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

FINANCIAL STATEMENTS

(STATUTORY BASIS)

DECEMBER 31, 2021 and 2020

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Report of Independent Auditors

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

Opinions

We have audited the accompanying statutory financial statements of Life Insurance Company of North America (the "Company"), which comprise the statutory statements of financial position as of December 31, 2021 and 2020, and the related statutory statements of operations, of changes in capital and surplus, and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the Pennsylvania Insurance Department described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2021 and 2020, or the results of its operations or its cash flows for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (USGAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America are material.

Emphasis of Matter

As disclosed in Note 9 to the financial statements, the Company has entered into significant related party transactions with its affiliates. Our opinion is not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the Pennsylvania Insurance Department. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identifiedduring the audit.

PricewaterhouseCoopers LLP

New York, New York
May 9, 2022

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

STATUTORY STATEMENTS OF FINANCIAL POSITION

	December 31, 2021	December 31, 2020
	(in millions)	
Assets		
Bonds	$ 7,255	$ 6,797
Mortgage loans	707	627
Cash, cash equivalents and short-term investments	134	653
Other invested assets	2	—
Total cash and invested assets	8,098	8,077
Investment income due and accrued	60	62
Premiums and considerations receivable	193	387
Amounts due from reinsurers	408	30
Deferred tax assets	134	245
Other assets	91	57
Separate accounts assets	18	16
Total assets	$ 9,002	$ 8,874
Liabilities, capital and surplus		
Liabilities:		
Policy reserves	$ 5,267	$ 5,045
Deposit funds	791	757
Policy claims	397	607
Other policy and contract liabilities	363	59
Accrued commissions, expenses and taxes	146	140
Remittance and items not allocated	143	177
Other liabilities	102	64
Interest maintenance reserve	22	8
Asset valuation reserve	83	69
Separate accounts liabilities	18	16
Total liabilities	7,332	6,942
Capital and Surplus:		
Capital stock - par value $100 (30,000 shares authorized, 25,000 issued and outstanding)	3	3
Gross paid in and contributed surplus	178	178
Unassigned surplus	1,489	1,751
Total capital and surplus	1,670	1,932
Total liabilities, capital and surplus	$ 9,002	$ 8,874

See accompanying notes to financial statements.

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

STATUTORY STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	2021	**2020**
	(in millions)	
Income		
Premiums	$ 2,662	$ 4,055
Net investment income	287	278
Other income	56	21
Total income	3,005	4,354
Benefits and expenses		
Benefit payments:		
Disability and accident and health benefits	1,642	1,620
Death benefits	270	1,443
Other benefits	11	22
Total benefit payments	1,923	3,085
Additions to policy reserves	223	316
Operating expenses	941	884
Total benefits and expenses	3,087	4,285
(Loss) gain from operations before federal and foreign income taxes	(82)	69
Federal and foreign income taxes	(2)	128
Net loss from operations	(80)	(59)
Net realized capital gains, after taxes and transfers to interest maintenance reserve	6	233
Net (loss) income	$ (74)	$ 174

See accompanying notes to financial statements.

LIFE INSURANCE COMPANY OF NORTH AMERICA
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STATUTORY STATEMENTS OF CHANGES IN CAPITAL AND SURPLUS

	Years Ended December 31,	
	2021	**2020**
	(in millions)	
Capital and surplus, beginning of year	$ 1,932	$ 2,304
Net increase/(decrease) due to:		
Net (loss) income	(74)	174
Change in net unrealized capital gains on investments	(1)	(196)
Change in nonadmitted assets	(193)	(647)
Change in asset valuation reserve	(14)	75
Change in net deferred income tax	26	791
Dividends to stockholder	—	(662)
Prior period corrections	(5)	—
Other adjustments, net	(1)	93
Net decrease	(262)	(372)
Capital and surplus, end of year	$ 1,670	$ 1,932

See accompanying notes to financial statements.

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

STATUTORY STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2021	2020
	(in millions)	
Cash flows from operating activities:		
Premiums received	$ 3,037	$ 4,045
Net investment income received	300	265
Other	58	22
Total received	3,395	4,332
Benefits and other payments	2,452	3,115
Operating expenses	905	912
Federal income taxes	(3)	141
Total paid	3,354	4,168
Net cash from operating activities	41	164
Cash flows from investing activities:		
Proceeds from investments sold	1,240	2,952
Cost of investments acquired	(1,800)	(2,954)
Net cash used in investing activities	(560)	(2)
Cash flows from financing and miscellaneous activities:		
Capital and paid in surplus	—	92
Dividends to stockholder	—	(662)
Net deposits on deposit-type contracts and other insurance liabilities	32	136
Other miscellaneous uses	(32)	217
Net cash used in financing and miscellaneous activities	—	(217)
Net decrease in cash, cash equivalents and short-term investments	(519)	(55)
Cash, cash equivalents and short-term investments, beginning of year	653	708
Cash, cash equivalents and short-term investments, end of year	$ 134	$ 653

See accompanying notes to financial statements.

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

STATUTORY STATEMENTS OF CASH FLOWS (supplemental)

	Years Ended December 31,	
	2021	**2020**
	(in millions)	
Non-cash activities during the year not included in the Statutory Statements of Cash Flows:		
Translation of foreign investments from Canadian branch	$ 36	$ —
Bond exchanges allowed under rule 144A of the 1933 securities act and other security restructures	$ 18	$ —
Exchanging noncash assets and liabilities for other noncash assets or liabilities	$ —	$ 100

See accompanying notes to financial statements.

NOTE 1 - NATURE OF OPERATIONS

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

On December 31, 2020, in accordance with terms of the purchase and sale agreement between New York Life, Cigna Holding Company ("CHC"), a direct wholly-owned subsidiary of Cigna Corporation ("Cigna"), and Cigna, Cigna's group life and group disability business, which included the Company and Cigna Life Insurance Company of New York, was acquired by New York Life. Effective March 10, 2021, Cigna Life Insurance Company of New York was renamed New York Life Group Insurance Company of NY ("NYLGICNY"). As of the acquisition date, both the Company and NYLGICNY became direct wholly-owned subsidiaries of New York Life.

Sale of the Equity Interest in Cigna & CMB Life Insurance Company Limited ("China JV")

In connection with the sale of the Company from Cigna to New York Life, on December 3, 2020, the Company sold its full equity interest in the Cigna & CMB Life Insurance Company Limited ("China JV") to Cigna Health and Life Insurance Company ("CHLIC"), an indirect wholly-owned subsidiary of Cigna. The sale was for cash consideration of $387 million equal to the March 31, 2020 statutory book value of the China JV which was materially less than its fair value. The transaction was approved in August 2020 by both the Connecticut Department of Insurance and Pennsylvania Insurance Department, the domiciliary regulator of CHLIC and the Company, respectively. Immediately following the sale of the China JV, the Company paid an extraordinary dividend to its then direct parent, Connecticut General Corporation ("CGC") in an amount equal to the amount of proceeds received. The Company incurred $87 million in tax transfer expenses payable to the People's Republic of China associated with the sale. LINA transferred the liability to CGC, resulting in additional paid in capital.

NOTE 2 - BASIS OF PRESENTATION

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

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

Permitted Practices

The Company obtained explicit permission from the Department on February 13, 2018 to adopt the NAIC's amended Model Regulation known as the Health Insurance Reserves Model Regulation, which also references Actuarial Guideline XLVII. This amended Model Regulation requires use of the 2012 Group Long Term Disability Valuation tables as the basis of the minimum claim reserve standard for Group Long Term Disability for all claims incurred on or after the operative date of the Valuation Model (January 1, 2017), regardless of the issue date of the contract. The Regulation also allows, at the Company's discretion, use of the valuation tables on all open claims. The Department has not adopted these Model Regulation amendments to date.

NOTE 2 - BASIS OF PRESENTATION (continued)

The Company requested permission from the Department on October 15, 2021 to be exempt from life insurance principle-based reserving ("PBR") required under the NAIC's Valuation Manual. As of the filing date of these statutory financial statements, approval is still pending. However, we understand from communications with the Department that there are no concerns with our request and we should receive formal approval in 2022. The Company was required to comply with VM-20 reserving requirements as of January 1, 2021 for a small block of individual whole life policies with a total face amount of $27 million. We expect this to be a temporary issue as the Company will eventually fall out-of-scope for PBR when the Department updates their state law to be consistent with the 2022 Valuation Manual. The reserves currently held on this block of this business are not expected to materially differ from reserves calculated under PBR.

The Company's net income and capital and surplus do not differ between practices prescribed by the Department and NAIC SAP for the years ended December 31, 2021 and 2020 due to the approved permitted statutory practices.

Difference Between Filed Annual Statement and Audited Financial Statements

The accompanying statutory financial statements do not agree to the 2021 and 2020 annual statements of the Company. The differences in the Statutory Statement of Changes in Capital and Surplus for the year ended December 31, 2021 are summarized in the table below (in millions):

	As reported in the 2021 annual statement	Difference	As reported in accompanying statutory financial statements
Statutory Statement of Changes in Capital and Surplus:			
Capital and surplus, beginning of year	$ 2,057	$ (125)	$ 1,932
Prior period corrections	$ (130)	$ 125	$ (5)
Net increase/(decrease)	$ (387)	$ 125	$ (262)

The differences resulted from a detailed review of the Company's assets and liabilities by its new parent, New York Life. At the time the 2020 annual statement was filed on February 28, 2021, New York Life had not yet completed its review of the Company's assets and liabilities in accordance with terms of the purchase and sale agreement between New York Life, CHC and Cigna, but New York Life believed the amounts reflected in the annual statement were not materially misstated. As required by the purchase and sale agreement, New York Life completed its review by March 31, 2021 and identified adjustments it deemed necessary to the liabilities for policy reserves and policy claims. These adjustments were reflected in 2020 within the accompanying statutory financial statements, and as a result of timing, were reflected as a prior period adjustment in the 2021 annual statement.

Prior Period Corrections

In 2021, as a result of the completed detailed review discussed above, the Company recorded prior period corrections of $5 million.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Bonds

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

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

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

Other than Temporary Impairments

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

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

For loan-backed and structured securities, the entire difference between the security's amortized cost and its fair value is recognized in net income only when the Company (1) has the intent to sell the security or (2) it does not have the intent and ability to hold the security to recovery. If neither of these two conditions exists, a realized loss is recognized in net income for the difference between the amortized cost basis of the security and the net present value of projected future cash flows expected to be collected. The net present value is calculated by discounting the Company's best estimate of projected future cash flows at the effective interest rate implicit in the loan-backed or structured security prior to impairment.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Mortgage Loans

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

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

Other Invested Assets

Other invested assets primarily consist of amounts receivable for undelivered securities and policy loans which are stated at the aggregate balance due. The excess of the unpaid balance of a policy loan that exceeds the cash surrender value is nonadmitted.

Cash, Cash Equivalents and Short-term Investments

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset Valuation Reserve ("AVR") and IMR

The AVR is used to stabilize surplus from fluctuations in the fair value of bonds, stocks and mortgage loans. Changes in the AVR are accounted for as direct increases or decreases in surplus. The IMR captures interest related realized gains and losses on sales (net of taxes) of bonds, mortgage loans, interest related other-than-temporary impairments (net of taxes), which are amortized into net income over the expected years to maturity of the investments sold. An interest related other-than-temporary impairment occurs when the Company has the intent to sell an investment, at the reporting date, before recovery of the cost of the investment. For loan-backed and structured securities, the non-interest related other-than-temporary impairment is booked to the AVR, and the interest related portion to the IMR.

Nonadmitted Assets

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

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

Net Investment Income

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

Premiums and Related Expenses

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

Policy Reserves

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

The valuation of a block of run-out long term disability is based on using the 2012 Group Long Term Disability Valuation Table with company experience.

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposit Funds

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

Policy Claims

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

Federal Income Taxes

For the tax years 2020 and prior, the Company was included in the consolidated federal income tax return filed by Cigna. Pursuant to the tax sharing agreement with Cigna, federal income taxes were allocated to the Company as if it were filing on a separate return basis. The tax benefit of net operating losses, capital losses and tax credits were funded to the extent they reduce the consolidated federal income tax liability.

As of January 1, 2021, the Company became a member of an affiliated group, which files a consolidated federal income tax return with New York Life. The consolidated income tax provision or benefit is allocated among the members of the group in accordance with a tax allocation agreement. This tax allocation agreement provides that the Company computes its share of the consolidated tax provision or benefit, in general, on a separate company basis, and may, where applicable, include the tax benefits of operating or capital losses utilizable in New York Life's consolidated returns. Intercompany tax balances are settled quarterly on an estimated basis with a final settlement occurring within 30 days of the filing of the consolidated tax return. Current federal income taxes are charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year and any adjustments to such estimates from prior years.

The Company generally recognizes deferred income taxes when assets and liabilities have different values for financial statement and tax reporting purposes (temporary differences). Limitations of the admitted amount of the DTA are calculated in accordance with SSAP No. 101, Income Taxes, a Replacement of SSAP 10R and SSAP 10. Refer to Note 14 - Income Taxes for more detailed information about the Company's income taxes.

Separate Accounts

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Assets and Liabilities

Other assets primarily consist of guaranty funds receivables, current tax receivables and other receivables. Other liabilities consist of various insurance-related liabilities including amounts related to reinsurance contracts, accrued commissions, net adjustments due to foreign exchange rates, general expenses including premium and state taxes, and escheat liabilities.

Fair Value of Financial Instruments and Insurance Liabilities

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

Foreign Currency Transactions

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

NOTE 4 - BUSINESS RISKS AND UNCERTAINTIES

The Company is exposed to an array of risks, including, but not limited to, regulatory actions, financial risk, risks associated with its investments and operational risk, including cyber security.

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

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

The Company is exposed to the risks normally associated with an investment portfolio, which include interest rate, liquidity and credit risks. The Company controls its exposure to these risks by, among other things, closely monitoring and managing the duration and cash flows of its assets and liabilities, maintaining a large percentage of its portfolio in highly liquid securities, engaging in a disciplined process of underwriting, reviewing and monitoring credit risk, and by devoting significant resources to develop and periodically update its risk management policies and procedures.

The Company leverages technology systems and solutions to conduct business and to retain, store, protect, and manage confidential information. The failure of the Company’s technology systems and solutions, or those of a vendor, has the potential to disrupt its operations, result in the loss of customer business, damage the Company’s reputation, and expose the Company to litigation and regulatory action, all of which could adversely impact its profitability.

NOTE 4 - BUSINESS RISKS AND UNCERTAINTIES (continued)

The disruption caused by the COVID-19 pandemic continues to have a major impact on the global economy, the supply chain and the economies of particular countries and industries. It has also resulted in elevated mortality and morbidity experience for the global population, and could have long-term effects on the Company's life, health, accident, and disability insurance businesses. The ultimate extent of the impact of the COVID-19 pandemic will depend on numerous factors, all of which are highly uncertain and cannot be predicted. These factors include the length and severity of the outbreak, including the impact of new variants of the virus and the efficacy of vaccines and therapeutic treatments in combating the virus, the responses to the pandemic taken by governments and private sector businesses, and the impacts on the Company's customers, employees and vendors. Although the Company has taken certain steps to mitigate some of the adverse impacts resulting from the pandemic, these events could have an adverse effect on the risks described above and the Company's results of operations and cash flows in any period and, depending on their severity and duration, could also adversely affect the Company's financial condition.

NOTE 5 - RECENT ACCOUNTING PRONOUNCEMENTS

Changes in Accounting Principles

Accounting changes adopted to conform to the provisions of NAIC SAP or other state prescribed accounting practices are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is generally reported as an adjustment to unassigned surplus in the period of the change in accounting principle. Generally, the cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods. There were no significant accounting changes in 2021 or 2020 that had an impact on surplus.

In 2020, the NAIC issued Interpretation 20-01 to provide statutory accounting and reporting guidance for the adoption of ASU 2020-04 *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* under U.S. GAAP. This Interpretation adopts, with minor modification, the U.S. GAAP adopted guidance, which provides optional expedients and exceptions for applying current accounting guidance to contracts affected by reference rate reform if certain criteria are met, through December 31, 2022. The Company is performing an ongoing evaluation of the impact of reference rate reform on its contracts. Since most of the Company's contracts are expected to meet the criteria for applying the accounting expedients listed in the Interpretation, reference rate reform is not expected to significantly impact the Company's surplus or net income.

NOTE 6 - INVESTMENTS

Bonds

The carrying value and estimated fair value of bonds by contractual maturity at December 31, 2021 and 2020 were as follows (in millions):

	2021		2020	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Due in one year or less	$ 173	$ 175	$ 274	$ 278
Due after one year through five years	2,382	2,483	2,121	2,277
Due after five years through ten years	3,993	4,162	3,914	4,304
Due after ten years	707	766	488	560
Total	$ 7,255	$ 7,586	$ 6,797	$ 7,419

NOTE 6 - INVESTMENTS (continued)

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

The Company had cash equivalents with a carrying value of $254 million and $655 million at December 31, 2021 and 2020, respectively, that are due in three months or less. The Company had no short-term investments at December 31, 2021 and short-term investments with a carrying value of $5 million at December 31, 2020, that are due in one year or less. Carrying value approximates fair value for these investments.

At December 31, 2021 and 2020, the distribution of gross unrealized gains and losses on bonds were as follows (in millions):

	2021			
	Carrying Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. governments	$ 8	$ —	$ —	$ 8
All other governments	83	7	—	90
U.S. special revenue and special assessment	518	64	1	581
Industrial and miscellaneous unaffiliated	6,646	303	42	6,907
Total	$ 7,255	$ 374	$ 43	$ 7,586

	2020			
	Carrying Value	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. governments	$ 8	$ 1	$ —	$ 9
All other governments	60	5	—	65
U.S. states, territories, and possessions	29	3		32
U.S. political subdivisions of states, territories, and possessions	109	11	—	120
U.S. special revenue and special assessment	484	81	—	565
Industrial and miscellaneous unaffiliated	6,098	524	3	6,619
Hybrid securities	9	—	—	9
Total	$ 6,797	$ 625	$ 3	$ 7,419

Mortgage Loans

The Company’s mortgage loans are diversified by property type, location and borrower, and are collateralized. The maximum and minimum lending rates for new mortgage loans funded during 2021 were 6.4% and 1.6% and funded during 2020 were 6.1% and 3.7%, respectively. For 2021, the maximum percentage of any one commercial loan to the value of the collateral at the time of the loan, exclusive of insured or guaranteed or purchase money mortgages at December 31, 2021 and 2020 was 72.2% and 70.0%, respectively (average percentage was 58.0% and 58.9% at December 31, 2021 and 2020, respectively). The Company has no significant credit risk exposure to any one individual borrower.

The Company's mortgage loans were held in a form of participations with the carrying value of $286 million at December 31, 2021 and none was held in a form of participations at December 31, 2020. These loans were originated or acquired by New York Life. Refer to Note 9 - Related Party Transactions for more details.

NOTE 6 - INVESTMENTS (continued)

At December 31, 2021 and 2020, the distribution of the mortgage loan portfolio by property type and geographic location were as follows ($ in millions):

	2021		2020	
	Carrying Value	% of Total	Carrying Value	% of Total
Property Type:				
Apartment buildings	$ 217	30.7 %	$ 312	49.8 %
Industrial	218	30.9	102	16.3
Office buildings	155	21.9	123	19.6
Retail facilities	104	14.7	64	10.2
Hotels	13	1.8	—	—
Other	—	—	26	4.1
Total	$ 707	100.0 %	$ 627	100.0 %

	2021		2020	
	Carrying Value	% of Total	Carrying Value	% of Total
Geographic Location:				
Central	260	36.8	100	15.9
Pacific	$ 220	31.2	303	48.3 %
South Atlantic	202	28.6	84	13.4
Middle Atlantic	14	1.9	—	—
New England	11	1.5	88	14.0
Other	—	—	52	8.4
Total	$ 707	100.0 %	$ 627	100.0 %

At December 31, 2021 and 2020, no mortgage loans were past due 90 days and over.

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

NOTE 6 - INVESTMENTS (continued)

Fair value of the collateral for commercial mortgages (excluding credit loans) over $5 million is updated every three years, unless a more current appraisal is warranted and commercial mortgages less than $5 million have an on-site inspection performed by an external inspection service every 3 years. If the loan is determined to be troubled, the loan is more frequently monitored as to its status. LTV, which is based on collateral values, is deemed as one of the key mortgage loan indicators to assess credit quality and to assist in identifying problem loans. At December 31, 2021 and 2020, LTVs on the Company's mortgage loans were as follows (in millions):

	2021							
Loan to Value % (By Class)	**Office Buildings**	**Apartment Buildings**	**Retail Facilities**	**Industrial**	**Hotel**	**Residential**	**Other**	**Total**
Above 95%	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
91% to 95%	—	—	—	—	—	—	—	—
81% to 90%	—	—	—	—	—	—	—	—
71% to 80%	—	—	34	—	13	—	—	47
Below 70%	155	217	70	218	—	—	—	660
Total	$ 155	$ 217	$ 104	$ 218	$ 13	$ —	$ —	$ 707

	2020							
Loan to Value % (By Class)	**Office Buildings**	**Apartment Buildings**	**Retail Facilities**	**Industrial**	**Hotels**	**Residential**	**Other**	**Total**
Above 95%	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
91% to 95%	—	—	—	—	—	—	—	—
81% to 90%	—	—	—	—	—	—	—	—
71% to 80%	—	—	—	—	—	—	—	—
Below 70%	123	312	64	102	—	—	26	627
Total	$ 123	$ 312	$ 64	$ 102	$ —	$ —	$ 26	$ 627

At December 31, 2021 and 2020, the Company did not have any impaired mortgage loans.

Other Invested Assets

Other invested assets consist of investments in limited partnerships and limited liability companies and affiliated non-insurance subsidiaries. Interest earned on these investments is included in Net investment income in the accompanying Statutory Statements of Operations. For the years ended December 31, 2021 and 2020, net investment income for other invested assets were $0 million and $22 million, respectively, and change in unrealized losses for other invested assets were $0 million and $211 million, respectively.

NOTE 6 - INVESTMENTS (continued)

Assets on Deposit or Pledged as Collateral

At December 31, 2021 and 2020, the Company's restricted assets (including pledged collateral) were as follows ($ in millions):

	2021						
	Gross (Admitted and Nonadmitted) Restricted					Percentage	
Restricted Asset Category	Total General Account (G/A)	Total From Prior Year	Increase (Decrease)	Total Nonadmitted Restricted	Total Admitted Restricted	Gross (Admitted and Non-admitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
FHLB capital stock	—	—	—	—	—	0.00 %	0.00 %
On deposit with states	143	10	133	—	143	1.43	1.59
On deposit with other regulatory bodies	—	166	(166)	—	—	0.00	0.00
Assets held for reinsurance trust	507	476	31	—	507	5.06	5.63
Total restricted assets	$ 650	$ 652	$ (2)	$ —	$ 650	6.49 %	7.22 %

	2020						
	Gross (Admitted and Nonadmitted) Restricted					Percentage	
Restricted Asset Category	Total General Account (G/A)	Total From Prior Year	Increase (Decrease)	Total Nonadmitted Restricted	Total Admitted Restricted	Gross (Admitted and Non-admitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
On deposit with states	$ 10	$ 10	$ —	$ —	$ 10	0.12 %	0.12 %
On deposit with other regulatory bodies	166	190	(24)	—	166	1.89	1.93
Assets held for reinsurance trust	476	1	475	—	476	5.40	5.52
Total restricted assets	$ 652	$ 201	$ 451	$ —	$ 652	7.40 %	7.56 %

NOTE 7 - FAIR VALUE MEASUREMENTS

The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by SSAP No. 100, "Fair Value Measurements". Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are based on the inputs to the valuation as follows:

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

NOTE 7 - FAIR VALUE MEASUREMENTS (continued)

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

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

Determination of Fair Value

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

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

NOTE 7 - FAIR VALUE MEASUREMENTS (continued)

The following tables present the carrying amounts and estimated fair value of the Company's financial instruments at December 31, 2021 and 2020 (in millions):

	2021					
	Fair Value	Carrying Value	Level 1	Level 2	Level 3	NAV as a Practical Expedient
Assets:						
Bonds	$ 7,586	$ 7,255	$ —	$ 7,540	$ 46	$ —
Common stocks[1]	—	—	—	—	—	—
Mortgage loans	718	707	—	—	718	—
Cash, cash equivalents and short-term investments	134	134	45	89	—	—
Investment income due and accrued	60	60	—	60	—	—
Separate accounts assets	18	18	18	—	—	—
Total assets	$ 8,516	$ 8,174	$ 63	$ 7,689	$ 764	$ —
Liabilities:						
Payable to parent and affiliates	88	88	—	88	—	—
Total liabilities	$ 88	$ 88	$ —	$ 88	$ —	$ —

[1]Represents less than $1 million.

	2020					
	Fair Value	Carrying Value	Level 1	Level 2	Level 3	NAV as a Practical Expedient
Assets:						
Bonds	$ 7,420	$ 6,797	$ —	$ 7,319	$ 101	$ —
Mortgage loans	648	627	—	—	648	—
Cash, cash equivalents and short-term investments	653	653	(7)	660	—	—
Separate accounts assets	16	16	16	—	—	—
Total assets	$ 8,737	$ 8,093	$ 9	$ 7,979	$ 749	$ —

There were no liabilities measured at fair value at December 31, 2020.

Bonds

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

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

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

NOTE 7 - FAIR VALUE MEASUREMENTS (continued)

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

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

Mortgage Loans

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

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

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

The Company had less than $1 million of level 3 assets that were measured at fair value for the year ended December 31, 2021. The Company did not have any assets or liabilities measured at fair value at December 31, 2020. There were common stocks of $15 million and preferred stocks of $8 million that were held during 2020 that were valued using level 3 inputs that were sold before December 31, 2020.

Transfers Between Levels

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

Transfers into and out of Level 3

There were no transfers into or out of Level 3 for the year ended December 31, 2021 and 2020.

NOTE 8 - INVESTMENT INCOME AND CAPITAL GAINS AND LOSSES

The components of Net investment income for the years ended December 31, 2021 and 2020 were as follows (in millions):

	2021	2020
Bonds	$ 254	$ 235
Mortgage loans	38	28
Other invested assets	—	22
Short-term investments	—	3
Gross investment income	292	288
Investment expenses	(11)	(12)
Net investment income	281	276
Amortization of IMR	6	2
Net investment income, including amortization of IMR	$ 287	$ 278

Due and accrued investment income is excluded from surplus when amounts are over 90 days past due or collection is uncertain. At December 31, 2021 the due and accrued investment income that was nonadmitted was less than $1 million on bonds. The Company had no due and accrued investment income that was nonadmitted on bonds in 2020.

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

	2021		2020	
	General Account	Separate Account	General Account	Separate Account
Number of cusips	40	—	35	—
Investment income	$ 19	$ —	$ 4	$ —

For the years ended December 31, 2021 and 2020 net realized capital gains (losses) were as follows (in millions):

	2021	2020
Bonds	$ 26	$ 31
Common and preferred stocks	—	(35)
Other invested assets	—	253
Mortgage Loans	—	7
Net realized capital gains (losses) before tax and transfers to the IMR	$ 26	$ 256
Less:		
Capital gains tax expense (benefit)	—	5
Net realized capital gains (losses) after tax transferred to IMR	21	18
Net realized capital gains (losses) after tax and transfers to the IMR	$ 5	$ 233

Proceeds from investments in bonds sold were $493 million and $1,252 million for the years ended December 31, 2021 and 2020, respectively. Gross gains of $30 million and $33 million in 2021 and 2020, respectively, and gross losses of less than $1 million and $35 million in 2021 and 2020, respectively, were realized on these sales. The Company computes gains and losses on sales under the specific identification method.

There were no OTTI losses for the years ended December 31, 2021 and 2020.

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

The following tables present the Company's gross unrealized losses and fair values for bonds and equity securities aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2021 and 2020 (in millions):

	2021					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds						
All other governments	$ 5	$ —	$ —	$ —	$ 5	$ —
U.S. special revenue and special assessment	16	—	—	1	16	1
Industrial and miscellaneous unaffiliated	1,871	39	66	3	1,937	42
Total bonds	$ 1,892	$ 39	$ 66	$ 4	$ 1,958	$ 43

	2020					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Bonds						
All other governments	$ 1	$ —	$ —	$ —	$ 1	$ —
U.S. special revenue and special assessment	—	—	—	—	—	—
Industrial and miscellaneous unaffiliated	246	3	8	—	254	3
Total bonds	$ 247	$ 3	$ 8	$ —	$ 255	$ 3

At December 31, 2021, the gross unrealized loss on bonds was comprised of approximately 962 securities, which are included in the table above. Of the total amount of bond unrealized losses, $35 million or 83% is related to unrealized losses on investment grade securities and $8 million or 17% is related to below investment grade securities. At December 31, 2020, the gross unrealized loss on bonds was comprised of approximately 110 securities, which are included in the table above. Of the total amount of bond unrealized losses, $2 million, or 67%, is related to unrealized losses on investment grade securities and $1 million, or 33%, is related to below investment grade securities. Investment grade is defined as a security having a credit rating from the NAIC of 1 or 2; a rating of Aaa, Aa, A or Baa from Moody's or a rating of AAA, AA, A or BBB from Standard & Poor; or a comparable internal rating if an externally provided rating is not available.

The amount of gross unrealized losses for bonds where fair value had declined by 20% or more of the amortized cost, totaled $1 million. The period of time that each of these securities has continuously been below amortized cost by 20% or more consists of less than $1 million for six months or less, $1 million for greater than six months through 12 months, and none greater than 12 months. In accordance with the Company's impairment policy, the Company performed quantitative and qualitative analysis to determine if the decline was temporary. For those securities where the decline was considered temporary, the Company did not recognize an impairment when it had the ability and intent to hold until recovery.

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

The change in unrealized capital gains (losses) for the years ended December 31, 2021 and 2020 were as follows (in millions):

	Change in Unrealized Gains (Losses)		Change in Unrealized Foreign Exchange Gains (Losses)		Change in Total Unrealized Gains (Losses)	
	2021	2020	2021	2020	2021	2020
Bonds	$ —	$ —	$ 1	$ —	$ 1	$ —
Common stocks (unaffiliated)	—	(1)	—	—	—	(1)
Cash, cash equivalents and short-term investments	—	—	(2)	—	(2)	—
Other invested assets	—	(211)	—	7	—	(204)
Total change in unrealized on investments	—	(212)	(1)	7	(1)	(205)
Capital gains tax expense (benefit)	—	(4)	—	—	—	(4)
Total change in unrealized gains (losses), net of tax	$ —	$ (216)	$ (1)	$ 7	$ (1)	$ (209)

NOTE 9 - RELATED PARTY TRANSACTIONS

Material Transactions

The following table presents material related party transactions between the Company and its affiliates for the years ended December 31, 2021 and 2020:

Date of Transaction	Name of Related Party	Nature of Relationship	Type of Transaction	Description
Active Agreements				
12/31/2020	New York Life and Annuity Corporation ("NYLIAC")	Insurance affiliate	Reinsurance agreement	The Company entered into an affiliate reinsurance agreement with a direct wholly-owned subsidiary of New York Life, NYLIAC, to reinsure mortality risk arising under the Company's group term life insurance business on a yearly renewable term basis. Entry into the yearly renewable term treaty reduces the Company's exposure to mortality risk. Although effective on December 31, 2020, financial related impacts of the treaty began in 2021.
12/31/2020	New York Life	Parent	Service and facility agreement	New York Life provides the Company with certain services and facilities including, but not limited to accounting, tax and auditing services, legal services, actuarial services, electronic data processing operations and communications operations. New York Life charges the Company for the identified costs associated with these services and facilities under the terms of a service agreement between New York Life and the Company. For the years ended December 31, 2021 and 2020, the fees incurred associated with these services and facilities, amounted to $95 million and $0 million, respectively. The terms of the agreements require that these amounts be settled in cash within 90 days.
12/31/2020	New York Life / NYLGICNY	Parent / Insurance affiliate	Claims administration service agreement	The Company has entered into a claims administration services agreement with both New York Life and NYLGICNY.
12/31/2020	New York Life	Parent	Credit agreement	The Company, as borrower, entered into a credit agreement with New York Life, as lender for a maximum aggregate amount of $100 million. For the years ended at December 31, 2021, the credit facility was not used, no interest was paid, and there was no outstanding balance due.
12/31/2020	NYL Investors	Non insurance affiliate	Investment management agreement	The Company is a party to an investment management agreement with NYL Investors (a wholly-owned subsidiary of New York Life), as amended from time to time, whereby NYL Investors provides investment advisory and administrative services to the Company. For the years ended December 31, 2021 and 2020, the total cost for these services amounted to $10 million and $0 million, respectively, which is included in the costs of services billed by New York Life to the Company.
Terminated Agreements				
12/31/2020[1]	CHC	Indirect Parent	Credit agreement	The Company was the lender in a line of credit agreement with CHC under which the maximum amount that may be loaned was the lesser of 3% of admitted assets or 25% of the surplus, up to $300 million.
12/31/2020[1]	Cigna Investments, Inc. ("CII")	Non insurance affiliate	Investment management agreement	The Company was a party to an investment management agreement with CII (an indirect wholly-owned subsidiary of Cigna),whereby CII provided investment advisory and administrative services to the Company. For the year ended December 31, 2020, the total cost for these services amounted to $11 million.
12/31/2020[1]	Cigna/ Connecticut General Life Insurance Company ("CGLIC")	Ultimate Parent/ Insurance affiliate	Service and facility agreement	Cigna and CGLIC, an indirect wholly-owned subsidiary of Cigna, had provided the Company with certain services and facilities including, but not limited to accounting, tax and auditing services, legal services, actuarial services, electronic data processing operations and communications operations. Cigna and CGLIC charged the Company for the identified costs associated with these services and facilities. For the year ended December 31, 2020, the fees incurred associated with these services and facilities amounted to $49 million.

[1] Represents termination date. Upon the acquisition by New York Life on December 31, 2020, all previous related party contracts and agreements in which the Company had entered into with Cigna and its subsidiaries were subsequently terminated.

At December 31, 2021 and 2020, the Company reported a net amount of $88 million and $0 million, respectively, as amounts payable to parent and affiliates. The terms of the underlying agreements generally require that these amounts be settled in cash within 90 days.

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

NOTE 10 - INSURANCE LIABILITIES

Insurance liabilities at December 31, 2021 and 2020 were as follows (in millions):

	2021	2020
Disability insurance reserves	$ 4,567	$ 4,326
Life insurance reserves	568	580
Other reserves	132	139
Total aggregate reserves for life, accident and health policies and contracts	5,267	5,045
Deposit funds	791	757
Policy claims	397	607
Other policy and contract liabilities	363	59
Total insurance liabilities	$ 6,818	$ 6,468

Disability Insurance Reserves

Mortality and morbidity assumptions are predominantly based on industry tables and are at least as conservative as the statutory minimums. Discount rates ranged from 2.00% to 10.25% in 2021 and 2.25% to 10.25% in 2020, with some rates grading to lower levels over time. The Company also discounts liabilities for certain cancelable disability insurance business. The liabilities for discounted reserves were $3,891 million at December 31, 2021 and $3,659 million at December 31, 2020. The aggregate amount of discount was $637 million at December 31, 2021 and $631 million at December 31, 2020.

Life Insurance Reserves

Reserves for life insurance policies are maintained principally using the 1958 Commissioners' Extended Term Mortality Table and the 1941, 1958, 1980, 2001 and 2017 Commissioners' Standard Ordinary Mortality Tables under the Commissioners' Reserve Valuation Method or Net Level Premium Reserve Method with valuation interest rates ranging from 2.50% to 6.00%. Reserves for disabled lives are maintained principally using the 2005 Group Life Waiver of Premium Valuation Table with valuation interest rates ranging from 2.75% to 6.00%. Reserves for supplementary contracts with life contingencies are maintained principally using the 1971, 1983, and 1994 Group Annuity Mortality Tables, the 1971 Individual Annuity Mortality Table, the 2012 Individual Annuity Reserve Mortality Table, the 1983 Table A, and the Annuity 2000 Mortality Table with valuation interest rates ranging from 1.00% to 11.25%.

For the years ended December 31, 2021 and 2020, there were no changes in reserve basis.

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

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

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

NOTE 10 - INSURANCE LIABILITIES (continued)

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

The Company has elected to establish reserves pursuant to VM-A and VM-C for contracts issued in 2021, as allowed by the Life PBR Exemption received from the Department, dated August 28, 2020. The Company has elected to establish reserves pursuant to VM-A and VM-C for contracts issued in 2020, as allowed during the first three years following the operating date of the PBR Valuation Manual.

Withdrawal Characteristics of Deposit Funds

The following tables reflect the withdrawal characteristics at December 31, 2021 and 2020 ($ in millions):

Individual Annuities

	2021				
	General Account	Separate Accounts with Guarantees	Separate Accounts Non-guaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	$ —	$ —	$ 6	$ 6	— %
At book value less current surrender charge of 5% or more	—	—	—	—	—
At fair value	—	—	—	—	—
Total with adjustment or at fair value	—	—	6	6	—
At book value without adjustment	2	—	—	2	—
Not subject to discretionary withdrawal	1,225	—	—	1,225	99
Total	1,227	—	6	1,233	100 %
Reinsurance ceded	$ 1,224	$ —	$ —	$ 1,224	
Total	$ 3	$ —	$ 6	$ 9	
Amount with current surrender charge of 5% or more that will have less than a 5% surrender charge in the following year	$ —	$ —	$ —	$ —	

NOTE 10 - INSURANCE LIABILITIES (continued)

	2020				
	General Account	Separate Accounts with Guarantees	Separate Accounts Non-guaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	$ —	$ —	$ 5	$ 5	— %
At book value less current surrender charge of 5% or more	—	—	—	—	—
At fair value	—	—	—	—	—
Total with adjustment or at fair value	—	—	5	5	—
At book value without adjustment	2	—	—	2	—
Not subject to discretionary withdrawal	1,254	—	—	1,254	99
Total	1,256	—	5	1,261	100 %
Reinsurance ceded	1,252	$ —	$ —	1,252	
Total	$ 4	$ —	$ 5	$ 9	
Amount with current surrender charge of 5% or more that will have less than a 5% surrender charge in the following year	$ —	$ —	$ —	$ —	

Group Annuities

	2021				
	General Account	Separate Accounts with Guarantees	Separate Accounts Non-guaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	$ —	$ —	$ 12	$ 12	6 %
At book value less current surrender charge of 5% or more	—	—	—	—	—
At fair value	—	—	—	—	—
Total with adjustment or at fair value	—	—	12	12	6
At book value without adjustment	2	—	—	2	1
Not subject to discretionary withdrawal	182	—	—	182	93
Total	184	—	12	196	100 %
Reinsurance ceded	$ 87	$ —	$ —	87	
Total	$ 97	$ —	$ 12	$ 109	
Amount with current surrender charge of 5% or more that will have less than a 5% surrender charge in the following year	$ —	$ —	$ —	$ —	

NOTE 10 - INSURANCE LIABILITIES (continued)

	2020				
	General Account	Separate Accounts with Guarantees	Separate Accounts Non-guaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	$ —	$ —	$ 10	$ 10	5 %
At book value less current surrender charge of 5% or more		—	—	—	—
At fair value	—	—	—	—	—
Total with adjustment or at fair value	—	—	10	10	5
At book value without adjustment	2	—	—	2	1
Not subject to discretionary withdrawal	191	—	—	191	94
Total	193	—	10	203	100 %
Reinsurance ceded	$ 89			89	
Total	$ 104	$ —	$ 10	$ 114	
Amount with current surrender charge of 5% or more that will have less than a 5% surrender charge in the following year	$ —	$ —	$ —	$ —	

Deposit-type Contracts

	2021				
	General Account	Separate Accounts with Guarantees	Separate Accounts Non-guaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	$ 52	$ —	$ —	$ 52	7 %
At book value less current surrender charge of 5% or more	19	—	—	19	2
At fair value	—	—	—	—	—
Total with adjustment or at fair value	71	—	—	71	9
At book value without adjustment	698	—	—	698	88
Not subject to discretionary withdrawal	24	—	—	24	3
Total	793	—	—	793	100 %
Reinsurance ceded	$ 2	$ —	$ —	2	
Total	$ 791	$ —	$ —	$ 791	
Amount with current surrender charge of 5% or more that will have less than a 5% surrender charge in the following year	$ —	$ —	$ —	$ —	

NOTE 10 - INSURANCE LIABILITIES (continued)

	2020				
	General Account	Separate Accounts with Guarantees	Separate Accounts Non-guaranteed	Total	% of Total
Subject to discretionary withdrawal:					
With fair value adjustment	$ 53	$ —	$ —	$ 53	7 %
At book value less current surrender charge of 5% or more	20	—	—	20	3
At fair value	—	—	—	—	—
Total with adjustment or at fair value	73	—	—	73	10
At book value without adjustment	662	—	—	662	87
Not subject to discretionary withdrawal	24	—	—	24	3
Total	759	—	—	759	100 %
Reinsurance ceded	$ 2			2	
Total	$ 757	$ —	$ —	$ 757	
Amount with current surrender charge of 5% or more that will have less than a 5% surrender charge in the following year	$ —	$ —	$ —	$ —	

NOTE 10 - INSURANCE LIABILITIES (continued)

Withdrawal Characteristics of Life Insurance Reserves

The following tables reflect the withdrawal characteristics of life insurance reserves at December 31, 2021 and 2020 ($ in millions):

	2021					
	General Account			Separate Accounts Guaranteed and Non-guaranteed		
	Account Value	Cash Value	Reserve	Account Value	Cash Value	Reserve
Subject to discretionary withdrawal, surrender, or policy loans:						
Term policies with cash value	$ —	$ —	$ —	$ —	$ —	$ —
Universal life	74	73	74	—	—	—
Universal life with secondary guarantees	—	—	—	—	—	—
Indexed universal life	—	—	—	—	—	—
Indexed universal life with secondary guarantees	—	—	—	—	—	—
Indexed life	—	—	—	—	—	—
Other permanent cash value life insurance	—	36	48	—	—	—
Variable life	—	—	—	—	—	—
Variable universal life	—	—	—	—	—	—
Miscellaneous reserves	—	—	—	—	—	—
Not subject to discretionary withdrawal or no cash values:						
Term policies without cash value	—	—	59	—	—	—
Accidental death benefits	—	—	—	—	—	—
Disability - active lives	—	—	—	—	—	—
Disability - disabled lives	—	—	396	—	—	—
Miscellaneous reserves	—	—	—	—	—	—
Total life insurance (gross)	74	109	577	—	—	—
Reinsurance ceded	—	—	9	—	—	—
Total life insurance (net)	$ 74	$ 109	$ 568	$ —	$ —	$ —

NOTE 10 - INSURANCE LIABILITIES (continued)

	2020					
	General Account			Separate Accounts Guaranteed and Non-guaranteed		
	Account Value	Cash Value	Reserve	Account Value	Cash Value	Reserve
Subject to discretionary withdrawal, surrender, or policy loans:						
Term policies with cash value	$ —	$ —	$ —	$ —	$ —	$ —
Universal life	75	74	75	—	—	—
Universal life with secondary guarantees	—	—	—	—	—	—
Indexed universal life	—	—	—	—	—	—
Indexed universal life with secondary guarantees	—	—	—	—	—	—
Indexed life	—	—	—	—	—	—
Other permanent cash value life insurance	—	35	48	—	—	—
Variable life	—	—	—	—	—	—
Variable universal life	—	—	—	—	—	—
Miscellaneous reserves	—	—	—	—	—	—
Not subject to discretionary withdrawal or no cash values:						
Term policies without cash value	—	—	64	—	—	—
Accidental death benefits	—	—	—	—	—	—
Disability - active lives	—	—	—	—	—	—
Disability - disabled lives	—	—	404	—	—	—
Miscellaneous reserves	—	—	—	—	—	—
Total life insurance (gross)	75	109	591	—	—	—
Reinsurance ceded	—	—	11	—	—	—
Total life insurance (net)	$ 75	$ 109	$ 580	$ —	$ —	$ —

Retained Asset Accounts

Retained asset accounts are classified as liabilities for deposit funds. These accounts represent the Company's method for settling certain life, disability and accidental death and dismemberment claims where the claimant does not specify or request payment in an alternate form, or where another form of payment is directed by applicable law. The insurance proceeds are retained in the Company's general account and credited to a beneficiary's free interest-bearing account with draft privileges that can be liquidated at any time. The account balance and earned interest are fully guaranteed by the Company. The interest crediting rate is updated weekly and pegged to the Bank Rate Monitor Index, which reflects the average annual effective yield on money markets offered by one hundred large banks and thrifts in the United States. Interest is compounded daily and is credited to account holders on a monthly basis. The weighted average effective interest rate credited to account holders in 2021 was 0.07%, ranging from 0.07% to 0.09%. Account holders are charged fees only for special services (stop payment requests, checks denied due to insufficient funds, copies of drafts or statements) and are not charged per-draft fees, maintenance charges or withdrawal penalties.

Coinciding with the sale of the Company to New York Life, effective December 30, 2020, a retained assets reinsurance agreement between CGLIC and LINA was executed. The agreement cedes 100% of CGLIC’s interests in the retained assets business to LINA, an unaffiliated party effective December 31, 2020. The agreement was approved by Connecticut and Pennsylvania Departments of Insurance.

NOTE 10 - INSURANCE LIABILITIES (continued)

The following table presents the number and balance of retained asset accounts in-force at December 31, 2021 and 2020, respectively ($ in millions):

	2021		2020	
	Number	Balance	Number	Balance
Up to and including 12 months	4,229	$ 281	4,031	$ 249
13 to 24 months	2,276	112	2,135	88
25 to 36 months	1,468	55	1,488	57
37 to 48 months	1,104	40	1,436	48
49 to 60 months	1,058	35	1,359	46
Over 60 months	5,197	162	5,768	162
Total	15,332	$ 685	16,217	$ 650

The following table presents the Company's roll forward of retained asset accounts at December 31, 2021 ($ in millions):

	Individual Number	Individual Balance/ Amount	Group Number	Group Balance/ Amount
At the beginning of the year	425	$ 23	15,792	$ 627
Issued/added during the year	—	—	9,726	723
Investment earnings credited during the year	—	—	—	—
Fees and other charges assessed during the year	—	—	—	—
Transferred to State Unclaimed Property funds during the year	—	—	—	—
Closed/withdrawn during the year	(173)	(8)	(10,438)	(680)
At the end of the year	252	$ 15	15,080	$ 670

Policy Claims and Claim Adjustment Expenses

The following table presents a rollforward of the Company's accident and health liabilities for unpaid claims and claims adjustment expenses for the years ended December 31, 2021 and 2020 (in millions):

(in millions)	2021	2020
Liability at beginning of year	$ 198	$ 247
Incurred expenses for insured or covered events, current year	1,405	1,466
Incurred expenses for insured or covered events, prior years	238	150
Total provision	1,643	1,616
Payments for insured of covered events, current year	(524)	(539)
Payments for insured of covered events, prior years	(1,113)	(1,126)
Total payments	(1,637)	(1,665)
Liability at end of year	$ 204	$ 198

The incurred policy claims and claim adjustment expenses attributable to insured or covered events of prior years were unfavorable to reserve levels by $238 million and $150 million for the years ended December 31, 2021 and 2020, respectively. The incurred expense for 2021 is primarily attributable to reserve assumption updates made throughout the year, and observed disability resolution rate experience. There was no change to the liability associated with estimated anticipated salvage and subrogation.

NOTE 11 - REINSURANCE

The effects of reinsurance on the accompanying Statutory Statements of Financial Position at December 31, 2021 and 2020 were as follows (in millions):

	2021	2020
Policy reserves:		
Direct	$ 6,417	$ 6,208
Assumed	338	358
Ceded	(1,488)	(1,521)
Policy reserves	$ 5,267	$ 5,045
Policy claims:		
Direct	$ 721	$ 628
Assumed	50	24
Ceded[1]	(374)	(45)
Policy claims	$ 397	$ 607
Reinsurance recoverable	$ 408	$ 30

[1] Includes reinsurance recoverable related to unpaid losses of $374 million and $45 million at December 31, 2021 and 2020, respectively.

The effects of reinsurance on the accompanying Statutory Statements of Operations for the years ended December 31, 2021 and 2020 were as follows (in millions):

	2021	2020
Premiums:		
Direct	$ 3,967	$ 4,059
Assumed	123	126
Ceded	(1,428)	(129)
Premiums	$ 2,662	$ 4,055
Benefit payments:		
Direct	$ 3,422	$ 3,181
Assumed	128	124
Ceded	(1,627)	(220)
Benefit payments	$ 1,923	$ 3,085

Reinsurance Assumed

Under various reinsurance agreements, the Company assumed the risks associated with life, accident, and health insurance contracts issued by CGLIC and CHLIC. Policy reserves and Deposit funds assumed were $467 million and $477 million at December 31, 2021 and 2020, respectively. Premiums assumed were $123 million and $124 million for the years ended December 31, 2021 and 2020, respectively. Policyholders' benefits assumed were $108 million and $95 million for the years ended December 31, 2021 and 2020, respectively.

In connection with its agreement with CGLIC, the Company maintains a trust with CGLIC as the beneficiary. The book value of the assets in the trust was $507 million and $476 million at December 31, 2021 and 2020, respectively.

Reinsurance Ceded

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

NOTE 11 - REINSURANCE (continued)

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

The Company ceded the risks associated with all structured settlement contracts to CGLIC. Policy reserves ceded were $1,310 million and $1,339 million at December 31, 2021 and, 2020, respectively. CGLIC maintains a trust with the Company as the beneficiary. The book value of the assets in the trust was $1,226 million and $1,200 million at December 31, 2021 and 2020, respectively.

On December 31, 2020, the Company entered into a reinsurance agreement to cede all of the international expatriate and supplemental health benefit business directly written by the Company to CHLIC. The Company also entered into a novation agreement with CHLIC whereby CHLIC assumed all of the Company's risks associated with international expatriate business excluded from the sale of the Company to New York Life. This business was previously assumed by the Company from three other affiliates of Cigna. In connection with this agreement, CHLIC maintains a trust with the Company as the beneficiary. The book value of the assets in the trust was $55 million and $52 million at December 31, 2021 and 2020, respectively.

Following the closing of the acquisition of the Company by New York Life on December 31, 2020, the Company and NYLIAC, another direct and wholly-owned subsidiary of New York Life, entered into a yearly renewable term reinsurance agreement effective December 31, 2020, under which the Company cedes all of the mortality risk arising under the Company's group term life insurance business. At December 31, 2021, the Company ceded liabilities for policy claims relating to this reinsurance agreement of $320 million. In addition, for the year ended December 31, 2021, the Company ceded death benefits relating to this reinsurance agreement of $1,064 million.

NOTE 12 - BENEFIT PLANS

The Company participates in New York Life’s various tax-qualified and non-qualified defined contribution plans covering eligible U.S. employees (401(k) plans). The plans provide for pre-tax, after-tax and/or after-tax Roth salary reduction contributions (subject to maximums) and Company matching contributions of up to 5% of annual salary (base plus eligible incentive pay are considered). For the year ended December 31, 2021, the Company’s matching contributions to the employees’ tax qualified and non-qualified plans totaled $11 million.

Prior to its acquisition by New York Life, the Company was provided certain postretirement, postemployment and compensated absence benefits through a plan sponsored by Cigna. The Company also participated in a capital accumulation 401(k) plan sponsored by Cigna in that employee contributions on a before-tax basis were supplemented by the Company's matching contributions. The Company had no legal obligation for benefits under these plans. Cigna allocated amounts to the Company based on salary ratios and member months. The Company’s share of net expense for such benefits was $18 million for the year ended December 31, 2020.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Guarantees

At the inception of a guarantee (except unlimited guarantees), the Company recognizes an initial liability at fair value for the obligations it has undertaken, regardless of the probability of performance under the guarantee. This includes guarantees made on behalf of affiliates unless the guarantee is deemed unlimited. At December 31, 2021 and 2020, the Company had no such guarantees.

NOTE 13 - COMMITMENTS AND CONTINGENCIES (continued)

Litigation

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

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

Assessments

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

The Company recorded guaranty fund receivables of $11 million and $11 million at December 31, 2021 and 2020, respectively. The Company recorded guaranty fund liabilities of $6 million and $7 million at December 31, 2021 and 2020, respectively.

Lease Commitments

At December 31, 2021, the aggregate future minimum rental payments under leases having initial or remaining non-cancelable lease terms in excess of one year for each year are as follows: $13 million in 2022, $11 million in 2023, $10 million in 2024, $6 million in 2025, $5 million in 2026 and $4 million in the years thereafter.

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

Other Commitments and Contingencies

The Company had contractual commitments to extend credit for commercial mortgage loans at both fixed and variable rates of interest, which amounted to approximately $93 million at December 31, 2021 and none at December 31, 2020. These commitments are diversified by property type and geographic location.

The Company had outstanding contractual obligations to acquire additional private placement securities for $16 million at December 31, 2021 and none at December 31, 2020.

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

NOTE 13 - COMMITMENTS AND CONTINGENCIES (continued)

The amount of FHLB of Pittsburgh common stock held, in aggregate exclusively in the Company's general account at December 31, 2021 was as follows (in millions):

	2021
Membership stock - Class B [1]	$ —
Activity stock	—
Aggregate total	$ —
Actual or estimated borrowing capacity as determined by the insurer	$ 449

[1] Membership stock is not eligible for redemption. The amount was less than $1 million at December 31, 2021.

At December 31, 2021, the Company did not have an outstanding balance due to the FHLB of Pittsburgh. The maximum amount borrowed and collateral pledged to the FHLB of Pittsburgh during the year ended December 31, 2021 was less than $1 million.

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

NOTE 14 - INCOME TAXES

The components of the net DTAs and DTLs were as follows at December 31, 2021 and 2020 (in millions):

	2021			2020			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross DTAs	$ 925	$ 5	$ 930	$ 885	$ —	$ 885	$ 40	$ 5	$ 45
Statutory valuation allowance	—	—	—	—	—	—	—	—	—
Adjusted gross DTAs	925	5	930	885	—	885	40	5	45
Nonadmitted DTAs [1]	774	—	774	637	—	637	137	—	137
Subtotal net admitted DTAs	151	5	156	248	—	248	(97)	5	(92)
Gross DTLs	12	10	22	3	—	3	9	10	19
Net admitted DTAs [2]	$ 139	$ (5)	$ 134	$ 245	$ —	$ 245	$ (106)	$ (5)	$ (111)

[1] DTAs are nonadmitted primarily because they are not expected to be realized within three years of the Statutory Statements of Financial Position date.
[2] The total net admitted DTAs are included in Other assets in the accompanying Statutory Statements of Financial Position.

NOTE 14 - INCOME TAXES (continued)

The admission calculation components for the years ended December 31, 2021 and 2020 are as follows (paragraph references throughout Note 15 are to paragraphs of SSAP No. 101 “Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10”) (in millions):

	December 31, 2021			December 31, 2020			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks (Paragraph 11.a)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Adjusted gross DTAs expected to be realized (excluding the amount of DTAs from paragraph 11.a above) after application of the threshold limitation (the lesser of paragraph 11.b.i and 11.b.ii below):	134	—	134	245	—	245	(111)	—	(111)
Adjusted gross DTAs expected to be realized following the balance sheet date. (Paragraph 11.b.i)	134	—	134	245	—	245	(111)	—	(111)
Adjusted gross DTAs allowed per limitation threshold (Paragraph 11.b.ii)	N/A	N/A	230	N/A	N/A	253	N/A	N/A	(23)
Adjusted gross DTAs (excluding the amount of DTAs from paragraphs 11.a and 11.b above) offset by gross DTLs (Paragraph 11.c)	17	5	22	3	—	3	14	5	19
DTAs admitted as the result of application of SSAP 101 (Total of paragraphs 11.a, 11.b, 11.c).	$ 151	$ 5	$ 156	$ 248	$ —	$ 248	$ (97)	$ 5	$ (92)

The ratio used to determine the applicable period used in paragraph 11.b.i above and the amount of adjusted capital and surplus used to determine the percentage threshold limitation in paragraph 11.b.ii above are as follows at December 31, 2021 and 2020 ($ in millions):

	December 31,	
	2021	2020
Ratio percentage used to determine recovery period and threshold limitation amount.	914 %	1,111 %
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in paragraph 11.b.ii above.	1,534	$ 1,686

There was no impact on adjusted gross and net admitted DTAs due to tax planning strategies at December 31, 2021 and 2020.

The Company had no unrecognized DTLs at December 31, 2021 and 2020. Additionally, the Company had no adjustments to gross DTAs because of a change in circumstances that causes a change in judgment about the realizability of the related DTAs.

NOTE 14 - INCOME TAXES (continued)

Significant components of the current federal and foreign income taxes for the years ended December 31, 2021 and 2020 were as follows (in millions):

	2021	2020	Change
Federal[1]	$ (2)	$ 37	$ (39)
Foreign	—	91	(91)
Subtotal	(2)	128	(130)
Federal income tax on net capital gains (losses)	—	8	(8)
Total federal and foreign income taxes	$ (2)	$ 136	$ (138)

(1) The Company had no investment tax credits for the years ended December 31, 2021 and 2020 , respectively.

NOTE 14 - INCOME TAXES (continued)

The tax effects of temporary differences that give rise to DTAs and DTLs at December 31, 2021 and 2020 were as follows (in millions):

	2021	2020	Change
DTAs			
Ordinary:			
Other insurance and contract holder liabilities	$ 99	$ 100	$ (1)
Employee and retiree benefit plans	10	6	4
Deferred acquisition costs	11	—	11
Non-admitted assets	50	38	12
Investments	113	138	(25)
Net operating loss	73	—	73
Other	9	6	3
Goodwill and intangibles	560	597	(37)
Gross deferred tax assets	925	885	40
Statutory valuation adjustment	—	—	—
Non-admitted deferred tax assets	774	637	137
Admitted ordinary DTAs	151	248	(97)
Capital:			
Investments	1	—	1
Net capital loss carry forward	4	—	4
Subtotal	5	—	5
Nonadmitted	—	—	—
Admitted capital DTAs	5	—	5
Total admitted DTAs	156	248	(92)
DTLs			
Ordinary:			
Investments	4	3	1
Depreciation and amortization	1	—	1
Other	7	—	7
Subtotal	12	3	9
Capital:			
Investments	10	—	10
Subtotal	10	—	10
Total DTLs	22	3	19
Net admitted DTAs	$ 134	$ 245	$ (111)
Deferred income tax (expense)/benefit on change in net unrealized capital gains/(losses)			$ —
Increase in net deferred taxes related to other items			26
Increase in DTAs nonadmitted			(137)
Total change in net admitted DTAs			$ (111)

NOTE 14 - INCOME TAXES (continued)

Pursuant to the acquisition of the Company on December 31, 2020 by New York Life, the Company elected to step up the tax basis of its assets under Internal Revenue Code §338(h)(10). This resulted in following changes in deferred taxes on the acquisition date (in millions):

	2020
Investments	$ 144
Policyholder reserves	35
DAC	(37)
Fixed assets	18
Goodwill and intangible assets	589
Other	18
Increase in net deferred tax	767
Decrease in DTA non admitted	(597)
Total change in net deferred tax assets	$ 170

The Company’s income tax expense (benefit) for the years ended December 31, 2021 and 2020 differs from the amount obtained by applying the statutory rate of 21% to net (loss) gain from operations before federal and foreign income taxes for the following reasons (in millions):

	2021	2020	Change
Net (loss) gain from operations before federal and foreign income taxes at statutory rate	$ (17)	$ 15	$ (32)
Net realized capital gains at statutory rate	5	54	(49)
Investment items	(2)	(41)	39
Change in non-admitted assets	(12)	(3)	(9)
Valuation allowance	—	(6)	6
Amortization of IMR	(1)	(1)	—
Foreign tax expense net of foreign tax credit	—	95	(95)
Subsidiary dividend	—	(4)	4
§338(h)(10) tax basis step up	—	(767)	767
Other	(1)	3	(4)
Federal and foreign income taxes incurred and change in net deferred taxes during the year	$ (28)	$ (655)	$ 627
Federal income tax expense (benefit) reported in the Company's Statutory Statements of Operations	$ (2)	$ 128	$ (130)
Capital gains tax expense incurred	—	8	(8)
Change in net deferred income taxes	(26)	(791)	765
Federal and foreign income taxes incurred and change in net deferred taxes during the year	$ (28)	$ (655)	$ 627

For the tax year 2021, the Company’s federal income tax return is consolidated with New York Life, NYLIAC, NYLIFE Insurance Company of Arizona, NYLIFE LLC, New York Life Enterprises LLC, New York Life Investment Management Holdings LLCs, NYL Investors LLC, NYLGICNY, and LINA Benefit Payments, Inc. Refer to Note - 3 Significant Accounting Policies - Federal Income Taxes.

For the tax year 2020 and prior, the Company's federal income tax return was consolidated with Cigna and its subsidiaries.

NOTE 14 - INCOME TAXES (continued)

The New York Life consolidated federal income tax returns are routinely audited by the Internal Revenue Service ("IRS") and provisions are made in the financial statements in anticipation of the results of these audits. The IRS examination has not begun for 2021. The Company believes that its recorded income tax liabilities are adequate for all open years.

The statute of limitations for Cigna's consolidated income tax returns through 2016 have closed. Cigna has filed amended consolidated tax returns for various years and the pending refunds are subject to IRS review. Cigna is currently under examination for 2015 through 2018.

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

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

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

	Amount		Origination Date	Expiration Date
Net operating loss	$	348	2021	2041
Capital loss	$	20	2021	2026
Foreign tax credit	$	—	2021	2031

The Company had no income taxes incurred in current and prior years that will be available for recoupment in the event of future net losses.

At December 31, 2021 and 2020, the Company recorded a current income tax payable of $2 million and $0 million, respectively, which is included in Other liabilities in the accompanying Statutory Statements of Financial Position.

On March 27, 2020, the Coronavirus Aid, Relief, and Economics Security Act (the "CARES Act") was enacted into law. Enactment of the CARES Act did not have a financial impact on the Company.

At December 31, 2021, the Company had no protective tax deposits on deposit with the IRS under Section 6603 of the Internal Revenue Code.

NOTE 15 - CAPITAL AND SURPLUS

Capitalization

The Company has 30,000 shares authorized, and approximately 25,000 shares issued and outstanding as of December 31, 2021 and 2020 with a par value of $100. There are no other classes of capital stock. The Company has no preferred stock outstanding as of December 31, 2021 and 2020.

Nonadmitted Assets

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

NOTE 16 - DIVIDENDS TO STOCKHOLDER

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

As a condition to the Commissioner's approval of New York Life's application to purchase the Company, until January 1, 2024, the Company is prohibited from declaring or paying any dividends, returns of capital or any other type of distribution, without the prior approval of the Commissioner, unless said distribution has been approved by the Department as a transaction between affiliates filed under the Insurance Holding Companies Act. At December 31, 2021, the amount of earned surplus of the Company available for the payment of dividends was $1,489 million. If not for the prohibition, the maximum dividend that may be made without prior approval in 2022 is $167 million. Any dividends paid in the twelve months preceding a proposed dividend are considered in determining whether a dividend is extraordinary.

During the year ended December 31, 2021, the Company did not pay a dividend to its sole shareholder, New York Life. For the year ended December 31, 2020, $662 million noncumulative common dividends were paid during the year to Cigna prior to the acquisition by New York Life. The 2020 dividends were paid as follows (in millions):

	2020	Dividend[1]
1st Quarter 2020	$ 100	Ordinary
2nd Quarter 2020	175	Extraordinary
3rd Quarter 2020	—	
4th Quarter 2020[2]	387	Extraordinary
Total	$ 662	

[1] Prior approval of the Commissioner was obtained for the dividends deemed extraordinary.
[2] The dividends in the 4th quarter represented the funding for the China JV.

NOTE 17 - WRITTEN PREMIUMS

The Company estimates accrued retrospective premium adjustments for its group life, accident and health insurance business by utilizing appropriate analytics relative to through mathematical approach using the Company's underwriting rules and experience rating practice. The company records accrued retrospective premium adjustments to Premiums in the accompanying Statements of Operations.

The amount of net premiums written by the Company for the years ended December 31, 2021 and 2020 that are subject to retrospective rating features were $126 million and $231 million respectively, which represented 3% and 6% of the total net premiums written for the years ended December 31, 2021 and 2020, respectively. No other net premiums written by the Company are subject to retrospective rating features.

Deferred and uncollected life insurance premiums and annuity considerations at December 31, 2021 and 2020 were as follows (in millions):

	2021		2020	
	Gross	Net of Loading	Gross	Net of Loading
Ordinary Renewal	$ 1	$ 1	$ 1	$ 1
Group Life	203	203	193	193
Total	$ 204	$ 204	$ 194	$ 194

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

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

NOTE 18 - SUBSEQUENT EVENTS

At May 9, 2022, the date the financial statements were available to be issued, there have been no events occurring subsequent to the close of the Company’s books or accounts for the accompanying statutory financial statements that would have a material effect on the financial condition of the Company.

GLOSSARY OF TERMS

Term	Description
ABS	Asset-backed securities
AVR	Asset valuation reserve
Cigna	Cigna Corporation
CGLIC	Connecticut General Life Insurance Company
CHC	Cigna Holding Company
CHLIC	Cigna Health & Life Insurance Company
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CII	Cigna Investments, Inc.
DTA	Deferred tax asset(s)
DTL	Deferred tax liability(ies)
FHLB	Federal Home Loan Bank
IMR	Interest maintenance reserve
IRS	Internal Revenue Service
LTV	Loan to value ratio
NAIC	National Association of Insurance Commissioners
NAIC SAP	National Association of Insurance Commissioners' Accounting Practices and Procedures
NAV	Net asset value
New York Life	New York Life Insurance Company
NYLGICNY	New York Life Group Insurance Company of NY
NYLIAC	New York Life and Annuity Corporation
OTTI	Other-than-temporary impairment(s)
PBR	Principle-based reserving
SSAP	Statement of statutory accounting principle
TDR	Troubled debt restructuring
The Company	Life Insurance Company of North America
The Department	State of Pennsylvania Insurance Department
U.S. GAAP	Accounting principles generally accepted in the United States of America