

EXAMINATION REPORT
OF
ATHENE ANNUITY & LIFE ASSURANCE COMPANY
AS OF
DECEMBER 31, 2022

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
ATHENE ANNUITY & LIFE ASSURANCE COMPANY
AS OF
DECEMBER 31, 2022

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

Trinidad Navarro
Insurance Commissioner

Dated this 3 day of June, 2024

TABLE OF CONTENTS

SCOPE OF EXAMINATION.....	1
SUMMARY OF SIGNIFICANT FINDINGS	3
HISTORY	3
CAPITALIZATION.....	6
DIVIDENDS	6
MANAGEMENT AND CONTROL	7
DIRECTORS	7
COMMITTEES	8
OFFICERS	9
CORPORATE RECORDS	9
INSURANCE HOLDING COMPANY SYSTEM	9
AGREEMENTS WITH AFFILIATES	11
TERRITORY AND PLAN OF OPERATION	13
TERRITORY	13
PLAN OF OPERATION	14
REINSURANCE.....	14
FINANCIAL STATEMENTS	18
STATEMENT OF ASSETS	19
STATEMENT OF LIABILITIES	20
SUMMARY OF OPERATIONS.....	21
RECONCILIATION OF CAPITAL AND SURPLUS.....	23
SEPARATE ACCOUNT STATEMENT OF ASSETS, LIABILITIES AND SURPLUS	25
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION	25
COMMENTS ON FINANCIAL STATEMENT ITEMS.....	25
SUBSEQUENT EVENTS	26
SUMMARY OF RECOMMENDATIONS	29

May 30, 2024

Honorable Trinidad Navarro
Commissioner
Delaware Department of Insurance
1351 W. North St., Suite 101
Dover, Delaware 19904

Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 23.011, dated June 16, 2023, an examination has been made of the affairs, financial condition, and management of

ATHENE ANNUITY & LIFE ASSURANCE COMPANY

hereinafter referred to as the Company or AADE. AADE was incorporated under the laws of the State of Delaware as a stock company with its statutory home office located at 251 Little Falls Drive, Wilmington, Delaware 19808.

SCOPE OF EXAMINATION

We have performed our multi-state examination of AADE. The last examination of the Company was conducted as of December 31, 2017, by the Delaware Department of Insurance

(Department) and covered the period of January 1, 2014 through December 31, 2017. This examination covers the period of January 1, 2018 through December 31, 2022.¹

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified

¹ The last examination of the Athene Group was performed as a fully coordinated risk-focused financial examination, with Delaware as the lead state. In 2019, the NAIC renamed the Athene Group to Apollo Global Management Group (AGM or Group) – NAIC Group ID# 4734, and expanded it to include additional entities ultimately controlled by AGM. In addition, the NAIC reassigned lead state status from Delaware to Iowa on a going forward basis. Pursuant to the NAIC's reassignment to Iowa as lead state, the Iowa Insurance Department (IID) performed a multi-state coordinated risk-focused financial examination of the Group as of December 31, 2021, with New York and Vermont participation, covering the period of January 1, 2018 through December 31, 2021. Delaware did not participate in this examination; however, Delaware utilized the IID examination work papers as a basis from which to perform the examination of AADE as of December 31, 2022.

during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During this examination, consideration was given to work performed by the Company's external accounting firm, Deloitte and Touche (D&T), who replaced PricewaterhouseCoopers LLP as the external CPA effective January 1, 2022. Certain auditor work papers of the 2022 audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination, areas of risk mitigation and substantive testing. Additionally, the Department was provided a copy of the IID's December 31, 2021 examination work papers, which were utilized as a basis from which to perform the examination of AADE as of December 31, 2022

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in financial statements as a result of this examination.

HISTORY

The Company was originally incorporated in South Carolina as Southeastern Life Insurance Company (SLIC) on November 3, 1905, and commenced business on January 1, 1906. The Company's name was changed from SLIC to Liberty Life Insurance Company in 1941. The Company operated under the ultimate control of The Liberty Corporation until November 1, 2000, when it was acquired by RBC Insurance Holdings (USA) Inc., (RBCIH). RBCIH was a Delaware insurance holding company ultimately controlled by Royal Bank of Canada (RBC). The Company operated under ultimate control of RBC until April 29, 2011, when it was acquired by Athene Holding Ltd. (AHL), a Bermuda exempted company. Prior to this acquisition, AHL's primary operations consisted of its Bermuda domiciled reinsurer, Athene Life Re Ltd. (ALRe).

In July 2011, AHL acquired Investors Insurance Company (IIC) and subsequently contributed IIC's issued and outstanding shares to the Company on September 30, 2011. IIC was later merged into the Company and dissolved effective December 31, 2013.

On September 30, 2011, the Company redomesticated from South Carolina to Delaware and its name was changed to Athene Annuity & Life Assurance Company (AADE) effective February 1, 2012. In mid to late 2012, AHL acquired Presidential Life Corporation and its wholly owned subsidiary Presidential Life Insurance Company (PLIC) through a series of transactions that ultimately led to PLIC being renamed Athene Annuity & Life Assurance Company of New York (AANY), and becoming a wholly owned subsidiary of the Company. The Company remained AHL's primary United States operating entity until late 2013 when it became party to AHL's largest acquisition to date.

Effective October 2, 2013, AHL acquired Aviva USA Corporation (Aviva USA), a non-insurance holding company incorporated in the state of Iowa, and its wholly-owned subsidiaries, consisting primarily of Aviva Life and Annuity Company, which is was later renamed Athene Annuity and Life Company (AAIA). AHL renamed Aviva USA to Athene USA Corporation (AUSA) and performed a corporate reorganization pursuant to a Stock Power (i) contributing 100% of the stock of AADE to AUSA, (ii) AUSA contributed 100% of the stock of AAIA and its subsidiaries to AADE and (iii) AADE contributed 100% ownership of AANY to AAIA. AUSA remained a direct wholly-owned subsidiary of AHL until March 20, 2018.

Effective March 20, 2018, in response to the United States tax reform, AHL performed an organizational and affiliated reinsurance program restructuring which included, AHL contributing AUSA and its subsidiaries to AHL's wholly-owned subsidiary ALRe. Concurrently, ALRe formed

a new Bermuda reinsurer, Athene Annuity Re Ltd. (AARe), and contributed 100% ownership of AARe to AUSA.

Effective December 31, 2018, Athene Life Insurance Company (ALIC), an entity formed on March 5, 2010, and a wholly-owned subsidiary of the Company, was merged with and into the Company under the statutory merger method of accounting in accordance with *SSAP No. 3, Accounting Changes and Correction of Errors*.

As of December 31, 2021, all outstanding shares of the Company were owned by AUSA, an indirect wholly owned subsidiary of AHL. AHL's common shares comprise a single class of voting common stock (Class A Common Shares). Certain investment funds and management entities (Apollo Holders) affiliated with Apollo Global Management, Inc. (AGM), a Delaware corporation, beneficially own more than 10% of the Class A Common Shares. No person or entity, other than the Apollo Holders, beneficially owns more than 10% of the Class A Common Shares. Leon Black, Joshua Harris and Marc Rowan, (the Founders) who are the founders of AGM, are the ultimate controlling persons of the Apollo Holders, and as such, are the ultimate controlling persons of AHL and its regulated insurance company subsidiaries, i.e., AADE.

On January 1, 2022 (the Merger Effective Date), the merger transaction pursuant to the Agreement and Plan of Merger, dated as of March 8, 2021 (the Merger Agreement), by and among AHL, Apollo Global Management Inc. (AGM, formerly known as Tango Holdings, Inc.), Athene Asset Management (AAM) (formerly known as Apollo Global Management, Inc.), Blue Merger Sub, Ltd. (AHL Merger Sub) and Green Merger Sub, Inc. (AAM Merger Sub) was completed. Effective as of 1:00 a.m. Eastern Time on the Merger Effective Date, AAM Merger Sub merged with and into AAM (the AAM Merger), with AAM continuing as a direct subsidiary of AGM. Effective as of 1:01 a.m. Eastern Time on the Merger Effective

Date, AHL Merger Sub merged with and into AHL (the AHL Merger and, together with the AAM Merger, the Mergers), with AHL continuing as a direct subsidiary of AGM. As a result of the Mergers, AAM and AHL became direct subsidiaries of AGM, the top-tier public holding company of the Apollo Group, which is traded on the NYSE under the symbol “APO.” AGM is and remains ultimately controlled by the Founders.

Prior to the Mergers, all outstanding shares of the Company were owned by AUSA. Following the completion of the Mergers, AUSA contributed 100% ownership in the Company and its subsidiaries to its direct wholly owned subsidiary, AARe, whereas the Company became a direct wholly owned subsidiary of AARe, and an indirect wholly owned subsidiary of AHL.

On December 31, 2023, AHL was converted from non-U.S. corporation (a Bermuda exempted company) to a U.S. corporation (a Delaware corporation) to allow for greater tax efficiencies within the AGM group.

Capitalization

The Company’s Certificate of Incorporation authorizes the issue of 5,000 shares of common stock with a \$500 par value. As of December 31, 2022, the Company had 5,000 common shares issued and outstanding totaling \$2.5 million. All outstanding common shares of the Company are owned by AARe. As of December 31, 2022, the Company reported gross paid in and contributed surplus of \$3,331.4 million.

Dividends

During June 2019, the Company’s direct subsidiary, AAIA, distributed 100% of its membership interests in Athene Securities, LLC (Athene Securities) to the Company through a dividend of \$0.4 million. The Company then immediately distributed 100% of the membership

interests in Athene Securities to its direct parent AUSA through a dividend of \$0.4 million. No dividends were paid by the Company in 2018, 2020, 2021 or 2022.

MANAGEMENT AND CONTROL

Directors

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the property and affairs of the Company must be managed by or under the direction of its Board of Directors (Board). The number of directors of the Corporation constituting the Board shall be one (1) or more. The total number of directors shall be fixed from time to time by the shareholders holding at least the number of shares required to elect directors; provided that the Board may increase or decrease by 30% or less the number of directors last approved by the shareholders, but only the shareholders may increase or decrease by more than 30% the number of directors last approved by the shareholders.

Each director is elected annually by the stockholder and holds office until the next annual election and until their successors are elected and qualified except as removed for cause and the successor elected by a special meeting of the stockholder. Directors duly elected and serving as of December 31, 2022, were as follows:

<u>Name and Location</u>	<u>Principal Occupation</u>
Grant Kvalheim West Des Moines, Iowa	Chairman and President, AADE Chief Executive Officer, AUSA
Mitra Hormozi ⁽¹⁾ New York, New York	Trial Attorney Partner at Walden Macht & Haran LLP
Francis Patrick Sabatini ⁽¹⁾ Killingworth, Connecticut	President Sabatini Advisory Services, LLC
Lawrence John Ruisi ⁽¹⁾ Armonk, New York	Retired Former Adjunct Professor at St. John's University

Hope Scheffler Taitz ⁽¹⁾ New York, New York	Charman, CEO, and interim CFO Aequi Acquisition Corporation
Martin Philip Klein New York, New York	Executive Vice President Chief Financial Officer, AHL
Christopher Robert Welp Wauke, Iowa	Executive Vice President Insurance Operations, AUSA

(1) AADE Independent director.

Committees

Article IV of the amended and restated bylaws states that the Board may, by resolution designate committees of the Board, consisting of two or more directors, and to have such duties and functions as shall be provided in such resolution.

On July 8, 2011, the Board established an Audit Committee. As of December 31, 2022, the Audit Committee of AADE also serves as the Audit Committee of AAIA, Structured Annuity Reinsurance Company (STAR), AANY and Athene Life Insurance Company (ALICNY). The Audit Committee is completely independent to comply with certain insurance regulatory requirements. During the examination period, the Audit Committee consisted of the following three independent directors:

<u>Name and Location</u>	<u>Principal Occupation</u>
Lawrence Ruisi Armonk, New York	Retired Former Adjunct Professor at St. John's University
Francis Patrick Sabatini ⁽¹⁾ Killingworth, Connecticut	President Sabatini Advisory Services, LLC
Mitra Hormozi ⁽²⁾ New York, New York	Trial Attorney Partner at Walden Macht & Haran LLP

(1) Audit Committee Chairman as of December 31, 2022

(2) In March 2023, Hope Taitz was added as a member of the Audit Committee

Officers

The bylaws require election of a President (who may also be the Chief Executive Officer), a Treasurer, a Secretary and any Vice Presidents, Assistant Secretaries, Assistant Treasurer(s) or other officers as may be appointed by the Board. Any number of offices may be held by the same person. The Company's primary officers serving as of December 31, 2022, were as follows:

<u>Name</u>	<u>Title</u>
Grant Kvalheim	Chief Executive Officer
Michael Steven Dowing	President
Tyler Dean Goode	Treasurer
Blaine Thomas Doerrfeld	Secretary
Kristi Kaye Burma	Executive Vice President
Randal William Epright	Executive Vice President
Shailendra P Panchal	Executive Vice President
Christopher Robert Welp	Executive Vice President

Corporate Records

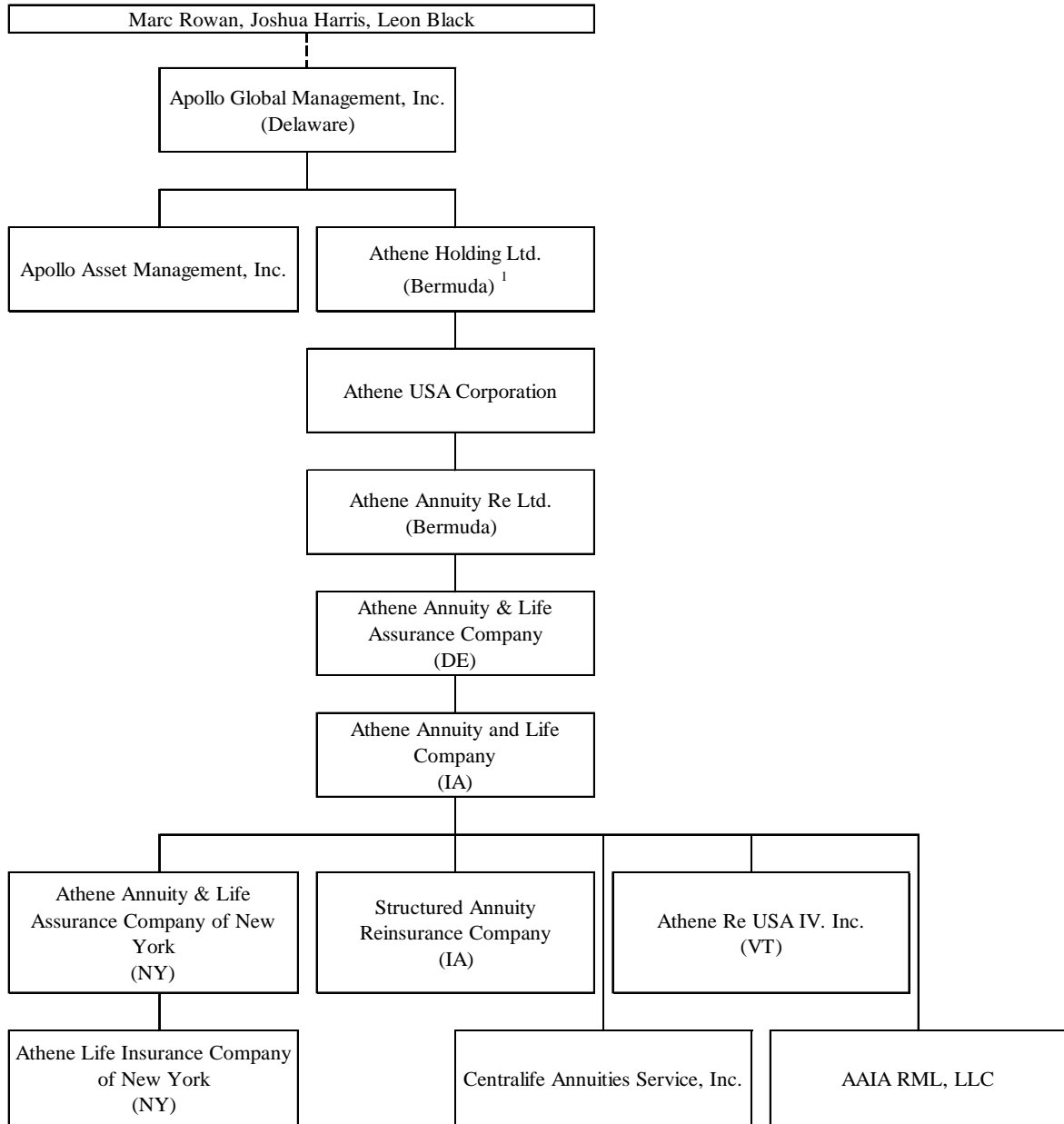
The recorded Shareholder and Board minutes were reviewed for the period under examination. The recorded Board minutes adequately documented the Board's meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* § 1304. In addition, review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* § 4919.

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined under 18 *Del. C.* § 5001 of the Delaware Insurance Code. The Company is a wholly owned subsidiary of AARe, a direct wholly owned subsidiary of AUSA, and an indirect wholly owned subsidiary of AHL, which in turn is 100% wholly owned by AGM. AGM is and remains ultimately controlled

by the Founders, whose percentage ownerships as of December 31, 2022 were 15.1% - Mr. Leon Black, 6.7% - Mr. Joshua Harris and 6.1% - Mr. Marc Rowan.

An abbreviated organizational chart for AADE shows the following structure:



(1) Effective December 31, 2023, AHL was converted from a non-U.S. corporation (a Bermuda exempted company) to a U.S. corporation (a Delaware corporation) to allow for greater tax efficiencies within the AGM group

Copies of the Form B - Holding Company Registration Statements, filed with the Department during the period under examination were reviewed in conjunction with the review of the management, service and tax agreements in place during the period under examination. This review indicated that the Company complied with the provisions of 18 *Del. Admin. Code* 1801.

Agreements with Affiliates

The following is a summary of the Company's significant affiliated agreements in force, excluding agreements associated with related party invested assets, as of December 31, 2022:

Investment Management Agreement

Effective April 29, 2011, and as amended December 16, 2011, November 1, 2015 and January 1, 2019, the Company entered into an Investment Management Agreement with AAM (now known as Apollo Insurance Solutions Group LP or ASIG). In accordance with the agreement, AAM agrees to provide asset management services in exchange for management fees. Pursuant to the agreement, the Company pays AAM thirty basis points per annum on the Company's managed assets.

Net Worth Maintenance Agreement

Effective October 1, 2012, the Company entered into a Net Worth Maintenance Agreement with AHL. In accordance with the agreement, AHL agreed to maintain the Company's "total adjusted capital" at a minimum of 200% of "Company Action Level Risk Adjusted Capital" in accordance with methods prescribed by the NAIC.

Tax Allocation Agreement

Effective January 1, 2019, and subsequently amended January 1, 2023, AADE entered into a Tax Allocation Agreement with certain of its affiliated companies whereby it files as a member of a consolidated federal income tax return. Allocation of consolidated tax benefits or losses to

each member of the consolidated tax agreement based on a separate filed return basis. Payment of losses are made at the time they are used in the consolidated return or on a separate return basis. State income and franchise taxes paid on a combined, consolidated or similar basis is also proportioned.

Rackspace Global Services Agreement

Effective January 2, 2019, AHL and Rackspace US (Rackspace) entered into an agreement whereby Rackspace will provide IT-related services to AHL or any of its affiliates (including AADE). Pursuant to the terms, an affiliate may enter a Customer Service Order detailing the services to be provided from Rackspace and agrees to be bound by the overall terms of the Global Services Agreement. Fees due under any Customer Service Order are payable within 45 days of receipt of the invoice. The primary parties upon ninety days written notice may terminate the agreement, except that any existing outstanding Customer Service Order will continue until completion.

Shared Services and Cost Sharing Agreements (Non-New York Companies)

Effective January 1, 2020, , subsequently amended effective July 1, 2023, AADE along with an additional ten non-New York domiciled affiliates (the Parties) entered into a shared services and cost sharing agreement with Athene Employee Services, LLC (AES), whereby the Parties and AES are to provide various services to each other under the agreement as requested. Services provided under this agreement include but are not limited to executive/strategic and operations management, financial services and accounting, treasury, reinsurance and underwriting, human resources, legal, IT, sales and market development, tax, audit services, risk management, printing and supplies and other listed services. Reimbursement of fees is on a cost basis, with indirect expenses to be allocated using time, usage, proportion of revenue or other reasonable methodology. Remittance of expenses is monthly on an estimated basis, with a true up prepared

and settled quarterly. Any party may terminate the agreement for their part with at least thirty days written notice. All Shared Services and Cost Sharing Agreements previously entered by AADE and its respective affiliates terminated upon the effectiveness of this Shared Services Agreement.

Reinsurance and Strategic Services Agreement

Effective September 2, 2020, AADE entered into a Reinsurance and Strategic Services Agreement (RASSA) with Athene Re Services, LLC, a newly formed New York reinsurance intermediary and a wholly owned subsidiary of AUSA (AReS). The RASSA is intended to facilitate AADE's reinsurance business by permitting certain activities in New York, which AReS may undertake on behalf of AADE as a licensed reinsurance intermediary in the state.

Promissory Note

Effective May 1, 2021, AUSA entered into an agreement with AAIA, AADE and AES for establishing an unsecured revolving promissory note arrangement. Under the terms of this agreement, AUSA may advance up to an aggregate of \$200,000,000 to one or more of the entities under a promissory note for up to five-years from the effective date of the agreement. Interest will accrue at a rate per annum equal to 2.085%, which rate will increase after the final date of May 1, 2026, by an additional 5%. The entities may borrow or reborrow up to this aggregate principal amount until this final date. Each entity is only responsible under this agreement for any principal and interest on amounts borrowed by that specific entity.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2022, the Company is licensed in the District of Columbia, Puerto Rico and all states except New York. The Company is authorized to transact the business of life insurance including annuities, variable annuities, variable life and credit life, health and credit health as defined by 18 *Del. C.* §902 "Life insurance" and 18 *Del. C.* §903 "Health insurance".

For the year ended December 31, 2022, the Company wrote approximately 59.04% of its business in the jurisdictions of Iowa (20.40%), South Carolina (16.93%), North Carolina (10.90%), Louisiana (6.7%) and Texas (4.11%).

Plan of Operation

The Company has historically issued individual life insurance, annuities and related spread products. However, the Company has not actively marketed retail type products since 2015. The Company has been predominately involved in block and flow reinsurance transactions during the examination period. The Company continues to focused on the issuance of FABN (deposit-type contracts) to financial institutions along with its assumptive reinsurance platform. In addition, the Company maintains the structure and preliminary approvals to conduct business in the pension risk transfer market, including the establishment of a comingled separate account for this purpose, as well as continues to directly service legacy business. As of year-end 2022, AADE directly serviced approximately 32,000 annuity policyholders and had \$6.0 billion aggregate principal amount of funding agreements outstanding.

On February 26, 2024, the Company filed a Form A informing the Department of its intention to merge with an into AAIA in July 2024 (subsequently updated to October 2024), with AAIA as the surviving entity. Consequently, AADE will cease to exist with all assets and liabilities becoming those of AAIA.

REINSURANCE

AHL maintains a ceded reinsurance program to limit risk exposure and to transfer blocks of business (life) that are no longer consistent with its business model. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of the reinsurer and monitors the concentration of credit risk. Most of the annuity reinsurance from

AHL's US subsidiaries is to a Bermuda-based affiliate, AARe, while life reinsurance utilizes two primary counterparties (Protective Life Insurance Company (Protective) for AADE, and Global Atlantic Financial Group Limited (Global Atlantic) for AAIA & ALICNY). On April 29, 2011, the Company reinsured substantially all of its life and health business, primarily to Protective under a coinsurance agreement. As of December 31, 2022, the Company recognized a reserve credit of \$1.3 billion on this business.

Annuity reinsurance treaties ceded to AARe are mainly structured as coinsurance with funds withheld, and modified coinsurance with funds withheld or combination thereof. For the life reinsurance agreements with Protective and Global Atlantic, AADE, AAIA and ALICNY cede 100% of the business to Protective and Global Atlantic, which administer these policies and are aware that AHL has no plans to recapture that business.

During the first quarter of 2018, AHL implemented a restructuring of its reinsurance program. Effective January 1, 2018, all treaties between ALRe and the domestic insurance companies (AAIA, AADE and STAR) were recaptured. This same business was then ceded or retroceded to AARe with no material changes to the terms of the treaties between the entities and AARe. In general, 80% of Retail Annuities, Pension Risk Transfer (PRT) and assumed flow reinsurance (from third parties) are reinsured to AARe, and 100% of Funding Agreements, including funding agreements issued by the Federal Home Loan Bank, effective January 1, 2020, are reinsured to AARe.

The Company entered into the following material reinsurance agreements during the examination period that were in effect as of December 31, 2022:

Annuity Reinsurance

Effective January 1, 2020, the Company entered a coinsurance funds withheld agreement with AARe to cede a quota share of all in force and certain future funding agreements. The Company has taken a reserve credit of \$5.94 billion and \$8.20 billion as of December 31, 2022 and 2021, respectively. Funds held under reinsurance for this agreement were \$5.96 billion and \$8.22 billion as of December 31, 2022, and 2021, respectively.

Effective September 17, 2018, the Company entered a quota share coinsurance agreement with Brighthouse Life Insurance Company (Brighthouse) to assume an 80% quota share of certain multi-year guaranteed annuity policies issued by Brighthouse on or after the effective date of the treaty. The Company retrocedes 80% of this business to AARe under a modified coinsurance agreement. Assumed reserves were \$4.25 billion and \$1.27 billion as of December 31, 2022 and 2021, respectively, of which \$3.4 billion and \$1.02 billion represented modified coinsurance reserves ceded to AARe as of December 31, 2022 and 2021, respectively.

Effective June 1, 2018, the Company entered into two quota share reinsurance agreements, one coinsurance and one modified coinsurance, with Venerable Insurance and Annuity Company (VIAC), to assume a 20% quota share of all fixed annuity business issued by VIAC prior to the effective date of the treaty. Assumed reserves on the coinsurance treaty were \$2.07 billion and \$2.39 billion as of December 31, 2022 and 2021, respectively, and modified coinsurance reserves held at VIAC for business assumed by the Company were \$44.52 million and \$63.35 million as of December 31, 2022 and 2021, respectively.

Effective June 1, 2018, the Company entered a quota share coinsurance agreement with VIAC to assume a 20% quota share of all guaranteed minimum income benefit rider policies issued

by VIAC on or after the effective date of the treaty. Assumed reserves were \$471.70 million and \$377.44 million as of December 31, 2022 and 2021, respectively.

Effective January 1, 2018, the Company entered into a coinsurance agreement with AAIA to assume 50% of all retail annuity business issued by AAIA on or after January 1, 2018 through December 31, 2021. The Company subsequently entered a retrocession modified coinsurance agreement with AARe effective January 1, 2018 to cede an 80% quota share of this AAIA retail annuity business. Assumed reserves were \$12.92 billion and \$13.80 billion as of December 31, 2022 and 2021, respectively, of which \$10.33 billion and \$11.04 billion represented modified coinsurance reserves ceded to AARe as of December 31, 2022 and 2021, respectively. Effective January 1, 2022, AAIA recaptured the payout annuities ceded to the Company under this agreement. Assumed reserves recaptured by AAIA were \$135.36 million as of January 1, 2022, of which \$108.29 million, represented modified coinsurance reserves ceded to AARe.

Effective January 1, 2018, the Company entered into a modified coinsurance agreement with AARe to cede 80% of the in force and future annuity business of the Company. Modified coinsurance reserves ceded under this agreement were \$1.68 billion and \$1.89 billion as of December 31, 2022 and 2021, respectively.

AUSA Reinsurance Committee

All reinsurance transactions are reviewed by the AUSA Reinsurance Committee (ARC), which was created by the AUSA Board and delegated authority by the board to evaluate reinsurance transactions and recommend action to the CEO. Any reinsurance transactions with a materially adverse GAAP financial impact are approved by the Board. ARC members include the SVP & Chief Actuary, EVP Chief Operating Officer, SVP Legal, SVP Controller & Treasurer and AVP Transactions Solutions.

From time to time, AADE, AAIA, STAR, AANY, ALICNY, ALRe and AARE may settle net amounts due under the reinsurance agreements by transferring securities, in lieu of cash, with a fair market value equal to such net amount.

FINANCIAL STATEMENTS

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

General Account:

- Statement of Assets as of December 31, 2022
- Liabilities, Surplus, and Other Funds as of December 31, 2022
- Summary of Operations for the year ended December 31, 2022
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2017 to December 31, 2022

Separate Accounts:

- Statement of Assets, Liabilities and Surplus of December 31, 2022

Statement of Assets
As of December 31, 2022

	Assets	Assets Nonadmitted	Net Admitted Assets
Bonds	\$23,978,263,314	\$ -	\$ 23,978,263,314
Preferred stocks	283,533,101	-	283,533,101
Common stocks	2,090,899,907	38,522	2,090,861,385
First liens - mortgage loans on real estate	4,295,408,912		4,295,408,912
Other than first liens - mortgage loans on real estate	340,646,335		340,646,335
Cash, cash equivalents, short-term investments	639,252,819	-	639,252,819
Contract loans	2,258,361		2,258,361
Derivatives	223,005,162		223,005,162
Other invested assets	1,002,480,977	1,386,423	1,001,094,554
Receivables for securities	16,048,049	-	16,048,049
Aggregate write-ins for invested assets	48,747,729	-	48,747,729
Subtotals, cash and invested assets	<u>\$32,920,544,666</u>	<u>\$ 1,424,945</u>	<u>\$ 32,919,119,721</u>
Investment income due and accrued	223,643,319	631,788	223,011,531
Amounts recoverable from reinsurers	82,191,363	-	82,191,363
Funds held by or deposited with reinsured companies (reinsurance)	2,724,519,016		2,724,519,016
Other amounts receivable under reinsurance contracts	2,302,899,640		2,302,899,640
Net deferred tax asset	233,022,678	159,377,350	73,645,328
Guaranty funds receivable or on deposit	337,863		337,863
Receivables from parent, subsidiaries and affiliates	101,111,232	-	101,111,232
Health care and other amounts receivable	4,689,005		4,689,005
Aggregate write-ins for other than invested assets	1,782,458	965,196	817,262
Total assets excluding Separate Accounts, Segregated Accounts and Protected Call Accounts	<u>\$38,594,741,240</u>	<u>\$ 162,399,279</u>	<u>\$ 38,432,341,961</u>
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	13,668,240	-	13,668,240
Total	<u><u>\$38,608,409,480</u></u>	<u><u>\$ 162,399,279</u></u>	<u><u>\$ 38,446,010,201</u></u>

Statement of Liabilities
As of December 31, 2022

		Note
Aggregate reserve for life contracts	\$ 26,149,069,195	1
Liability for deposit-type contracts	408,687,229	1
Life (contract claims)	121,255,307	1
Policyholders' dividends/refunds to members	28,881	
Other amounts payable on reinsurance	2,024,376,339	
Interest maintenance reserve (contract liabilities not included elsewhere)	54,238,208	
Commissions to agents due or accrued-life and annuity contracts	244,675	
Commissions and expense allowances payable on reinsurance assumed	4,999,205	
General expenses due or accrued	1,080,535	
Transfers to Separate Accounts due or accrued (net) (including \$59512 accrued expense allowances recognized in reserves net of reinsured allowances)	59,512	
Taxes; licenses and fees due or accrued; excluding federal income taxes	295,071	
Current federal and foreign income taxes including \$0 on realized capital gains (losses)	2,124,777	
Unearned investment income	2,082,745	
Amounts withheld or retained by reporting entity as agent or trustee	277,649	
Remittances and items not allocated	9,058,597	
Asset valuation reserve (miscellaneous liabilities)	167,993,482	
Funds held under reinsurance treaties	5,957,328,900	
Payable to parent; subsidiaries and affiliates	108,721,575	
Derivatives	140,647,832	
Payable for securities (miscellaneous liabilities)	1,605,017	
Aggregate write-ins for other liabilities	979,781,875	
Total liabilities excluding Separate Accounts business	\$ 36,133,956,606	
From Separate Accounts statement	13,668,240	
Total liabilities	\$ 36,147,624,843	
Common capital stock	\$ 2,500,000	
Gross paid-in and contributed surplus	3,331,395,902	
Unassigned funds (surplus)	(1,035,510,544)	
Surplus	\$ 2,295,885,358	
Total Capital and Surplus	\$ 2,298,385,358	
Total liabilities, capital and surplus	\$ 38,446,010,201	

Summary of Operations
For the Year Ended December 31, 2022

Premiums and annuity considerations for life and accident and health contracts	\$ 605,040,513.00
Considerations for supplementary contracts with life contingencies	47,532,350
Net investment income	1,175,973,308
Amortization of Interest Maintenance Reserve (IMR)	14,983,553
Commissions and expense allowances on reinsurance ceded	148,528,097
Reserve adjustments on reinsurance ceded	405,098,034
Income from fees associated with investment management; administration and contract guarantees from Separate Accounts	445,408
Aggregate write-ins for miscellaneous income	102,854,450
Totals (income)	<u>\$ 2,500,455,713</u>
Death benefits	\$ 280,387
Matured endowments (excluding guaranteed annual pure endowments)	5,000
Annuity benefits	182,674,055
Surrender benefits and withdrawals for life contracts	535,221,465
Interest and adjustments on contract or deposit-type contract funds	15,871,831
Payments on supplementary contracts with life contingencies	17,916,389
Increase in aggregate reserves for life and accident and health contracts	1,715,449,323
Total (benefits)	<u>\$ 2,467,418,450</u>
Commissions on premiums; annuity considerations and deposit-type contract funds	\$ 1,885,038
Commissions and expense allowances on reinsurance assumed	169,406,657
General insurance expenses and fraternal expenses	25,661,713
Insurance taxes; licenses and fees; excluding federal income taxes	2,018,412
Net transfers to or (from) Separate Accounts net of reinsurance	(525,470)
Aggregate write-ins for deductions	89,185,187
Totals (benefits and expenses)	<u>\$ 2,755,049,988</u>
Net gain from operations before dividends to policyholders, refunds to members and federal income taxes	(254,594,275)
Dividends to policyholders and refunds to members	24,551
Net gain from operations after dividends to policyholders, refunds to members and before federal income taxes	\$ (254,618,826)
Federal and foreign income taxes incurred (excluding tax on capital gains)	80,895,809
Net gain from operations after dividends to policyholder, refunds to members and federal income tax and before revalued capital gains or (losses)	\$ (335,514,634)
Net realized capital gains or (losses)	315,217,637
Net income	<u>\$ (20,296,997)</u>

Athene Annuity & Life Assurance Company

Capital and surplus, December 31, prior year	\$ 1,604,518,076
Net income	(20,296,997)
Change in net unrealized capital gains and (losses) less capital gains tax	(882,003,928)
Change in net unrealized foreign exchange capital gain (loss)	(105,198,596)
Change in net deferred income tax	(19,508,467)
Change in nonadmitted assets	(42,657,487)
Change in asset valuation reserve	291,752,567
Surplus adjustment	
Paid in	1,404,888,944
Change in surplus as a result of reinsurance	<u>66,891,248</u>
Net change in capital and surplus	<u>\$ 693,867,283</u>
Capital and surplus, December 31, current year	<u>\$ 2,298,385,358</u>

Reconciliation of Capital and Surplus
For the Period from the Prior Examination
As of December 31, 2017, to December 31, 2022

	Common Capital Stock	Gross Paid in and Contributed Surplus	Unassigned Surplus	Total	Note
12/31/2017	\$ 2,500,000	\$ 986,780,264	\$ 358,376,873	\$ 1,347,657,138	
12/31/2018		186,536,955	9,866,896	196,403,851	1
12/31/2019		13,495,361	(31,888,972)	(18,393,611)	2
12/31/2020		215,276,849	(41,038,887)	174,237,962	3
12/31/2021		524,417,529	(619,804,797)	(95,387,268)	4
12/31/2022		1,404,888,944	(711,021,660)	693,867,284	5
	<u>\$ 2,500,000</u>	<u>\$ 3,331,395,902</u>	<u>\$ (1,035,510,546)</u>	<u>\$ 2,298,385,356</u>	

(1) Represents:

Net income	\$ 18,186,514
Change in unrealized capital gains	(5,646,321)
Change in unrealized foreign exchange	(12,720,213)
Change in net deferred income tax	1,685,873
Change in non-admitted assets	(470,354)
Change in asset valuation reserve	11,827,831
Surplus adjustment:	
Change in surplus as a result of reinsurance	(2,842,812)
Aggregate write ins for gains and losses in surplus	(153,621)
Net Change in Surplus	<u>\$ 9,866,897</u>

(2) Represents:

Net income	\$ (85,755,718)
Change in unrealized capital gains	90,098,194
Change in unrealized foreign exchange	26,283,181
Change in net deferred income tax	100,219,269
Change in non-admitted assets	(59,037,852)
Change in asset valuation reserve	(176,832,676)
Surplus adjustment:	
Change in surplus as a result of reinsurance	74,093,494
Dividends to stockholders	(409,420)
Aggregate write ins for gains and losses in aaaa	(547,444)
Net Change in Surplus	<u>\$ (31,888,972)</u>

Athene Annuity & Life Assurance Company

(3) Represents:

Net income	\$ 53,887,287
Change in unrealized capital gains	(18,775,821)
Change in unrealized foreign exchange	(41,068,115)
Change in net deferred income tax	1,523,203
Change in non-admitted assets	36,447,227
Change in asset valuation reserve	(146,151,930)
Surplus adjustment:	
Change in surplus as a result of reinsurance	71,387,105
Aggregate write ins for gains and losses in surplus	<u>1,712,157</u>
Net Change in Surplus	<u>\$ (41,038,887)</u>

(4) Represents:

Net income	\$ (70,245,853)
Change in unrealized capital gains	(539,951,505)
Change in unrealized foreign exchange	(49,409,358)
Change in net deferred income tax	52,636,812
Change in non-admitted assets	(95,496,942)
Change in asset valuation reserve	51,958,610
Surplus adjustment:	
Change in surplus as a result of reinsurance	30,703,440
Aggregate write ins for gains and losses in surplus	<u> </u>
Net Change in Surplus	<u>\$ (619,804,797)</u>

(5) Represents:

Net income	\$ (20,296,997)
Change in unrealized capital gains	(882,003,928)
Change in unrealized foreign exchange	(105,198,596)
Change in net deferred income tax	(19,508,467)
Change in non-admitted assets	(42,657,487)
Change in asset valuation reserve	291,752,567
Surplus adjustment:	
Change in surplus as a result of reinsurance	66,891,248
Aggregate write ins for gains and losses in surplus	<u> </u>
Net Change in Surplus	<u>\$ (711,021,660)</u>

Separate Account Statement of Assets, Liabilities and Surplus
As of December 31, 2022

	General		Total
	Account Basis	Fair Value Basis	
Common stocks	\$ -	\$ 12,402,358	\$ 12,402,358
Cash and cash equivalents		1,265,882	1,265,882
Subtotals, cash and investes assets	\$ -	\$ 13,668,240	\$ 13,668,240
Total	\$ -	\$ 13,668,240	\$ 13,668,240
Aggregate reserve for life, annuity and accident and health	\$ -	\$ 13,727,752	\$ 13,727,752
Other transfers to general account due or accrued	-	(59,512)	(59,512)
Total liabilities	\$ -	\$ 13,668,240	\$ 13,668,240

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the financial statements as a result of this examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Aggregate reserve for life contracts	\$ 26,149,069,195
Liability for deposit-type contracts	\$ 408,687,229
Life (contract claims)	\$ 121,255,307

The Department retained the actuarial services of INS Consultants, Inc. (Consulting Actuary) to perform a risk-focused review of the Company's reserving and pricing activities. The Consulting Actuary assisted in review of the inherent risks, management oversight and other mitigating controls over the Company's actuarial processes and procedures. The Consulting Actuary performed an independent reserve analysis including an assessment of the Company's reserves for compliance with standard valuation laws, applicable NAIC Actuarial Guidelines and Model Regulations. The Consulting Actuary also reviewed the Company's asset adequacy

analysis filed in accordance with the Actuarial Opinion Memorandum Regulation for the year ended December 31, 2022.

SUBSEQUENT EVENTS

The following material subsequent events occurred, requiring disclosure in this examination report.

During the year-end 2023 financial statement preparation, the Company discovered an error in the tax reserves which resulted in a \$20.1 million understatement of current tax liability, a \$4.7 million understatement of admitted deferred tax asset and a \$42.5 million overstatement of the Company's investment in subsidiary in the prior period financial statements. In accordance with SSAP No.3, *Accounting Changes and Correction of Errors*, the current tax expense correction was recorded directly to surplus. The net impact of the corrections decreased surplus by \$57.9 million, representing 1.8% of ending capital and surplus as of December 31, 2023 and 2.5% as of December 31, 2022.

On December 20, 2023, the Company and AAIA executed an Agreement and Plan of Merger (Merger Agreement) pursuant to which, subject to the receipt of regulatory approvals required in respect thereof, the Company will merge with and into AAIA, with AAIA as the surviving company (the Merger). Currently, both AAIA and the Company are indirect wholly owned subsidiaries of AHL and AAIA is a wholly owned subsidiary of the Company. The consummation of the Merger will require the approval of the Department, the California Department of Insurance and the IID. The Merger is anticipated to occur in the fourth quarter of 2024.

As a result of the Merger, Athene's intercompany reinsurance program will need to be consolidated. While the Company's legacy assumptions will remain unchanged, there are several

intercompany treaties that will be recaptured, and either retroceded to AARe directly, or terminated.

The Company received the following capital contributions and paid the following dividends after December 31, 2022:

- *\$100 Million capital contribution from AARe to AADE to AAIA* – On February 6, 2023, the Department received a request to treat an additional capital contribution in the amount of \$100 million from the parent, AARe, to AADE, with the proposed contribution further contributed to AAIA, as a Type 1 Subsequent Event, pursuant to SSAP 9 and SSAP 72, *paragraph 8*. The balance shall be recorded as an admitted asset with a corresponding increase in gross paid-in and contributed surplus on AAIA's December 31, 2022 Financial Statement. The Department reviewed the transaction, and approved this transaction on February 7, 2023. The IID approved this transaction on February 7, 2023.
- *\$313 Million capital contribution from AARe and AADE to AAIA* - On July 31, 2023, the Department received a letter pursuant to the requirements of SSAP No. 72, paragraph 8, which stated with the approval of the Board of AARe, AARe will contribute \$200 million to AADE to further contribute, along with \$113 million (i.e., \$313 million total contribution), to its wholly-owned subsidiary AAIA to support AAIA's RBC ratio due to continued growth of the business, and to provide for additional enhancement to AAIA's solvency. The contribution will be received by AADE and AAIA prior to the filing of their 2023 second quarter statements. The Boards of AARe, AADE and AAIA have approved of the contribution activity. The IID approved this

transaction on July 31, 2023, and the Department approved this transaction on August 9, 2023.

The following intercompany service agreements and intercompany reinsurance agreement were amended subsequent to December 31, 2022:

- *Amendment to the Shared Services Agreement* - On June 1, 2023, the Company filed a Form D with the Department with the intention to enter into Amendment 1 of the *Shared Services and Cost Sharing Agreement originally effective January 1, 2020*. *Amendment 1 replaces Section 3 of the agreement in its entirety pertaining to Account and Payments for services provided by a Service Provider to a Service Recipient*. The Department approved Amendment 1 on July 13, 2023, with an effective date of July 1, 2023.
- *Amendment to the Tax Sharing Agreement* - On October 4, 2023, the Company filed a Form D with the Department requesting the approval of Amendment 1 to the Tax Allocation Agreement originally effective January 1, 2019. In September 2023, the *NAIC Statutory Accounting Principles Working Group (SAPWG)* adopted INT 23-03: Inflation Reduction Act – Corporate Alternative Minimum Tax (CAMT) that will be incorporated into the as of March 2023 *Accounting Practices and Procedures Manual, effective beginning with year-end 2023 financial statements and periods thereafter*. Under INT 23-03, certain reporting entities can be excluded from charges for any portion of the tax-controlled group's CAMT. Athene has decided to exclude its U.S. domiciled life insurance companies from the CAMT and Amendment 1 implements the exclusion in accordance with the SAPWG guidance. The Department approved the amendment on November 2, 2023 to be effective January 1, 2023.

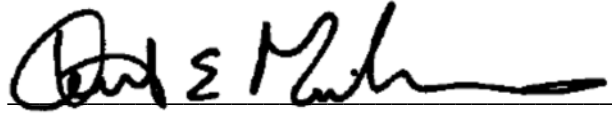
- *Amendment to the Coinsurance Agreement between the Company and AAIA* - On August 25, 2023, the Company filed a Form D with the Department requesting the approval of Amendment 3 to the Coinsurance Agreement originally effective January 1, 2018, between the Company and AAIA. The Department reviewed the amendment and approved Amendment 3 to the Coinsurance Agreement on September 21, 2023, to be effective July 1, 2023.
- *Recapture Amendments* - On April 7, 2023, the Company filed a Form D to request approval of entry into two recapture amendments between AADE and VIAC, an affiliate, to recapture payout annuity business assumed by the Company under two coinsurance agreements. The Department approved of the amendments on May 5, 2023, to be effective July 1, 2023. In connection with the recapture, the Company recognized a net pretax gain of \$29.3 million upon the settlement of the recapture agreement.

SUMMARY OF RECOMMENDATIONS

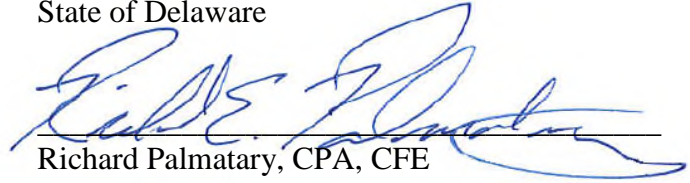
There were no examination report findings or recommendations as a result of the December 31, 2022 examination.

The assistance and cooperation of the Company's outside audit firm, D&T, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



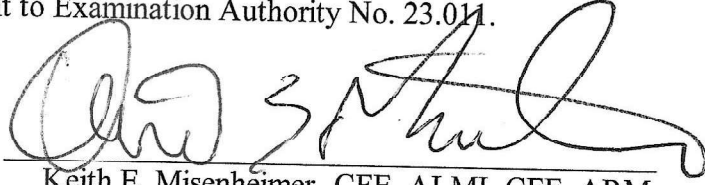
Keith E. Misenheimer, CFE, ALMI, CFE, ARM
Examiner-In-Charge
State of Delaware



Richard Palmatary, CPA, CFE
Supervising Examiner
State of Delaware

Athene Annuity & Life Assurance Company

I, Keith E. Misenheimer, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Examination Authority No. 23.011.

A handwritten signature in black ink, appearing to read 'Keith E. Misenheimer', written over a horizontal line.

Keith E. Misenheimer, CFE, ALMI, CFE, ARM