u>\$ 5,219</u>	<u>\$ 11,039</u>	<u>\$ 1,252</u>	<u>\$ 46,745</u>

The following table presents weighted average crediting rate, net amount at risk, and cash surrender value of contract holder account balances (dollars in millions):

	Payout Annuity	Variable Annuity	Fixed Annuity	Fixed Indexed Annuities	RILA	Closed Block Life	Closed Block Annuity
March 31, 2024							
Weighted-average crediting rate ⁽¹⁾	3.29 %	3.00 %	3.34 %	1.93 %	0.36 %	5.89 %	3.61 %
Net amount at risk ⁽²⁾	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 16,325	\$ —
Cash surrender value ⁽³⁾	\$ —	\$ 7,920	\$ 9,259	\$ 9,695	\$ 6,363	\$ 10,859	\$ 1,220
December 31, 2023							
Weighted-average crediting rate ⁽¹⁾	2.91 %	3.25 %	3.51 %	2.05 %	0.27 %	6.61 %	3.51 %
Net amount at risk ⁽²⁾	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 16,619	\$ —
Cash surrender value ⁽³⁾	\$ —	\$ 8,306	\$ 9,639	\$ 9,999	\$ 4,896	\$ 10,970	\$ 1,252

⁽¹⁾ Weighted average crediting rate is the average crediting rate weighted by contract holder account balances invested in fixed account funds.

⁽²⁾ Net amount at risk represents the standard excess benefit base for guaranteed death benefits on universal life type products. The net amount at risk associated with market risk benefits are presented within Note 12 of the Notes to Condensed Consolidated Financial Statements.

⁽³⁾ Cash surrender value represents the amount of the contract holder's account balance distributable at the balance sheet date less the applicable surrender charges.

At March 31, 2024 and December 31, 2023, excluding reinsurance business, approximately 94% and 92% of the Company's annuity account values correspond to crediting rates that are at the minimum guaranteed interest rates, respectively. At March 31, 2024 and December 31, 2023, excluding reinsurance business, approximately 83% and 64% of the Company's closed block life account values correspond to crediting rates that are at the minimum guaranteed interest rates, respectively.

The following table presents contract holder account balances invested in fixed account funds by range of guaranteed minimum crediting rates and the related range of the difference between rates being credited to other contract holder funds and the respective guaranteed minimums (in millions):

Range of Guaranteed Minimum Crediting Rate	March 31, 2024				Total
	At Guaranteed Minimum	1 Basis Point-50 Basis Points Above	51 Basis Points-150 Basis Points Above	Greater Than 150 Basis Points Above	
Variable Annuities					
0.00%-1.50%	\$ —	\$ 11	\$ 1	\$ —	\$ 12
1.51%-2.50%	165	—	—	—	165
Greater than 2.50%	7,806	—	—	8	7,814
Total	\$ 7,971	\$ 11	\$ 1	\$ 8	\$ 7,991
Fixed Annuities					
0.00%-1.50%	\$ 18	\$ 52	\$ 60	\$ 1	\$ 131
1.51%-2.50%	27	1	1	—	29
Greater than 2.50%	757	46	1	265	1,069
Total	\$ 802	\$ 99	\$ 62	\$ 266	\$ 1,229
Fixed Indexed Annuities					
0.00%-1.50%	\$ 4	\$ 9	\$ 3	\$ 41	\$ 57
1.51%-2.50%	—	1	—	—	1
Greater than 2.50%	19	—	69	10	98
Total	\$ 23	\$ 10	\$ 72	\$ 51	\$ 156
RILA					
0.00%-1.50%	\$ 7	\$ —	\$ 4	\$ 2	\$ 13
1.51%-2.50%	—	—	—	—	—
Greater than 2.50%	51	6	—	—	57
Total	\$ 58	\$ 6	\$ 4	\$ 2	\$ 70
Closed Block Life					
0.00%-1.50%	\$ —	\$ —	\$ —	\$ —	\$ —
1.51%-2.50%	1	12	—	—	13
Greater than 2.50%	5,625	416	747	5	6,793
Total	\$ 5,626	\$ 428	\$ 747	\$ 5	\$ 6,806
Closed Block Annuity					
0.00%-1.50%	\$ —	\$ —	\$ —	\$ —	\$ —
1.51%-2.50%	—	—	1	12	13
Greater than 2.50%	1,012	22	25	—	1,059
Total	\$ 1,012	\$ 22	\$ 26	\$ 12	\$ 1,072

Range of Guaranteed Minimum Crediting Rate	December 31, 2023				Total
	At Guaranteed Minimum	1 Basis Point-50 Basis Points Above	51 Basis Points-150 Basis Points Above	Greater Than 150 Basis Points Above	
Variable Annuities					
0.00%-1.50%	\$ —	\$ 12	\$ 1	\$ —	\$ 13
1.51%-2.50%	173	—	—	—	173
Greater than 2.50%	8,186	—	—	24	8,210
Total	\$ 8,359	\$ 12	\$ 1	\$ 24	\$ 8,396
Fixed Annuities					
0.00%-1.50%	\$ 17	\$ 55	\$ 70	\$ 1	\$ 143
1.51%-2.50%	29	1	1	—	31
Greater than 2.50%	721	51	1	271	1,044
Total	\$ 767	\$ 107	\$ 72	\$ 272	\$ 1,218
Fixed Indexed Annuities					
0.00%-1.50%	\$ 4	\$ 9	\$ 3	\$ 43	\$ 59
1.51%-2.50%	—	—	—	—	—
Greater than 2.50%	21	—	62	10	93
Total	\$ 25	\$ 9	\$ 65	\$ 53	\$ 152
RILA					
0.00%-1.50%	\$ 7	\$ —	\$ 4	\$ 1	\$ 12
1.51%-2.50%	—	—	—	—	—
Greater than 2.50%	39	12	—	—	51
Total	\$ 46	\$ 12	\$ 4	\$ 1	\$ 63
Closed Block Life					
0.00%-1.50%	\$ —	\$ —	\$ —	\$ —	\$ —
1.51%-2.50%	—	—	—	—	—
Greater than 2.50%	4,425	1,830	603	16	6,874
Total	\$ 4,425	\$ 1,830	\$ 603	\$ 16	\$ 6,874
Closed Block Annuity					
0.00%-1.50%	\$ —	\$ —	\$ —	\$ —	\$ —
1.51%-2.50%	—	—	1	12	13
Greater than 2.50%	896	169	23	—	1,088
Total	\$ 896	\$ 169	\$ 24	\$ 12	\$ 1,101

11. Separate Account Assets and Liabilities

The Company issues variable contracts through its separate accounts for which investment income and investment gains and losses accrue directly to, and investment risk is borne by, the contract holder (traditional variable annuities). The Company also issues variable annuity and life contracts through separate accounts where the Company contractually guarantees to the contract holder (variable contracts with guarantees) either a) return of no less than total deposits made to the account adjusted for any partial withdrawals, b) total deposits made to the account adjusted for any partial withdrawals plus a minimum return, or c) the highest account value on a specified anniversary date adjusted for any withdrawals following the contract anniversary. These guarantees include benefits that are payable in the event of death (guaranteed minimum death benefits, or "GMDB"), at annuitization ("GMIB"), upon the depletion of funds ("GMWB") or at the end of a specified period ("GMAB"). These guarantees are classified as market risk benefits. *See Note 12 - Market Risk Benefits of the Notes to Condensed Consolidated Financial Statements for more information regarding market risk benefits.*

The separate account assets supporting the variable portion of both traditional variable annuities and variable contracts with guarantees are carried at fair value and reported as summary total separate account assets with an equivalent summary total reported for separate account liabilities. At March 31, 2024 and December 31, 2023, the assets and liabilities associated with variable life and annuity contracts were \$231 billion and \$220 billion, respectively. Investment risks associated with market value changes are borne by the contract holders, except to the extent of minimum guarantees made by the Company.

Separate account net investment income, net investment realized and unrealized gains and losses, and the related liability changes are offset within the same line item in the Condensed Consolidated Income Statements. Amounts assessed against the contract holders for mortality, variable annuity benefit guarantees, administrative, and other services are reported in revenue as fee income.

Included in the separate account assets and liabilities described above is a Jackson issued group variable annuity contract designed for use in connection with and issued to the Company's Defined Contribution Retirement Plan. These deposits are allocated to the Jackson National Separate Account - II, which had balances of \$213 million and \$198 million at March 31, 2024 and December 31, 2023, respectively. The Company receives administrative fees for managing the funds. These fees are recorded as earned and included in fee income in the Condensed Consolidated Income Statements.

The following table presents the roll-forward of the separate account balance for variable annuities (in millions):

	Three Months Ended March 31, 2024	Year Ended December 31, 2023
Balance as of beginning of period	\$ 219,381	\$ 195,550
Deposits	2,263	8,545
Surrenders, withdrawals and benefits	(5,857)	(17,029)
Net transfer from (to) general account	99	1,256
Investment performance	15,288	33,807
Policy charges and other	(695)	(2,748)
Balance as of end of period, gross	<u>\$ 230,479</u>	<u>\$ 219,381</u>
Cash surrender value ⁽¹⁾	\$ 225,521	\$ 214,395

⁽¹⁾ Cash surrender value represents the amount of the contract holder's account balances distributable at the balance sheet date less applicable surrender charges.

The following table presents the reconciliation of the separate account balance in the Condensed Consolidated Balance Sheets (in millions):

	March 31, 2024	December 31, 2023
Variable Annuities	\$ 230,479	\$ 219,381
Other Product Lines	294	275
Total	<u>\$ 230,773</u>	<u>\$ 219,656</u>

The following table presents aggregate fair value of assets, by major investment asset category, supporting separate accounts (in millions):

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Variable Annuities By Fund Type		
Equity	\$ 164,075	\$ 154,020
Bond	19,832	19,801
Balanced	43,886	42,831
Money Market	2,686	2,729
Total Variable Annuities	<u>230,479</u>	<u>219,381</u>
Other Product Lines	294	275
Total Separate Accounts	<u>\$ 230,773</u>	<u>\$ 219,656</u>

12. Market Risk Benefits

Contracts or contract features that provide protection to the contract holder from capital market risk and expose the Company to other-than-nominal capital market risk are classified as MRBs.

All long-duration insurance contracts and certain investment contracts are subject to MRB evaluation. MRBs are measured at fair value at the contract level and can be in either an asset or liability position. For contracts that contain multiple MRB features, the MRBs are valued together as a single compound MRB. Market risk benefit assets and Market risk benefit liabilities are reported separately on the Condensed Consolidated Balance Sheets.

Changes in fair value are reported in Net (gains) losses on market risk benefits on the Condensed Consolidated Income Statements. However, the change in fair value related to our own non-performance risk is reported as a component of other comprehensive income in Change in non-performance risk on market risk benefits on the Condensed Consolidated Statements of Comprehensive Income (Loss).

A description of the items effecting the change in fair value by category is as follows:

- *Changes in interest rates* — movement in risk free rates (impacts both assumed future separate account returns and discounting of cash flows)
- *Fund performance* — separate account returns gross of fees
- *Change in equity index volatility* — movement in implied volatility
- *Expected policyholder behavior* — policyholder behavior as assumed in reserving
- *Actual policyholder behavior different than expected* — difference between actual behavior during the period versus assumed behavior
- *Time* — effect of passage of time including reduction to separate account balances from fees, the change in proximity of future cash flows, and impacts to policy features such as bonus credits
- *Change in assumptions* — changes in assumptions resulting from our periodic review
- *Change in non-performance risk* — changes in Jackson’s non-performance risk

See Note 6 - Fair Value Measurements of the Notes to Condensed Consolidated Financial Statements for more information regarding fair value measurements.

Additionally, when an annuitization occurs (for annuitization benefits) or upon extinguishment of the account balance (for withdrawal benefits), the balance related to the MRB is derecognized and the amount deducted (after derecognition of any related amount included in accumulated other comprehensive income) is used in the calculation of the liability for future policy benefits for the resulting payout annuity.

Variable Annuities

Variable annuity contracts issued by the Company offer various guaranteed minimum death, withdrawal, income and accumulation benefits. These guaranteed benefit features, as well as the reinsurance recoverable on the Company’s guaranteed minimum income benefits (“GMIB”), are classified as MRBs and measured at fair value. The Company discontinued offering the GMIB in 2009 and the guaranteed minimum accumulation benefits (“GMAB”) in 2011.

Variable annuity guaranteed benefit features classified as MRBs, which have explicit fees, are measured using the attributed fee method. Under the attributed fee method, fair value is measured as the difference between the present value of projected future liabilities and the present value of projected attributed fees. At the inception of the contract, the Company attributes to the MRB a portion of total fees expected to be assessed against the contract holder to offset the projected claims over the lifetime of the contract. The attributed fee is expressed as a percentage of total projected future fees at inception of the contract. This percentage of total projected fees is considered a fixed term of the MRB feature and is held static over the life of the contract. This percentage may not exceed 100% of the total projected contract fees as of contract inception. As the Company may issue contracts that have projected future liabilities greater than the projected future guaranteed benefit fees at issue, the Company may also attribute mortality and expense charges when performing this calculation. In subsequent valuations, both the present value of future projected liabilities and the present value of projected attributed fees are remeasured based on current market conditions and policyholder behavior assumptions.

Fixed Index Annuities

The longevity riders issued on fixed index annuities are classified as MRBs and measured at fair value. Similar to the variable annuity guaranteed benefits features, these contracts have explicit fees and are measured using the attributed fee method. The Company attributes a percentage of total projected future fees expected to be assessed against the policyholder to offset the projected future claims over the lifetime of the contract. If the fees attributed are insufficient to offset the claims at issue, the shortfall is borrowed from the host contract rather than recognizing a loss at inception.

RILA

RILA guaranteed benefit features are classified as MRBs and measured at fair value. Unlike variable or fixed index annuities, RILA products do not have explicit fees and are measured using an option-based method. The fair value measurement represents the present value of future claims payable by the MRB feature. At inception, the value of the MRB is deducted from the value of the contract resulting in no gain or loss.

The following table presents the reconciliation of the market risk benefits balance in the Condensed Consolidated Balance Sheets (in millions):

	March 31, 2024			December 31, 2023		
	Variable	Other	Total	Variable	Other	Total
	Annuities	Product Lines		Annuities	Product Lines	
Market risk benefit - (assets)	\$ (8,020)	\$ (5)	\$ (8,025)	\$ (6,732)	\$ (5)	\$ (6,737)
Market risk benefit - liabilities	3,794	49	3,843	4,732	53	4,785
Market risk benefit - net (asset) liability	\$ (4,226)	\$ 44	\$ (4,182)	\$ (2,000)	\$ 48	\$ (1,952)

The following table presents the roll-forward of the net MRB (assets) liabilities for variable annuities (dollars in millions):

	Three Months Ended March 31, 2024	Year Ended December 31, 2023
Net MRB balance, beginning of period	\$ (2,000)	\$ 767
Beginning of period cumulative effect of changes in non-performance risk	972	2,185
Net MRB balance, beginning of period, before effect of changes in non-performance risk	(1,028)	2,952
Effect of changes in interest rates	(1,457)	(733)
Effect of fund performance	(1,851)	(5,401)
Effect of changes in equity index volatility	(205)	(1,107)
Effect of expected policyholder behavior	164	612
Effect of actual policyholder behavior different from expected	166	483
Effect of time	444	1,829
Effect of changes in assumptions	4	337
Net MRB balance, end of period, before effect of changes in non-performance risk	(3,763)	(1,028)
End of period cumulative effect of changes in non-performance risk	(463)	(972)
Net MRB balance, end of period, gross	(4,226)	(2,000)
Reinsurance recoverable on market risk benefits at fair value, end of period	(72)	(90)
Net MRB balance, end of period, net of reinsurance	(4,298)	(2,090)
Weighted average attained age (years) ⁽¹⁾	69	69
Net amount at risk ⁽²⁾	\$ 6,327	\$ 8,225

⁽¹⁾ Weighted-average attained age is defined as the average age of policyholders weighted by account value.

⁽²⁾ Net amount at risk (NAR) is defined as of the valuation date for each contract as the greater of Death Benefit NAR (DBNAR) and Living Benefit NAR (LBNAR), as applicable, where DBNAR is the GMDB benefit base in excess of the account value, and the LBNAR is the actuarial present value of guaranteed living benefits in excess of the account value.

At each reporting date, the Company regularly evaluates the inputs and assumptions to be used to measure the fair value of the MRB assets and MRB liabilities. In prior periods, the non-performance risk adjustment was determined based on credit spreads indicated by a blend of yields on similarly rated peer debt and yields on Company debt. Starting June 30, 2023, non-performance risk is incorporated into the calculation through the adjustment of the risk-free rate curve based only on credit spreads for debt and debt-like instruments issued by the Company or its insurance operating subsidiaries, adjusted, as necessary, to reflect the financial strength ratings of the issuing insurance subsidiaries. The change was made as a result of management's determination that the reliability of credit spreads on debt and debt-like instruments issued by the Company as a measure of company-specific credit risk has increased due to sustained levels of market trading volume of these instruments.

The significant assumptions used in the MRB fair value calculations are discussed in Note 6 - Fair Value Measurements of the Notes to Condensed Consolidated Financial Statements.

13. Long-Term Debt

Liabilities for the Company's debt are primarily carried at an amount equal to the principal balance net of any unamortized original issuance discount or premium. Original issuance discount or premium and any debt issue costs, if applicable, are recognized as a component of interest expense over the period the debt is expected to be outstanding.

The aggregate carrying value of long-term debt was as follows (in millions):

	March 31, 2024	December 31, 2023
Long-Term Debt		
Senior Notes due 2027	\$ 398	\$ 398
Senior Notes due 2031	495	495
Senior Notes due 2032	347	347
Senior Notes due 2051	490	490
Surplus notes	250	250
FHLBI bank loans	53	57
Total long-term debt	<u>\$ 2,033</u>	<u>\$ 2,037</u>

The following table presents the contractual maturities of the Company's long-term debt as of March 31, 2024 (in millions):

	Calendar Year					Total
	2025	2026	2027	2028	2029 and thereafter	
Long-term debt	\$ —	\$ —	\$ 648	\$ —	\$ 1,385	\$ 2,033

Senior Notes

On June 8, 2022, the Company issued \$750 million aggregate principal amount of senior unsecured notes, consisting of \$400 million aggregate principal amount of 5.170% Senior Notes due June 8, 2027 and \$350 million aggregate principal amount of 5.670% Senior Notes due June 8, 2032. The net proceeds of these notes were used, together with cash on hand, to repay the Company's \$750 million aggregate principal amount senior unsecured term loan due February 2023.

Revolving Credit Facility

On February 24, 2023, the Company replaced the 2021 Revolving Credit Facility that was due to expire in February 2024 and entered into a revolving credit facility (the "2023 Revolving Credit Facility") with a syndicate of banks and Bank of America, N.A., as Administrative Agent. The 2023 Revolving Credit Facility provides for borrowings for working capital and other general corporate purposes under aggregate commitments of \$1.0 billion, with a sub-limit of \$500 million available for letters of credit. The 2023 Revolving Credit Facility further provides for the ability to request, subject to customary terms and conditions, an increase in commitments thereunder by up to an additional \$500 million.

The credit agreement for the 2023 Revolving Credit Facility contains financial maintenance covenants, including a minimum adjusted consolidated net worth test of no less than 70% of our adjusted consolidated net worth as of September 30, 2022 (plus (to the extent positive) or minus (to the extent negative) 70% of the impact on such adjusted consolidated net worth resulting from the application of a one-time transition adjustment for the LDTI accounting change for insurance contracts, and plus 50% of the aggregate amount of any increase in adjusted consolidated net worth resulting from equity issuances by the Company and its consolidated subsidiaries after September 30, 2022), and a maximum consolidated indebtedness to total capitalization ratio test not to exceed 35%. Commitments under the 2023 Revolving Credit Facility terminate on February 24, 2028.

Line of Credit Agreement

Jackson is a party to an Uncommitted Money Market Line Credit Agreement dated April 6, 2023 among Jackson, Jackson Financial, and Société Générale. This agreement is an uncommitted short-term cash advance facility that provides an additional form of liquidity to Jackson and to Jackson Financial. The aggregate borrowing capacity under the agreement is \$500 million and each cash advance request must be at least \$100 thousand. The interest rate is set by the lender at the time of the borrowing and is fixed for the duration of the advance. Jackson and Jackson Financial are jointly and severally liable to repay any advance under the agreement, which must be repaid prior to the last day of the quarter in which the advance was drawn.

14. Federal Home Loan Bank Advances

The Company, through its subsidiary, Jackson, entered into an advance program with the FHLBI in which interest rates were either fixed or variable based on the FHLBI cost of funds or market rates. Advances of nil and \$250 million were outstanding at March 31, 2024 and December 31, 2023, respectively, and were recorded in other liabilities. Interest expense, included as a component of net investment income, on such advances was nil and nil for the three months ended March 31, 2024 and 2023, respectively. *See Note 10 - Other Contract Holder Funds of the Notes Condensed Consolidated Financial Statements for the carrying value of total collateralization of our FHLB obligations.*

15. Income Taxes

The Company uses the estimated annual effective tax rate (“ETR”) method in computing the interim tax provision. Certain items, including those deemed unusual, infrequent, or that cannot be reliably estimated, are treated as discrete items and excluded from the estimated annual ETR. In these cases, the actual tax expense or benefit is reported in the same period as the related item. Certain tax effects are also not reflected in the estimated annual ETR, primarily certain changes in the realizability of deferred tax assets and uncertain tax positions and are recorded in the period in which the change occurs. The estimated annual ETR is revised, as necessary, at the end of successive interim reporting periods.

The Company’s effective income tax rate was 11.3% for the three months ended March 31, 2024, compared with 27.2% for the same period in 2023. The ETR differs from the statutory rate of 21% primarily due to the dividends received deduction and utilization of foreign tax credits. The change in the ETR for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 was due to the relationship of taxable income to consolidated pre-tax income (loss). The ETR differs for the three months ended March 31, 2024 from the full year-ended December 31, 2023 ETR of 0.5% due to the relationship of taxable income to consolidated pre-tax income.

For the three months ended March 31, 2024 and 2023, the Company recorded an estimate of \$111 million and nil, respectively, for the provision of the Federal corporate alternative minimum tax (“CAMT”) based on the Company’s interpretation of available guidance. This was offset with an increase to the deferred tax asset for the credit carryover, resulting in no impact to total tax expense. The estimate is based on interpretations and assumptions we have made regarding the CAMT provisions of the Inflation Reduction Act of 2022. The U.S. Department of the Treasury is expected to issue additional regulatory guidance in 2024 that may materially change the estimated provision of the CAMT.

The Company is required to evaluate the recoverability of its deferred tax assets and establish a valuation allowance, if necessary, to reduce its deferred tax asset to an amount that is more likely than not to be realizable. Considerable judgment and the use of estimates are required when determining whether a valuation allowance is necessary and, if so, the amount of such valuation allowance. When evaluating the need for a valuation allowance, the Company considers many factors, including: the nature and character of the deferred tax assets and liabilities; taxable income in prior carryback years; future reversals of temporary differences; the length of time carryovers can be utilized; and any tax planning strategies the Company would employ to avoid a tax benefit from expiring unused. The Company has adopted an accounting policy to analyze the ability to recover the CAMT credit carryover deferred tax asset separately from the deferred tax assets generated under the regular tax system.

For the three months ended March 31, 2024, changes in market conditions and interest rates impacted the unrealized tax gains and losses in the available for sale securities portfolio resulting in deferred tax assets related to net unrealized tax capital losses. The deferred tax asset relates to the unrealized losses for which the carryforward period has not yet begun, and as such, when assessing its recoverability, we consider our ability and intent to hold the underlying securities to recovery.

As of March 31, 2024, based on all available evidence, we concluded that a valuation allowance should be established on a portion of the deferred tax asset related to unrealized losses that are not more likely than not to be realized. For the three months ended March 31, 2024 the Company recorded an increase of \$46 million to the valuation allowance associated with the unrealized tax losses in the Company’s available for sale securities portfolio and a change of nil related to both realized and unrealized losses on capital assets of the Non-life Companies. The \$46 million increase for the three months ended March 31, 2024 to the valuation allowance consists of \$58 million tax expense recorded to other comprehensive income

and \$12 million tax benefit recorded in the income tax expense. At March 31, 2024 and December 31, 2023, the Company has recorded a total valuation allowance for \$735 million and \$688 million, respectively, associated with the unrealized tax losses in the Company's available for sale securities portfolio. At March 31, 2024 and December 31, 2023, the Company has recorded a total valuation allowance for \$1 million and \$1 million, respectively, against the deferred tax assets associated with both realized and unrealized losses on capital assets in the Non-life Companies where it is not more likely than not that the full tax benefit of the losses will be realized.

16. Commitments and Contingencies

The Company and its subsidiaries are involved in litigation arising in the ordinary course of business. It is the opinion of management that the ultimate disposition of such litigation will not have a material adverse effect on the Company's financial condition. Jackson has been named in civil litigation proceedings, which appear to be substantially similar to other class action litigation brought against many life insurers including allegations of misconduct in the sale of insurance products. The Company accrues for legal contingencies once the contingency is deemed to be probable and reasonably estimable.

At March 31, 2024, the Company had unfunded commitments related to its investments in limited partnerships and limited liability companies totaling \$751 million. At March 31, 2024, unfunded commitments related to fixed-rate mortgage loans and other debt securities totaled \$804 million.

17. Operating Costs and Other Expenses

The following table is a summary of the Company's operating costs and other expenses (in millions):

	Three Months Ended March 31,	
	2024	2023
Asset-based commission expenses	\$ 279	\$ 250
Other commission expenses	203	174
Sub-advisor expenses	80	77
General and administrative expenses	271	236
Deferral of acquisition costs	(148)	(121)
Total operating costs and other expenses	<u>\$ 685</u>	<u>\$ 616</u>

18. Accumulated Other Comprehensive Income (Loss)

The following table represents changes in the balance of accumulated other comprehensive income ("AOCI"), net of income tax, related to unrealized investment gains (losses) (in millions):

	Three Months Ended March 31,	
	2024	2023
Balance, beginning of period ⁽¹⁾	\$ (2,808)	\$ (3,378)
Change in unrealized gains (losses) of investments	(282)	1,027
Change in current discount rate - reserve for future policy benefits ⁽²⁾	81	(146)
Change in non-performance risk on market risk benefits	(511)	284
Change in unrealized gains (losses) - other	4	(14)
Change in deferred tax asset	95	(110)
Other comprehensive income (loss) before reclassifications	(613)	1,041
Reclassifications from AOCI, net of tax	(2)	29
Other comprehensive income (loss)	(615)	1,070
Balance, end of period ⁽¹⁾	<u>\$ (3,423)</u>	<u>\$ (2,308)</u>

⁽¹⁾ Includes \$(1,661) million and \$(1,612) million related to the investments held within the funds withheld account related to the Athene Reinsurance Transaction as of March 31, 2024 and December 31, 2023, respectively.

⁽²⁾ Represents the impact of changes in the discount rate used in the remeasurement of our direct reserves for future policy benefits and claims payable, net of the remeasurement of ceded reserves for future policy benefits and claims payable.

The following table represents amounts reclassified out of AOCI (in millions):

AOCI Components	Amounts Reclassified from AOCI		Affected Line Item in the Condensed Consolidated Income Statement
	Three Months Ended March 31,		
	2024	2023	
Net unrealized investment gain (loss):			
Net realized gain (loss) on investments	\$ (1)	\$ 60	Net gains (losses) on derivatives and investments
Other impaired securities	(2)	(23)	Net gains (losses) on derivatives and investments
Net unrealized gain (loss)	(3)	37	
Income tax expense (benefit)	(1)	8	
Reclassifications, net of income taxes	<u>\$ (2)</u>	<u>\$ 29</u>	

19. Equity

Preferred Stock

On March 13, 2023, the Company issued and sold 22,000,000 depositary shares (the “Depositary Shares”), each representing a 1/1,000th fractional interest in a share of the Company’s Fixed-Rate Reset Noncumulative Perpetual Preferred Stock, Series A, \$25,000 liquidation preference per share (equivalent to \$25 per Depositary Share), with a 5-year dividend rate reset period and noncumulative dividends (the “Series A Preferred Stock”). After underwriting discounts and expenses, we received net proceeds of approximately \$533 million.

The Series A Preferred Stock carries i) an initial dividend rate of 8.000% per annum to but excluding, March 30, 2028; and ii) from, and including, March 30, 2028, during each reset period, at a rate per annum equal to the Five-year U.S. Treasury Rate as of the applicable reset dividend determination date plus 3.728%. The dividend is payable quarterly in arrears on March 30, June 30, September 30 and December 30, and commenced on June 30, 2023. Dividends on the Series A Preferred Stock are not cumulative. Under the terms of the Series A Preferred Stock, if the Company has not declared and paid, or declared and set aside a sum sufficient for the payment of, dividends on the Series A Preferred Stock for the immediately preceding dividend period (for the avoidance of doubt, there is no preceding dividend period for the initial dividend period), then the Company’s ability to pay dividends or make distributions with respect to its common stock, or to repurchase or otherwise acquire its common stock, is subject to certain restrictions. Similar restrictions would apply in respect of any preferred stock ranking on parity with, or junior to, the Series A Preferred Stock, if any such preferred stock were to be issued by the Company.

We may, at our option, redeem the shares of Series A Preferred Stock (a) in whole but not in part at any time prior to March 30, 2028, (i) within 90 days after the occurrence of a “rating agency event” at a redemption price equal to \$25,500 per share (equivalent to \$25.50 per Depositary Share), plus an amount equal to any accrued but unpaid dividends to, but excluding, the redemption date, or (ii) within 90 days after the occurrence of a “regulatory capital event,” at a redemption price equal to \$25,000 per share (equivalent to \$25 per Depositary Share), plus an amount equal to any accrued but unpaid dividends to, but excluding, the redemption date, or (b) in whole or in part, from time to time, on or after March 30, 2028, at a redemption price equal to \$25,000 per share (equivalent to \$25 per Depositary Share), plus an amount equal to any accrued but unpaid dividends to, but excluding, the redemption date. If we redeem any shares of Series A Preferred Stock, a proportionate number of Depositary Shares will be redeemed. Holders of Depositary Shares have no right to require the redemption or repurchase of the Series A Preferred Stock or the Depositary Shares.

The net proceeds from the sale were used for general corporate purposes, including the repayment of senior notes that matured in November 2023.

The following table presents declaration date, record date, payment date and dividends paid per preferred share of, and per depositary share representing, JFI’s Series A preferred stock:

Quarter Ended	Declaration Date	Record Date	Payment Date	Dividends Paid	
				Per Preferred Share	Per Depositary Share
03/31/2024	February 20, 2024	March 12, 2024	April 1, 2024	\$500	\$0.50
03/31/2023	None				

Common Stock

At the time of the Demerger, the Company had two classes of common stock: Class A Common Stock and Class B Common Stock. Both classes had a par value of \$0.01 per share. Each share of Class A Common Stock was entitled to one vote per share. Each share of Class B Common Stock was entitled to one-tenth of one vote per share. Except for voting rights, the Company’s Class A Common Stock and Class B Common Stock had the same dividend rights, were equal in all other respects, and were otherwise treated as if they were one class of shares. On June 9, 2022, our shareholders approved the Third Amended and Restated Certificate of Incorporation, which amended and restated the Second Amended and Restated Certificate of Incorporation to eliminate the Class B Common Stock. At March 31, 2024 and December 31, 2023,

the Company was authorized to issue up to 1 billion shares of common stock (formerly known as the Class A Common Stock at December 31, 2021).

Share Repurchase Program

On February 27, 2023, our Board of Directors authorized an increase of \$450 million in our existing authorization to repurchase shares of our outstanding common stock as part of the Company's share repurchase program.

The Company expects to repurchase common shares from time to time in the open market or in privately negotiated transactions. The timing, form and amount of the share repurchases under the program are at the discretion of management and will depend on a variety of factors, including funds available at the Company, other potential uses for such funds, market conditions, the Company's capital position, legal requirements and other factors. The repurchase program may be modified, extended or terminated by the Board at any time. It does not have an expiration date. There can be no assurance that we will continue share repurchases or approve any increase to, or approve any new, stock repurchase program, or the amount of any repurchases made pursuant to such programs.

The Inflation Reduction Act of 2022 creates a 1% excise tax on net stock buybacks of publicly-traded U.S. corporations. Starting in 2023, such excise tax generally applies if a company repurchases in excess of \$1 million of its stock in any given calendar year. The impact of this provision depends on the extent to which net share repurchases are made. Any excise tax incurred on corporate stock repurchases will generally be recognized as part of the cost basis of the treasury stock acquired and not reported as income tax expense. Through March 31, 2024, we have not incurred any excise tax as stock issuances (including preferred stock) were greater than stock repurchases.

The following table represents share repurchase activities as part of this share repurchase program:

Period	Number of Shares Repurchased	Total Payments (in millions)	Average Price Paid Per Share
2023 (January 1- March 31)	1,721,737	\$ 70	\$ 40.42
2023 (April 1- June 30)	1,394,797	47	33.87
2023 (July 1- September 30)	1,873,727	71	38.13
2023 (October 1- December 31)	1,512,263	67	44.37
Total 2023	6,502,524	\$ 255	\$ 39.27
2024 (January 1- March 31)	2,157,372	116	53.76
2024 (April 1- May 2)	718,812	48	66.80
Total 2024	2,876,184	\$ 164	\$ 57.02

The following table represents changes in the balance of common stock outstanding:

	Common Stock Issued	Treasury Stock	Total Common Stock Outstanding
Shares at December 31, 2023	94,481,006	(15,820,785)	78,660,221
Share-based compensation programs	—	118,525 ⁽¹⁾	118,525
Shares repurchased under repurchase program	—	(2,157,372)	(2,157,372)
Shares at March 31, 2024	94,481,006	(17,859,632)	76,621,374

⁽¹⁾ Represents net shares issued from treasury stock pursuant to the Company's share-based compensation programs.

Dividends to Shareholders

Any declaration of cash dividends on common stock will be at the discretion of JFI's Board of Directors and will depend on our financial condition, earnings, liquidity and capital requirements, regulatory constraints, level of indebtedness, preferred stock, contractual restrictions with respect to paying cash dividends, restrictions imposed by Delaware law, general business conditions and any other factors that JFI's Board of Directors deems relevant in making any such determination. Therefore, there can be no assurance that we will pay any cash dividends to holders of our stock or as to the amount of any such cash dividend.

The following table presents declaration date, record date, payment date and dividends paid per share of JFI's common stock:

	Declaration Date	Record Date	Payment Date	Dividends Paid Per Share
Quarter Ended				
03/31/2024	February 20, 2024	March 12, 2024	March 21, 2024	\$0.70
Quarter Ended				
03/31/2023	February 27, 2023	March 14, 2023	March 23, 2023	\$0.62

20. Earnings Per Share

Basic earnings per share is calculated by dividing net income (loss) attributable to Jackson Financial common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is calculated by dividing the net income (loss) attributable to Jackson Financial common shareholders, by the weighted-average number of shares of common stock outstanding for the period, plus shares representing the dilutive effect of share-based awards. Beginning in 2021, the Company granted its first share-based awards subject to vesting provisions of the 2021 Omnibus Incentive Plan, which have a dilutive effect. See Note 18 - Share-Based Compensation of the Notes to Consolidated Financial Statements in the Company's 2023 Annual Report for further description of share-based awards.

The following table sets forth the calculation of earnings per common share:

	Three Months Ended March 31,	
	2024	2023
	(in millions, except share and per share data)	
Net income (loss) attributable to Jackson Financial Inc.	\$ 795	\$ (1,497)
Less: Preferred stock dividends	11	—
Net income (loss) attributable to Jackson Financial Inc. common shareholders	<u>\$ 784</u>	<u>\$ (1,497)</u>
Weighted average shares of common stock outstanding - basic	78,059,817	82,646,113
Dilutive common shares	807,286	—
Weighted average shares of common stock outstanding - diluted ⁽¹⁾	78,867,103	82,646,113
Earnings per share—common stock		
Basic	\$ 10.04	\$ (18.11)
Diluted	\$ 9.94	\$ (18.11)

⁽¹⁾ If we reported a net loss attributable to Jackson Financial Inc., all common stock equivalents are anti-dilutive and are therefore excluded from the calculation of diluted shares and diluted per share amounts. The shares excluded from the diluted EPS calculation were 3,436,857 shares for the three months ended March 31, 2023.

21. Subsequent Events

The Company has evaluated subsequent events through the date these Condensed Consolidated Financial Statements were issued.

Dividends Declared to Shareholders

On May 2, 2024, our Board of Directors approved a cash dividend on JFI's common stock, \$0.70 per share for the second quarter 2024, payable on June 20, 2024, to shareholders of record on June 6, 2024. The Company also announced the declaration of a cash dividend of \$0.50 per depositary share, each representing a 1/1,000th interest in a share of Fixed-Rate Reset Noncumulative Perpetual Preferred Stock, Series A. The dividend will be payable on July 1, 2024, to shareholders of record at the close of business on June 6, 2024.

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

FORWARD-LOOKING STATEMENTS – CAUTIONARY LANGUAGE

The information in this Quarterly Report on Form 10-Q (this “report”) contains forward-looking statements about future events and circumstances and their effects upon revenues, expenses and business opportunities. Generally speaking, any statement in this report not based upon historical fact is a forward-looking statement. Forward-looking statements can also be identified by the use of forward-looking or conditional words, such as “could,” “should,” “can,” “continue,” “estimate,” “forecast,” “intend,” “look,” “may,” “will,” “expect,” “believe,” “anticipate,” “plan,” “remain,” “confident” and “commit” or similar expressions. In particular, statements regarding plans, strategies, prospects, targets and expectations regarding the business and industry are forward-looking statements. They reflect expectations, are not guarantees of performance and speak only as of the dates the statements are made. We caution investors that these forward-looking statements are subject to known and unknown risks and uncertainties that may cause actual results to differ materially from those projected, expressed, or implied. Factors that could cause actual results to differ materially from those in the forward-looking statements include those reflected in Part I, Item 1A. Risk Factors and Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on February 28, 2024, (the "2023 Annual Report"), and elsewhere in Jackson Financial Inc.’s filings with the U.S. Securities and Exchange Commission. Except as required by law, Jackson Financial Inc. does not undertake to update such forward-looking statements. You should not rely unduly on forward-looking statements.

Available Information

We make available free of charge, through our investor relations page of our website, investors.jackson.com, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, our proxy statements, and any amendments to those reports or statements as soon as reasonably practicable after these materials are electronically filed with, or furnished to, the SEC. We use our investor relations page of our website as a routine channel for distribution of important information, including news releases, analyst presentations, financial information, and corporate governance information. The content of Jackson's website is not incorporated by reference into this Report or in any other report or document filed with the SEC, and any references to Jackson's website are intended to be inactive textual references only. The SEC's website, www.sec.gov, contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Principal Definitions, Abbreviations, and Acronyms Used in the Text and Notes of this Report

we, us, our and the Company	Jackson Financial Inc. and its consolidated subsidiaries, unless the context refers only to Jackson Financial Inc. as a corporate entity (which we refer to as "JFI" or "Jackson Financial")
Jackson	Jackson National Life Insurance Company, our primary operating subsidiary
Brooke Life	Brooke Life Insurance Company, our subsidiary and the direct parent company of Jackson National Life Insurance Company and Brooke Re
Brooke Re	Brooke Life Reinsurance Company, our subsidiary, and a Michigan based captive reinsurer
Jackson Finance	Jackson Finance, LLC, our subsidiary
PPMH	PPM Holdings, Inc., our subsidiary
PPM	PPM America, Inc., a subsidiary of PPMH
ACL	Allowance for credit loss
Account value ("AV") or account balance	The amount of money in a customer's account. For example, the value increases with additional premiums and investment gains and it decreases with withdrawals, investment losses and fees.
Athene	Athene Life Re Ltd. and its affiliates and permitted transferees, including Athene Co-Invest Reinsurance Affiliate 1A Ltd.
Athene Reinsurance Transaction	The funds withheld coinsurance agreement with Athene, entered on June 18, 2020, and effective June 1, 2020, to reinsure a 100% quota share of a block of our in-force fixed and fixed index annuity liabilities in exchange for approximately \$1.2 billion in ceding commissions.
AUM ("Assets under management")	Investment assets that are managed by one of our subsidiaries and includes: (i) assets managed by PPM, including our investment portfolio (but excluding assets held in funds withheld accounts for reinsurance transactions), (ii) third-party assets (including our former parent and its affiliates), and (iii) the separate account assets of our retail annuities managed and administered by JNAM.
Benefit base	A notional amount (not actual cash value) used to calculate guaranteed benefits within an owner's annuity contract and fees due in respect of those guaranteed benefits. The death benefit and living benefit within the same contract may have different benefit bases.
CMBS	Commercial mortgage-backed securities
DAC ("Deferred acquisition costs")	Represent the incremental costs related directly to the successful acquisition of new, and certain renewal, insurance policies and annuity contracts. The recognition of these costs has been deferred, and the deferred amounts are shown on the balance sheet as an asset, which is subject to amortization over the estimated lives of those policies and contracts.
Deferred tax asset or Deferred tax liability	Assets or liabilities that are recorded for the difference between financial reporting, or book basis, and tax basis of an asset or a liability.

Fixed Annuity	An annuity that guarantees a set annual rate of return with interest at rates we determine, subject to specified minimums. Credited interest rates are guaranteed not to change for certain limited periods of time, after which rates may reset.
Fixed Index Annuity	An annuity with an ability to share in the upside from certain financial markets, such as equity indices, and provides downside protection
General account assets	The assets held in the general accounts of our insurance companies
GIC	Guaranteed investment contract
Guarantee Fees	Fees charged on our annuity contracts for optional benefit guarantees
GMAB ("Guaranteed minimum accumulation benefit")	An add-on benefit (enhanced benefits available for an additional cost) that entitles an owner to a minimum payment, typically in lump-sum, after a set period of time, referred to as the accumulation period. The minimum payment is based on the benefit base, which could be greater than the underlying account value.
GMDB ("Guaranteed minimum death benefit")	An add-on benefit (enhanced benefits available for an additional cost) that guarantees an owner's beneficiaries are entitled to a minimum payment based on the benefit base, which could be greater than the underlying account value, upon the death of the owner.
GMIB ("Guaranteed minimum income benefit")	An add-on benefit (available for an additional cost) where an owner is entitled to annuitize the policy and receive a minimum payment stream based on the benefit base, which could be greater than the payment stream resulting from current annuitization of the underlying account value.
GMWB ("Guaranteed minimum withdrawal benefit")	An add-on benefit (available for an additional cost) where an owner is entitled to withdraw a maximum amount of their benefit base each year, for which cumulative payments to the owner could be greater than the underlying account value.
GMWB for Life ("Guaranteed minimum withdrawal benefit for life")	An add-on benefit (available for an additional cost) where an owner is entitled to withdraw the guaranteed annual withdrawal amount each year for the duration of the policyholder's life, regardless of account performance.
NAIC	National Association of Insurance Commissioners
NAV	Net asset value
Net flows	Net flows represent the net change in customer account balances during a period, after reflecting gross premium inflows and surrender, withdrawal and benefit payment outflows. Net flows do not include investment performance, interest credited to customer accounts and policy charges.
RBC ("Risk-based capital")	Statutory minimum level of capital that is required by regulators for an insurer to support its operations
RBC ratio	The ratio of statutory total adjusted capital to company action level required capital. A formal calculation is made annually during the fourth quarter. In other periods, the ratio is estimated.
RILA	A registered index-linked annuity, which offers market index-linked investment options, subject to a cap, and a variety of guarantees designed to modify or limit losses.
RMBS	Residential mortgage-backed securities
Variable annuity	An annuity that offers tax-deferred investment into a range of asset classes and a variable return, which offers insurance features related to potential future income payments.
VIE	Variable interest entity

Overview of Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in its entirety and in conjunction with the Condensed Consolidated Financial Statements and related notes contained in Part I, Item 1 of this report, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" section in our 2023 Annual Report.

Jackson Financial Inc. ("Jackson Financial" or "JFI") along with its subsidiaries (collectively, the "Company," which also may be referred to as "we," "our" or "us"), is a financial services company. Jackson Financial, domiciled in the state of Delaware, United States ("U.S."), was previously a subsidiary of Prudential plc ("Prudential"), London, England and was the holding company for Prudential's U.S. operations. On September 13, 2021, the Company demerged from Prudential (the "Demerger"). Jackson Financial's primary operating subsidiary, Jackson National Life Insurance Company ("Jackson"), is licensed to sell group and individual annuity products (including immediate, registered index-linked, deferred fixed, fixed index, fixed and variable annuities), and various protection products, primarily whole life, universal life, variable universal life and term life insurance products in all 50 states and the District of Columbia.

Executive Summary

This executive summary of Management's Discussion and Analysis of Financial Condition and Results of Operation highlights selected information and may not contain all the information that is important to current or potential investors in our securities. You should read this report, together with our 2023 Annual Report, in their entirety for a more detailed description of events, trends, uncertainties, risks and critical accounting estimates affecting us.

We help Americans grow and protect their retirement savings and income to enable them to pursue financial freedom for life. We believe that we are uniquely positioned in our markets because of our differentiated products, well-known brand and disciplined risk management. Our market position is supported by our efficient and scalable operating platform and industry-leading distribution network. We believe these core strengths will enable us to grow profitably as an aging, U.S. population transitions into retirement.

We earn revenues predominantly from fee income, spread income resulting from what we earn on investments versus the interest we credit to contract holders, and margins on other insurance products. Our profitability is dependent on our ability to properly price and manage risk on insurance and annuity products, to manage our portfolio of investments effectively, and to control costs through expense discipline.

Due to funds withheld reinsurance arrangements, including the Athene Reinsurance Transaction, we hold significant assets whose investment performance accrues to the benefit of the related reinsurer.

We experience net income volatility due to the fact that we do not directly use hedging to offset the movement in our U.S. generally accepted accounting principles ("U.S. GAAP") market risk benefit liabilities as market conditions change from period to period. Our core dynamic hedging program seeks to offset changes in the economic liability associated with variable annuity guaranteed benefits due to market movements, while our macro hedging program seeks to protect statutory capital under a range of stress scenarios. We do not use U.S. GAAP as the basis for hedging liabilities. We do not directly seek to offset the movement in our market risk benefit liabilities from changes in market conditions. As a result, the changes in the fair value of the derivatives used as part of our overall hedging program are not expected to match the movements in the market risk benefit liabilities resulting in volatility from changes in fair value recorded to net income. Accordingly, we evaluate and manage the performance of our business using Adjusted Operating Earnings, a non-GAAP financial measure that reduces the impact of market volatility by excluding changes in fair value of freestanding and embedded derivative instruments, market risk benefits and other items. See "Non-GAAP Financial Measures" below for information regarding our non-GAAP financial measures and reconciliations to the most comparable U.S. GAAP measures.

We manage our business through three segments: Retail Annuities, Institutional Products, and Closed Life and Annuity Blocks. We report in Corporate and Other activities and items that are not included in these segments, including the results of PPM Holdings, Inc., the parent holding company of PPM America Inc. ("PPM"), which manages the majority of our general account investment portfolio. See Note 3 - Segment Information of the Notes to Condensed Consolidated Financial Statements for further information on our segments.

An understanding of several key operating measures, including sales, account value, net flows, benefit base and assets under management ("AUM"), is helpful in evaluating our results. See “Key Operating Measures” below. Finally, we are affected by various economic, industry and regulatory trends, which are described below under “Macroeconomic, Industry and Regulatory Trends.”

The table below presents selected financial and operating measures:

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Net income (loss) attributable to Jackson Financial Inc. common shareholders	\$ 784	\$ (1,497)
Adjusted Operating Earnings ⁽¹⁾	334	271
Amount of shares repurchased under share repurchase program	116	70
Dividends on common shares	56	54
Return on Equity ("ROE") Attributable to Common Shareholders	32.5 %	(71.5)%
Adjusted Operating ROE Attributable to Common Shareholders on average equity ⁽¹⁾	12.0 %	11.7 %

⁽¹⁾ Non-GAAP Financial Measure. See "Non-GAAP Financial Measures" below for information regarding our non-GAAP financial measures and reconciliations to the most comparable U.S. GAAP measures.

Recent Events of Note

- Capital Returned to Common Shareholders:* Since January 1, 2024 through March 31, 2024, we have returned \$172 million to our common shareholders consisting of \$56 million in dividends and \$116 million in common share repurchases. Our capital return target for common shareholders for 2024 is \$550-\$650 million. Share repurchases, net of issuances for our share-based compensation, have reduced our outstanding shares of common stock from 78,660,221 at December 31, 2023 to 76,621,374 at March 31, 2024. See Note 19 of the Notes to Condensed Consolidated Financial Statements for further information on our share repurchases.
- Brooke Life Reinsurance Company ("Brooke Re"):* During the first quarter of 2024, Jackson entered into a 100% coinsurance with funds withheld reinsurance transaction with Brooke Re with all economics of the transaction effective as of January 1, 2024. Jackson and Brooke Re are both direct subsidiaries of Brooke Life. The transaction primarily provides for the cession from Jackson to Brooke Re of liabilities associated with certain guaranteed benefit riders under our variable annuity contracts and similar products of Jackson (“market risk benefits”), both in-force on the effective date of the reinsurance agreement and written in the future (*i.e.*, on a “flow” basis) as well as related future fees, claims and other benefits, and maintenance expenses in exchange for a ceding commission for the in-force business. Jackson retains the variable annuity base contract, the annuity contract administration of the ceded business, and responsibility for investment management of the assets in the funds withheld account supporting the ceded liabilities. Brooke Re paid a ceding commission of approximately \$1.2 billion to Jackson in connection with the execution of the reinsurance transaction. The reinsurance transaction eliminates upon consolidation at JFI. Holding company liquidity at JFI was not impacted by the transaction.

Brooke Re is a Michigan captive insurer regulated by the Michigan Department of Insurance and Financial Services and created in the first quarter of 2024 for the express purpose of serving as the counterparty to the reinsurance transaction with Jackson described above. Brooke Re was capitalized with assets contributed from Brooke Life of approximately \$1.9 billion originating from Jackson as a return of capital to Brooke Life. Brooke Re utilizes a modified GAAP approach primarily related to market risk benefits, with the intent to increase alignment between assets and liabilities in response to changes in economic factors.

The transaction mitigates the impact of the cash surrender value floor on Jackson's total adjusted capital, statutory required capital, and risk-based capital ("RBC") ratio and enables more efficient economic hedging of the underlying risks of Jackson's business. This outcome serves the interests of policyholders by protecting statutory capital through diminished non-economic hedging and related costs. Overall, this transaction allows us to optimize our hedging, stabilize capital generation, and produce more predictable financial results going forward.

Key Operating Measures

We use a number of operating measures, discussed below, which management believes provide useful information about our businesses and the operational factors underlying our financial performance.

Sales

Sales of annuities and institutional products include all money deposited by customers into new and existing contracts. We believe sales statistics are useful to gaining an understanding of, among other things, the attractiveness of our products, how we can best meet our customers' needs, evolving industry product trends and the performance of our business from period to period.

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Sales		
Variable annuities	\$ 2,436	\$ 2,474
RILA	1,155	533
Fixed Index Annuities	40	71
Fixed Annuities ⁽¹⁾	60	62
Total Retail Annuity Sales	3,691	3,140
Total Institutional Product Sales	100	649
Total Sales	\$ 3,791	\$ 3,789

⁽¹⁾ Includes payout annuities

Higher retail sales were primarily due to increased RILA sales, partially offset by decreased sales of our variable annuities with lifetime living benefits. In addition, sales of our institutional products were lower compared to 2023, reflecting our opportunistic approach to this business, depending on both the risk-adjusted return on investment opportunities available and the prevailing cost of funding required by purchasers.

Account Value

Account value ("AV") generally equals the account value of our variable annuities, RILA, fixed index annuities, fixed annuities, interest sensitive life, and institutional products. It reflects the total amount of customer invested assets that have accumulated within a respective product and equals cumulative customer contributions, which includes gross deposits or premiums, plus accrued credited interest plus or minus the impact of market movements, as applicable, less withdrawals and various fees. We believe account value is a useful metric in providing an understanding of, among other things, the sources of potential fee and spread income generation, potential benefit obligations and risk management priorities.

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
	(in millions)	
Account Value		
GMWB For Life	\$ 174,608	\$ 166,688
GMWB	6,341	6,092
GMIB	1,315	1,352
No Living Benefits	56,206	53,645
Total Variable Annuity Account Value	<u>238,470</u>	<u>227,777</u>
RILA	6,644	5,219
Fixed Index Annuity ⁽¹⁾	656	622
Fixed Annuity ⁽¹⁾	1,229	1,218
Total Fixed & Fixed Index Annuity Account Value ⁽¹⁾	<u>1,885</u>	<u>1,840</u>
Payout Annuity ⁽¹⁾	<u>612</u>	<u>629</u>
Total Retail Annuities Account Value ⁽¹⁾	<u>\$ 247,611</u>	<u>\$ 235,465</u>
Total Institutional Products Account Value	\$ 7,825	\$ 8,406
Total Closed Life and Annuity Blocks Account Value ⁽¹⁾	\$ 7,935	\$ 8,032

⁽¹⁾ Net of reinsurance.

Net Flows

Net flows represent the net change in customer account balances during a period, reflecting gross premiums received and surrenders, withdrawals and benefits payments. Net flows exclude investment performance, interest credited to customer accounts, transfers between fixed and variable benefits for variable annuities and policy charges. We believe net flows is a useful metric in providing an understanding of, among other things, sales, ongoing premiums and deposits, the changes in account value from period to period, sources of potential fee and spread income and policyholder behavior.

	<u>Three Months Ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
	(in millions)	
Net Flows:		
Variable Annuity	\$ (3,939)	\$ (1,774)
RILA	1,119	516
Fixed Index Annuity ⁽¹⁾	31	70
Fixed Annuity ⁽¹⁾	9	(11)
Payout Annuity ⁽¹⁾	(19)	(26)
Total Retail Annuities Net Flows ⁽¹⁾	<u>(2,799)</u>	<u>(1,225)</u>
Net flows ceded	(866)	(1,203)
Total Retail Annuities net flows, gross of reinsurance	<u>\$ (3,665)</u>	<u>\$ (2,428)</u>
Total Institutional Products Net Flows	\$ (596)	\$ (391)
Total Closed Life and Annuity Blocks Net Flows ⁽¹⁾	\$ (90)	\$ (47)

⁽¹⁾ Net of reinsurance.

Net flows, net of reinsurance, decreased for the three months ended March 31, 2024, compared to the three months ended March 31, 2023, driven by increased variable annuity surrenders and withdrawals, partially offset by increased RILA sales.

Benefit Base

Benefit base refers to a notional amount that represents the value of a customer's guaranteed benefit and, therefore, may be a different value from the invested assets in a customer's account value. The benefit base may be used to calculate the fees for a customer's guaranteed benefits within an annuity contract. The guaranteed death benefit and guaranteed living benefit within the same contract may not have the same benefit base. We believe benefit base is a useful metric for our variable annuity policies in providing an understanding of, among other things, fee income generation, potential optional guarantee benefit obligations and risk management priorities. The following table shows variable annuity account value and benefit base as of March 31, 2024 and December 31, 2023:

	March 31, 2024		December 31, 2023	
	Account Value	Benefit Base	Account Value	Benefit Base
	(in millions)			
No Living Benefits	\$ 56,206	N/A	\$ 53,645	N/A
By Guaranteed Living Benefits:				
GMWB for Life	174,608	186,813	166,688	188,722
GMWB	6,341	5,266	6,092	5,348
GMIB ⁽¹⁾	1,315	1,678	1,352	1,799
Total	<u>\$ 238,470</u>	<u>\$ 193,757</u>	<u>\$ 227,777</u>	<u>\$ 195,869</u>
By Guaranteed Death Benefit:				
Return of AV (No GMDB)	\$ 28,786	N/A	\$ 27,486	N/A
Return of Premium	183,376	136,476	174,841	137,287
Highest Anniversary Value ("HAV")	13,698	13,273	13,213	13,522
Rollup	3,426	4,402	3,347	4,484
Combination HAV/Rollup	9,184	9,910	8,890	10,057
Total	<u>\$ 238,470</u>	<u>\$ 164,061</u>	<u>\$ 227,777</u>	<u>\$ 165,350</u>

⁽¹⁾ Substantially all our GMIB benefits are reinsured.

Assets Under Management

AUM, or assets under management includes: (i) investment assets managed by one of our subsidiaries, PPM, including our investment portfolio (but excluding assets held in funds withheld accounts for reinsurance transactions) and third-party assets (including our former parent and its affiliates) and (ii) the separate account investment assets of our Retail Annuities segment managed and administered by another subsidiary, JNAM. Total AUM reflects exclusions between segments to avoid double counting. We believe AUM is a useful metric for understanding, among other things, the sources of our earnings, net investment income and performance of our invested assets, customer directed investments and risk management priorities.

	March 31,	December 31,
	2024	2023
	(in millions)	
Jackson Invested Assets	\$ 42,606	\$ 44,068
Third Party Invested Assets (including CLOs)	29,168	29,043
Total PPM AUM	71,774	73,111
Total JNAM AUM	253,555	242,727
Total AUM	<u>\$ 325,329</u>	<u>\$ 315,838</u>

Macroeconomic, Industry and Regulatory Trends

We discuss a number of trends and uncertainties below that we believe could materially affect our future business performance, including our results of operations, our investments, our cash flows, and our capital and liquidity position.

Macroeconomic and Financial Market Conditions

Our business and results of operations are affected by macroeconomic factors. The level of interest rates and shape of the yield curve, credit and equity market performance and equity volatility, regulation, tax policy, the level of U.S. employment, inflation and the overall U.S. economic growth rate can affect both our short- and long-term profitability. Monetary and fiscal policy in the U.S., or similar actions in foreign nations, could result in increased volatility in financial markets, including interest rates, currencies and equity markets, and could impact our business in both the short- and medium-term. Government actions, including responses to future pandemics, civil unrest, tariffs, sanctions or other barriers to international trade, and the effects that these or other government events could have on levels of U.S. economic activity, could also impact our business through any of their individual impacts on consumers' behavior or on financial markets.

In the short- to medium-term, the potential for increased volatility could pressure sales and reduce demand for our products as consumers consider purchasing alternative products to meet their objectives. Our financial performance can be adversely affected by market volatility and equity market declines if fees assessed on the account value of our annuities fluctuate, hedging costs increase, and revenues decline due to reduced sales and increased outflows.

Equity Market Environment

Our financial performance is impacted by equity market performance. On our variable annuities, the fees we earn that are not associated with guaranteed benefits are mainly based on the account value, which changes with equity market levels. In addition, our hedges could be less effective in periods of large directional movements, or we could experience more frequent or more costly rebalancing in periods of high volatility, which would lead to adverse performance versus our hedge targets and increased hedging costs. Further, we also are exposed to basis risk, which results from our inability to purchase or sell hedge assets whose performance is directly correlated to the performance of the funds into which customers allocate their assets. We make available to customers funds where we believe we can transact in sufficiently correlated hedge assets, yet we anticipate some variance in the performance of our hedge assets and customer funds. This variance may result in our hedge assets outperforming or underperforming the customer assets they are intended to match. This variance may be exacerbated during periods of high volatility, leading to a mismatch in our hedge results relative to our hedge targets and U.S. GAAP results.

Interest Rate Environment

The interest rate environment has affected, and will continue to affect, our business and financial performance for the following reasons:

- Periods of sharp rises in interest rates, as we have seen as a result of the Federal Reserve's past actions, impact investment-related activity including investment income returns, net investment spread results, new money rates, mortgage loan prepayments, and bond redemptions. Due to increases in interest rates, the yield on new investments has generally exceeded the yield on asset maturities and redemptions (runoff yield). Rising interest rates also impact the hedging results of our variable annuity business as the market value of interest rate hedges decline, thereby driving hedging losses. We would expect lower hedging costs and reduced levels of hedging going forward after such an increase in rates. Further, we expect near-term hedging losses from rising rates may be more than offset by changes in the fair value of the related guaranteed benefit liabilities, which are reduced with an increase in interest rates due to the higher discount rate.
- Interest rate increases also expose us to disintermediation risk, where higher rates make currently sold fixed annuity products more attractive while simultaneously reducing the market value of assets backing our liabilities. This creates an incentive for our customers to lapse their products in an environment where selling assets causes us to realize losses.
- With the execution of the Brooke Re transaction in the first quarter of 2024, we are able to largely moderate the impact of the cash surrender value floor going forward. In the past, our statutory total adjusted capital ("TAC") has been negatively impacted by rising rates due to minimum required reserving levels (i.e., cash surrender value floor) when reserve releases are limited and unable to offset interest rate hedging losses. The risk-based capital, or RBC, ratio increased or decreased depending on the interaction between movements in TAC and movements in statutory required capital (the company action level, or "CAL").
- Low interest rate environments could also subject us to increased hedging costs or an increase in the amount of statutory reserves that our insurance subsidiaries are required to hold for optional guaranteed benefits, decreasing statutory surplus, which would adversely affect our insurance subsidiaries' ability to pay dividends. In addition, low interest rates could also increase the perceived value of optional guaranteed benefit features to our customers, which in turn could lead to a higher utilization of withdrawal or annuitization features of annuity policies and higher persistency of those products over time.
- Some of our annuities have guaranteed minimum interest crediting rates ("GMICRs") that limit our ability to reduce crediting rates. If earnings on our investment portfolio decline, those GMICRs may result in net investment spread compression that negatively impacts earnings. Many of our annuities have GMICRs that reset at contractually specified times after issue, subject to a contractually specified minimum GMICR. In a rising interest rate environment, these GMICRs can increase over time. Conversely, in a falling interest rate environment the interest crediting rate will eventually decrease; however, there may be a lag between interest rate movements and the GMICR reset, temporarily limiting our ability to lower crediting rates. When policies have comparatively high GMICRs, in a subsequent low interest rate environment more customers are expected to hold on to their policies, which may result in lower lapses than previously expected.

Credit Market Environment

Conditions in fixed income markets impact our financial performance. As credit spreads widen, the fair value of our existing investment portfolio generally decreases, although we generally expect the widening spreads to increase the yield on new fixed income investments. Conversely, as credit spreads tighten, the fair value of our existing investment portfolio generally increases, and the yield available on new investment purchases decreases. While changing credit spreads impact the fair value of our investment portfolio, this revaluation is generally reflected in our accumulated other comprehensive income, or AOCI. The revaluation will impact net income for realized gains or losses from the sale of securities, the change in fair value of trading securities or securities carried at fair value under the fair value election, or potential changes in the allowance for credit loss ("ACL"). In addition, if credit conditions deteriorate due to a recession or other negative credit events in capital markets, we could experience an increase in defaults and other-than-temporary-impairments ("OTTI").

OTTI in our underlying investments would result in a reduction in TAC held by our insurance company subsidiaries. Also, shifts in the credit quality or credit rating downgrades of our investments as a result of stressed credit conditions may also impact the level of regulatory required statutory capital for our insurance company subsidiaries. As such, significant credit rating downgrades along with elevated defaults and OTTI losses would negatively impact our RBC ratio, which could impact available dividends from our insurance subsidiaries.

Pandemics and Other Public Health Crises

The COVID-19 pandemic disrupted our business and contributed to additional operating costs in prior years. Other similar pandemics, epidemics or disease outbreaks in the U.S. or globally could disrupt our business by affecting how we protect and interact with our critical workforce, customers, key vendors, third-party suppliers, or counterparties with whom we transact. Disruption could result from an inability of those persons to work or transact effectively due to illness, quarantines, and government actions in response to public health emergencies. The extent and severity of governmental actions will necessarily depend on the extent and severity of the perceived emergency. We have risk management plans in place and were able to navigate through COVID-19 with remote and hybrid work environments; however, those plans may be challenged by a new public health emergency.

Consumer Behavior

We believe that many retirees look to tax-efficient savings products as a tool for addressing their unmet need for retirement planning. We believe our products are well-positioned to meet this increasing consumer demand. However, consumer behavior may be impacted by increased economic uncertainty, unemployment rates, declining equity markets, significant changes in interest rates and increased volatility of financial markets. In recent years, we have introduced new products to better address changes in consumer demand and targeted distribution channels that meet changes in consumer preferences.

Demographics

We expect demographic trends in the U.S. population, in particular the increase in the number of retirement age individuals, to generate significant demand for our products. In addition, the potential risk to government social safety net programs and shifting of responsibility for retirement planning and financial security from employers and other institutions to employees, highlight the need for individuals to plan for their long-term financial security and will create additional opportunities to generate sustained demand for our products. We believe we are well-positioned to capture the increased demand generated by these demographic trends.

Regulatory Policy

We operate in a highly regulated industry. Our insurance company subsidiaries are regulated primarily at the state level, with some policies and products also subject to federal regulation. New federal and state regulations could impact our business model, including statutory reserve and capital requirements. Our ability to respond to changes in regulation and other legislative activity are critical to our long-term financial performance. The following regulations could materially impact our business:

Department of Labor Fiduciary Advice Rule

Effective February 16, 2021, the Department of Labor (the "DOL") issued a regulatory action that defined what constitutes fiduciary "investment advice" to Employee Retirement Income Security Act ("ERISA") plans and individual retirement accounts ("IRAs"), essentially broadening the circumstances under which financial institutions, including insurance companies, could be considered fiduciaries under ERISA or the Federal income tax code.

On April 23, 2024, the DOL adopted a final rule that revised the 2021 definition of fiduciary and related Prohibited Transaction Exemptions (PTE) (combined, the "Fiduciary Advice Rule" or "final rule"), redefining what constitutes fiduciary "investment advice" to ERISA plans and IRAs. The final rule extends fiduciary status to one-time rollover recommendations and broadens the circumstances under which financial institutions, including insurance companies, could be considered fiduciaries under ERISA or the Federal income tax code.

The final rule also includes revisions to two PTEs (2020-02 and 84-24) that govern the sale of annuities. PTE 2020-02 governs the sale of annuity products by financial institutions, including broker-dealers, and any recommendations to purchase securities in qualified plans or from rollover funds. PTE 84-24 was narrowed to only apply to independent insurance agents recommending non-securities products. PTE 84-24 also imposes certain supervisory obligations on insurance carriers that are similar to obligations already covered under the National Association of Insurance Commissioner's (NAIC) Suitability in Annuity Transactions Model Regulation, as well as new compliance policies and procedures.

The final rule takes effect on September 23, 2024, with a one-year phase-in period for a majority of the provisions, based on certain conditions. We anticipate that the final rule likely will face significant litigation challenges.

We continue to analyze the impact of the adopted Fiduciary Advice Rule and, while we cannot predict the final rule's impact, it could have an adverse effect on sales of annuities through our distribution partners and result in increased compliance costs to Jackson. We may need to take additional actions to comply with, or assist our distributors in their compliance with, the Fiduciary Advice Rule. The Fiduciary Advice Rule may also lead to changes to our compensation practices and product offerings and increase litigation risk, which could adversely affect our results of operations and financial condition. Nonetheless, because the distribution of annuities is primarily through intermediaries, most of which have implemented systems and processes to align to existing state and federal fiduciary and/or best interest standards, we believe that we have limited exposure to the Fiduciary Advice Rule. While the final rule may not have a material impact on our business, it may impede certain investors' access to financial advice or annuities that provide guaranteed income streams.

Legislative Reforms

In recent years, Congress approved legislation beneficial to our business model. The Setting Every Community Up for Retirement Enhancement Act of 2019 (the "SECURE Act"), approved by Congress on December 20, 2019, provides individuals with greater access to retirement products. Namely, it made it easier for 401(k) programs to offer annuities as an investment option by, among other things, creating a statutory safe harbor in ERISA for a retirement plan's selection of an annuity provider. On December 29, 2022, Congress signed into law the SECURE 2.0 Act of 2022 ("SECURE 2.0"). SECURE 2.0 expands automatic enrollment programs, increases the age for required minimum distributions, and eliminates age requirements for traditional IRA contributions. These changes are intended to expand and increase Americans' retirement savings.

Tax Laws

Our annuities offer investors the opportunity to benefit from tax deferrals. If U.S. tax laws change such that our annuities no longer offer tax-deferred advantages, demand for our products could materially decrease.

Non-GAAP Financial Measures

In addition to presenting our results of operations and financial condition in accordance with U.S. GAAP, we use and report selected non-GAAP financial measures. Management believes that the use of these non-GAAP financial measures, together with relevant U.S. GAAP financial measures, provides a better understanding of our results of operations, financial condition and the underlying performance drivers of our business. These non-GAAP financial measures should be considered supplementary to our results of operations and financial condition that are presented in accordance with U.S. GAAP and should not be viewed as a substitute for the U.S. GAAP financial measures. Other companies may use similarly titled non-GAAP financial measures that are calculated differently from the way we calculate such measures. Consequently, our non-GAAP financial measures may not be comparable to similar measures used by other companies. These non-GAAP financial measures should not be viewed as substitutes for the most directly comparable financial measures calculated in accordance with U.S. GAAP.

Adjusted Operating Earnings

Adjusted Operating Earnings is an after-tax non-GAAP financial measure, which we believe should be used to evaluate our financial performance on a consolidated basis by excluding certain items that may be highly variable from period to period due to accounting treatment under U.S. GAAP or that are non-recurring in nature, as well as certain other revenues and expenses that we do not view as driving our underlying performance. Adjusted Operating Earnings should not be used as a substitute for net income as calculated in accordance with U.S. GAAP. However, we believe the adjustments to net income are useful for gaining an understanding of our overall results of operations.

Adjusted Operating Earnings equals our Net income (loss) attributable to Jackson Financial Inc.'s common shareholders (which excludes income attributable to non-controlling interest and dividends on preferred stock) adjusted to eliminate the impact of the items described in the following numbered paragraphs. These items are excluded as they may vary significantly from period to period due to near-term market conditions or are otherwise not directly comparable or reflective of the underlying performance of our business. We believe these exclusions provide investors a better picture of the drivers of our underlying performance.

1. *Net Hedging Results*: Comprised of: (i) fees attributed to guaranteed benefits; (ii) changes in the fair value of freestanding derivatives used to manage the risk associated with market risk benefits and other guaranteed benefit features, excluding earned income from periodic settlements and changes in settlement accruals on cross-currency swaps; (iii) the movements in reserves, market risk benefits, guaranteed benefit features accounted for as embedded derivative instruments, and related claims and benefit payments; (iv) amortization of the balance of unamortized deferred acquisition costs at the date of transition to current accounting guidance (LDTI) on January 1, 2021 associated with items excluded from adjusted operating earnings prior to transition; and (v) the impact on the valuation of Guaranteed Benefits and Net Hedging Results arising from changes in underlying actuarial assumptions. We believe excluding these items removes the impact to both revenue and related expenses associated with Guaranteed Benefits and Net Hedging Results.
2. *Net Realized Investment Gains and Losses*: Comprised of: (i) realized investment gains and losses associated with the periodic sales or disposals of securities, excluding those held within our trading portfolio, and (ii) impairments of securities, after adjustment for the non-credit component of the impairment charges.
3. *Change in Value of Funds Withheld Embedded Derivative and Net investment income on funds withheld assets*: Composed of: (i) the change in fair value of funds withheld embedded derivatives, and (ii) net investment income on funds withheld assets related to funds withheld reinsurance transactions.

4. *Other items*: Comprised of: (i) the impact of investments that are consolidated in our financial statements due to U.S. GAAP accounting requirements, such as our investments in collateralized loan obligations (CLOs), but for which the consolidation effects are not consistent with our economic interest or exposure to those entities, and (ii) one-time or other non-recurring items, such as costs relating to our separation from Prudential.

Operating income taxes are calculated using the prevailing corporate federal income tax rate of 21% while taking into account any items recognized differently in our financial statements and federal income tax returns, including the dividends received deduction and other tax credits. For interim reporting periods, the Company uses an estimated annual effective tax rate ("ETR") in computing its tax provision including consideration of discrete items.

The following is a reconciliation of Adjusted Operating Earnings to net income (loss) attributable to Jackson Financial common shareholders, the most comparable U.S. GAAP measure.

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Net income (loss) attributable to Jackson Financial Inc common shareholders	\$ 784	\$ (1,497)
Add: dividends on preferred stock	11	—
Add: income tax expense (benefit)	101	(558)
Pretax income (loss) attributable to Jackson Financial Inc	896	(2,055)
Non-operating adjustments (income) loss:		
Guaranteed benefits and hedging results:		
Fees attributable to guarantee benefit reserves	(788)	(780)
Net movement in freestanding derivatives	2,576	2,512
Market risk benefits (gains) losses, net	(2,718)	(174)
Net reserve and embedded derivative movements	364	189
Amortization of DAC associated with non-operating items at date of transition to LDTI	139	153
Assumption changes	—	—
Total guaranteed benefits and net hedging results	(427)	1,900
Net realized investment (gains) losses	7	68
Net realized investment (gains) losses on funds withheld assets	201	673
Net investment income on funds withheld assets	(270)	(307)
Other items	(18)	23
Total non-operating adjustments	(507)	2,357
Pretax adjusted operating earnings	389	302
Less: operating income tax expense (benefit)	44	31
Adjusted operating earnings before dividends on preferred stock	345	271
Less: dividends on preferred stock	11	—
Adjusted operating earnings	\$ 334	\$ 271

Adjusted Book Value Attributable to Common Shareholders and Adjusted Operating ROE Attributable to Common Shareholders

We use Adjusted Operating Return on Equity ("ROE") Attributable to Common Shareholders to manage our business and evaluate our financial performance that: (i) excludes items that vary from period to period due to accounting treatment under U.S. GAAP or that are non-recurring in nature, as such items may distort the underlying performance of our business; and (ii) is calculated by dividing our Adjusted Operating Earnings by average Adjusted Book Value Attributable to Common Shareholders.

Adjusted Book Value Attributable to Common Shareholders excludes Preferred Stock and AOCI attributable to Jackson Financial, which does not include AOCI arising from investments held within the funds withheld account related to the Athene Reinsurance Transaction.

We exclude AOCI attributable to Jackson Financial from Adjusted Book Value Attributable to Common Shareholders because our invested assets are generally invested to closely match the duration of our liabilities, which are longer duration in nature, and, therefore we believe period-to-period fair market value fluctuations in AOCI to be inconsistent with this objective. We believe excluding AOCI attributable to Jackson Financial is more useful to investors in analyzing trends in our business. Changes in AOCI within the funds withheld account related to the Athene Reinsurance Transaction offset the related non-operating earnings from the Athene Reinsurance Transaction resulting in a minimal net impact on Adjusted Book Value of Jackson Financial.

Adjusted Book Value Attributable to Common Shareholders and Adjusted Operating ROE Attributable to Common Shareholders should not be used as substitutes for total shareholders' equity and ROE as calculated using annualized net income and average equity in accordance with U.S. GAAP. However, we believe the adjustments to equity and earnings are useful to gaining an understanding of our overall results of operations.

The following is a reconciliation of Adjusted Book Value Attributable to Common Shareholders to total shareholders' equity and a comparison of Adjusted Operating ROE Attributable to Common Shareholders to ROE Attributable to Common Shareholders, the most comparable U.S. GAAP measure:

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Net income (loss) attributable to Jackson Financial Inc. common shareholders	\$ 784	\$ (1,497)
Adjusted Operating Earnings	334	271
Total shareholders' equity	\$ 10,169	\$ 8,638
Less: Preferred stock	533	533
Total common shareholders' equity	9,636	8,105
Adjustments to total common shareholders' equity:		
Exclude AOCI attributable to Jackson Financial Inc. ⁽¹⁾	1,762	476
Adjusted Book Value Attributable to Common Shareholders	\$ 11,398	\$ 8,581
ROE Attributable to Common Shareholders	32.5 %	(71.5)%
Adjusted Operating ROE Attributable to Common Shareholders on average equity	12.0 %	11.7 %

⁽¹⁾ Excludes \$(1,661) million and \$(1,832) million related to the investments held within the funds withheld account related to the Athene Reinsurance Transaction as of March 31, 2024 and 2023, respectively, which are not attributable to Jackson Financial Inc. and are therefore not included as an adjustment to total shareholders' equity in the reconciliation of Adjusted Book Value Attributable to Common Shareholders to total shareholders' equity.

Consolidated Results of Operations

The following table sets forth, for the periods presented, certain data from our Condensed Consolidated Income Statements. The information contained in the table below should be read in conjunction with our Condensed Consolidated Financial Statements and the related notes elsewhere in this report:

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Revenues		
Fee income	\$ 1,998	\$ 1,888
Premiums	38	25
Net investment income:		
Net investment income excluding funds withheld assets	464	400
Net investment income on funds withheld assets	270	307
Total net investment income	734	707
Net gains (losses) on derivatives and investments:		
Net gains (losses) on derivatives and investments	(2,892)	(2,726)
Net gains (losses) on funds withheld reinsurance treaties	(201)	(673)
Total net gains (losses) on derivatives and investments	(3,093)	(3,399)
Other income	1	15
Total revenues	(322)	(764)
Benefits and Expenses		
Death, other policy benefits and change in policy reserves, net of deferrals	221	228
(Gain) loss from updating future policy benefits cash flow assumptions, net	11	14
Market risk benefits (gains) losses, net	(2,718)	(174)
Interest credited on other contract holder funds, net of deferrals and amortization	273	285
Interest expense	25	28
Operating costs and other expenses, net of deferrals	685	616
Amortization of deferred acquisition costs	278	293
Total benefits and expenses	(1,225)	1,290
Pretax income (loss)	903	(2,054)
Income tax expense (benefit)	101	(558)
Net income (loss)	802	(1,496)
Less: Net income (loss) attributable to noncontrolling interests	7	1
Net income (loss) attributable to Jackson Financial Inc.	795	(1,497)
Less: Dividends on preferred stock	11	—
Net income (loss) attributable to Jackson Financial Inc. common shareholders	\$ 784	\$ (1,497)

*Three Months Ended March 31, 2024 compared to Three Months Ended March 31, 2023****Pretax Income (Loss)***

Our pretax income (loss) increased by \$2,957 million to \$903 million for the three months ended March 31, 2024, from \$(2,054) million for the three months ended March 31, 2023 primarily due to:

- \$2,544 million favorable movements in market risk benefits (gains) losses, due primarily to favorable changes in interest rates during the three months ended March 31, 2024, partially offset by unfavorable changes in equity index volatility compared to the prior year;
- \$306 million increase in total net gains (losses) on derivatives and investments as shown in the table below and driven by:

	Three Months Ended March 31,		
	2024	2023	Variance
	(in millions)		
Net gains (losses) excluding derivatives and funds withheld assets	\$ (7)	\$ (68)	\$ 61
Net gains (losses) on freestanding derivatives	(2,584)	(2,549)	(35)
Net gains (losses) on embedded derivatives (excluding funds withheld reinsurance)	(301)	(109)	(192)
Net gains (losses) on derivative instruments	(2,885)	(2,658)	(227)
Net gains (losses) on funds withheld reinsurance	(201)	(673)	472
Total net gains (losses) on derivatives and investments	\$ (3,093)	\$ (3,399)	\$ 306

- Lower losses excluding derivatives and funds withheld assets were driven by lower credit loss expense on mortgage loans and higher foreign currency exchange gains, partially offset by increased losses on disposals of debt securities during the three months ended March 31, 2024; and
- Lower losses recognized on funds withheld reinsurance were driven by the increase in interest rates during 2024 compared to a decrease in interest rates in 2023 which resulted in expense reported for the movement in the embedded derivative in the prior year;
- \$110 million increase in fee income primarily due to higher average separate account values compared to the prior year;
- \$27 million increase in net investment income as a result of higher income on bonds, driven by higher yields in 2024 compared to the prior year, higher income on equity securities, and lower investment expenses, partially offset by lower income on funds withheld under reinsurance treaties; and
- \$10 million decrease in death, other policy benefits, and change in policy reserves, net of (gain) loss from updating future policy benefits cash flow assumptions, primarily due to improved mortality and a greater decrease in reserves as the closed block of life business continues to run off, partially offset by higher other policyholder benefits.

These improvements were partially offset by:

- \$69 million increase in operating costs and other expenses, net of deferrals, primarily due to higher asset-based non-deferrable commissions, due to higher account values during the three months ended March 31, 2024, compared to the prior year, and an increase in incentive and deferred compensation expenses during the three months ended March 31, 2024.

Income Taxes

Income tax expense increased \$659 million to an expense of \$101 million for the three months ended March 31, 2024, from a benefit of \$558 million for the three months ended March 31, 2023. The provision for income tax in the current period led to an effective income tax rate ("ETR") of 11% for the three months ended March 31, 2024 compared to the March 31, 2023 ETR of 27%. The change in the ETR during the three months ended March 31, 2024 compared to the three months ended March 31, 2023 was due to the relationship of the taxable income to the consolidated pre-tax income. The ETR differs from the statutory rate of 21% primarily due to the dividends received deduction and the utilization of tax credits. See Note 15 - Income Taxes of the Notes to Consolidated Financial Statements in our 2023 Annual Report and Note 15 - Income Taxes of the Notes to Condensed Consolidated Financial Statements in this report for more information.

Segment Results of Operations

We manage our business through three segments: Retail Annuities, Institutional Products, and Closed Life and Annuity Blocks. We report certain activities and items that are not included in these segments, including the results of PPM Holdings, Inc., the holding company of PPM, within Corporate and Other. The following tables and discussion represent an overall view of our results of operations for each segment.

Pretax Adjusted Operating Earnings by Segment

The following table summarizes pretax adjusted operating earnings (non-GAAP) from the Company's business segment operations and also provides a reconciliation of the segment measure to net income on a consolidated U.S. GAAP basis. Also, see Note 3 - Segment Information of the Notes to Condensed Consolidated Financial Statements for further information regarding the calculation of pretax adjusted operating earnings:

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Pretax Adjusted Operating Earnings by Segment:		
Retail Annuities	\$ 419	\$ 356
Institutional Products	31	9
Closed Life and Annuity Blocks	19	(20)
Corporate and Other	(80)	(43)
Pretax Adjusted Operating Earnings	389	302
Pre-tax reconciling items from adjusted operating income to net income (loss) attributable to Jackson Financial Inc.:		
Guaranteed benefits and hedging results:		
Fees attributable to guarantee benefit reserves	788	780
Net movement in freestanding derivatives	(2,576)	(2,512)
Market risk benefits gains (losses), net	2,718	174
Net reserve and embedded derivative movements	(364)	(189)
Amortization of DAC associated with non-operating items at date of transition to LDTI	(139)	(153)
Total guaranteed benefits and net hedging results	427	(1,900)
Net realized investment gains (losses)	(7)	(68)
Net realized investment gains (losses) on funds withheld assets	(201)	(673)
Net investment income on funds withheld assets	270	307
Other items	18	(23)
Total pre-tax reconciling items	507	(2,357)
Pretax income (loss) attributable to Jackson Financial Inc.	896	(2,055)
Income tax expense (benefit)	101	(558)
Net income (loss) attributable to Jackson Financial Inc.	795	(1,497)
Dividends on preferred stock	11	—
Net income (loss) attributable to Jackson Financial Inc. common shareholders	<u>\$ 784</u>	<u>\$ (1,497)</u>

Retail Annuities

The following table sets forth, for the periods presented, certain data underlying the pretax adjusted operating earnings results for our Retail Annuities segment. The information contained in the table below should be read in conjunction with our Condensed Consolidated Financial Statements and the related notes appearing elsewhere in this report:

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Retail Annuities:		
Operating Revenues		
Fee income	\$ 1,083	\$ 975
Premiums	10	4
Net investment income	152	115
Other income	8	9
Total Operating Revenues	1,253	1,103
Operating Benefits and Expenses		
Death, other policy benefits and change in policy reserves	16	(15)
(Gain) loss from updating future policy benefits cash flow assumptions, net	1	(2)
Interest credited on other contract holder funds, net of deferrals and amortization	88	98
Interest expense	6	6
Operating costs and other expenses, net of deferrals	586	522
Amortization of deferred acquisition costs	137	138
Total Operating Benefits and Expenses	834	747
Pretax Adjusted Operating Earnings	\$ 419	\$ 356

The following table summarizes a roll-forward of activity affecting account value for our Retail Annuities segment for the periods indicated:

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Retail Annuities Account Value:		
Balance as of beginning of period	\$ 235,465	\$ 209,967
Premiums and deposits	3,724	3,197
Surrenders, withdrawals, and benefits	(6,523)	(4,422)
Net flows	(2,799)	(1,225)
Investment performance	15,288	10,528
Change in value of equity option	300	108
Interest credited	88	99
Policy charges and other	(731)	(707)
Balance as of end of period, net of ceded reinsurance	247,611	218,770
Ceded reinsurance	17,627	20,952
Balance as of end of period, gross of reinsurance	\$ 265,238	\$ 239,722

Three Months Ended March 31, 2024 compared to Three Months Ended March 31, 2023**Pretax Adjusted Operating Earnings**

Pretax adjusted operating earnings increased \$63 million to \$419 million for the three months ended March 31, 2024 from \$356 million for the three months ended March 31, 2023 primarily due to:

- \$108 million increase in fee income primarily due to higher average separate account values compared to the prior year; and
- \$47 million increase in spread income primarily due to \$37 million higher investment income driven by higher yields in 2024, partially offset by higher investment expenses related to repurchase agreements compared to the prior year, and \$10 million lower interest credited compared to prior year.

These increases were partially offset by:

- \$34 million increase in death, other policy benefits, and change in policy reserves, net of (gain) loss from updating future policy benefits cash flow assumptions, primarily due to higher other policyholder benefits in 2024; and
- \$64 million increase in operating costs and other expenses, net of deferrals, primarily due to higher asset-based non-deferrable commissions, due to higher account values during the three months ended March 31, 2024, compared to the prior year, and an increase in incentive compensation expenses during the three months ended March 31, 2024.

Account Value

Retail annuities account value, net of reinsurance, increased \$28.8 billion between periods primarily due to positive variable annuity separate account returns driven by favorable market performance in 2024, as well as positive RILA net flows over the period.

Institutional Products

The following table sets forth, for the periods presented, certain data underlying the pretax adjusted operating earnings results for our Institutional Products segment. The information contained in the table below should be read in conjunction with our Condensed Consolidated Financial Statements and the related notes appearing elsewhere in this report:

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Institutional Products:		
Operating Revenues		
Net investment income	\$ 113	\$ 86
Total Operating Revenues	113	86
Operating Benefits and Expenses		
Interest credited on other contract holder funds, net of deferrals and amortization	81	76
Operating costs and other expenses, net of deferrals	1	1
Total Operating Benefits and Expenses	82	77
Pretax Adjusted Operating Earnings	\$ 31	\$ 9

The following table summarizes a roll-forward of activity affecting account value for our Institutional Products segment for the periods indicated:

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Institutional Products:		
Balance as of beginning of period	\$ 8,406	\$ 9,019
Premiums and deposits	100	649
Surrenders, withdrawals, and benefits	(696)	(1,040)
Net flows	(596)	(391)
Interest credited	81	76
Policy Charges and other	(66)	(13)
Balance as of end of period	<u>\$ 7,825</u>	<u>\$ 8,691</u>

Three Months Ended March 31, 2024 compared to Three Months Ended March 31, 2023

Pretax Adjusted Operating Earnings

Pretax adjusted operating earnings increased \$22 million to \$31 million for the three months ended March 31, 2024 from \$9 million for the three months ended March 31, 2023 primarily due to a \$22 million increase in spread income primarily due to \$27 million higher investment income, partially offset by \$5 million higher interest credited on contract holder funds.

Account Value

Institutional product account value decreased from \$8,691 million at March 31, 2023 to \$7,825 million at March 31, 2024. The decrease in account value was primarily driven by decreased issuances, partially offset by decreased maturities of the existing contracts and funding agreements.

Closed Life and Annuity Blocks

The following table sets forth, for the periods presented, certain data underlying the pretax adjusted operating earnings results for our Closed Block Life and Annuity Blocks segment. The information contained in the table below should be read in conjunction with our Condensed Consolidated Financial Statements and the related notes appearing elsewhere in this report:

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Closed Life and Annuity Blocks:		
Operating Revenues		
Fee income	\$ 112	\$ 117
Premiums	30	23
Net investment income	163	167
Other income	7	4
Total Operating Revenues	312	311
Operating Benefits and Expenses		
Death, other policy benefits and change in policy reserves, net of deferrals	144	163
(Gain) loss from updating future policy benefits cash flow assumptions, net	8	16
Interest credited on other contract holder funds, net of deferrals and amortization	104	111
Operating costs and other expenses, net of deferrals	35	39
Amortization of deferred acquisition costs	2	2
Total Operating Benefits and Expenses	293	331
Pretax Adjusted Operating Earnings	\$ 19	\$ (20)

Three Months Ended March 31, 2024 compared to Three Months Ended March 31, 2023***Pretax Adjusted Operating Earnings***

Pretax adjusted operating earnings increased \$39 million to \$19 million for the three months ended March 31, 2024 from \$(20) million for the three months ended March 31, 2023 primarily due to a:

- \$27 million decrease in death, other policy benefits, and change in policy reserves, net of (gain) loss from updating future policy benefits cash flow assumptions, primarily due to a greater decrease in reserves as the closed block of life business continues to run off.

Corporate and Other

Corporate and Other includes the operations of PPM Holdings, Inc., the parent holding company of PPM, and unallocated corporate revenue and expenses, as well as certain eliminations and consolidation adjustments. The following table sets forth, for the periods presented, certain data underlying the pretax adjusted operating earnings results for Corporate and Other. The information contained in the table below should be read in conjunction with our Condensed Consolidated Financial Statements and the related notes appearing elsewhere in this report:

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Corporate and Other:		
Operating Revenues		
Fee income	\$ 12	\$ 13
Net investment income	4	18
Other income	(14)	2
Total Operating Revenues	2	33
Operating Benefits and Expenses		
Interest expense	19	22
Operating costs and other expenses, net of deferrals	63	54
Total Operating Benefits and Expenses	82	76
Pretax Adjusted Operating Earnings	\$ (80)	\$ (43)

Three Months Ended March 31, 2024 compared to Three Months Ended March 31, 2023***Pretax Adjusted Operating Earnings***

Pretax adjusted operating earnings decreased \$37 million to \$(80) million for the three months ended March 31, 2024 from \$(43) million for the three months ended March 31, 2023 primarily due to the following:

- \$16 million decrease in other income primarily due to a one-time reinsurance related adjustment;
- \$14 million decrease in net investment income; and
- \$9 million increase in operating costs and other expenses, net of deferrals, primarily due to an increase in incentive and deferred compensation expenses during the three months ended March 31, 2024.

Investments

Our investment portfolio primarily consists of fixed-income securities and loans, publicly-traded corporate and government bonds, private securities and loans, asset-backed securities and mortgage loans. Asset-backed securities include mortgage-backed and other structured securities. The fair value of these and our other invested assets fluctuates depending on market and other general economic conditions and the interest rate environment and is affected by other economic factors.

Investment Strategy

Our overall investment strategy seeks to maintain a diversified and largely investment grade fixed income portfolio that is capital efficient, achieves risk-adjusted returns that support competitive pricing for our products, generates profitable growth of our business and maintains adequate liquidity to support our obligations. We utilize repurchase and reverse repurchase transactions as a part of our overall portfolio management program to assist with collateral requirements associated with our hedging program and other liquidity needs of our insurance subsidiaries. The investments within our investment portfolio are primarily managed by PPM, our wholly-owned registered investment advisor. Our investment strategy benefits from PPM's ability to originate investments directly, as well as participate in transactions originated by banks, investment banks, commercial finance companies and other intermediaries. Certain investments held in funds withheld accounts for reinsurance transactions are managed by Apollo Insurance Solutions Group LP ("Apollo"), an Athene affiliate. *See Note 8 - Reinsurance of the Notes to Condensed Consolidated Financial Statements for further details.* We may also use other third-party investment managers for certain niche asset classes. As of March 31, 2024, Apollo managed \$15.9 billion of cash and investments and other third-party investment managers managed approximately \$215 million of investments.

Our investment program seeks to generate a competitive rate of return on our invested assets to support the profitable growth of our business, while maintaining investment portfolio allocations within the Company's risk tolerance. This means maximizing risk-adjusted return within the context of a largely fixed income portfolio while also managing exposure to downside risk in a stressed environment, regulatory and rating agency capital models, overall portfolio yield, diversification and correlation with other investments and company exposures.

Our Investment Committee has specified a target strategic asset allocation ("SAA") that is designed to deliver the highest expected return within a defined risk tolerance while meeting other important objectives such as those mentioned in the prior paragraph. The fixed income portion of the SAA is assessed relative to a customized index of public corporate bonds that represents a close approximation of the maturity profile of our liabilities and a credit quality mix that is consistent with our risk tolerance. PPM's objective is to outperform this index on a number of measures including portfolio yield, total return and capital loss due to downgrades and defaults. While PPM has access to a broad universe of potential investments, we believe grounding the investment program with a customized public corporate index that can be easily tracked and monitored helps guide PPM in meeting the risk and return expectations and assists with performance evaluation.

Recognizing the trade-offs between the level of risk, required capital, liquidity and investment return, the largest allocation within our investment portfolio is to investment grade fixed income securities. As previously mentioned, our investment manager accesses a broad universe of potential investments to construct the investment portfolio and considers the benefits of diversification across various sectors, collateral types and asset classes. To this end, our SAA and investment portfolio includes allocations to public and private corporate bonds (both investment grade and high yield), mortgage loans, structured securities, private equity and U.S. Treasury securities. These U.S. Treasury securities, while lower yielding than other alternatives, provide a higher level of liquidity and play a role in managing our interest rate exposure.

Portfolio Composition

The following table summarizes the carrying values of our investments:

	March 31, 2024			December 31, 2023		
	Investments excluding Funds Withheld	Funds Withheld	Total	Investments excluding Funds Withheld	Funds Withheld	Total
	(in millions)					
Debt Securities, available-for-sale, net of allowance for credit losses	\$ 29,020	\$ 11,070	\$ 40,090	\$ 28,896	\$ 11,526	\$ 40,422
Debt Securities, at fair value under fair value option	2,165	91	2,256	2,037	116	2,153
Debt securities, trading, at fair value	70	—	70	68	—	68
Equity securities, at fair value	63	159	222	243	151	394
Mortgage loans, net of allowance for credit losses	6,983	2,916	9,899	7,015	3,067	10,082
Mortgage loans, at fair value under fair value option	—	455	455	—	481	481
Policy loans	925	3,461	4,386	928	3,471	4,399
Freestanding derivative instruments	179	34	213	375	15	390
Other invested assets	1,862	718	2,580	1,757	709	2,466
Total investments	<u>\$ 41,267</u>	<u>\$ 18,904</u>	<u>\$ 60,171</u>	<u>\$ 41,319</u>	<u>\$ 19,536</u>	<u>\$ 60,855</u>

Available-for-sale debt securities decreased to \$40,090 million at March 31, 2024 from \$40,422 million at December 31, 2023, primarily due to dispositions, partially offset by declines in net unrealized losses primarily in the funds withheld portfolio. The amortized cost of available-for-sale debt securities decreased from \$44,843 million as of December 31, 2023 to \$44,796 million as of March 31, 2024. Further, net unrealized losses, after adjusting for allowance for credit loss, were \$4,401 million as of December 31, 2023 compared to \$4,686 million as of March 31, 2024.

Other Invested Assets

Other invested assets increased to \$2,580 million at March 31, 2024 from \$2,466 million at December 31, 2023.

Debt Securities

At March 31, 2024 and December 31, 2023, the amortized cost, allowance for credit loss, gross unrealized gains and losses, and fair value of debt securities, including trading securities and securities carried at fair value under the fair value option, were as follows (in millions):

March 31, 2024	Amortized Cost	Allowance for Credit Loss	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government securities	\$ 4,872	\$ —	\$ 1	\$ 907	\$ 3,966
Other government securities	1,615	—	—	242	1,373
Corporate securities					
Utilities	5,550	—	31	563	5,018
Energy	2,893	—	16	279	2,630
Banking	2,367	—	16	144	2,239
Healthcare	3,104	—	14	355	2,763
Finance/Insurance	4,415	12	25	427	4,001
Technology/Telecom	2,049	1	5	205	1,848
Consumer goods	2,329	—	16	312	2,033
Industrial	1,692	—	10	120	1,582
Capital goods	1,897	—	8	144	1,761
Real estate	1,492	—	4	149	1,347
Media	1,067	—	3	121	949
Transportation	1,386	—	5	171	1,220
Retail	1,212	—	4	146	1,070
Other ⁽¹⁾	2,355	—	10	131	2,234
Total Corporate Securities	33,808	13	167	3,267	30,695
Residential mortgage-backed	409	6	11	60	354
Commercial mortgage-backed	1,601	—	2	126	1,477
Other asset-backed securities	4,817	1	7	272	4,551
Total Debt Securities	\$ 47,122	\$ 20	\$ 188	\$ 4,874	\$ 42,416

⁽¹⁾ No single remaining industry exceeds 3% of the portfolio.

December 31, 2023	Amortized Cost	Allowance for Credit Loss	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government securities	\$ 5,154	\$ —	\$ 3	\$ 845	\$ 4,312
Other government securities	1,622	—	1	221	1,402
Corporate securities					
Utilities	5,598	—	42	513	5,127
Energy	2,946	—	24	272	2,698
Banking	2,204	1	23	148	2,078
Healthcare	2,985	—	20	338	2,667
Finance/Insurance	4,392	13	31	429	3,981
Technology/Telecom	2,058	1	10	191	1,876
Consumer goods	2,395	—	21	285	2,131
Industrial	1,609	—	14	112	1,511
Capital goods	1,838	—	14	127	1,725
Real estate	1,572	—	6	153	1,425
Media	1,082	—	4	109	977
Transportation	1,381	—	7	157	1,231
Retail	1,197	—	6	132	1,071
Other ⁽¹⁾	2,211	—	14	119	2,106
Total Corporate Securities	33,468	15	236	3,085	30,604
Residential mortgage-backed	422	6	12	53	375
Commercial mortgage-backed	1,569	—	1	147	1,423
Other asset-backed securities	4,830	—	6	309	4,527
Total Debt Securities	<u>\$ 47,065</u>	<u>\$ 21</u>	<u>\$ 259</u>	<u>\$ 4,660</u>	<u>\$ 42,643</u>

⁽¹⁾ No single remaining industry exceeds 3% of the portfolio.

Evaluation of Available-For-Sale Debt Securities

See Note 4 - Investments of the Notes to Condensed Consolidated Financial Statements for information about how we evaluate our available-for-sale debt securities for credit loss.

Equity Securities

Equity securities consist of investments in common and preferred stock holdings and mutual fund investments. Common and preferred stock investments generally arise out of previous private equity investments or other settlements rather than direct investments. Mutual fund investments typically represent investments made in our own mutual funds to seed those structures for external issuance at a later date. The following table summarizes our holdings:

	March 31, 2024	December 31, 2023
	(in millions)	
Common Stock	\$ 18	\$ 17
Preferred Stock	182	175
Mutual Funds	22	202
Total	<u>\$ 222</u>	<u>\$ 394</u>

Mortgage Loans

At March 31, 2024, commercial mortgage loans were collateralized by properties located in 36 states, the District of Columbia, and Europe. Residential mortgage loans were collateralized by properties located in 49 states, the District of Columbia, Mexico, and Europe.

The table below presents the carrying value, net of allowance of credit loss, of our mortgage loans by property type:

	March 31, 2024	December 31, 2023
	(in millions)	
Commercial:		
Apartment	\$ 3,077	\$ 3,213
Hotel	870	870
Office	1,437	1,440
Retail	2,001	1,992
Warehouse	2,022	2,047
Total Commercial ⁽¹⁾	\$ 9,407	\$ 9,562
Residential ⁽²⁾	947	1,001
Total	<u>\$ 10,354</u>	<u>\$ 10,563</u>

⁽¹⁾ Net of an allowance for credit losses of \$158 million and \$160 million at March 31, 2024 and December 31, 2023, respectively.

⁽²⁾ Net of an allowance for credit losses of \$4 million and \$5 million at March 31, 2024 and December 31, 2023, respectively.

The table below presents the carrying value, net of allowance for credit loss, of our mortgage loans by region:

	March 31, 2024	December 31, 2023
	(in millions)	
United States:		
East North Central	\$ 1,026	\$ 1,024
East South Central	501	502
Middle Atlantic	1,496	1,481
Mountain	507	531
New England	277	287
Pacific	2,363	2,500
South Atlantic	2,158	2,147
West North Central	586	593
West South Central	975	992
Total United States	9,889	10,057
Foreign	465	506
Total	<u>\$ 10,354</u>	<u>\$ 10,563</u>

The following table provides information about the credit quality of our mortgage loans:

	March 31, 2024	December 31, 2023
(in millions)		
Commercial mortgage loans		
Loan to value ratios:		
Less than 70%	\$ 8,475	\$ 8,604
70% - 80%	659	711
80% - 100%	158	196
Greater than 100%	115	51
Total	9,407	9,562
Residential mortgage loans		
Performing	847	911
Nonperforming ⁽¹⁾	100	90
Total	947	1,001
Total mortgage loans	\$ 10,354	\$ 10,563

⁽¹⁾ As of March 31, 2024 and December 31, 2023, includes \$23 million and \$22 million of loans purchased when the loans were greater than 90 days delinquent and \$4 million and \$5 million of loans in process of foreclosure, respectively, and are supported with insurance or other guarantees provided by various governmental programs.

The following table provides a summary of the allowance for credit losses related to our mortgage loans:

	March 31,	
	2024	2023
(in millions)		
Balance at beginning of year	\$ 165	\$ 95
Provision (release)	(3)	51
Balance at end of period	\$ 162	\$ 146

The Company's mortgage loans that are current and in good standing are accruing interest. Interest is not accrued on loans greater than 90 days delinquent and in process of foreclosure, when deemed uncollectible. Delinquency status is determined from the date of the first missed contractual payment. No accrued interest was written off as of March 31, 2024 and 2023, relating to loans that were greater than 90 days delinquent or in the process of foreclosure.

The following table provides information about our impaired residential mortgage loans (in millions):

	March 31, 2024	December 31, 2023
Recorded investment	\$ 23	\$ 24
Unpaid principal balance	26	27
Related loan allowance	(1)	1
Average recorded investment	21	19
Investment income recognized	—	1

Derivative Instruments

Note 5 – Derivative Instruments of the Notes to Condensed Consolidated Financial Statements presents the aggregate contractual or notional amounts and the fair values of our freestanding and embedded derivatives instruments as of March 31, 2024 and December 31, 2023.

Evaluation of Invested Assets

We perform regular evaluations of our invested assets. On a monthly basis, management identifies those investments that may require additional monitoring and carefully reviews the carrying value of such investments to determine whether specific investments should be placed on a non-accrual status and if an allowance for credit loss is required. In making these reviews, management principally considers the adequacy of any collateral, compliance with contractual covenants, the borrower's recent financial performance, news reports and other externally generated information concerning the borrower's affairs. In the case of publicly traded bonds, management also considers market value quotations, where available. For mortgage loans, management generally considers information concerning the mortgaged property, including factors impacting the current and expected payment status of the loan and, if available, the current fair value of the underlying collateral. For investments in partnerships, management reviews the financial statements and other information provided by the general partners.

To determine an allowance for credit loss, we consider a security's forecasted cash flows as well as the severity of depressed fair values. Investment income is not accrued on securities in default and otherwise where the collection is uncertain. Subsequent receipts of interest on such securities are generally used to reduce the cost basis of the securities. The provisions for impairment on mortgage loans are based on losses expected by management to be realized on transfers of mortgage loans to real estate, on the disposition and settlement of mortgage loans and on mortgage loans that management believes may not be collectible in full. Accrual of interest on mortgage loans is generally suspended when principal or interest payments on mortgage loans are past due more than 90 days. Interest is then accounted for on a cash basis.

Policy and Contract Liabilities

We establish, and carry as liabilities, actuarially determined amounts that are calculated to meet policy obligations or to provide for future annuity payments. Amounts for actuarial liabilities are computed and reported on the Condensed Consolidated Financial Statements in conformity with U.S. GAAP. For more details on Policyholder Liabilities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates" included in our 2023 Annual Report.

Our policy and contract liabilities includes separate account liabilities, reserves for future policy benefits and claims payable and other contract holder funds. As of March 31, 2024, 90% of our policy and contract liabilities were in our Retail Annuities segment, 3% were in our Institutional Products segment and 7% were in our Closed Life and Annuity Blocks segment.

The tables below represents a breakdown of our policy and contract liabilities:

March 31, 2024	Separate Accounts	Reserves for future policy benefits	Other contract holder funds	Market Risk Benefits	Total
	(in millions)				
Variable Annuities	\$ 230,479	\$ —	\$ 7,991	\$ (4,226)	\$ 234,244
RILA ⁽¹⁾	—	—	6,644	3	6,647
Fixed Annuities	—	—	9,350	1	9,351
Fixed Index Annuities ⁽²⁾	—	—	9,923	33	9,956
Payout Annuities	—	1,092	851	—	1,943
Other Annuities	213	—	—	—	213
Total Retail Annuities	230,692	1,092	34,759	(4,189)	262,354
Total Institutional Products	—	—	7,825	—	7,825
Total Closed Life and Annuity Blocks	81	9,060	12,146	7	21,294
Total Policy and Contract Liabilities	230,773	10,152	54,730	(4,182)	291,473
Claims payable and other	—	1,433	167	—	1,600
Total	\$ 230,773	\$ 11,585	\$ 54,897	\$ (4,182)	\$ 293,073

December 31, 2023	Separate Accounts	Reserves for future policy benefits	Other contract holder funds	Market Risk Benefits	Total
	(in millions)				
Variable Annuities	\$ 219,381	\$ —	\$ 8,396	\$ (2,000)	\$ 225,777
RILA ⁽¹⁾	—	—	5,219	3	5,222
Fixed Annuities	—	—	9,736	1	9,737
Fixed Index Annuities ⁽²⁾	—	—	10,243	37	10,280
Payout Annuities	—	1,090	860	—	1,950
Other Annuities	198	—	—	—	198
Total Retail Annuities	219,579	1,090	34,454	(1,959)	253,164
Total Institutional Products	—	—	8,406	—	8,406
Total Closed Life and Annuity Blocks	77	9,362	12,291	7	21,737
Total Policy and Contract Liabilities	219,656	10,452	55,151	(1,952)	283,307
Claims payable and other	—	1,446	168	—	1,614
Total	\$ 219,656	\$ 11,898	\$ 55,319	\$ (1,952)	\$ 284,921

⁽¹⁾ Includes the embedded derivative liabilities in other contract holder funds related to RILA of \$1,703 million and \$1,224 million at March 31, 2024 and December 31, 2023, respectively.

⁽²⁾ Includes the embedded derivative liabilities related to fixed index annuity in other contract holder funds of \$865 million and \$866 million at March 31, 2024 and December 31, 2023, respectively.

As of March 31, 2024:

- \$230.8 billion or 79% of our policy and contract liabilities were backed by separate account assets. These separate account assets backed reserves primarily related to our variable annuities. Separate account liabilities are fully funded by cash flows from the customer's corresponding separate account assets and are set equal to the fair value of such invested assets.
- \$42.9 billion of our policy and contract liabilities were backed by our investment portfolio.
- \$17.8 billion of our policy and contract liabilities were reinsured by Athene and backed by funds withheld assets.

As of March 31, 2024, 100% of our RILA policy and contract liabilities were subject to surrender charges of at least 5% or at market value in the event of discretionary withdrawal by customers.

As of March 31, 2024, 94% of fixed annuity, fixed-indexed annuity, and the fixed accounts of RILA and variable annuity correspond to crediting rates that are at the guaranteed minimum crediting rate. We have the discretion, subject to contractual limitations and minimums, to reset the crediting terms on the majority of our fixed index annuities and fixed annuities.

See Note 9 - Reserves for Future Policy Benefits and Claims Payable, Note 10 - Other Contract Holder Funds, Note 11 - Separate Account Assets and Liabilities, and Note 12 - Market Risk Benefits of the Notes to Condensed Consolidated Financial Statements for additional discussion on accounting policies around Reserves for future policy benefits and claims payable, Other contract holder funds, Separate account assets and liabilities and MRBs.

Liquidity and Capital Resources

Liquidity is our ability to generate sufficient cash flows to meet the cash requirements of operating, investing and financing activities. Capital refers to our long-term financial resources available to support the business operations and contribute to future growth. Our ability to generate and maintain sufficient liquidity and capital depends on the profitability of the businesses, timing of cash flows on investments and products, general economic conditions and access to the capital markets and alternate sources of liquidity and capital described herein.

The discussion below describes our liquidity and capital resources for the three months ended March 31, 2024, and 2023.

Cash Flows

The following table presents a summary of our cash flow activity for the periods set forth below:

	Three Months Ended March 31,	
	2024	2023
	(in millions)	
Net cash provided by (used in) operating activities	\$ 1,426	\$ 1,461
Net cash provided by (used in) investing activities	(2,006)	(2,882)
Net cash provided by (used in) financing activities	433	(1,099)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(147)	(2,520)
Cash, cash equivalents, and restricted cash at beginning of period	2,691	4,301
Total cash, cash equivalents, and restricted cash at end of period	<u>\$ 2,544</u>	<u>\$ 1,781</u>

Cash flows from Operating Activities

The principal operating cash inflows from our insurance activities come from insurance premiums, fees charged on our products and net investment income. The principal operating cash outflows are the result of the payment of annuity and life insurance benefits, operating expenses and income tax, as well as interest expense. The primary liquidity concern with respect to these cash flows is the risk of earlier than expected contract holder and policyholder benefit payments.

Cash flows provided by (used in) operating activities were in line with prior year with \$1,426 million for the three months ended March 31, 2024 from \$1,461 million for the three months ended March 31, 2023.

Cash flows from Investing Activities

The principal cash inflows from our investment activities come from repayments of principal, proceeds from maturities and sales of investments, as well as settlements of freestanding derivatives. The principal cash outflows relate to purchases of investments and settlements of freestanding derivatives. It is not unusual to have a net cash outflow from investing activities because cash inflows from insurance operations are typically reinvested to fund insurance liabilities. We closely monitor and manage these risks through our comprehensive investment risk management process. The primary liquidity concerns with respect to these cash flows are the risk of default by debtors or market disruptions that might impact the timing of investment related cash flows as well as derivative collateral needs, which could result in material liquidity needs for our insurance subsidiaries.

Cash flows provided by (used in) investing activities increased \$876 million to \$(2,006) million during the three months ended March 31, 2024 from \$(2,882) million during the three months ended March 31, 2023. This increase was driven by lower outflows related to our hedging program for derivative settlements and collateral.

Cash flows from Financing Activities

The principal cash inflows from our financing activities come from deposits of funds associated with policyholder account balances, issuance of securities and lending of securities. The principal cash outflows come from withdrawals associated with policyholder account balances, repayment of debt, and the return of securities on loan. The primary liquidity concerns with respect to these cash flows are market disruption and the risk of early policyholder withdrawal.

Cash flows provided by (used in) financing activities increased \$1,532 million to \$433 million during the three months ended March 31, 2024 from \$(1,099) million during the three months ended March 31, 2023. This increase was primarily due to higher proceeds from repurchase agreements in 2024 partially offset by the proceeds we received in the prior year from the issuance of our preferred stock.

Statutory Capital

Our insurance company subsidiaries have statutory surplus above the level needed to meet current regulatory requirements. RBC requirements are used as minimum capital requirements by the NAIC and the state insurance departments to identify companies that merit regulatory action. RBC is based on a formula that incorporates both factor-based components (applied to various asset, premium, and statutory reserve items) and model-based components. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk, market risk and business risk and is calculated on an annual basis. The formula is used as an early warning regulatory tool to identify possible inadequately capitalized insurers for purposes of initiating regulatory action, and not to rank insurers generally. As of March 31, 2024, our insurance companies were well in excess of the minimum required capital levels.

With the execution of the Brooke Re transaction in the first quarter of 2024, we are able to largely moderate the impact of the cash surrender value floor going forward. In the past, our statutory TAC (total adjusted capital) may have been negatively impacted by minimum required reserving levels (i.e., cash surrender value floor) when reserve releases were limited and unable to offset losses from our hedging program.

Holding Company Liquidity

As a holding company with no business operations of its own, Jackson Financial primarily derives cash flows from dividends and interest payments from its insurance subsidiaries. These principal sources of liquidity are expected to be supplemented by cash and short-term investments held by Jackson Financial, and access to bank lines of credit and the capital markets. We intend to maintain a minimum amount of cash and highly liquid securities at Jackson Financial adequate to fund two years of holding company fixed net expenses, which is currently targeted at \$250 million but may change over time as we refinance existing debt or make changes to our debt and capital structure. The main uses of liquidity for Jackson Financial are interest payments and debt repayment, holding company operating expenses, payment of dividends and other distributions to shareholders, which may include stock repurchases, and capital contributions, if needed, to our insurance company subsidiaries. Our principal sources of liquidity and our anticipated capital position are described in the following paragraphs.

Any declaration of cash dividends or stock repurchases is at the discretion of JFI's Board of Directors and will depend on our financial condition, earnings, liquidity and capital requirements, regulatory constraints, level of indebtedness, preferred stock and other contractual restrictions with respect to paying cash dividends or repurchasing stock, restrictions imposed by Delaware law, general business conditions and any other factors that JFI's Board of Directors deems relevant in making any such determination. Therefore, there can be no assurance that we will pay any cash dividends to holders of our stock or approve any further increase in the existing, or any new, common stock repurchase program, or as to the amount of any such cash dividends or stock repurchases.

Delaware law requires that dividends be paid, and stock repurchases made only out of "surplus," which is defined as the fair market value of our net assets, minus our stated capital; or out of the current or the immediately preceding year's earnings. JFI is a holding company and has no direct operations. All of our business operations are conducted through our subsidiaries. Any dividends we pay, or stock repurchases we make will depend upon the funds legally available for distribution, including dividends or distributions from our subsidiaries to us. The states in which our insurance subsidiaries are domiciled impose certain restrictions on our insurance subsidiaries' ability to pay dividends to their parent companies. These restrictions are based in part on the prior year's statutory income and surplus, as well as earned surplus. Such restrictions, or any future restrictions adopted by the states in which our insurance subsidiaries are domiciled, could have the effect, under certain circumstances, of significantly reducing dividends or other amounts payable by our subsidiaries without affirmative approval of state regulatory authorities. See "*Risk Factors—Risks relating to Financing and Liquidity - As a holding company, Jackson Financial depends on the ability of its subsidiaries to pay dividends and make other distributions to meet its obligations and liquidity needs, including servicing debt, dividend payments and stock repurchases*" in our 2023 Annual Report.

On March 13, 2023, the Company issued and sold depositary shares representing interests in our Fixed-Rate Reset Noncumulative Perpetual Preferred Stock, Series A. After underwriting discounts and expenses, we received net proceeds of approximately \$533 million. *See Note 19 - Equity of the Notes to Condensed Consolidated Financial Statements for more information.*

During the first quarter of 2024, we paid a cash dividend of \$0.50 per depositary share and \$0.70 per share on JFI's preferred and common stock totaling \$11 million and \$56 million, respectively. On May 2, 2024, our Board of Directors approved a second quarter cash dividend on JFI's common stock, \$0.70 per share, payable on June 20, 2024, to shareholders of record on June 6, 2024. The Company also announced the declaration of a cash dividend of \$0.50 per depositary share, each representing a 1/1,000th interest in a share of Fixed-Rate Reset Noncumulative Perpetual Preferred Stock, Series A. The dividend will be payable on July 1, 2024, to shareholders of record at the close of business on June 6, 2024.

We repurchased a total of 2,157,372 shares of common stock for an aggregate purchase price of \$116 million in the three months ended March 31, 2024, which were funded with cash on hand.

See Note 19 - Equity of the Notes to Condensed Consolidated Financial Statements in this report for further information on dividends to shareholders and share repurchases.

As of March 31, 2024, Jackson Financial has recorded an estimated liability balance of \$74 million (\$374 million at a consolidated level) for the provision of the Federal corporate alternative minimum tax ("CAMT") based on the Company's interpretation of available guidance with an offsetting deferred tax asset for the credit carryover.

Distributions from our Insurance Company Subsidiaries

The ability of our insurance company subsidiaries to pay dividends is limited by applicable laws and regulations of the jurisdictions where such subsidiaries are domiciled as well as agreements entered into with regulators. These laws and regulations require, among other things, our insurance company subsidiaries to maintain minimum solvency requirements and limit the amount of dividends these subsidiaries can pay.

Subject to these limitations, our insurance company subsidiaries are permitted to pay ordinary dividends based on calculations specified under insurance laws of the relevant state of domicile, subject to prior notification to the appropriate regulatory agency. Any distributions above the amount permitted by statute in any twelve-month period are considered extraordinary dividends, and the approval of the appropriate regulator is required prior to payment. In Michigan, the Director of the Michigan Department of Insurance and Financial Services (the Michigan Director of Insurance) may limit, or not permit, the payment of dividends from either Jackson or Brooke Life, Jackson's direct parent company, if it determines that the surplus of either of these subsidiaries is not reasonable in relation to their outstanding liabilities and is not adequate to meet their financial needs, as required by the Michigan Insurance Code of 1956. Unless otherwise approved by the Michigan Director of Insurance, dividends may only be paid from earned surplus. Also, surplus note arrangements and interest payments must be approved by the Michigan Director of Insurance and such interest payments to related parties reduce the otherwise calculated ordinary dividend capacity for that period. In New York, all dividends require approval from the NYSDFS.

For 2024, Jackson and Brooke Life have total ordinary dividend capacity, based on 2023 statutory capital and surplus and statutory net gain from operations, subject to the availability of earned surplus, of \$464 million and \$371 million, respectively. Brooke Life, as the sole owner of our other insurance company subsidiaries, including Jackson and Jackson National Life NY, is the direct recipient of any dividend payments from those subsidiaries and must make dividend payments to its ultimate parent company, Jackson Financial, in order for any funds from our insurance company subsidiaries to reach Jackson Financial. As such, Jackson Financial's ability to receive dividend payments from our insurance company subsidiaries is effectively limited by Brooke Life's ability to make dividend payments to Jackson Financial.

In the first quarter of 2024, Jackson remitted a \$1,920 million return of capital to its parent company, Brooke Life. Brooke Life subsequently made a \$1,870 million capital contribution to its subsidiary, Brooke Re. In addition, for the three months ended March 31, 2024, Brooke Life paid \$45 million of interest associated with the \$2 billion surplus note between Brooke Life and Jackson Finance, LLC ("Jackson Finance"), a subsidiary of Jackson Financial.

The maximum distribution permitted by law or contract is not necessarily indicative of an insurer's actual ability to pay such distributions, which may be constrained by business and other considerations, such as imposition of withholding tax, the impact of such distributions on surplus, which could affect the insurer's credit and financial strength ratings or competitive position, the ability to generate new annuity sales and the ability to pay future dividends or make other distributions. Further, state insurance laws and regulations require that the statutory surplus of our insurance subsidiaries following any dividend or distribution must be reasonable in relation to their outstanding liabilities and adequate for the insurance subsidiaries' financial needs. Along with solvency regulations, another primary consideration in determining the amount of capital used for dividends is the level of capital needed to maintain desired financial strength ratings from rating agencies, including A.M. Best, S&P, Moody's and Fitch. Given recent economic events that have affected the insurance industry, both regulators and rating agencies could become more conservative in their methodology and criteria, including increasing capital requirements for insurance company subsidiaries. We believe our insurance company subsidiaries have sufficient statutory capital and surplus to maintain their desired financial strength rating.

Insurance Company Subsidiaries' Liquidity

The liquidity requirements for our insurance company subsidiaries primarily relate to the liabilities associated with their insurance and reinsurance activities, operating expenses and income taxes. Liabilities arising from insurance and reinsurance activities include the payment of policyholder benefits when due, cash payments in connection with policy surrenders and withdrawals and policy loans.

Liquidity requirements are principally for purchases of new investments, management of derivative-related margin requirements, repayment of principal and interest on debt, payments of interest on surplus notes, funding of insurance product liabilities including payments for policy benefits, surrenders, maturities and new policy loans, funding of expenses including payment of commissions, operating expenses and taxes. As of March 31, 2024, Jackson's outstanding surplus notes and bank debt included \$53 million of bank loans from the Federal Home Loan Bank of Indianapolis ("FHLBI"), collateralized by mortgage-related securities and mortgage loans and \$250 million of surplus notes maturing in 2027.

Significant increases in interest rates could create sudden increases in surrender and withdrawal requests by customers and contract holders and result in increased liquidity requirements at our insurance company subsidiaries. Significant increases in interest rates or equity markets may also result in higher margin and collateral requirements on our derivative portfolio. The derivative contracts are an integral part of our risk management program, especially for the management of our variable annuities program, and are managed in accordance with our hedging and risk management program. Our cash flows associated with collateral received from counterparties and posted with counterparties fluctuates with changes in the market value of the underlying derivative contract and/or the market value of the collateral. The net collateral position depends on changes in interest rates and equity markets related to the amount of the exposures hedged. Collateral posting requirements can result in material liquidity needs for our insurance subsidiaries. As of March 31, 2024, we were in a net collateral payable position of \$92 million, which is down from \$780 million as of December 31, 2023.

Other factors that are not directly related to interest rates can also give rise to an increase in liquidity requirements, including, changes in ratings from rating agencies, general policyholder concerns relating to the life insurance industry (e.g., the unexpected default of a large, unrelated life insurer) and competition from other products, including non-insurance products such as mutual funds, certificates of deposit and newly developed investment products. Most of the life insurance and annuity products Jackson offers permit the policyholder or contract holder to withdraw or borrow funds or surrender cash values. As of March 31, 2024, approximately half of Jackson's general account reserves are not surrenderable, included surrender charges greater than 5%, or included market value adjustments to discourage early withdrawal of policy and contract funds.

The liquidity sources for our insurance company subsidiaries are their cash, short-term investments, sales of publicly-traded bonds, insurance premiums, fees charged on our products, sales of annuities and institutional products, investment income, commercial repurchase agreements and utilization of a short-term borrowing facility with the FHLBI.

Jackson uses a variety of asset liability management techniques to provide for the orderly provision of cash flow from investments and other sources as policies and contracts mature in accordance with their normal terms. Jackson's principal sources of liquidity to meet unexpected cash outflows associated with sudden and severe increases in surrenders and withdrawals or benefit payments are its portfolio of liquid assets and its net operating cash flows. As of March 31, 2024, the portfolio of cash, short-term investments and privately and publicly traded securities and equities that are unencumbered and unrestricted to sale, amounted to \$20.2 billion.

Our Indebtedness

Senior Notes

In November 2021 and June 2022, the Company issued an aggregate of \$2,350 million principal amount of its senior notes, shown as Long-term debt on the Condensed Consolidated Balance Sheets. The proceeds of the note issuances were used, together with cash on hand, to retire the Company's previously outstanding term loans. \$600 million of these notes matured on November 22, 2023, and were paid with cash on hand at maturity.

Revolving Credit and Short-Term Borrowing Facilities

On February 24, 2023, the Company entered into a revolving credit facility (the "2023 Revolving Credit Facility") with a syndicate of banks and Bank of America, N.A., as Administrative Agent. The 2023 Revolving Credit Facility replaced an existing revolving credit facility that was due to expire in February 2024. The 2023 Revolving Credit Facility provides for borrowings for working capital and other general corporate purposes under aggregate commitments of \$1.0 billion, with a sub-limit of \$500 million available for letters of credit. The 2023 Revolving Credit Facility further provides for the ability to request, subject to customary terms and conditions, an increase in commitments thereunder by up to an additional \$500 million. Commitments under the 2023 Revolving Credit Facility terminate on February 24, 2028. Interest on borrowings may be based on a "Base Rate" (as defined in the 2023 Revolving Credit Facility) plus an adder ranging from 0.125% to 0.875%, or a "Term SOFR Rate" (as defined in the 2023 Revolving Credit Facility) plus an adder ranging from 1.125% to 1.875%. The applicable adder is based upon the ratings assigned to the Company's senior, unsecured, non-credit enhanced debt.

The credit agreement governing the 2023 Revolving Credit Facility contains a number of customary representations and warranties, affirmative and negative covenants and events of default (including a change of control provision). The credit agreement contains financial maintenance covenants, including a minimum adjusted consolidated net worth test of no less than 70% of our adjusted consolidated net worth as of September 30, 2022 (plus (to the extent positive) or minus (to the extent negative) 70% of the impact on such adjusted consolidated net worth resulting from the application of a one-time transition adjustment for the LDTI accounting change for insurance contracts, and plus 50% of the aggregate amount of any increase in adjusted consolidated net worth resulting from equity issuances by the Company and its consolidated subsidiaries after September 30, 2022) and a maximum consolidated indebtedness to total capitalization ratio test not to exceed 35%. We were in compliance with these covenants at March 31, 2024.

Jackson is a party to an Uncommitted Money Market Line Credit Agreement dated April 6, 2023 among Jackson, Jackson Financial, and Société Générale. This agreement is an uncommitted short-term cash advance facility that provides an additional form of liquidity to Jackson and to Jackson Financial. The aggregate borrowing capacity under the agreement is \$500 million and each cash advance request must be at least \$100 thousand. The interest rate is set by the lender at the time of the borrowing and is fixed for the duration of the advance. Jackson and Jackson Financial are jointly and severally liable to repay any advance under the agreement, which must be repaid prior to the last day of the quarter in which the advance was drawn.

Surplus Notes

On March 15, 1997, our subsidiary, Jackson, issued 8.2% surplus notes in the principal amount of \$250 million due March 15, 2027. These surplus notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims and may not be redeemed at the option of the Company or any holder prior to maturity. Interest is payable semi-annually on March 15th and September 15th of each year. Interest expense on the notes was \$5 million and \$5 million for the three months ended March 31, 2024 and 2023.

Under Michigan insurance law, for statutory reporting purposes, the surplus notes are not part of the legal liabilities of the Company and are considered surplus funds. Payments of interest or principal may only be made with the prior approval of the Michigan Director of Insurance and only out of surplus earnings that the director determines to be available for such payments under Michigan insurance law.

Federal Home Loan Bank

Jackson is a member of the regional FHLBI primarily for the purpose of participating in its collateralized loan advance program with funding facilities. Membership requires us to purchase and hold a minimum amount of FHLBI capital stock, plus additional stock based on outstanding advances. Advances are in the form of either notes or funding agreements issued to FHLBI. As of March 31, 2024 and December 31, 2023, Jackson held a bank loan with an outstanding balance of \$53 million and \$57 million, respectively.

Collateral Upgrade Transactions

During the three months ended March 31, 2024, Jackson executed certain paired repurchase and reverse repurchase transactions ("collateral upgrade" transactions) totaling \$1.5 billion pursuant to master repurchase agreements with participating bank counterparties. Under these collateral upgrade transactions, the Company lends securities (e.g., corporate debt securities or other securities agreed upon between the parties) to bank counterparties in exchange for U.S. Treasury securities to that the Company then uses provide as collateral. The paired repurchase and reverse repurchase transactions are settled on a net basis in accordance with master netting agreements. As a result, there was no cash exchanged at initiation of these agreements. The paired transactions are reported net within the Condensed Consolidated Balance Sheets. These transactions do not have a stated maturity and require at least 150-days' notice prior to termination of the transaction.

Financial Strength Ratings

Our access to funding and our related cost of borrowing, the attractiveness of certain of our subsidiaries' products to customers, our attractiveness as a reinsurer to potential ceding companies and requirements for derivatives collateral posting are affected by our credit ratings and financial strength ratings, which are periodically reviewed by the rating agencies. Financial strength ratings and credit ratings are important factors affecting consumer confidence in an insurer and its competitive position in marketing products as well as critical factors considered by ceding companies in selecting a reinsurer.

Our principal insurance company subsidiaries are rated by A.M. Best, S&P, Moody's and Fitch. Financial strength ratings represent the opinions of rating agencies regarding the financial ability of an insurer or reinsurer to meet its obligations under an insurance policy or reinsurance arrangement and generally involve quantitative and qualitative evaluations by rating agencies of a company's financial condition and operating performance. Generally, rating agencies base their financial strength ratings upon information furnished to them by the company and upon their own investigations, studies and assumptions. Financial strength ratings are based upon factors of concern to customers, distribution partners and ceding companies and are not directed toward the protection of investors. Financial strength ratings are not recommendations to buy, sell or hold securities and may be revised or revoked at any time at the sole discretion of the rating organization.

As of May 2, 2024, the financial strength ratings of our principal insurance subsidiaries were as follows:

Company	A.M. Best	Fitch	Moody's	S&P
Jackson National Life Insurance Company				
Rating	A	A	A3	A
Outlook	stable	stable	stable	stable
Jackson National Life Insurance Company of New York				
Rating	A	A	A3	A
Outlook	stable	stable	stable	stable
Brooke Life Insurance Company				
Rating	A			
Outlook	stable			

In evaluating our Company's financial strength, the rating agencies evaluate a variety of factors including our strategy, market positioning and track record, mix of business, profitability, leverage and liquidity, the adequacy and soundness of our reinsurance, the quality and estimated market value of our assets, the adequacy of our surplus, our capital structure, and the experience and competence of our management.

In addition to the financial strength ratings, rating agencies use an outlook statement to indicate a short- or medium-term trend which, if continued, may lead to a rating change. A positive outlook indicates a rating may be raised and a negative outlook indicates a rating may be lowered. A stable outlook is assigned when ratings are not likely to be changed. Outlooks should not be confused with expected stability of the issuer's financial or economic performance. A stable outlook does not preclude a rating agency from changing a rating at any time without notice.

A.M. Best, S&P, Moody's and Fitch review their ratings of insurance companies from time to time. There can be no assurance that any particular rating will continue for any given period of time or that it will not be changed or withdrawn entirely if, in their judgment, circumstances so warrant. While the degree to which ratings adjustments will affect sales of our annuities and institutional products, and persistency is unknown, if our ratings are negatively adjusted for any reason, we believe we could experience a material decline in the sales in our individual channel, origination in our institutional channel, and the persistency of our existing business.

Impact of Recent Accounting Pronouncements

For a complete discussion of new accounting pronouncements affecting us, *see Note 2 of the Notes to Condensed Consolidated Financial Statements*.

Summary of Critical Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to adopt accounting policies and make estimates and assumptions that affect amounts reported in our Condensed Consolidated Financial Statements included elsewhere in this report. The most critical estimates are presented below.

The below critical accounting estimates are described in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates" and Notes 1 and 2 of the Notes to the Consolidated Financial Statements included in our 2023 Annual Report.

- reserves for future policy benefits and claims payable
- market risk benefits
- reinsurance
- income taxes and the ability to realize certain deferred tax benefits
- valuation and impairment of investments, including estimates related to expectations of credit losses on certain financial assets
- valuation of freestanding derivative instruments
- valuation of embedded derivatives
- net investment income
- contingent liabilities
- consolidation of variable interest entities

Off-Balance Sheet Arrangements

See Note 13 - Long-term Debt regarding lender commitment under the Company's revolving credit facility and Note 16 - Commitments and Contingencies of the Notes to Condensed Consolidated Financial Statements regarding unfunded investment commitments to limited partnerships and limited liability companies.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to the quantitative and qualitative disclosures about market risk described in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures About Market Risk” previously disclosed in our 2023 Annual Report.

Item 4. Controls and Procedures**Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures, which are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. During the period covered by this report, we, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act), as of March 31, 2024. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2024.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended March 31, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings.

For a discussion of legal proceedings, see Note 16 - Commitments and Contingencies of the Notes to Condensed Consolidated Financial Statements included elsewhere in this report.

Item 1A. Risk Factors.

We discuss in this report, in our 2023 Annual Report, and in our other filings with the SEC, various risks that may materially affect our business. In addition, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Forward-Looking Statements - Cautionary Language” included herein. There have been no material changes to our risk factors disclosed in our 2023 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Recent Sales of Unregistered Securities.

None.

Repurchase of Equity by the Company.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program ⁽¹⁾	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program (in millions) ⁽¹⁾
January 1, 2024 - January 31, 2024				
Share repurchase program	546,778	\$ 50.31	546,778	\$ 273
Employee transactions ⁽²⁾	—	N/A	N/A	N/A
February 1, 2024 - February 28, 2024				
Share repurchase program	935,594	51.61	935,594	225
Employee transactions ⁽²⁾	—	N/A	N/A	N/A
March 1, 2024 - March 31, 2024				
Share repurchase program	675,000	59.53	675,000	185
Employee transactions ⁽²⁾	73,952	58.96	N/A	N/A
Totals				
Share repurchase program	2,157,372		2,157,372	
Employee transactions ⁽²⁾	73,952		N/A	
	<u>2,231,324</u>		<u>2,157,372</u>	

⁽¹⁾ As of May 2, 2024, the Company had remaining authorization to purchase \$137 million of its common shares. For more information on common stock repurchases, see Note 19 - Equity of the Notes to Condensed Consolidated Financial Statements included elsewhere in this report.

⁽²⁾ Includes shares withheld pursuant to the terms of awards under the Company's 2021 Omnibus Incentive Plan to offset tax withholding obligations that occur upon vesting and release of shares, which are treated as share repurchases. The value of the shares withheld is the closing price of common stock of Jackson Financial Inc. on the date the relevant transaction occurs.

Item 5. Other Information.

During the three months ended March 31, 2024, the following trading plans were adopted or terminated by directors and officers of Jackson Financial. Any such contract, instruction or written plan for the purchase or sale of Jackson Financial's securities is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) as defined under the securities laws.

NAME AND TITLE OF DIRECTOR OR OFFICER	DATE OF ADOPTION OF TRADING ARRANGEMENT	DURATION OF TRADING ARRANGEMENT ⁽¹⁾	# OF AGGREGATE SHARES TO BE SOLD PURSUANT TO THE PLAN
Scott Romine, President and CEO of Jackson National Life Distributors LLC, and Executive Vice President of Jackson	March 19, 2024	June 18, 2024 - September 30, 2024	22,000 shares of common stock

⁽¹⁾In each case, a Rule 10b5-1 trading plan may also expire on such earlier date as all transactions under the Rule 10b5-1 trading plan are completed.

Item 6. Exhibits.

The following documents are filed as exhibits hereto:

Number	Description
10.1*†	Form of Notice of Award of Restricted Share Units and 2024 Restricted Share Unit Award Agreement between Jackson Financial Inc. and each of Carrie L. Chelko, Laura L. Prieskorn, Scott E. Romine, Craig D. Smith and Marcia L. Wadsten.
10.2*†	Form of Notice of Award of Performance Units and 2024 Performance Unit Award Agreement between Jackson Financial Inc. and each of Carrie L. Chelko, Laura L. Prieskorn, Scott E. Romine, Craig D. Smith and Marcia L. Wadsten.
10.3*†	Notice of Award of Restricted Share Units Retention Award and 2024 Restricted Share Unit Award Agreement Retention Award between Jackson Financial Inc. and Don W. Cummings.
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document – The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

† Identifies each management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

JACKSON FINANCIAL INC.
(Registrant)

Date: May 8, 2024

By: /s/ Marcia Wadsten
Marcia Wadsten
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)