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

FORM 10-Q

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

For the quarterly period ended June 30, 2023

or

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

For the transition period from _____ to _____

Commission File Number: 001-40274

Jackson Financial Inc.

(Exact name of registrant as specified in its charter)

Delaware	**98-0486152**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1 Corporate Way, Lansing, Michigan	**48951**
(Address of principal executive offices)	**(Zip Code)**

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

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

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

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

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

Yes ☑ No ☐

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

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

As of August 3, 2023, there were 81,910,831 shares of the registrant's common stock, $0.01 par value, outstanding. As of August 3, 2023, there were outstanding 22,000,000 depositary shares, each representing a 1/1,000th interest in a share of Fixed-Rate Reset Noncumulative Perpetual Preferred Stock, Series A.

TABLE OF CONTENTS

PART I—FINANCIAL INFORMATION

PART II—OTHER INFORMATION

SIGNATURES

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2023	December 31, 2022[1]
Assets	(Unaudited)	
Investments:		
Debt Securities, available-for-sale, net of allowance for credit losses of $16 and $23 at June 30, 2023 and December 31, 2022, respectively (amortized cost: 2023 $47,871; 2022 $48,798)	$ 42,063	$ 42,489
Debt Securities, at fair value under fair value option	2,210	2,173
Debt Securities, trading, at fair value	101	100
Equity securities, at fair value	267	393
Mortgage loans, net of allowance for credit losses of $162 and $95 at June 30, 2023 and December 31, 2022, respectively	10,303	10,967
Mortgage loans, at fair value under fair value option	509	582
Policy loans (including $3,438 and $3,419 at fair value under the fair value option at June 30, 2023 and December 31, 2022, respectively)	4,381	4,377
Freestanding derivative instruments	946	1,270
Other invested assets	3,503	3,595
Total investments	64,283	65,946
Cash and cash equivalents	2,100	4,298
Accrued investment income	528	514
Deferred acquisition costs	12,599	12,923
Reinsurance recoverable, net of allowance for credit losses of $39 and $15 at June 30, 2023 and December 31, 2022, respectively	27,069	29,046
Reinsurance recoverable on market risk benefits, at fair value	194	221
Market risk benefit assets, at fair value	5,957	4,865
Deferred income taxes, net	681	320
Other assets	850	944
Separate account assets	212,719	195,906
Total assets	$ 326,980	$ 314,983
Liabilities and Equity		
Liabilities		
Reserves for future policy benefits and claims payable	$ 12,003	$ 12,318
Other contract holder funds	56,477	58,190
Market risk benefit liabilities, at fair value	4,463	5,662
Funds withheld payable under reinsurance treaties (including $3,602 and $3,582 at fair value under the fair value option at June 30, 2023 and December 31, 2022, respectively)	21,170	22,957
Long-term debt	2,633	2,635
Repurchase agreements and securities lending payable	1,678	1,048
Collateral payable for derivative instruments	498	689
Freestanding derivative instruments	1,816	2,065
Notes issued by consolidated variable interest entities, at fair value under fair value option (Note 4)	1,996	1,732
Other liabilities	2,104	2,403
Separate account liabilities	212,719	195,906
Total liabilities	317,557	305,605
Commitments, Contingencies, and Guarantees (Note 16)		
Equity		
Series A non-cumulative preferred stock and additional paid in capital, $1.00 par value per share: 24,000 shares authorized; shares issued: 2023 - 22,000; liquidation preference $25,000 per share (See Note 20)	533	—
Common stock; 1,000,000,000 shares authorized, $0.01 par value per share and 81,910,831 and 82,690,098 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively (See Note 20)	1	1
Additional paid-in capital	5,997	6,063
Treasury stock, at cost; 12,570,175 and 11,784,813 shares at June 30, 2023 and December 31, 2022, respectively	(466)	(443)
Accumulated other comprehensive income (loss), net of tax expense (benefit) of $(127) and $(66) at June 30, 2023 and December 31, 2022, respectively	(3,365)	(3,378)
Retained earnings	5,952	6,403
Total shareholders' equity	8,652	8,646
Noncontrolling interests	771	732
Total equity	9,423	9,378
Total liabilities and equity	$ 326,980	$ 314,983

[1] Recast for the adoption of ASU 2018-12. See Notes 1 and 2 to the Condensed Consolidated Financial Statements.

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022[1]	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022[1]
Revenues				
Fee income	$ 1,913	$ 1,934	$ 3,801	$ 3,946
Premiums	52	32	77	69
Net investment income:				
Net investment income excluding funds withheld assets	420	328	835	758
Net investment income on funds withheld assets	252	364	559	624
Total net investment income	672	692	1,394	1,382
Net gains (losses) on derivatives and investments:				
Net gains (losses) on derivatives and investments	(2,112)	2,938	(4,838)	1,372
Net gains (losses) on funds withheld reinsurance treaties	(134)	1,077	(807)	2,105
Total net gains (losses) on derivatives and investments	(2,246)	4,015	(5,645)	3,477
Other income	19	21	34	41
Total revenues	410	6,694	(339)	8,915
Benefits and Expenses				
Death, other policy benefits and change in policy reserves, net of deferrals	241	274	469	574
(Gain) loss from updating future policy benefits cash flow assumptions, net	10	14	24	29
Market risk benefits (gains) losses, net	(2,570)	1,184	(2,744)	(723)
Interest credited on other contract holder funds, net of deferrals and amortization	295	209	580	406
Interest expense	58	24	101	44
Operating costs and other expenses, net of deferrals	620	543	1,236	1,209
Amortization of deferred acquisition costs	291	307	584	624
Total benefits and expenses	(1,055)	2,555	250	2,163
Pretax income (loss)	1,465	4,139	(589)	6,752
Income tax expense (benefit)	245	845	(313)	1,233
Net income (loss)	1,220	3,294	(276)	5,519
Less: Net income (loss) attributable to noncontrolling interests	3	31	4	62
Net income (loss) attributable to Jackson Financial Inc.	1,217	3,263	(280)	5,457
Less: Dividends on preferred stock	13	—	13	—
Net income (loss) attributable to Jackson Financial Inc. common shareholders	$ 1,204	$ 3,263	$ (293)	$ 5,457
Earnings per share				
Basic	$ 14.58	$ 37.96	$ (3.55)	$ 62.98
Diluted	$ 14.21	$ 36.59	$ (3.55)	$ 60.60

[1] Recast for the adoption of ASU 2018-12. See Notes 1 and 2 to the Condensed Consolidated Financial Statements.

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022[(1)]	2023	2022[(1)]
Net income (loss)	$ 1,220	$ 3,294	$ (276)	$ 5,519
Other comprehensive income (loss), net of tax:				
Change in unrealized gains (losses) on securities with no credit impairment net of tax expense (benefit) of: $(34) and $(390), for the three months ended June 30, 2023 and 2022, respectively, and $58 and $(1,167) for the six months ended June 30, 2023 and 2022, respectively.	(532)	(2,888)	436	(5,714)
Change in unrealized gains (losses) on securities with credit impairment, net of tax expense (benefit) of: $(1) and $2 million for the three months ended June 30, 2023 and 2022, respectively, and $(3) and $6 for the six months ended June 30, 2023 and 2022, respectively.	(1)	8	(9)	22
Change in current discount rate related to reserve for future policy benefits, net of tax expense (benefit) of $21 and $128 for the three months ended June 30, 2023 and 2022, respectively, and $(11) and $294 for the six months ended June 30, 2023 and 2022, respectively.	75	463	(39)	1,062
Change in non-performance risk on market risk benefits, net of tax expense (benefit) of $(165) and $220 for the three months ended June 30, 2023 and 2022, respectively, and $(105) and $422 for the six months ended June 30, 2023 and 2022, respectively.	(599)	797	(375)	1,531
Total other comprehensive income (loss)	(1,057)	(1,620)	13	(3,099)
Comprehensive income (loss)	163	1,674	(263)	2,420
Less: Comprehensive income (loss) attributable to noncontrolling interests	3	31	4	62
Comprehensive income (loss) attributable to Jackson Financial Inc.	$ 160	$ 1,643	$ (267)	$ 2,358

(1) Recast for the adoption of ASU 2018-12. See Notes 1 and 2 to the Condensed Consolidated Financial Statements.

See Notes to Condensed Consolidated Financial Statements.

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

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock at Cost	Accumulated Other Comprehensive Income	Retained Earnings	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
Balances as of March 31, 2023	$ 533	$ 1	$ 6,070	$ (510)	$ (2,308)	$ 4,852	$ 8,638	$ 829	$ 9,467
Net income (loss)	—	—	—	—	—	1,217	1,217	3	1,220
Other comprehensive income (loss)	—	—	—	—	(1,057)	—	(1,057)	—	(1,057)
Change in equity of noncontrolling interests	—	—	—	—	—	—	—	(61)	(61)
Dividends on preferred stock	—	—	—	—	—	(13)	(13)	—	(13)
Dividends on common stock	—	—	—	—	—	(53)	(53)	—	(53)
Purchase of treasury stock	—	—	—	(94)	—	—	(94)	—	(94)
Share based compensation	—	—	(73)	138	—	(51)	14	—	14
Balances as of June 30, 2023	$ 533	$ 1	$ 5,997	$ (466)	$ (3,365)	$ 5,952	$ 8,652	$ 771	$ 9,423

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock at Cost	Accumulated Other Comprehensive Income	Retained Earnings	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
Balances as of March 31, 2022 [(1)]	$ —	$ 1	$ 6,081	$ (351)	$ (119)	$ 2,582	$ 8,194	$ 715	$ 8,909
Net income (loss)	—	—	—	—	—	3,263	3,263	31	3,294
Other comprehensive income (loss)	—	—	—	—	(1,620)	—	(1,620)	—	(1,620)
Change in equity of noncontrolling interests	—	—	—	—	—	—	—	1	1
Dividends on common stock	—	—	—	—	—	(50)	(50)	—	(50)
Purchase of treasury stock	—	—	—	(100)	—	—	(100)	—	(100)
Share based compensation	—	—	(61)	80	—	—	19	—	19
Balances as of June 30, 2022 [(1)]	$ —	$ 1	$ 6,020	$ (371)	$ (1,739)	$ 5,795	$ 9,706	$ 747	$ 10,453

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock at Cost	Accumulated Other Comprehensive Income	Retained Earnings	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
Balances as of December 31, 2022 [(1)]	$ —	$ 1	$ 6,063	$ (443)	$ (3,378)	$ 6,403	$ 8,646	$ 732	$ 9,378
Net income (loss)	—	—	—	—	—	(280)	(280)	4	(276)
Other comprehensive income (loss)	—	—	—	—	13	—	13	—	13
Change in equity of noncontrolling interests	—	—	—	—	—	—	—	35	35
Dividends on preferred stock	—	—	—	—	—	(13)	(13)	—	(13)
Dividends on common stock	—	—	—	—	—	(107)	(107)	—	(107)
Purchase of treasury stock	—	—	—	(164)	—	—	(164)	—	(164)
Issuance of preferred stock	533	—	—	—	—	—	533	—	533
Share based compensation	—	—	(66)	141	—	(51)	24	—	24
Balances as of June 30, 2023	$ 533	$ 1	$ 5,997	$ (466)	$ (3,365)	$ 5,952	$ 8,652	$ 771	$ 9,423

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock at Cost	Accumulated Other Comprehensive Income	Retained Earnings	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
Balances as of December 31, 2021 [(1)]	$ —	$ 1	$ 6,051	$ (211)	$ 1,360	$ 440	$ 7,641	$ 680	$ 8,321
Net income (loss)	—	—	—	—	—	5,457	5,457	62	5,519
Other comprehensive income (loss)	—	—	—	—	(3,099)	—	(3,099)	—	(3,099)
Change in equity of noncontrolling interests	—	—	—	—	—	—	—	5	5
Dividends on common stock	—	—	—	—	—	(102)	(102)	—	(102)
Purchase of treasury stock	—	—	—	(240)	—	—	(240)	—	(240)
Share based compensation	—	—	(31)	80	—	—	49	—	49
Balances as of June 30, 2022[(1)]	$ —	$ 1	$ 6,020	$ (371)	$ (1,739)	$ 5,795	$ 9,706	$ 747	$ 10,453

[(1)] Recast for the adoption of ASU 2018-12. See Notes 1 and 2 to the Condensed Consolidated Financial Statements.

See Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022[(1)]
Cash flows from operating activities:		
Net income (loss)	$ (276)	$ 5,519
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized losses (gains) on investments	108	125
Net losses (gains) on derivatives	4,730	(1,497)
Net losses (gains) on funds withheld reinsurance treaties	807	(2,105)
Net (gain) loss on market risk benefits	(2,744)	(723)
(Gain) loss from updating future policy benefits cash flow assumptions, net	24	29
Interest credited on other contract holder funds, gross	580	406
Mortality, expense and surrender charges	(266)	(269)
Amortization of discount and premium on investments	(13)	13
Deferred income tax expense (benefit)	(300)	1,261
Share-based compensation	39	69
Change in:		
Accrued investment income	(15)	(2)
Deferred acquisition costs	325	275
Funds withheld, net of reinsurance	177	224
Other assets and liabilities, net	(629)	(1,273)
Net cash provided by (used in) operating activities	2,547	2,052
Cash flows from investing activities:		
Sales, maturities and repayments of:		
Debt securities	5,125	6,942
Equity securities	180	43
Mortgage loans	1,362	551
Purchases of:		
Debt securities	(4,514)	(5,981)
Equity securities	(6)	(25)
Mortgage loans	(657)	(1,039)
Settlements related to derivatives and collateral on investments	(4,659)	2,570
Other investing activities	365	(446)
Net cash provided by (used in) investing activities	(2,804)	2,615

(1) Recast for the adoption of ASU 2018-12. See Notes 1 and 2 to the Condensed Consolidated Financial Statements.

(continued)

See Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022[1]
Cash flows from financing activities:		
Policyholders' account balances:		
Deposits	$ 7,349	$ 10,282
Withdrawals	(14,314)	(12,936)
Net transfers from (to) separate accounts	4,185	2,554
Proceeds from (payments on) repurchase agreements and securities lending	630	(1,557)
Net proceeds from (payments on) debt	(46)	(783)
Net proceeds from issuance of Senior Notes	—	750
Debt issuance costs	—	(7)
Dividends on common stock	(101)	(102)
Dividends on preferred stock	(13)	—
Purchase of treasury stock	(164)	(240)
Issuance of preferred stock	533	—
Other financing activities	—	7
Net cash provided by (used in) financing activities	(1,941)	(2,032)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(2,198)	2,635
Cash, cash equivalents, and restricted cash at beginning of period	4,301	2,631
Total cash, cash equivalents, and restricted cash at end of period	$ 2,103	$ 5,266
Supplemental cash flow information		
Income taxes paid (received)	$ —	$ (2)
Interest paid	$ 99	$ 40
Non-cash investing activities		
Debt securities acquired from exchanges, payments-in-kind, and similar transactions	$ 49	$ 214
Other invested assets acquired from stock splits and stock distributions	$ 181	$ 42
Non-cash financing activities		
Non-cash dividend equivalents on stock-based awards	$ (6)	$ —
Reconciliation to Statement of Financial Position		
Cash and cash equivalents	$ 2,100	$ 5,258
Restricted cash (included in Other assets)	3	8
Total cash, cash equivalents, and restricted cash	$ 2,103	$ 5,266

[1] Recast for the adoption of ASU 2018-12. See Notes 1 and 2 to the Condensed Consolidated Financial Statements.

See Notes to Condensed Consolidated Financial Statements.

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

1. Business and Basis of Presentation

Jackson Financial Inc. ("JFI" or “Jackson Financial”) together with its subsidiaries, (the “Company,” which also may be referred to as “we,” “our” or “us”), is a financial services company focused on helping Americans grow and protect their retirement savings and income to enable them to pursue financial freedom for life. Jackson Financial, domiciled in the state of Delaware in the United States (“U.S.”), was a majority-owned subsidiary of Prudential plc (“Prudential”), London, England, and was the holding company for Prudential’s U.S. operations. As described below under "Other," the Company's demerger from Prudential was completed on September 13, 2021 ("Demerger"), and the Company is a stand-alone U.S. public company. As of June 30, 2023, Prudential has no remaining equity interest in the Company.

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

- PPM America, Inc. (“PPM”), is the Company’s investment management operation that manages the life insurance companies’ general account investment funds. PPM also provides investment services to other former affiliated and unaffiliated institutional clients.
- Brooke Life Insurance Company (“Brooke Life”), Jackson’s direct parent, is a life insurance company licensed to sell life insurance and annuity products in the state of Michigan.

Other wholly-owned subsidiaries of Jackson are as follows:

- Life insurers: Jackson National Life Insurance Company of New York (“Jackson NY” or “JNY”); Squire Reassurance Company LLC (“Squire Re”); Squire Reassurance Company II, Inc. (“Squire Re II”); and VFL International Life Company SPC, LTD;
- Registered broker-dealer: Jackson National Life Distributors LLC (“JNLD”);
- Registered investment adviser: Jackson National Asset Management LLC (“JNAM”), which manages the life insurance companies' separate account funds underlying our variable annuities products, which funds are sub-advised. JNAM manages and oversees those sub-advisers;
- Service provider: PGDS (US One) LLC (“PGDS”), which provides certain services to the Company and certain former affiliates; and
- Other insignificant wholly-owned subsidiaries.

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

Other

On August 6, 2021, the Company's Class A Common Stock was registered on a Form 10 registration statement filed with the U.S. Securities and Exchange Commission (the "SEC") and became effective under the Securities Exchange Act of 1934, as amended. We refer to that effective Form 10 registration as the "Form 10." The Demerger transaction described in the Form 10 was consummated on September 13, 2021.

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information. Accordingly, certain financial information that is normally included in annual financial statements prepared in accordance with U.S. GAAP, but not required for interim reporting purposes, has been condensed or omitted. These Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 1, 2023, (the "2022 Annual Report"), as recast in our Current Report on 8-K filed May 10, 2023, to reflect the adoption of the accounting standard discussed in the next paragraph. The condensed consolidated financial information as of December 31, 2022, included herein, has been derived from the audited Consolidated Financial Statements, as so recast.

The Company adopted Accounting Standards Update (“ASU”) 2018-12, “Targeted Improvements to the Accounting for Long-Duration Contracts” (“LDTI”), effective January 1, 2023, with a transition date of January 1, 2021. See Note 2 of the Notes to Condensed Consolidated Financial Statements for further description of our adoption of LDTI.

Certain accounting policies, which significantly affect the determination of financial condition, results of operations and cash flows, are summarized in the Notes to Consolidated Financial Statements in the Company’s 2022 Annual Report, as recast in our Current Report on Form 8-K filed May 10, 2023. New accounting policies adopted for LDTI are included in Notes 7, 8, 9, 10, 11, and 12 to the Condensed Consolidated Financial Statements in this Form 10-Q.

In the opinion of management, these Condensed Consolidated Financial Statements include all normal recurring adjustments necessary for a fair presentation of the Company’s results. Operating results for the three and six months ended June 30, 2023, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2023. All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

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

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

Revision of Prior Period Financial Statements

In 2022, the Company identified errors related to the classification of certain balances and amounts in the line items of the Condensed Consolidated Balance Sheets and Condensed Consolidated Income Statements. These errors resulted in the revision of balances and amounts related to deferred sales inducement assets, liabilities for certain life-contingent annuities, sub-advisor fee expenses, and other operating expense items that impacted previously issued Condensed Consolidated Financial Statements. The impact of these errors to the prior periods' Condensed Consolidated Financial Statements were not considered to be material and had no impact on shareholders' equity or net income (loss). However, to improve the consistency and comparability of the financial statements, management revised the financial statements and related disclosures in this quarterly report. See Note 22 to the Notes to Condensed Consolidated Financial Statements for details of the revisions.

2. New Accounting Standards

Changes in Accounting Principles – Adopted in Current Year

In March 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The new guidance provides optional expedients for applying U.S. GAAP to contracts and other transactions affected by reference rate reform and is effective for contract modifications made between March 12, 2020 and December 31, 2022. If certain criteria are met, an entity will not be required to remeasure or reassess contracts impacted by reference rate reform. The practical expedient allowed by this standard was elected and is being applied prospectively by the Company as reference rate reform unfolds. The contracts modified to date met the criteria for the practical expedient and therefore had no material impact on the Company's Condensed Consolidated Financial Statements. In December 2022, the FASB issued ASU 2022-06, "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848" which defers the sunset date of Topic 848 from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. The amendments are effective for all entities as of December 21, 2022. The Company will continue to evaluate the impacts of reference rate reform on contract modifications and other transactions through December 31, 2024.

In August 2018, the FASB issued ASU 2018-12, "Targeted Improvements to the Accounting for Long Duration Contracts," ("LDTI"), which included changes to the existing recognition, measurement, presentation and disclosure requirements for long-duration contracts issued by an insurance entity. The Company adopted LDTI effective January 1, 2023, with a transition date of January 1, 2021, using the modified retrospective transition method relating to liabilities for traditional and limited payment contracts and deferred policy acquisition costs associated therewith, and on a retrospective basis, in relation to market risk benefits ("MRBs").

Under the modified retrospective approach, the Company applied the guidance to contracts in force on the transition date on the basis of their existing carrying value, using updated future cash flow assumptions, and eliminated certain related amounts in accumulated other comprehensive income (loss) ("AOCI"). Under the full retrospective transition approach, the Company applied the guidance as of the transition date, using actual historical assumption information as of contract inception, as if the accounting principle had always been applied.

Amounts reported as of June 30, 2023 and December 31, 2022 and for the three and six months ended June 30, 2023 and 2022 within these Condensed Consolidated Financial Statements are accounted for and presented in accordance with U.S. GAAP reflecting the adoption of LDTI.

LDTI contains four significant changes:

1. *Market risk benefits:* market risk benefits ("MRBs"), a new term for certain contract features that provide for potential benefits in addition to the account balance that expose the Company to other-than-nominal market risk (for example, guaranteed benefits on annuity contracts, including guaranteed minimum withdrawal benefits and guaranteed minimum death benefits on variable annuities), are measured at fair value. Changes in fair value are recorded and presented separately within the income statement, with the exception of changes in fair value due to non-performance risk, which are recognized in other comprehensive income (loss) ("OCI");

2. *Deferred acquisition costs:* deferred acquisition costs ("DAC") are amortized on a constant-level basis, independent of profitability of the underlying business;

3. *Liability for future policy benefits:* annual review and, if necessary, update of cash flow assumptions used to measure the liability for future policy benefits for nonparticipating traditional and limited-payment insurance contracts is required. These liabilities are discounted using an upper-medium grade fixed income instrument yield which is updated quarterly, with related changes in the liability recognized in OCI; and

4. *Enhanced disclosures:* enhanced disclosures, including disaggregated roll-forwards of certain balance sheet accounts that provide information about actual and expected cash flows, as well as information about significant inputs, judgments, assumptions and methods used in measurement, are required. The enhanced disclosures are intended to improve the ability of users of the financial statements to evaluate the timing, amount, and uncertainty of cash flows arising from long-duration contracts.

The adoption of LDTI resulted in a decrease in total equity of $3.0 billion as of the transition date of January 1, 2021, comprised of a reduction in AOCI of $0.4 billion and a reduction in retained earnings of $2.6 billion. The primary drivers for this impact to total equity included:

1. the classification of certain benefits as market risk benefits, which were remeasured at fair value as of the transition date. The resulting change in the value of these benefits at the transition date, net of the related deferred tax effect, is recognized in retained earnings, with the exception of the cumulative effect of changes in non-performance risk, net of the related deferred tax effect, which is recognized in AOCI;

2. changes to the discount rate used to measure liabilities for future policyholder benefits which, under LDTI, are remeasured each reporting period using current upper-medium grade fixed-income instrument yields, which are generally considered to be those on single-A rated public corporate debt. The cumulative effect of the remeasurement of these liabilities using the transition date discount rate, net of the related deferred tax effect, is recognized in AOCI; and

3. the removal of certain shadow adjustments previously recorded in AOCI related to the impact of unrealized gains (losses) on investments that were included in the estimated gross profit amortization calculation for deferred acquisition costs, which are no longer recognized upon the adoption of LDTI.

The following table presents the effect of transition adjustments on shareholders' equity due to the adoption of LDTI (in millions):

	January 1, 2021	
	Retained earnings	**Accumulated other comprehensive income**
Deferred acquisition costs	$ —	$ 106
Reinsurance recoverable on market risk benefits	—	(34)
Reserves for future policy benefits and claims payable	97	141
Market risk benefits	(2,700)	(598)
Total	$ (2,603)	$ (385)

The following table presents amounts previously reported as of December 31, 2020, to reflect the effect of the change due to the adoption of LDTI, and the adjusted amounts as of January 1, 2021 (in millions):

	As Previously Reported	Effect of Changes	As of 1/1/2021
Assets			
Deferred acquisition costs	$ 13,897	$ 146	$ 14,043
Reinsurance recoverable, net of allowance for credit losses	35,270	(154)	35,116
Reinsurance recoverable on market risk benefits, at fair value	—	471	471
Market risk benefit assets, at fair value	—	690	690
Deferred income taxes, net	1,058	824	1,882
Other assets	1,179	2	1,181
Total assets	$ 353,532	$ 1,979	$ 355,511
Liabilities and Equity			
Liabilities			
Reserves for future policy benefits and claims payable	$ 22,512	$ (5,716)	$ 16,796
Other contract holder funds	63,592	(7)	63,585
Market risk benefit liabilities, at fair value	—	10,690	10,690
Total liabilities	343,609	4,967	348,576
Equity			
Accumulated other comprehensive income, net of tax expense	3,821	(385)	3,436
Retained earnings	(324)	(2,603)	(2,927)
Total equity	9,923	(2,988)	6,935
Total liabilities and equity	$ 353,532	$ 1,979	$ 355,511

Liability for future policy benefits

For the liability for future policy benefits, the net transition adjustment is related to the difference in the discount rate used pre-transition and the discount rate at January 1, 2021. The discount rate used to measure the liability at transition was generally lower than the rates used to measure the liability prior to the adoption of LDTI. Additionally, at transition, where net premiums exceeded gross premiums at the cohort level, the Company set net premiums equal to gross premiums and recognized the resulting increase in the liability for future policy benefits as an adjustment to opening retained earnings.

The following table presents the impact of the adoption of LDTI, as of the transition date, on reserves for future policy benefits and claims payable (in millions):

	Payout Annuities	Closed Block Life	Closed Block Annuity	Total
Reserves for future policy benefits at December 31, 2020	$ 1,148	$ 5,809	$ 5,328	$ 12,285
Adjustment for loss contracts under the modified retrospective approach	4	15	18	37
Effect of remeasurement of liability at current discount rate	143	560	997	1,700
Reserves for future policy benefits at January 1, 2021	$ 1,295	$ 6,384	$ 6,343	$ 14,022
Other future policy benefits and claims payable				2,774
Reserves for future policy benefits and claims payable at January 1, 2021				$ 16,796

The following table presents the transition date reclassifications and adjustments to reserves for future policy benefits by category resulting from the adoption of LDTI (in millions):

	Reserve for future policy benefits	Other [1]	Total
Reserve for future policy benefits and claims payable at December 31, 2020	$ 12,285	$ 10,227	$ 22,512
Adjustments for LDTI transition	1,737	(7,453)	(5,716)
Reserve for future policy benefits and claims payable at January 1, 2021	$ 14,022	$ 2,774	$ 16,796

[1] Includes variable annuity embedded derivatives that were reclassed to market risk benefits.

The following table presents the impact of the adoption of LDTI, as of the transition date, on Closed Block Life additional liabilities for universal life-type contracts (in millions):

		Closed Block Life
Balance, December 31, 2020	$	1,157
Adjustment for reversal of AOCI adjustments		28
Adjustment for cumulative effect of adoption of LDTI		—
Balance, January 1, 2021	$	1,185

Market risk benefits

For MRBs, the net transition adjustment relates to the measurement of certain guaranteed benefit features at fair value that were previously measured using an insurance accrual model. The measurement of these features at fair value includes use of generally lower discount rates and lower assumed future fund performance relative to their previous measurement, as well as inclusion of risk margins, all of which lead to a generally higher fair value balance relative to the carrying value prior to transition to LDTI.

The transition adjustment to AOCI for MRBs relates to the effect of changes in the non-performance risk between the contract issuance date and the transition date. The remaining difference between the carrying value of these contract features under the insurance accrual model prior to transition to LDTI and the fair value measured at transition was recorded as an adjustment to retained earnings as of the transition date.

The following table presents the impact of the adoption of LDTI, as of the transition date, on MRBs, net (in millions):

		Variable Annuities		Other Product Lines		Total
Balance, December 31, 2020 - Carrying amount of MRBs under prior guidance	$	7,306	$	74	$	7,380
Adjustment for reversal of AOCI adjustments		(27)		(48)		(75)
Cumulative effect of the changes in non-performance risk between the original contract issuance date and the transition date		(743)		(6)		(749)
Remaining cumulative difference (exclusive of non-performance risk change) between 12/31/20 carrying amount and fair value measurement for the MRBs		3,372		72		3,444
Balance, January 1, 2021 - Market risk benefits, net, at fair value	$	9,908	$	92	$	10,000

Deferred acquisition costs

For DAC, at transition to LDTI, the Company removed shadow adjustments previously recorded in AOCI for the impact of unrealized gains and losses that were included in the estimated gross profit amortization calculation prior to the adoption of LDTI.

The following table presents the impact of the adoption of LDTI, as of the transition date, on DAC (in millions):

		Variable Annuities		Other Product Lines		Total
Balance, December 31, 2020 - Deferred acquisition costs	$	13,725	$	172	$	13,897
Adjustment for reversal of AOCI adjustments		151		(5)		146
Balance, January 1, 2021 - Deferred acquisition costs	$	13,876	$	167	$	14,043

Reinsurance recoverable

The following table presents the impact of the adoption of LDTI, as of the transition date, on reinsurance recoverable (in millions):

	Total
Balance, December 31, 2020	$ 35,270
Reclass of carrying amount of MRBs under prior guidance	(407)
Adjustment for loss contracts under the modified retrospective approach	—
Effect of remeasurement of liability at current discount rate	253
Balance, January 1, 2021	$ 35,116

The following table presents the impact of the adoption of LDTI, as of the transition date, on reinsurance recoverable on market risk benefits at fair value (in millions):

	Variable Annuities	Other Product Lines	Total
Balance, December 31, 2020 - Carrying amount of MRBs under prior guidance	$ 340	$ 67	$ 407
Adjustment for reversal of AOCI adjustments	—	(47)	(47)
Cumulative difference between 12/31/2020 carrying amount and fair value measurement for the MRBs	28	83	111
Balance, January 1, 2021 - Reinsurance recoverable on market risk benefits at fair value	$ 368	$ 103	$ 471

The adoption of LDTI resulted in an increase in net income attributable to Jackson Financial of $360 million and $529 million for the three and six months ended June 30, 2022, respectively, and also resulted in an increase in total equity of $223 million for the year ended December 31, 2022.

The following table presents amounts previously reported in the Consolidated Balance Sheets as of December 31, 2022, to reflect the effect of the change due to the adoption of LDTI, and the adjusted amounts as of December 31, 2022 (in millions):

	As Previously Reported December 31, 2022	Effect of Changes	As Adjusted As of December 31, 2022
Assets			
Deferred acquisition costs	$ 13,422	$ (499)	$ 12,923
Reinsurance recoverable, net of allowance for credit losses	29,641	(595)	29,046
Reinsurance recoverable on market risk benefits, at fair value	—	221	221
Market risk benefit assets, at fair value	—	4,865	4,865
Deferred income taxes, net	385	(65)	320
Other assets	946	(2)	944
Total assets	$ 311,058	$ 3,925	$ 314,983
Liabilities and Equity			
Liabilities			
Reserves for future policy benefits and claims payable	$ 14,273	$ (1,955)	$ 12,318
Other contract holder funds	58,195	(5)	58,190
Market risk benefit liabilities, at fair value	—	5,662	5,662
Total liabilities	301,903	3,702	305,605
Equity			
Accumulated other comprehensive income, net of tax expense	(5,481)	2,103	(3,378)
Retained earnings	8,283	(1,880)	6,403
Total equity	9,155	223	9,378
Total liabilities and equity	$ 311,058	$ 3,925	$ 314,983

The following table presents amounts previously reported in Condensed Consolidated Income Statements as revised (*see Note 22- Revision and Reclassifications of Prior Period Financial Statements for further details*) for the three and six months ended June 30, 2022, to reflect the effect of the change due to the adoption of LDTI, and the adjusted amounts (in millions):

	As revised Three Months Ended June 30, 2022	Effect of Changes	As Adjusted Three Months Ended June 30, 2022
Revenues			
Total net gains (losses) on derivatives and investments	$ 3,867	$ 148	$ 4,015
Total revenues	6,546	148	6,694
Benefits and Expenses			
Death, other policy benefits and change in policy reserves, net of deferrals	923	(649)	274
(Gain) loss from updating future policy benefits cash flow assumptions, net	—	14	14
Market risk benefits (gains) losses, net	—	1,184	1,184
Interest credited on other contract holder funds, net of deferrals and amortization	208	1	209
Amortization of deferred acquisition costs	1,197	(890)	307
Total benefits and expenses	2,895	(340)	2,555
Pretax income (loss)	3,651	488	4,139
Income tax expense (benefit)	717	128	845
Net income (loss)	2,934	360	3,294
Net income (loss) attributable to Jackson Financial Inc.	$ 2,903	$ 360	$ 3,263
Earnings per share			
Basic	$ 33.77	$ 4.19	$ 37.96
Diluted	$ 32.56	$ 4.03	$ 36.59

	As revised Six Months Ended June 30, 2022	Effect of Changes	As Adjusted Six Months Ended June 30, 2022
Revenues			
Total net gains (losses) on derivatives and investments	$ 5,472	$ (1,995)	$ 3,477
Total revenues	10,910	(1,995)	8,915
Benefits and Expenses			
Death, other policy benefits and change in policy reserves, net of deferrals	1,504	(930)	574
(Gain) loss from updating future policy benefits cash flow assumptions, net	—	29	29
Market risk benefits (gains) losses, net	—	(723)	(723)
Interest credited on other contract holder funds, net of deferrals and amortization	404	2	406
Amortization of deferred acquisition costs	1,712	(1,088)	624
Total benefits and expenses	4,873	(2,710)	2,163
Pretax income (loss)	6,037	715	6,752
Income tax expense (benefit)	1,047	186	1,233
Net income (loss)	4,990	529	5,519
Net income (loss) attributable to Jackson Financial Inc.	$ 4,928	$ 529	$ 5,457
Earnings per share			
Basic	$ 56.87	$ 6.11	$ 62.98
Diluted	$ 54.72	$ 5.88	$ 60.60

The following table presents amounts previously reported in Condensed Consolidated Statements of Comprehensive Income (Loss) as revised (*see Note 22- Revision and Reclassifications of Prior Period Financial Statements for further details*) for the three and six months ended June 30, 2022, to reflect the effect of the change due to the adoption of LDTI, and the adjusted amounts (in millions):

	As Revised Three Months Ended June 30, 2022	Effect of Changes	As Adjusted Three Months Ended June 30, 2022
Net income (loss)	$ 2,934	$ 360	$ 3,294
Other comprehensive income (loss), net of tax:			
Change in unrealized gains (losses) on securities with no credit impairment, net of tax expense (benefit)	(2,791)	(97)	(2,888)
Change in current discount rate related to reserve for future policy benefits, net of tax expense (benefit)	—	463	463
Change in non-performance risk on market risk benefits, net of tax expense (benefit)	—	797	797
Total other comprehensive income (loss)	(2,783)	1,163	(1,620)
Comprehensive income (loss) attributable to Jackson Financial Inc.	$ 120	$ 1,523	$ 1,643

	As Revised Six Months Ended June 30, 2022	Effect of Changes	As adjusted Six Months Ended June 30, 2022
Net income (loss)	$ 4,990	$ 529	$ 5,519
Other comprehensive income (loss), net of tax:			
Change in unrealized gains (losses) on securities with no credit impairment, net of tax expense (benefit)	(5,488)	(226)	(5,714)
Change in current discount rate related to reserve for future policy benefits, net of tax expense (benefit)	—	1,062	1,062
Change in non-performance risk on market risk benefits, net of tax expense (benefit)	—	1,531	1,531
Total other comprehensive income (loss)	(5,466)	2,367	(3,099)
Comprehensive income (loss) attributable to Jackson Financial Inc.	$ (538)	$ 2,896	$ 2,358

The adoption of LDTI did not affect the previously reported as revised (*see Note 22- Revision and Reclassifications of Prior Period Financial Statements for further details*) totals for net cash flows provided by (used in) operating, investing, or financing activities, but did affect the following components of net cash flows provided by (used in) operating activities:

	As Revised Six Months Ended June 30, 2022	Effect of Changes	As Adjusted Six Months Ended June 30, 2022
Cash flows from operating activities:			
Net income (loss)	$ 4,990	$ 529	$ 5,519
Adjustments to reconcile net income to net cash provided by operating activities:			
Net losses (gains) on derivatives	(3,492)	1,995	(1,497)
Net (gain) loss on market risk benefits	—	(723)	(723)
(Gain) loss from updating future policy benefits cash flow assumptions, net	—	29	29
Interest credited on other contract holder funds, gross	404	2	406
Deferred income tax expense (benefit)	1,075	186	1,261
Change in deferred acquisition costs	1,363	(1,088)	275
Change in funds withheld, net of reinsurance	(90)	314	224
Change in other assets and liabilities, net	(29)	(1,244)	(1,273)
Total adjustments	(769)	(529)	(1,298)
Net cash provided by (used in) operating activities	$ 2,052	$ —	$ 2,052

In addition, information regarding periods ended on or before December 31, 2022 presented in the following Notes to the Condensed Consolidated Financial Statements has been recast to reflect the adoption of LDTI: Notes 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 15, 19, 20, 21, and 22.

In March 2022, the FASB issued ASU 2022-02, "Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures." The new guidance eliminates the accounting guidance for troubled debt restructurings by creditors, and instead requires an entity to evaluate whether a modification represents a new loan or a continuation of an existing loan. The amendments also enhance disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. New guidance for vintage disclosures requires that current-period gross write-offs be disclosed by year of origination for financing receivables and net investments in leases that fall within scope of the current expected credit loss model. The amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Updates should be applied prospectively. However, an entity has the option to apply the modified retrospective method related to the recognition and measurements of troubled debt restructurings. Effective January 1, 2023, the Company adopted ASU 2022-02, which did not have a material impact to the Condensed Consolidated Financial Statements.

3. Segment Information

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

Retail Annuities

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

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

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

Institutional Products

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

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

Closed Life and Annuity Blocks

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

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

Corporate and Other

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

Segment Performance Measurement

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

Pretax adjusted operating earnings equals net income adjusted to eliminate the impact of the following items:

1. *Net Hedging Results:* Comprised of: (i) fees attributed to guaranteed benefits; (ii) changes in the fair value of freestanding derivatives used to manage the risk associated with market risk benefits and other guaranteed benefit features; (iii) the movements in reserves, market risk benefits, guaranteed benefit features accounted for as embedded derivative instruments, and related claims and benefit payments; (iv) amortization of the balance of unamortized deferred acquisition costs at the date of transition to current LDTI accounting guidance on January 1, 2021 associated with items excluded from pretax adjusted operating earnings prior to transition; and (v) the impact on the valuation of Guaranteed Benefits and Net Hedging Results arising from changes in underlying actuarial assumptions. These items are excluded from pretax adjusted operating earnings as they may vary significantly from period to period due to near-term market conditions and therefore are not directly comparable or reflective of the underlying performance of our business. We believe this approach appropriately removes the impact to both revenue and related expenses associated with Guaranteed Benefits and Net Hedging Results and provides investors a better picture of the drivers of our underlying performance.

2. *Net Realized Investment Gains and Losses:* Comprised of: (i) realized investment gains and losses associated with the periodic sales or disposals of securities, excluding those held within our trading portfolio; and (ii) impairments of securities, after adjustment for the non-credit component of the impairment charges. These items are excluded from pretax adjusted operating earnings as they may vary significantly from period to period due to near-term market conditions and therefore are not directly comparable or reflective of the underlying performance of our business. We believe this approach provides investors a better picture of the drivers of our underlying performance.

3. *Change in Value of Funds Withheld Embedded Derivative and Net Investment Income on Funds Withheld Assets:* Comprised of: (i) the change in fair value of funds withheld embedded derivatives; and (ii) net investment income on funds withheld assets related to funds withheld reinsurance transactions. These items are excluded from pretax adjusted operating earnings as they are not reflective of the underlying performance of our business. We believe this approach provides investors a better picture of the drivers of our underlying performance.

4. *Other items:* Comprised of: (i) the impact of investments that are consolidated in our financial statements due to U.S. GAAP accounting requirements, such as our investments in collateralized loan obligations ("CLOs"), but for which the consolidation effects are not consistent with our economic interest or exposure to those entities, and (ii) one-time or other non-recurring items. These items are excluded from pretax adjusted operating earnings as they are not reflective of the underlying performance of our business. We believe this approach provides investors a better picture of the drivers of our underlying performance.

5. *Income taxes.*

Set forth in the tables below is certain information with respect to the Company's segments, as described above (in millions, 2022 information recast for the adoption of LDTI):

Three Months Ended June 30, 2023	Retail Annuities	Institutional Products	Closed Life and Annuity Blocks	Corporate and Other	Total Consolidated
Operating Revenues					
Fee income	$ 1,002	$ —	$ 116	$ 13	$ 1,131
Premiums	6	—	49	—	55
Net investment income	130	119	175	11	435
Income (loss) on operating derivatives	(12)	(13)	(14)	(4)	(43)
Other income	10	—	6	3	19
Total Operating Revenues	1,136	106	332	23	1,597
Operating Benefits and Expenses					
Death, other policy benefits and change in policy reserves, net of deferrals	12	—	154	—	166
(Gain) loss from updating future policy benefits cash flow assumptions, net	—	—	11	—	11
Interest credited on other contract holder funds, net of deferrals and amortization	96	84	115	—	295
Interest expense	32	4	—	22	58
Operating costs and other expenses, net of deferrals	529	1	42	48	620
Amortization of deferred acquisition costs	139	—	3	—	142
Total Operating Benefits and Expenses	808	89	325	70	1,292
Pretax Adjusted Operating Earnings	$ 328	$ 17	$ 7	$ (47)	$ 305

Three Months Ended June 30, 2022	Retail Annuities	Institutional Products	Closed Life and Annuity Blocks	Corporate and Other	Total Consolidated
Operating Revenues					
Fee income	$ 1,034	$ —	$ 119	$ 14	$ 1,167
Premiums	—	—	35	—	35
Net investment income	113	72	167	9	361
Income (loss) on operating derivatives	7	(4)	13	8	24
Other income	11	—	9	1	21
Total Operating Revenues	1,165	68	343	32	1,608
Operating Benefits and Expenses					
Death, other policy benefits and change in policy reserves, net of deferrals	16	—	194	—	210
(Gain) loss from updating future policy benefits cash flow assumptions, net	1	—	14	—	15
Interest credited on other contract holder funds, net of deferrals and amortization	61	47	101	—	209
Interest expense	6	—	—	18	24
Operating costs and other expenses, net of deferrals	515	2	19	6	542
Amortization of deferred acquisition costs	141	—	3	—	144
Total Operating Benefits and Expenses	740	49	331	24	1,144
Pretax Adjusted Operating Earnings	$ 425	$ 19	$ 12	$ 8	$ 464

Six Months Ended June 30, 2023	Retail Annuities	Institutional Products	Closed Life and Annuity Blocks	Corporate and Other	Total Consolidated
Operating Revenues					
Fee income	$ 1,977	$ —	$ 233	$ 26	$ 2,236
Premiums	10	—	72	—	82
Net investment income	266	221	352	33	872
Income (loss) on operating derivatives	(22)	(25)	(24)	(8)	(79)
Other income	19	—	10	5	34
Total Operating Revenues	2,250	196	643	56	3,145
Operating Benefits and Expenses					
Death, other policy benefits and change in policy reserves, net of deferrals	(3)	—	317	—	314
(Gain) loss from updating future policy benefits cash flow assumptions, net	(2)	—	27	—	25
Interest credited on other contract holder funds, net of deferrals and amortization	194	160	226	—	580
Interest expense	49	8	—	44	101
Operating costs and other expenses, net of deferrals	1,051	2	81	102	1,236
Amortization of deferred acquisition costs	277	—	5	—	282
Total Operating Benefits and Expenses	1,566	170	656	146	2,538
Pretax Adjusted Operating Earnings	$ 684	$ 26	$ (13)	$ (90)	$ 607

Six Months Ended June 30, 2022	Retail Annuities	Institutional Products	Closed Life and Annuity Blocks	Corporate and Other	Total Consolidated
Operating Revenues					
Fee income	$ 2,142	$ —	$ 240	$ 30	$ 2,412
Premiums	3	—	72	—	75
Net investment income	227	136	356	43	762
Income (loss) on operating derivatives	18	(5)	28	18	59
Other income	22	—	17	2	41
Total Operating Revenues	2,412	131	713	93	3,349
Operating Benefits and Expenses					
Death, other policy benefits and change in policy reserves, net of deferrals	48	—	419	—	467
(Gain) loss from updating future policy benefits cash flow assumptions, net	(2)	—	32	—	30
Interest credited on other contract holder funds, net of deferrals and amortization	118	86	202	—	406
Interest expense	11	—	—	33	44
Operating costs and other expenses, net of deferrals	1,107	3	51	46	1,207
Amortization of deferred acquisition costs	280	—	6	—	286
Total Operating Benefits and Expenses	1,562	89	710	79	2,440
Pretax Adjusted Operating Earnings	$ 850	$ 42	$ 3	$ 14	$ 909

Intersegment eliminations in the above tables are included in the Corporate and Other segment. These include the elimination of investment income, between Retail Annuities and the Corporate and Other segments, as well as the elimination from fee income and investment income of investment fees paid by Jackson to its affiliate PPM, which were $19 million and $18 million for the three months ended June 30, 2023 and 2022, respectively, and $37 million and $34 million for the six months ended June 30, 2023 and 2022, respectively.

The following table summarizes the reconciling items from the non-GAAP measure of operating revenues to the U.S. GAAP measure of total revenues attributable to the Company (in millions, 2022 information recast for the adoption of LDTI):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Total operating revenues	$ 1,597	$ 1,608	$ 3,145	$ 3,349
Fees attributed to guarantee benefit reserves	781	765	1,561	1,529
Net gains (losses) on derivatives and investments	(2,205)	3,991	(5,567)	3,418
Net investment income (loss) related to noncontrolling interests	3	31	4	62
Consolidated investments	(18)	(65)	(41)	(67)
Net investment income on funds withheld assets	252	364	559	624
Total revenues [1]	$ 410	$ 6,694	$ (339)	$ 8,915

[1] Substantially all the Company's revenues originated in the United States. There were no individual customers that exceeded 10% of total revenues.

The following table summarizes the reconciling items from the non-GAAP measure of operating benefits and expenses to the U.S. GAAP measure of total benefits and expenses attributable to the Company (in millions, 2022 information recast for the adoption of LDTI):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Total operating benefits and expenses	$ 1,292	$ 1,144	$ 2,538	$ 2,440
Net (gain) loss on market risk benefits	(2,570)	1,184	(2,744)	(723)
Benefits attributed to guaranteed benefit features	74	62	154	106
Amortization of DAC related to non-operating revenues and expenses	149	166	302	339
Other items	—	(1)	—	1
Total benefits and expenses	$ (1,055)	$ 2,555	$ 250	$ 2,163

The following table summarizes the reconciling items, from the non-GAAP measure of pretax adjusted operating earnings to the U.S. GAAP measure of net income attributable to the Company (in millions, 2022 information recast for the adoption of LDTI):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Pretax adjusted operating earnings	$ 305	$ 464	$ 607	$ 909
Non-operating adjustments income (loss):				
Fees attributable to guarantee benefit reserves	781	765	1,561	1,529
Net movement in freestanding derivatives	(1,911)	2,847	(4,423)	1,371
Market risk benefits gains (losses), net	2,570	(1,184)	2,744	723
Net reserve and embedded derivative movements	(194)	—	(383)	(40)
Amortization of DAC associated with non-operating items at date of transition to LDTI	(149)	(166)	(302)	(339)
Total guaranteed benefits and net hedging results	1,097	2,262	(803)	3,244
Net realized investment gains (losses)	(40)	5	(108)	(125)
Net realized investment gains (losses) on funds withheld assets	(134)	1,077	(807)	2,105
Net investment income on funds withheld assets	252	364	559	624
Other items	(18)	(64)	(41)	(67)
Pretax income (loss) attributable to Jackson Financial Inc	1,462	4,108	(593)	6,690
Income tax expense (benefit)	245	845	(313)	1,233
Net income (loss) attributable to Jackson Financial Inc	1,217	3,263	(280)	5,457
Less: Dividends on preferred stock	13	—	13	—
Net income (loss) attributable to Jackson Financial Inc common shareholders	$ 1,204	$ 3,263	$ (293)	$ 5,457

4. Investments

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

Debt Securities

The following table sets forth the composition of the fair value of debt securities at June 30, 2023 and December 31, 2022, classified by rating categories as assigned by a nationally recognized statistical rating organization (“NRSRO”), the National Association of Insurance Commissioners (“NAIC”), or if not rated by such organizations, the Company’s investment advisors. The Company uses the second lowest rating by an NRSRO when NRSRO ratings are not equivalent and, for purposes of the table, if not otherwise rated by a NRSRO, the NAIC rating of a security is converted to an equivalent NRSRO-style rating. At June 30, 2023 and December 31, 2022, the carrying value of investments rated by the Company’s consolidated investment advisor totaled $492 million and $32 million, respectively.

	Percent of Total Debt Securities Carrying Value	
	June 30, 2023	**December 31, 2022**
Investment Rating		
AAA	15.6%	17.9%
AA	10.2%	8.2%
A	30.3%	29.9%
BBB	36.8%	36.4%
Investment grade	92.9%	92.4%
BB	3.6%	3.9%
B and below	3.5%	3.7%
Below investment grade	7.1%	7.6%
Total debt securities	100.0%	100.0%

At June 30, 2023, of the total carrying value of debt securities in an unrealized loss position, 77% were investment grade, 2% were below investment grade and 21% were not rated. Unrealized losses on debt securities that were below investment grade or not rated were approximately 21% of the aggregate gross unrealized losses on available-for-sale debt securities.

At December 31, 2022, of the total carrying value of debt securities in an unrealized loss position, 78% were investment grade, 2% were below investment grade and 20% were not rated. Unrealized losses on debt securities that were below investment grade or not rated were approximately 21% of the aggregate gross unrealized losses on available-for-sale debt securities.

Corporate securities in an unrealized loss position were diversified across industries. As of June 30, 2023, the industries accounting for the largest percentage of unrealized losses included utility (16% of corporate gross unrealized losses) and healthcare (10%). The largest unrealized loss related to a single corporate obligor was $53 million at June 30, 2023.

As of December 31, 2022, the industries accounting for the largest percentage of unrealized losses included utility (16% of corporate gross unrealized losses) and healthcare (10%). The largest unrealized loss related to a single corporate obligor was $57 million at December 31, 2022.

At June 30, 2023 and December 31, 2022, the amortized cost, allowance for credit loss ("ACL"), gross unrealized gains and losses, and fair value of debt securities, including trading securities and securities carried at fair value under the fair value option, were as follows (in millions):

June 30, 2023	Amortized Cost [1]	Allowance for Credit Loss	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government securities	$ 5,630	$ —	$ —	$ 961	$ 4,669
Other government securities	1,685	3	1	221	1,462
Public utilities	5,974	—	26	669	5,331
Corporate securities	29,423	7	68	3,387	26,097
Residential mortgage-backed	456	6	12	52	410
Commercial mortgage-backed	1,676	—	—	185	1,491
Other asset-backed securities	5,338	—	12	436	4,914
Total debt securities	$ 50,182	$ 16	$ 119	$ 5,911	$ 44,374

December 31, 2022	Amortized Cost [1]	Allowance for Credit Loss	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government securities	$ 6,192	$ —	$ 1	$ 1,008	$ 5,185
Other government securities	1,719	2	1	251	1,467
Public utilities	5,893	—	27	695	5,225
Corporate securities	28,803	15	59	3,701	25,146
Residential mortgage-backed	510	6	19	59	464
Commercial mortgage-backed	1,821	—	—	183	1,638
Other asset-backed securities	6,133	—	8	504	5,637
Total debt securities	$ 51,071	$ 23	$ 115	$ 6,401	$ 44,762

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

The amortized cost, ACL, gross unrealized gains and losses, and fair value of debt securities at June 30, 2023, by contractual maturity, are shown below (in millions). Actual maturities may differ from contractual maturities where securities can be called or prepaid with or without early redemption penalties.

	Amortized Cost [1]	Allowance for Credit Loss	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Due in 1 year or less	$ 1,971	$ 1	$ —	$ 11	$ 1,959
Due after 1 year through 5 years	10,622	2	5	482	10,143
Due after 5 years through 10 years	13,542	4	35	1,409	12,164
Due after 10 years through 20 years	9,076	3	49	1,517	7,605
Due after 20 years	7,501	—	6	1,819	5,688
Residential mortgage-backed	456	6	12	52	410
Commercial mortgage-backed	1,676	—	—	185	1,491
Other asset-backed securities	5,338	—	12	436	4,914
Total	$ 50,182	$ 16	$ 119	$ 5,911	$ 44,374

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

As required by law in various states in which business is conducted, securities with a carrying value of $93 million and $90 million at June 30, 2023 and December 31, 2022, respectively, were on deposit with regulatory authorities.

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

June 30, 2023	Amortized Cost (1)	Allowance for Credit Loss	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Prime	$ 192	$ 3	$ 1	$ 25	$ 165
Alt-A	63	3	6	12	54
Subprime	14	—	5	—	19
Total non-agency RMBS	$ 269	$ 6	$ 12	$ 37	$ 238

December 31, 2022	Amortized Cost (1)	Allowance for Credit Loss	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Prime	$ 206	$ 4	$ 2	$ 30	$ 174
Alt-A	84	2	7	10	79
Subprime	27	—	10	1	36
Total non-agency RMBS	$ 317	$ 6	$ 19	$ 41	$ 289

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

The Company defines its exposure to non-agency residential mortgage loans as follows:

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

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

	June 30, 2023			December 31, 2022		
	Less than 12 months			Less than 12 months		
	Gross Unrealized Losses	Fair Value	# of securities	Gross Unrealized Losses	Fair Value	# of securities
U.S. government securities	$ 91	$ 2,106	26	$ 339	$ 2,815	40
Other government securities	27	570	73	174	1,258	143
Public utilities	74	1,245	139	508	4,279	490
Corporate securities	263	6,281	902	2,087	17,068	2,323
Residential mortgage-backed	6	125	84	43	279	196
Commercial mortgage-backed	13	225	29	138	1,421	177
Other asset-backed securities	47	1,161	89	282	3,485	417
Total temporarily impaired securities	$ 521	$ 11,713	1,342	$ 3,571	$ 30,605	3,786
	12 months or longer			12 months or longer		
	Gross Unrealized Losses	Fair Value	# of securities	Gross Unrealized Losses	Fair Value	# of securities
U.S. government securities	$ 870	$ 2,116	17	$ 669	$ 1,386	6
Other government securities	194	884	133	77	177	23
Public utilities	595	3,649	437	187	520	87
Corporate securities	3,124	15,933	2,011	1,614	4,601	644
Residential mortgage-backed	46	212	206	16	81	94
Commercial mortgage-backed	172	1,246	179	45	192	31
Other asset-backed securities	389	3,447	448	222	1,551	171
Total temporarily impaired securities	$ 5,390	$ 27,487	3,431	$ 2,830	$ 8,508	1,056
	Total			Total		
	Gross Unrealized Losses	Fair Value	# of securities [(1)]	Gross Unrealized Losses	Fair Value	# of securities [(1)]
U.S. government securities	$ 961	$ 4,222	41	$ 1,008	$ 4,201	42
Other government securities	221	1,454	165	251	1,435	162
Public utilities	669	4,894	575	695	4,799	562
Corporate securities	3,387	22,214	2,737	3,701	21,669	2,806
Residential mortgage-backed	52	337	289	59	360	290
Commercial mortgage-backed	185	1,471	202	183	1,613	206
Other asset-backed securities	436	4,608	526	504	5,036	577
Total temporarily impaired securities	$ 5,911	$ 39,200	4,535	$ 6,401	$ 39,113	4,645

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

Debt securities in an unrealized loss position as of June 30, 2023 did not require an impairment recognized in earnings as (i) the Company did not intend to sell these debt securities, (ii) it is not more likely than not that the Company will be required to sell these securities before recovery of their amortized cost basis, and (iii) the difference in the fair value compared to the amortized cost was due to factors other than credit loss. Based upon this evaluation, the Company believes it has the ability to generate adequate amounts of cash from normal operations to meet cash requirements with a reasonable margin of safety without requiring the sale of impaired securities.

As of June 30, 2023, unrealized losses associated with debt securities are primarily due to widening credit spreads or rising risk-free rates since purchase. The Company performed a detailed analysis of the financial performance of the underlying issues in an unrealized loss position and determined that recovery of the entire amortized cost of each impaired security is expected. In addition, mortgage-backed and asset-backed securities were assessed for credit impairment using a cash flow model that incorporates key assumptions including default rates, severities, and prepayment rates. The Company estimated losses for a security by forecasting performance in the underlying loans in each transaction. The forecasted loan performance was used to project cash flows to the various tranches in the structure, as applicable. The forecasted cash flows also considered, as applicable, independent industry analyst reports and forecasts, and other independent market data. Based upon this assessment of the expected credit losses of the security given the performance of the underlying collateral compared to subordination or other credit enhancement, the Company expects to recover the entire amortized cost of each impaired security.

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

For debt securities in an unrealized loss position, management first assesses whether the Company has the intent to sell, or whether it is more likely than not it will be required to sell the security before the amortized cost basis is fully recovered. If either criterion is met, the amortized cost is written down to fair value through net gains (losses) on derivatives and investments as an impairment.

Debt securities in an unrealized loss position for which the Company does not have the intent to sell or is not more likely than not to sell the security before recovery to amortized cost are further evaluated to determine if the cause of the decline in fair value resulted from credit losses or other factors, which includes estimates about the operations of the issuer and future earnings potential.

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

In addition to the above, the credit loss review of investments in asset-backed securities includes the review of future estimated cash flows, including expected and stress case scenarios, to identify potential shortfalls in contractual payments. These estimated cash flows are developed using available performance indicators from the underlying assets including current and projected default or delinquency rates, levels of credit enhancement, current subordination levels, vintage, expected loss severity and other relevant characteristics. These estimates reflect a combination of data derived by third parties and internally developed assumptions. Where possible, this data is benchmarked against third-party sources.

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

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

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

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

Accrued interest receivables are presented separate from the amortized cost basis of debt securities. Accrued interest receivables that are determined to be uncollectible are written off with a corresponding reduction to net investment income. Accrued interest of nil was written off during the three and six months ended June 30, 2023 and 2022.

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

Three Months Ended June 30, 2023	**US government securities**	**Other government securities**	**Public utilities**	**Corporate securities**	**Residential mortgage-backed**	**Commercial mortgage-backed**	**Other asset-backed securities**	**Total**
Balance at April 1, 2023	$ —	$ 3	$ —	$ 21	$ 5	$ —	$ —	$ 29
Additions for which credit loss was not previously recorded	—	—	—	1	—	—	—	1
Changes for securities with previously recorded credit loss	—	—	—	(1)	2	—	—	1
Additions for purchases of PCD debt securities (1)	—	—	—	—	—	—	—	—
Reductions from charge-offs	—	—	—	—	—	—	—	—
Reductions for securities disposed	—	—	—	(14)	(1)	—	—	(15)
Securities intended/required to be sold before recovery of amortized cost basis	—	—	—	—	—	—	—	—
Balance at June 30, 2023 (2)	$ —	$ 3	$ —	$ 7	$ 6	$ —	$ —	$ 16

Three Months Ended June 30, 2022	**US government securities**	**Other government securities**	**Public utilities**	**Corporate securities**	**Residential mortgage-backed**	**Commercial mortgage-backed**	**Other asset-backed securities**	**Total**
Balance at April 1, 2022	$ —	$ 6	$ —	$ 22	$ 2	$ —	$ 2	$ 32
Additions for which credit loss was not previously recorded	—	—	1	3	2	—	—	6
Changes for securities with previously recorded credit loss	—	—	—	5	3	—	(2)	6
Additions for purchases of PCD debt securities (1)	—	—	—	—	—	—	—	—
Reductions from charge-offs	—	—	—	—	(1)	—	—	(1)
Reductions for securities disposed	—	—	—	—	—	—	—	—
Securities intended/required to be sold before recovery of amortized cost basis	—	—	—	—	—	—	—	—
Balance at June 30, 2022 (2)	$ —	$ 6	$ 1	$ 30	$ 6	$ —	$ —	$ 43

Six Months Ended June 30, 2023	**US government securities**	**Other government securities**	**Public utilities**	**Corporate securities**	**Residential mortgage-backed**	**Commercial mortgage-backed**	**Other asset-backed securities**	**Total**
Balance at January 1, 2023	$ —	$ 2	$ —	$ 15	$ 6	$ —	$ —	$ 23
Additions for which credit loss was not previously recorded	—	—	—	33	—	—	—	33
Changes for securities with previously recorded credit loss	—	1	—	(1)	2	—	—	2
Additions for purchases of PCD debt securities [(1)]	—	—	—	—	—	—	—	—
Reductions from charge-offs	—	—	—	—	—	—	—	—
Reductions for securities disposed	—	—	—	(23)	(2)	—	—	(25)
Securities intended/required to be sold before recovery of amortized cost basis	—	—	—	(17)	—	—	—	(17)
Balance at June 30, 2023 [(2)]	$ —	$ 3	$ —	$ 7	$ 6	$ —	$ —	$ 16

Six Months Ended June 30, 2022	**US government securities**	**Other government securities**	**Public utilities**	**Corporate securities**	**Residential mortgage-backed**	**Commercial mortgage-backed**	**Other asset-backed securities**	**Total**
Balance at January 1, 2022	$ —	$ —	$ —	$ —	$ 2	$ —	$ 7	$ 9
Additions for which credit loss was not previously recorded	—	6	1	30	2	—	—	39
Changes for securities with previously recorded credit loss	—	—	—	5	3	—	(7)	1
Additions for purchases of PCD debt securities [(1)]	—	—	—	—	—	—	—	—
Reductions from charge-offs	—	—	—	—	—	—	—	—
Reductions for securities disposed	—	—	—	—	(1)	—	—	(1)
Securities intended/required to be sold before recovery of amortized cost basis	—	—	—	(5)	—	—	—	(5)
Balance at June 30, 2022 [(2)]	$ —	$ 6	$ 1	$ 30	$ 6	$ —	$ —	$ 43

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

[(2)] Accrued interest receivable on debt securities totaled $429 million and $382 million as of June 30, 2023 and 2022, respectively, and was excluded from the determination of credit losses for the three and six months ended June 30, 2023 and 2022.

Net Investment Income

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Debt securities [1]	$ 338	$ 213	$ 720	$ 486
Equity securities	9	6	(1)	7
Mortgage loans	78	68	154	141
Policy loans	16	17	33	34
Limited partnerships	(38)	50	(1)	158
Other investment income	22	10	50	11
Total investment income excluding funds withheld assets	425	364	955	837
Investment expenses	(5)	(36)	(120)	(79)
Net investment income excluding funds withheld assets	420	328	835	758
Net investment income on funds withheld assets (see Note 8)	252	364	559	624
Net investment income	$ 672	$ 692	$ 1,394	$ 1,382

[1] Includes unrealized gains (losses) on trading securities and includes $(35) million and $(8) million for the three and six months ended June 30, 2023, respectively, and $(95) million and $(85) million for the three and six months ended June 30, 2022, respectively, related to the change in fair value for securities carried under the fair value option.

Unrealized gains (losses) included in investment income that were recognized on equity securities held were $(8) million and $(13) million, for the three months ended June 30, 2023 and 2022, respectively, and $(22) million and $(31) million, for the six months ended June 30, 2023 and 2022, respectively.

Net Gains (Losses) on Derivatives and Investments

The following table summarizes net gains (losses) on derivatives and investments (in millions, 2022 information recast for the adoption of LDTI):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Available-for-sale securities				
Realized gains on sale	$ 2	$ 5	$ 6	$ 29
Realized losses on sale	(18)	(63)	(43)	(241)
Credit loss income (expense)	—	1	(11)	1
Credit loss income (expense) on mortgage loans	(13)	(9)	(60)	3
Other [1]	(11)	71	—	83
Net gains (losses) excluding derivatives and funds withheld assets	(40)	5	(108)	(125)
Net gains (losses) on derivative instruments (see Note 5)	(2,072)	2,933	(4,730)	1,497
Net gains (losses) on derivatives and investments	(2,112)	2,938	(4,838)	1,372
Net gains (losses) on funds withheld reinsurance treaties (see Note 8)	(134)	1,077	(807)	2,105
Total net gains (losses) on derivatives and investments	$ (2,246)	$ 4,015	$ (5,645)	$ 3,477

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

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

The aggregate fair value of securities sold at a loss for the three and six months ended June 30, 2023 was $356 million and $2,153 million, which was approximately 93% and 96% of book value, respectively. The aggregate fair value of securities sold at a loss for the three and six months ended June 30, 2022 was $506 million and $2,898 million, which was approximately 93% and 92% of book value, respectively.

Proceeds from sales of available-for-sale debt securities were $1.3 billion and $3.3 billion during the three and six months ended June 30, 2023, respectively, and $0.8 billion and $4.9 billion during the three and six months ended June 30, 2022, respectively.

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

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

Consolidated Variable Interest Entities ("VIEs")

The Company funds affiliated limited liability companies to facilitate the issuance of collateralized loan obligations ("CLOs"). The Company concluded that these limited liability companies are VIEs and that the Company is the primary beneficiary as it has the power to direct the most significant activities affecting the performance of the entity as well as the obligation to absorb losses or the right to receive benefits that could potentially be significant to the entity. In April 2022, the Company reinvested in CLO issuances resulting in an increase of consolidated assets and liabilities. The Company’s exposure to loss is limited to the capital invested and unfunded capital commitments. In December 2022, a consolidated VIE issued $276 million par, net of the Company’s holding, of CLOs. The Company’s policy is to record the consolidation of VIEs on a one-month lag due to the timing of when information is available from the VIE. Therefore, the VIE's issuance of this CLO is not reflected in the Company’s Consolidated Balance Sheet as of December 31, 2022 but would not materially impact the financial position of the Company as a result of the offsetting changes to assets and liabilities.

Private Equity Funds III – VIII are limited partnership structures that invest the ownership capital in portfolios of various other limited partnership structures. The Company concluded that the Private Equity Funds are VIEs and that the Company is the primary beneficiary as it has the power to direct the most significant activities affecting the performance of the funds as well as the obligation to absorb losses or the right to receive benefits that could potentially be significant to the funds. The Company’s exposure to loss is limited to the capital invested and unfunded capital commitments. The Company intends to divest its investment in certain private equity funds. While there are multiple scenarios for how the divestiture may be completed, it is probable that the divestiture will result in a loss due to the illiquidity discount that market participants require. The Company estimates that the loss will approximate $50 million and has recognized this amount in Net Investment Income as of June 30, 2023.

PPM has created and managed institutional share class mutual funds, where Jackson seeds new funds, or new share classes within a fund, when deemed necessary to develop the requisite track record prior to allowing investment by external parties. Jackson may sell its interest in the fund once opened to investment by external parties. The Company concluded that these funds are VIEs and that the Company is the primary beneficiary as it has both the power to direct the most significant activities of the VIE as well as the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The Company’s exposure to loss related to these mutual funds is limited to the capital invested.

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

	June 30, 2023	December 31, 2022
Assets		
Debt securities, at fair value under fair value option	$ 2,049	$ 2,014
Debt securities, trading	101	100
Equity securities	92	127
Other invested assets	1,507	1,507
Cash and cash equivalents	102	75
Other assets	43	19
Total assets	$ 3,894	$ 3,842
Liabilities		
Notes issued by consolidated VIEs, at fair value under fair value option	$ 1,996	$ 1,732
Other liabilities	114	343
Total other liabilities	2,110	2,075
Securities lending payable	4	4
Total liabilities	$ 2,114	$ 2,079
Equity		
Noncontrolling interests	$ 771	$ 732

Unconsolidated VIEs

The Company invests in certain limited partnerships ("LPs") and limited liability companies ("LLCs") that it has concluded are VIEs. Based on the analysis of these entities, the Company is not the primary beneficiary of the VIEs as it does not have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. In addition, the Company does not have the obligation to absorb losses or the right to receive benefits that could potentially be significant to the entities. Therefore, the Company does not consolidate these VIEs and the carrying amounts of the Company's investments in these LPs and LLCs are recognized in other invested assets on the Condensed Consolidated Balance Sheets. Unfunded capital commitments for these investments are detailed in Note 16 of the Notes to Condensed Consolidated Financial Statements. The Company's exposure to loss is limited to the capital invested and unfunded capital commitments related to the LPs/LLCs, which was $3,016 million and $3,285 million as of June 30, 2023 and December 31, 2022, respectively. The capital invested in an LP or LLC equals the original capital contributed, increased for additional capital contributed after the initial investment, and reduced for any returns of capital from the LP or LLC. LPs and LLCs are carried at fair value.

The Company invests in certain mutual funds that it has concluded are VIEs. Based on the analysis of these entities, the Company is not the primary beneficiary of the VIEs. Mutual funds for which the Company does not have the obligation to absorb losses or the right to receive benefits that could potentially be significant to the entities are recognized in equity securities on the Condensed Consolidated Balance Sheets and were $19 million and $28 million as of June 30, 2023 and December 31, 2022, respectively. The Company's maximum exposure to loss on these mutual funds is limited to the amortized cost for these investments.

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

Company recognizes the variable interest in these VIEs at fair value on the Condensed Consolidated Balance Sheets.

Commercial and Residential Mortgage Loans

Commercial mortgage loans of $9.7 billion and $10.2 billion at June 30, 2023 and December 31, 2022, respectively, are reported net of an allowance for credit losses of $154 million and $91 million at each date, respectively. At June 30, 2023, commercial mortgage loans were collateralized by properties located in 37 states, the District of Columbia, and Europe. Accrued interest receivable on commercial mortgage loans was $37 million and $39 million at June 30, 2023 and December 31, 2022, respectively.

Residential mortgage loans of $1.1 billion and $1.3 billion at June 30, 2023 and December 31, 2022, respectively, are reported net of an allowance for credit losses of $8 million and $4 million at each date, respectively. Loans were collateralized by properties located in 50 states, the District of Columbia, Mexico, and Europe. Accrued interest receivable on residential mortgage loans was $7 million and $9 million at June 30, 2023 and December 31, 2022, respectively.

Mortgage Loan Concessions

In response to the generally adverse economic impact of the COVID-19 pandemic, the Company granted concessions to certain of its commercial mortgage loan borrowers, including payment deferrals and other loan modifications. The Company has elected the option under the Coronavirus Aid, Relief, and Economic Security Act, the Consolidated Appropriations Act of 2021, and the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised) not to account for or report qualifying concessions as troubled debt restructurings and does not classify such loans as past due during the payment deferral period. Additionally, in accordance with the FASB’s published response to a COVID-19 Pandemic technical inquiry, the Company continues to accrue interest income on such loans that have deferred payment. For some commercial mortgage loan borrowers (principally in the hotel and retail sectors), the Company granted concessions that were primarily interest and/or principal payment deferrals generally ranging from 6 to 14 months and, to a much lesser extent, maturity date extensions. Repayment periods are generally within one year but may extend until maturity date. Deferred commercial mortgage loan interest and principal payments were $9 million at June 30, 2023. The concessions granted had no impact on the Company’s results of operations or financial position as the Company has not granted concessions that would have been disclosed and accounted for as troubled debt restructurings.

Evaluation for Credit Losses on Mortgage Loans

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

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

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

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

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

Three Months Ended June 30, 2023	**Apartment**	**Hotel**	**Office**	**Retail**	**Warehouse**	**Residential Mortgage**	**Total**
Balance at April 1, 2023	$ 20	$ 19	$ 67	$ 22	$ 11	$ 7	$ 146
Charge offs, net of recoveries	—	—	—	—	—	—	—
Provision (release)	(2)	(12)	24	4	1	1	16
Balance at June 30, 2023 [(1)] [(2)]	$ 18	$ 7	$ 91	$ 26	$ 12	$ 8	$ 162

Three Months Ended June 30, 2022	**Apartment**	**Hotel**	**Office**	**Retail**	**Warehouse**	**Residential Mortgage**	**Total**
Balance at April 1, 2022	$ 21	$ 9	$ 22	$ 14	$ 12	$ 6	$ 84
Charge offs, net of recoveries	—	—	—	—	—	—	—
Provision (release)	—	9	(6)	(1)	(3)	(3)	(4)
Balance at June 30, 2022 [(1)] [(2)]	$ 21	$ 18	$ 16	$ 13	$ 9	$ 3	$ 80

Six Months Ended June 30, 2023	**Apartment**	**Hotel**	**Office**	**Retail**	**Warehouse**	**Residential Mortgage**	**Total**
Balance at January 1, 2023	$ 18	$ 20	$ 15	$ 22	$ 16	$ 4	$ 95
Charge offs, net of recoveries	—	—	—	—	—	—	—
Provision (release)	—	(13)	76	4	(4)	4	67
Balance at June 30, 2023 [(1)] [(2)]	$ 18	$ 7	$ 91	$ 26	$ 12	$ 8	$ 162

Six Months Ended June 30, 2022	**Apartment**	**Hotel**	**Office**	**Retail**	**Warehouse**	**Residential Mortgage**	**Total**
Balance at January 1, 2022	$ 19	$ 9	$ 28	$ 17	$ 12	$ 9	$ 94
Charge offs, net of recoveries	—	—	—	—	—	—	—
Provision (release)	2	9	(12)	(4)	(3)	(6)	(14)
Balance at June 30, 2022 [(1)] [(2)]	$ 21	$ 18	$ 16	$ 13	$ 9	$ 3	$ 80

[(1)] Accrued interest receivable totaled $44 million and $44 million as of June 30, 2023 and 2022, respectively, and was excluded from the determination of credit losses.

[(2)] Accrued interest amounting to $2 million and nil were written off as of June 30, 2023 and 2022, respectively, relating to loans that were greater than 90 days delinquent or in the process of foreclosure.

The Company's mortgage loans that are current and in good standing are accruing interest. Interest is not accrued on loans greater than 90 days delinquent and in process of foreclosure, when deemed uncollectible. Delinquency status is determined from the date of the first missed contractual payment.

At June 30, 2023, there was $13 million of recorded investment, $14 million of unpaid principal balance, no related loan allowance, $15 million of average recorded investment, and no investment income recognized on impaired residential mortgage loans.

At December 31, 2022, there was $15 million of recorded investment, $16 million of unpaid principal balance, no related loan allowance, $18 million of average recorded investment, and no investment income recognized on impaired residential mortgage loans.

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

	June 30, 2023								
	2023	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving Loans**	**Total**	**% of Total**
Commercial mortgage loans									
Loan to value ratios:									
Less than 70%	$ 406	$ 776	$ 1,012	$ 796	$ 1,370	$ 4,633	$ 4	$ 8,997	93 %
70% - 80%	—	163	220	—	13	61	—	457	5 %
80% - 100%	—	—	151	27	—	44	—	222	2 %
Greater than 100%	—	—	—	—	24	—	—	24	— %
Total commercial mortgage loans	406	939	1,383	823	1,407	4,738	4	9,700	100 %
Debt service coverage ratios:									
Greater than 1.20x	360	672	891	753	1,331	4,499	4	8,510	88 %
1.00x - 1.20x	46	258	341	70	31	151	—	897	9 %
Less than 1.00x	—	9	151	—	45	88	—	293	3 %
Total commercial mortgage loans	406	939	1,383	823	1,407	4,738	4	9,700	100 %
Residential mortgage loans									
Performing	104	246	238	41	31	382	—	1,042	94 %
Nonperforming	—	17	9	7	4	33	—	70	6 %
Total residential mortgage loans	104	263	247	48	35	415	—	1,112	100 %
Total mortgage loans	$ 510	$ 1,202	$ 1,630	$ 871	$ 1,442	$ 5,153	$ 4	$ 10,812	100 %

	December 31, 2022								
	2022	**2021**	**2020**	**2019**	**2018**	**Prior**	**Revolving Loans**	**Total**	**% of Total**
Commercial mortgage loans									
Loan to value ratios:									
Less than 70%	$ 771	$ 1,266	$ 1,171	$ 1,473	$ 1,480	$ 3,421	$ 4	$ 9,586	94 %
70% - 80%	125	190	32	13	5	59	—	424	4 %
80% - 100%	—	152	—	—	5	40	—	197	2 %
Greater than 100%	—	—	—	25	—	9	—	34	— %
Total commercial mortgage loans	896	1,608	1,203	1,511	1,490	3,529	4	10,241	100 %
Debt service coverage ratios:									
Greater than 1.20x	694	1,092	955	1,387	1,324	3,211	4	8,667	85 %
1.00x - 1.20x	202	372	106	83	34	172	—	969	9 %
Less than 1.00x	—	144	142	41	132	146	—	605	6 %
Total commercial mortgage loans	896	1,608	1,203	1,511	1,490	3,529	4	10,241	100 %
Residential mortgage loans									
Performing	413	308	49	37	14	409	—	1,230	94 %
Nonperforming	6	11	8	6	7	40	—	78	6 %
Total residential mortgage loans	419	319	57	43	21	449	—	1,308	100 %
Total mortgage loans	$ 1,315	$ 1,927	$ 1,260	$ 1,554	$ 1,511	$ 3,978	$ 4	$ 11,549	100 %

	June 30, 2023				
	In Good Standing [1]	**Restructured**	**Greater than 90 Days Delinquent**	**In the Process of Foreclosure**	**Total Carrying Value**
Apartment	$ 3,278	$ —	$ —	$ —	$ 3,278
Hotel	933	—	—	—	933
Office	1,497	—	—	—	1,497
Retail	2,080	—	—	—	2,080
Warehouse	1,912	—	—	—	1,912
Total commercial	9,700	—	—	—	9,700
Residential [2]	1,042	—	57	13	1,112
Total	$ 10,742	$ —	$ 57	$ 13	$ 10,812

	December 31, 2022				
	In Good Standing [1]	**Restructured**	**Greater than 90 Days Delinquent**	**In the Process of Foreclosure**	**Total Carrying Value**
Apartment	$ 3,558	$ —	$ —	$ —	$ 3,558
Hotel	1,015	—	—	—	1,015
Office	1,795	—	—	—	1,795
Retail	2,085	—	—	—	2,085
Warehouse	1,788	—	—	—	1,788
Total commercial	10,241	—	—	—	10,241
Residential [2]	1,230	—	63	15	1,308
Total	$ 11,471	$ —	$ 63	$ 15	$ 11,549

(1) At June 30, 2023 and December 31, 2022, includes mezzanine and bridge loans of $377 million and $410 million in the Apartment category, $29 million and $41 million in the Hotel category, $171 million and $236 million in the Office category, $31 million and $43 million in the Retail category, and $253 million and $140 million in the Warehouse category, respectively.

(2) At June 30, 2023 and December 31, 2022, includes $28 million and $41 million of loans purchased when the loans were greater than 90 days delinquent and $9 million and $12 million of loans in process of foreclosure, and are supported with insurance or other guarantees provided by various governmental programs, respectively.

As of June 30, 2023 and December 31, 2022, there were no commercial mortgage loans involved in troubled debt restructuring, and stressed mortgage loans for which the Company is dependent, or expects to be dependent, on the underlying property to satisfy repayment were $3 million and $3 million, respectively.

Policy Loans

Policy loans are loans the Company issues to contract holders that use the cash surrender value of their life insurance policy or annuity contract as collateral. At both June 30, 2023 and December 31, 2022, $3.4 billion of these loans were carried at fair value, which the Company believes is equal to unpaid principal balances, plus accrued investment income. At both June 30, 2023 and December 31, 2022, the Company had $1.0 billion of policy loans not held as collateral for reinsurance, which were carried at the unpaid principal balances.

Other Invested Assets

Other invested assets primarily include investments in Federal Home Loan Bank of Indianapolis ("FHLBI") capital stock, limited partnerships (“LPs”), and real estate. FHLBI capital stock is carried at cost and adjusted for any impairment. At both June 30, 2023 and December 31, 2022, FHLB capital stock had carrying value of $146 million, respectively. Real estate is carried at the lower of depreciated cost or fair value. At June 30, 2023 and December 31, 2022, real estate totaling $234 million and $237 million, respectively, included foreclosed properties with a book value of $1 million and nil at June 30, 2023 and December 31, 2022, respectively. Carrying values for LP investments are generally determined by using the proportion of the Company’s investment in each fund (Net Asset Value (“NAV”) equivalent) as a practical expedient for fair value, and generally are recorded on a three-month lag, with changes in value included in net investment income. At June 30, 2023 and December 31, 2022, investments in LPs had carrying values of $3,123 million and $3,212 million, respectively.

Securities Lending

The Company has entered into securities lending agreements with agent banks whereby blocks of securities are loaned to third parties, primarily major brokerage firms. As of June 30, 2023 and December 31, 2022, the estimated fair value of loaned securities was $51 million and $35 million, respectively. The agreements require a minimum of 102% of the fair value of the loaned securities to be held as collateral, calculated daily. To further minimize the credit risks related to these programs, the financial condition of counterparties is monitored on a regular basis. At June 30, 2023 and December 31, 2022, cash collateral received in the amount of $52 million and $36 million, respectively, was invested by the agent banks and included in cash and cash equivalents of the Company. A securities lending payable for the overnight and continuous loans is included in liabilities in the amount of cash collateral received. Securities lending transactions are used to generate income. Income and expenses associated with these transactions are reported as net investment income.

Repurchase Agreements

The Company routinely enters into repurchase agreements whereby the Company agrees to sell and repurchase securities. These agreements are accounted for as financing transactions, with the assets and associated liabilities included in the Condensed Consolidated Balance Sheets. Short-term borrowings under such agreements averaged $1,051 million and $271 million with weighted average interest rates of 4.71% and 0.19% for the six months ended June 30, 2023 and 2022, respectively. At June 30, 2023 and December 31, 2022, the outstanding repurchase agreement balance was $1,626 million and $1,012 million, respectively, collateralized with U.S. Treasury notes and corporate securities maturing within 30 days, and was included within repurchase agreements and securities lending payable in the Condensed Consolidated Balance Sheets. In the event of a decline in the fair value of the pledged collateral under these agreements, the Company may be required to transfer cash or additional securities as pledged collateral. Interest expense totaled $17 million and $25 million for the three and six months ended June 30, 2023, respectively, and nil for both the three and six months ended June 30, 2022, respectively. The highest level of short-term borrowings at any month end was $1,626 million and $584 million for the six months ended June 30, 2023 and 2022, respectively.

5. Derivative Instruments

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

A summary of the aggregate contractual or notional amounts and fair values of the Company's freestanding and embedded derivative instruments are as follows (in millions, 2022 information recast for the adoption of LDTI):

	June 30, 2023			
	Contractual/ Notional Amount [1]	**Assets Fair Value**	**Liabilities Fair Value**	**Net Fair Value Asset (Liability)**
Freestanding derivatives				
Cross-currency swaps	$ 1,854	$ 108	$ 143	$ (35)
Equity index call options	12,000	486	—	486
Equity index futures [2]	14,377	—	—	—
Equity index put options	41,500	283	—	283
Interest rate swaps	7,728	5	241	(236)
Put-swaptions	19,500	—	1,362	(1,362)
Interest rate futures [2]	37,339	—	—	—
Total return swaps	1,460	—	40	(40)
Total freestanding derivatives	135,758	882	1,786	(904)
Embedded derivatives				
Fixed index annuity embedded derivatives [3]	N/A	—	970	(970)
Registered index linked annuity embedded derivatives [3]	N/A	—	639	(639)
Total embedded derivatives	N/A	—	1,609	(1,609)
Derivatives related to funds withheld under reinsurance treaties				
Cross-currency swaps	158	20	1	19
Cross-currency forwards	1,401	44	29	15
Funds withheld embedded derivative [4]	N/A	2,901	—	2,901
Total derivatives related to funds withheld under reinsurance treaties	1,559	2,965	30	2,935
Total	$ 137,317	$ 3,847	$ 3,425	$ 422

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

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

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

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

	December 31, 2022			
	Contractual/ Notional Amount [1]	Assets Fair Value	Liabilities Fair Value	Net Fair Value Asset (Liability)
Freestanding derivatives				
Cross-currency swaps	$ 1,825	$ 73	$ 104	$ (31)
Equity index call options	17,500	106	—	106
Equity index futures [2]	19,760	—	—	—
Equity index put options	30,500	958	—	958
Interest rate swaps	7,728	5	231	(226)
Interest rate swaps - cleared [2]	1,500	—	—	—
Put-swaptions	25,000	—	1,711	(1,711)
Interest rate futures [2]	105,261	—	—	—
Total return swaps	739	31	—	31
Total freestanding derivatives	209,813	1,173	2,046	(873)
Embedded derivatives				
Fixed index annuity embedded derivatives [3]	N/A	—	931	(931)
Registered index linked annuity embedded derivatives [3]	N/A	—	205	(205)
Total embedded derivatives	N/A	—	1,136	(1,136)
Derivatives related to funds withheld under reinsurance treaties				
Cross-currency swaps	158	23	1	22
Cross-currency forwards	1,490	74	18	56
Funds withheld embedded derivative [4]	N/A	3,158	—	3,158
Total derivatives related to funds withheld under reinsurance treaties	1,648	3,255	19	3,236
Total	$ 211,461	$ 4,428	$ 3,201	$ 1,227

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

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

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

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

The following table reflects the results of the Company's derivatives, including gains (losses) and change in fair value of freestanding derivative instruments and embedded derivatives (in millions, 2022 information recast for the adoption of LDTI):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Derivatives excluding funds withheld under reinsurance treaties				
Cross-currency swaps	$ —	$ (50)	$ (26)	$ (82)
Equity index call options	256	(642)	92	(1,231)
Equity index futures	(822)	3,618	(2,707)	4,241
Equity index put options	(645)	822	(1,407)	507
Interest rate swaps	(118)	(150)	(52)	(411)
Interest rate swaps - cleared	(26)	(49)	(10)	(137)
Put-swaptions	(400)	(686)	173	(1,154)
Interest rate futures	(95)	(2)	(401)	(312)
Total return swaps	(102)	8	(163)	8
Fixed index annuity embedded derivatives	(2)	4	(4)	5
Registered index linked annuity embedded derivatives	(118)	60	(225)	63
Total net gains (losses) on derivative instruments excluding derivative instruments related to funds withheld under reinsurance treaties	(2,072)	2,933	(4,730)	1,497
Derivatives related to funds withheld under reinsurance treaties				
Cross-currency swaps	(3)	12	(2)	15
Cross-currency forwards	(11)	51	(21)	69
Funds withheld embedded derivative	113	1,347	(257)	2,628
Total net gains (losses) on derivative instruments related to funds withheld under reinsurance treaties	99	1,410	(280)	2,712
Total net gains (losses) on derivative instruments including derivative instruments related to funds withheld under reinsurance treaties	$ (1,973)	$ 4,343	$ (5,010)	$ 4,209

All the Company's trade agreements for freestanding, over-the-counter derivatives, contain credit downgrade provisions that allow a party to assign or terminate derivative transactions if the counterparty's credit rating declines below an established limit. At June 30, 2023 and December 31, 2022, the fair value of the Company's net non-cleared, over-the-counter derivative assets by counterparty were $581 million and $885 million, respectively, and held collateral was $519 million and $858 million, respectively, related to these agreements. At June 30, 2023 and December 31, 2022, the fair value of the Company's net non-cleared, over-the-counter derivative liabilities by counterparty were $1,451 million and $1,680 million, respectively, and provided collateral was $1,652 million and $1,650 million, respectively, related to these agreements. If all the downgrade provisions had been triggered at June 30, 2023 and December 31, 2022, in aggregate, the Company would have had to disburse nil and $30 million, respectively, and would have been allowed to claim $263 million and $27 million, respectively.

Offsetting Assets and Liabilities

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

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

	June 30, 2023						
				Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets			
	Gross Amounts Recognized	Gross Amounts Offset in the Condensed Consolidated Balance Sheets	Net Amounts Presented in the Condensed Consolidated Balance Sheets	Financial Instruments (1)	Cash Collateral	Securities Collateral (2)	Net Amount
Financial Assets:							
Freestanding derivative assets	$ 946	$ —	$ 946	$ 365	$ 477	$ 20	$ 84
Financial Liabilities:							
Freestanding derivative liabilities	$ 1,816	$ —	$ 1,816	$ 365	$ 1	$ 1,439	$ 11
Securities loaned	52	—	52	—	52	—	—
Repurchase agreements	1,626	—	1,626	—	—	1,626	—
Total financial liabilities	$ 3,494	$ —	$ 3,494	$ 365	$ 53	$ 3,065	$ 11

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

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

	December 31, 2022						
				Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets			
	Gross Amounts Recognized	Gross Amounts Offset in the Condensed Consolidated Balance Sheets	Net Amounts Presented in the Condensed Consolidated Balance Sheets	Financial Instruments (1)	Cash Collateral	Securities Collateral (2)	Net Amount
Financial Assets:							
Freestanding derivative assets	$ 1,270	$ —	$ 1,270	$ 385	$ 683	$ 157	$ 45
Financial Liabilities:							
Freestanding derivative liabilities	$ 2,065	$ —	$ 2,065	$ 385	$ —	$ 1,638	$ 42
Securities loaned	36	—	36	—	36	—	—
Repurchase agreements	1,012	—	1,012	—	—	1,012	—
Total financial liabilities	$ 3,113	$ —	$ 3,113	$ 385	$ 36	$ 2,650	$ 42

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

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

In the above tables, the amounts of assets or liabilities presented in the Company's Condensed Consolidated Balance Sheets are offset first by financial instruments that have the right of offset under master netting or similar arrangements with any remaining amount reduced by the amount of cash and securities collateral. The actual amount of collateral may be greater than amounts presented in the tables. The above tables exclude net embedded derivative liabilities of $1,609 million and $1,136 million as of June 30, 2023 and December 31, 2022, respectively, as these derivatives are not subject to master netting arrangements. The above tables also exclude the funds withheld embedded derivative asset (liability) of $2,901 million and $3,158 million at June 30, 2023 and December 31, 2022.

6. Fair Value Measurements

The following table summarizes the fair value and carrying value of the Company's financial instruments (in millions, 2022 information recast for the adoption of LDTI):

	June 30, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Debt securities [1]	$ 44,374	$ 44,374	$ 44,762	$ 44,762
Equity securities	267	267	393	393
Mortgage loans [1]	10,812	10,150	11,549	10,841
Limited partnerships	3,123	3,123	3,212	3,212
Policy loans [1]	4,381	4,381	4,377	4,377
Freestanding derivative instruments	946	946	1,270	1,270
FHLBI capital stock	146	146	146	146
Cash and cash equivalents	2,100	2,100	4,298	4,298
Reinsurance recoverable on market risk benefits	194	194	221	221
Market risk benefit assets	5,957	5,957	4,865	4,865
Separate account assets	212,719	212,719	195,906	195,906
Liabilities				
Annuity reserves [2]	35,886	30,780	37,357	32,377
Market risk benefit liabilities	4,463	4,463	5,662	5,662
Reserves for guaranteed investment contracts [3]	865	819	1,128	1,099
Trust instruments supported by funding agreements [3]	5,917	5,607	5,887	5,760
FHLB funding agreements [3]	2,105	1,914	2,004	2,104
Funds withheld payable under reinsurance treaties [1]	21,170	21,170	22,957	22,957
Long-term debt	2,633	2,356	2,635	2,344
Securities lending payable	52	52	36	36
Freestanding derivative instruments	1,816	1,816	2,065	2,065
Notes issued by consolidated VIEs	1,996	1,996	1,732	1,732
Repurchase agreements	1,626	1,626	1,012	1,012
Separate account liabilities	212,719	212,719	195,906	195,906

[1] Includes items carried at fair value under the fair value option and trading securities included as a component of debt securities.
[2] Annuity reserves represent only the components of other contract holder funds and reserves for future policy benefits and claims payable that are considered to be financial instruments.
[3] Included as a component of other contract holder funds on the Condensed Consolidated Balance Sheets.

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

Debt and Equity Securities

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

As a result of typical trading volumes and the lack of specific quoted market prices for most debt securities, independent pricing services will normally derive the security prices through recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available market observable information as outlined above. If there are no recently reported trades, the independent pricing services and broker-dealers may use matrix or pricing model processes to develop a security price where future cash flow expectations are developed based upon collateral performance and discounted at relevant market rates. Certain securities are priced using broker-dealer quotes, which may utilize proprietary inputs and models. Additionally, the majority of these quotes are non-binding.

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

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

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

For those securities that were internally valued at June 30, 2023 and December 31, 2022, the pricing model used by the Company utilizes current spread levels of similarly rated securities to determine the market discount rate for the security. Furthermore, appropriate risk premiums for illiquidity and non-performance are incorporated in the discount rate. Cash flows, as estimated by the Company using issuer-specific default statistics and prepayment assumptions, are discounted to determine an estimated fair value.

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

Limited Partnerships

Fair values for limited partnership interests, which are included in other invested assets, is generally determined using the proportion of the Company's investment in the value of the net assets of each fund ("NAV equivalent") as a practical expedient for fair value, and generally, are recorded on a three-month lag. No adjustments to these amounts were deemed necessary at June 30, 2023 and December 31, 2022. As a result of using the net asset value per share practical expedient, limited partnership interests are not classified in the fair value hierarchy.

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

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

Policy Loans

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

Freestanding Derivative Instruments

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

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

Cash and Cash Equivalents

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

Funds Withheld Payable Under Reinsurance Treaties

The funds withheld payable under reinsurance treaties includes both the funds withheld payable that are held at fair value under the fair value option and the funds withheld embedded derivative. The fair value of the funds withheld payable that are held at fair value under the fair value option is equal to the fair value of the assets held as collateral, which primarily consists of policy loans using industry standard valuation techniques. The funds withheld embedded derivative is determined based upon a total return swap technique referencing the fair value of the investments held under the reinsurance contract and requires certain significant unobservable inputs. The funds withheld payable that are held at fair value under the fair value option and the funds withheld embedded derivative are both considered Level 3 in the fair value hierarchy.

Separate Account Assets

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

Market Risk Benefits

Variable Annuities

Variable annuity contracts issued by the Company may include various guaranteed minimum death, withdrawal, income and accumulation benefits, which are classified as MRBs and measured at fair value. The Company discontinued offering guaranteed minimum interest benefits (“GMIB”) in 2009 and guaranteed minimum accumulation benefits (“GMAB”) in 2011.

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

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

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

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

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

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

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

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

Fixed Index Annuities

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

RILA

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

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

Fixed Index Annuities

The fair value of the index-linked crediting derivative feature embedded in fixed index annuities, included in Annuity Reserves in the above tables, is calculated using the closed form Black-Scholes Option Pricing model or Monte Carlo simulations, as appropriate for the type of option, incorporating such factors as the volatility of returns, the level of interest rates and the time remaining until the option expires. Additionally, assumed withdrawal rates are used to estimate the expected volume of embedded options that will be realized by policyholders.

RILA

The fair value of the index-linked crediting derivative feature embedded in RILAs, included in Annuity Reserves in the above table, is calculated using the closed form Black-Scholes Option Pricing model, incorporating such factors as the volatility of returns, the level of interest rates and the time remaining until the option expires. Additionally, assumed withdrawal rates are used to estimate the expected volume of embedded options that will be realized by policyholders.

Notes Issued by Consolidated VIEs

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

Fair Value Option

The Company elected the fair value option for debt securities related to certain consolidated investments totaling $2,049 million and $2,014 million at June 30, 2023 and December 31, 2022, respectively. These debt securities are reflected on the Company's Condensed Consolidated Balance Sheets as debt securities, at fair value under the fair value option.

The Company has elected the fair value option for certain funds withheld assets, which are held as collateral for reinsurance, totaling $4,108 million and $4,160 million at June 30, 2023 and December 31, 2022, respectively, as discussed above, and includes mortgage loans as discussed below.

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

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

	June 30, 2023	December 31, 2022
Fair value	$ 509	$ 582
Aggregate contractual principal	519	591

As of June 30, 2023, no loans in good standing for which the fair value option was elected were in non-accrual status, and no loans were more than 90 days past due and still accruing interest.

The Company elected the fair value option for notes issued by consolidated VIEs totaling $1,996 million and $1,732 million at June 30, 2023 and December 31, 2022, respectively.

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables summarize the Company's assets and liabilities that are carried at fair value by hierarchy levels (in millions, 2022 information recast for the adoption of LDTI):

	June 30, 2023			
	Total	Level 1	Level 2	Level 3
Assets				
Debt securities				
U.S. government securities	$ 4,669	$ 4,669	$ —	$ —
Other government securities	1,462	—	1,462	—
Public utilities	5,331	—	5,331	—
Corporate securities	26,097	—	26,076	21
Residential mortgage-backed	410	—	410	—
Commercial mortgage-backed	1,491	—	1,491	—
Other asset-backed securities	4,914	—	4,914	—
Equity securities	267	6	175	86
Mortgage loans	509	—	—	509
Limited partnerships [(1)]	545	—	123	422
Policy loans	3,438	—	—	3,438
Freestanding derivative instruments	946	—	946	—
Cash and cash equivalents	2,100	2,100	—	—
Reinsurance recoverable on market risk benefits	194	—	—	194
Market risk benefit assets	5,957	—	—	5,957
Separate account assets	212,719	—	212,719	—
Total	$ 271,049	$ 6,775	$ 253,647	$ 10,627
Liabilities				
Embedded derivative liabilities [(2)]	$ 1,609	$ —	$ 1,609	$ —
Funds withheld payable under reinsurance treaties [(3)]	701	—	—	701
Freestanding derivative instruments	1,816	—	1,816	—
Notes issued by consolidated VIEs	1,996	—	1,996	—
Market risk benefit liabilities	4,463	—	—	4,463
Total	$ 10,585	$ —	$ 5,421	$ 5,164

[(1)] Excludes $2,578 million of limited partnership investments measured at NAV.

[(2)] Includes the embedded derivative liabilities of $639 million related to RILA and $970 million liability of fixed index annuities, both included in other contract holder funds on the Condensed Consolidated Balance Sheets.

[(3)] Includes the Athene embedded derivative asset of $2,901 million and funds withheld payable under reinsurance treaties at fair value under the fair value option.

	December 31, 2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Debt securities				
U.S. government securities	$ 5,185	$ 5,184	$ 1	$ —
Other government securities	1,467	—	1,467	—
Public utilities	5,225	—	5,225	—
Corporate securities	25,146	—	25,090	56
Residential mortgage-backed	464	—	464	—
Commercial mortgage-backed	1,638	—	1,638	—
Other asset-backed securities	5,637	—	5,637	—
Equity securities	393	165	106	122
Mortgage loans	582	—	—	582
Limited partnerships [(1)]	440	—	—	440
Policy loans	3,419	—	—	3,419
Freestanding derivative instruments	1,270	—	1,270	—
Cash and cash equivalents	4,298	4,298	—	—
Reinsurance recoverable on market risk benefits	221	—	—	221
Market risk benefit assets	4,865	—	—	4,865
Separate account assets	195,906	—	195,906	—
Total	$ 256,156	$ 9,647	$ 236,804	$ 9,705
Liabilities				
Embedded derivative liabilities [(2)]	$ 1,135	$ —	$ 1,135	$ —
Funds withheld payable under reinsurance treaties [(3)]	424	—	—	424
Freestanding derivative instruments	2,065	—	2,065	—
Notes issued by consolidated VIEs	1,732	—	1,732	—
Market risk benefit liabilities	5,662	—	—	5,662
Total	$ 11,018	$ —	$ 4,932	$ 6,086

[(1)] Excludes $2,772 million of limited partnership investments measured at NAV.

[(2)] Includes the embedded derivative liabilities of $205 million related to RILA and $931 million of fixed index annuities, both included in other contract holder funds on the Condensed Consolidated Balance Sheets.

[(3)] Includes the Athene embedded derivative asset of $3,158 million and funds withheld payable under reinsurance treaties at fair value under the fair value option.

Assets and Liabilities Measured at Fair Value Using Significant Unobservable Inputs (Level 3)

Level 3 Assets and Liabilities by Price Source

The table below presents the balances of Level 3 assets and liabilities measured at fair value with their corresponding pricing sources (in millions, 2022 information recast for the adoption of LDTI):

	June 30, 2023		
Assets	**Total**	**Internal**	**External**
Debt securities:			
Corporate	$ 21	$ —	$ 21
Equity securities	86	—	86
Mortgage loans	509	—	509
Limited partnerships	422	1	421
Policy loans	3,438	3,438	—
Reinsurance recoverable on market risk benefits	194	194	—
Market risk benefit assets	5,957	5,957	—
Total	$ 10,627	$ 9,590	$ 1,037
Liabilities			
Funds withheld payable under reinsurance treaties [1]	701	701	—
Market risk benefit liabilities	4,463	4,463	—
Total	$ 5,164	$ 5,164	$ —

[1] Includes the Athene embedded derivative asset of $2,901 million and funds withheld payable under reinsurance treaties at fair value under the fair value option.

	December 31, 2022		
Assets	**Total**	**Internal**	**External**
Debt securities:			
Corporate	$ 56	$ —	$ 56
Equity securities	122	1	121
Mortgage loans	582	—	582
Limited partnerships	440	8	432
Policy loans	3,419	3,419	—
Reinsurance recoverable on market risk benefits	221	221	—
Market risk benefit assets	4,865	4,865	—
Total	$ 9,705	$ 8,514	$ 1,191
Liabilities			
Funds withheld payable under reinsurance treaties [1]	424	424	—
Market risk benefit liabilities	5,662	5,662	—
Total	$ 6,086	$ 6,086	$ —

[1] Includes the Athene embedded derivative asset of $3,158 million and funds withheld payable under reinsurance treaties at fair value under the fair value option.

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

Quantitative Information Regarding Internally-Priced Level 3 Assets and Liabilities

The table below presents quantitative information on internally-priced Level 3 assets and liabilities that use significant unobservable inputs (in millions, 2022 information recast for the adoption of LDTI):

	As of June 30, 2023				
	Fair Value	**Valuation Technique(s)**	**Significant Unobservable Input(s)**	**Assumption or Input Range**	**Impact of Increase in Input on Fair Value**
Assets					
Reinsurance recoverable on market risk benefits	$ 194	Discounted cash flow	Mortality[(1)]	0.01% - 23.33%	Decrease
			Lapse[(2)]	2.97% - 8.10%	Decrease
			Utilization[(3)]	0.00% - 20.00%	Increase
			Withdrawal[(4)]	47.50% - 52.50%	Increase
			Non-performance risk[(5)]	0.50% - 1.87%	Decrease
			Long-term Equity Volatility[(6)]	18.50%	Increase
Market risk benefit assets	$ 5,957	Discounted cash flow	Mortality[(1)]	0.01% - 23.33%	Decrease
			Lapse[(2)]	0.05% - 41.28%	Decrease
			Utilization[(3)]	0.00% - 100.00%	Increase
			Withdrawal[(4)]	11.25% - 100.00%	Increase
			Non-performance risk[(5)]	1.63% - 2.46%	Decrease
			Long-term Equity Volatility[(6)]	18.50%	Increase
Liabilities					
Market risk benefit liabilities	$ 4,463	Discounted cash flow	Mortality[(1)]	0.01% - 23.33%	Decrease
			Lapse[(2)]	0.05% - 41.28%	Decrease
			Utilization[(3)]	0.00% - 100.00%	Increase
			Withdrawal[(4)]	11.25% - 100.00%	Increase
			Non-performance risk[(5)]	1.63% - 2.46%	Decrease
			Long-term Equity Volatility[(6)]	18.50%	Increase

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

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

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

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

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

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

	As of December 31, 2022				
	Fair Value	**Valuation Technique(s)**	**Significant Unobservable Input(s)**	**Assumption or Input Range**	**Impact of Increase in Input on Fair Value**
Assets					
Reinsurance recoverable on market risk benefits	$ 221	Discounted cash flow	Mortality[1]	0.01% - 23.33%	Decrease
			Lapse[2]	2.97% - 8.10%	Decrease
			Utilization[3]	0.00% - 20.00%	Increase
			Withdrawal[4]	47.50% - 52.50%	Increase
			Non-performance risk[5]	0.64% - 2.27%	Decrease
			Long-term Equity Volatility[6]	18.50% - 23.68%	Increase
Market risk benefit assets	$ 4,865	Discounted cash flow	Mortality[1]	0.01% - 23.33%	Decrease
			Lapse[2]	0.05% - 41.28%	Decrease
			Utilization[3]	0.00% - 100.00%	Increase
			Withdrawal[4]	11.25% - 100.00%	Increase
			Non-performance risk[5]	0.64% - 2.27%	Decrease
			Long-term Equity Volatility[6]	18.50% - 23.68%	Increase
Liabilities					
Market risk benefit liabilities	$ 5,662	Discounted cash flow	Mortality[1]	0.01% - 23.33%	Decrease
			Lapse[2]	0.05% - 41.28%	Decrease
			Utilization[3]	0.00% - 100.00%	Increase
			Withdrawal[4]	11.25% - 100.00%	Increase
			Non-performance risk[5]	0.64% - 2.27%	Decrease
			Long-term Equity Volatility[6]	18.50% - 23.68%	Increase

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

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

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

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

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

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

Sensitivity to Changes in Unobservable Inputs

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

At June 30, 2023 and December 31, 2022, securities of $1 million and $9 million are fair valued using techniques incorporating unobservable inputs and are classified in Level 3 of the fair value hierarchy, respectively. For these assets, their unobservable inputs and ranges of possible inputs do not materially affect their fair valuations and have been excluded from the quantitative information in the tables above.

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

The fair value of funds withheld payable under the Reassure America Life Insurance Company ("REALIC") reinsurance treaties, is determined based upon the fair value of the funds withheld investments held by the Company and is excluded from the tables above. The funds withheld payable under the Athene reinsurance treaty includes the Athene embedded derivative which is measured at fair value. The valuation of the embedded derivative utilizes a total return swap technique that incorporates the fair value of the invested assets supporting the reinsurance agreement as a component of the valuation. As a result, these valuations for the funds withheld payable under the REALIC reinsurance treaties and the Athene embedded derivative require certain significant inputs that are generally not observable and, accordingly, the valuation is considered Level 3 in the fair value hierarchy.

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

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

The tables below, 2022 information recast for the adoption of LDTI, provide roll-forwards for the three and six months ended June 30, 2023 and 2022 of the financial instruments for which significant unobservable inputs (Level 3) are used in the fair value measurement. Gains and losses in the tables below include changes in fair value due partly to observable and unobservable factors. The Company utilizes derivative instruments to manage the risk associated with certain assets and liabilities. However, the derivative instruments hedging the related risks may not be classified within the same fair value hierarchy level as the associated assets and liabilities. Therefore, the impact of the derivative instruments reported in Level 3 may vary significantly from the total income effect of the hedged instruments.

		Total Realized/Unrealized Gains (Losses) Included in				
Three Months Ended June 30, 2023	**Fair Value as of April 1, 2023**	**Net Income (Loss)**	**Other Comprehensive Income (Loss)**	**Purchases, Sales, Issuances and Settlements**	**Transfers in and/or (out of) Level 3**	**Fair Value as of June 30, 2023**
Assets						
Debt securities						
Corporate securities	$ 26	$ (9)	$ 1	$ (1)	$ 4	$ 21
Equity securities	111	(25)	—	1	(1)	86
Mortgage loans	480	—	—	29	—	509
Limited partnerships	448	(26)	—	—	—	422
Reinsurance recoverable on market risk benefits	238	(44)	—	—	—	194
Market risk benefit assets	5,204	753	—	—	—	5,957
Policy loans	3,427	78	—	(67)	—	3,438
Liabilities						
Funds withheld payable under reinsurance treaties	(803)	37	—	65	—	(701)
Market risk benefit liabilities	(5,560)	1,861	(764)	—	—	(4,463)

		Total Realized/Unrealized Gains (Losses) Included in				
Three Months Ended June 30, 2022	**Fair Value as of April 1, 2022**	**Net Income (Loss)**	**Other Comprehensive Income (Loss)**	**Purchases, Sales, Issuances and Settlements**	**Transfers in and/or (out of) Level 3**	**Fair Value as of June 30, 2022**
Assets						
Debt securities						
Corporate securities	$ 14	$ 5	$ —	$ 1	$ 27	$ 47
Equity securities	115	13	—	(4)	—	124
Mortgage loans	190	(5)	—	172	—	357
Limited partnerships	396	—	—	—	—	396
Reinsurance recoverable on market risk benefits	326	(20)	—	—	—	306
Market risk benefit assets	2,433	(104)	—	—	—	2,329
Policy loans	3,472	76	—	(63)	—	3,485
Liabilities						
Funds withheld payable under reinsurance treaties	(2,479)	1,272	—	66	—	(1,141)
Market risk benefit liabilities	(5,902)	(1,060)	1,017	—	—	(5,945)

Six Months Ended June 30, 2023	Fair Value as of January 1, 2023	Total Realized/Unrealized Gains (Losses) Included in: Net Income (Loss)	Total Realized/Unrealized Gains (Losses) Included in: Other Comprehensive Income (Loss)	Purchases, Sales, Issuances and Settlements	Transfers in and/or (out of) Level 3	Fair Value as of June 30, 2023
Assets						
Debt securities						
Corporate securities	$ 56	$ (9)	$ —	$ (4)	$ (22)	$ 21
Equity securities	122	(35)	—	—	(1)	86
Mortgage loans	582	(2)	—	(71)	—	509
Limited partnerships	440	(22)	—	11	(7)	422
Reinsurance recoverable on market risk benefits	221	(27)	—	—	—	194
Market risk benefit assets	4,865	1,092	—	—	—	5,957
Policy loans	3,419	107	—	(88)	—	3,438
Liabilities						
Funds withheld payable under reinsurance treaties	(424)	(362)	—	85	—	(701)
Market risk benefit liabilities	(5,662)	1,679	(480)	—	—	(4,463)

Six Months Ended June 30, 2022	Fair Value as of January 1, 2022	Total Realized/Unrealized Gains (Losses) Included in: Net Income (Loss)	Total Realized/Unrealized Gains (Losses) Included in: Other Comprehensive Income (Loss)	Purchases, Sales, Issuances and Settlements	Transfers in and/or (out of) Level 3	Fair Value as of June 30, 2022
Assets						
Debt securities						
Corporate securities	$ 9	$ 5	$ —	$ 3	$ 30	$ 47
Equity securities	112	16	—	(4)	—	124
Mortgage loans	—	(3)	—	360	—	357
Limited partnerships	396	—	—	—	—	396
Reinsurance recoverable on market risk benefits	383	(77)	—	—	—	306
Market risk benefit assets	1,664	665	—	—	—	2,329
Policy loans	3,467	136	—	(118)	—	3,485
Liabilities						
Funds withheld payable under reinsurance treaties	(3,759)	2,492	—	126	—	(1,141)
Market risk benefit liabilities	(8,033)	135	1,953	—	—	(5,945)

The components of the amounts included in purchases, sales, issuances and settlements for the three and six months ended June 30, 2023 and 2022 shown above are as follows (in millions):

Three Months Ended June 30, 2023	**Purchases**	**Sales**	**Issuances**	**Settlements**	**Total**
Assets					
Debt securities					
Corporate securities	$ (1)	$ —	$ —	$ —	$ (1)
Equity securities	—	1	—	—	1
Mortgage loans	99	(70)	—	—	29
Limited partnerships	—	—	—	—	—
Policy loans	—	—	—	(67)	(67)
Total	$ 98	$ (69)	$ —	$ (67)	$ (38)
Liabilities					
Funds withheld payable under reinsurance treaties	$ —	$ —	$ (1)	$ 66	$ 65

Three Months Ended June 30, 2022	**Purchases**	**Sales**	**Issuances**	**Settlements**	**Total**
Assets					
Debt securities					
Corporate securities	$ 1	$ —	$ —	$ —	$ 1
Equity securities	—	(4)	—	—	(4)
Mortgage loans	172	—	—	—	172
Policy loans	—	—	1	(64)	(63)
Total	$ 173	$ (4)	$ 1	$ (64)	$ 106
Liabilities					
Funds withheld payable under reinsurance treaties	$ —	$ —	$ (1)	$ 67	$ 66

Six Months Ended June 30, 2023	**Purchases**	**Sales**	**Issuances**	**Settlements**	**Total**
Assets					
Debt securities					
Corporate securities	$ —	$ (4)	$ —	$ —	$ (4)
Equity securities	—	—	—	—	—
Mortgage loans	135	(206)	—	—	(71)
Limited partnerships	18	(7)	—	—	11
Policy loans	—	—	35	(123)	(88)
Total	$ 153	$ (217)	$ 35	$ (123)	$ (152)
Liabilities					
Funds withheld payable under reinsurance treaties	$ —	$ —	$ (36)	$ 121	$ 85

Six Months Ended June 30, 2022	**Purchases**	**Sales**	**Issuances**	**Settlements**	**Total**
Assets					
Debt securities					
Corporate securities	$ 3	$ —	$ —	$ —	$ 3
Equity securities	—	(4)	—	—	(4)
Mortgage loans	360	—	—	—	360
Policy loans	—	—	31	(149)	(118)
Total	$ 363	$ (4)	$ 31	$ (149)	$ 241
Liabilities					
Funds withheld payable under reinsurance treaties	$ —	$ —	$ (32)	$ 158	$ 126

For the three and six months ended June 30, 2023, transfers from Level 3 to Level 2 of the fair value hierarchy were $(6) million and $31 million, respectively, transfers from Level 2 to Level 3 were $(3) million and $8 million, respectively, and transfers from Level 3 to NAV were nil and $7 million, respectively.

For the three and six months ended June 30, 2022, transfers from Level 3 to Level 2 of the fair value hierarchy were $1 million and $5 million, respectively, and transfers from Level 2 to Level 3 were $28 million and $35 million, respectively, and no transfers from Level 3 to NAV.

The portion of gains (losses) included in net income (loss) or OCI attributable to the change in unrealized gains and losses on Level 3 financial instruments still held was as follows (in millions, 2022 information recast for the adoption of LDTI):

	Three Months Ended June 30,			
	2023		2022	
Assets	**Included in Net Income**	**Included in OCI**	**Included in Net Income**	**Included in OCI**
Debt securities				
Corporate securities	$ (9)	$ 1	$ 5	$ —
Equity securities	(25)	—	13	—
Mortgage loans	—	—	(5)	—
Limited partnerships	(32)	—	—	—
Reinsurance recoverable on market risk benefits	(44)	—	(20)	—
Market risk benefit assets	753	—	(104)	—
Policy loans	78	—	76	—
Liabilities				
Funds withheld payable under reinsurance treaties	37	—	1,272	—
Market risk benefit liabilities	1,861	(764)	(1,060)	1,017

	Six Months Ended June 30,			
	2023		2022	
Assets	**Included in Net Income**	**Included in OCI**	**Included in Net Income**	**Included in OCI**
Debt securities				
Corporate securities	$ (9)	$ —	$ 5	$ —
Equity securities	(35)	—	16	—
Mortgage loans	(2)	—	(3)	—
Limited partnerships	(22)	—	—	—
Reinsurance recoverable on market risk benefits	(27)	—	(77)	—
Market risk benefit assets	1,092	—	665	—
Policy loans	107	—	136	—
Liabilities				
Funds withheld payable under reinsurance treaties	(362)	—	2,492	—
Market risk benefit liabilities	1,679	(480)	135	1,953

Fair Value of Financial Instruments Carried at Other Than Fair Value

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

Mortgage Loans

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

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

Policy Loans

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

FHLBI Capital Stock

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

Other Contract Holder Funds

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

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

Funds Withheld Payable Under Reinsurance Treaties

The fair value of the funds withheld payable is equal to the fair value of the assets held as collateral, which primarily consists of bonds, mortgages, limited partnerships, and cash and cash equivalents. The fair value of the assets generally uses industry standard valuation techniques as described above and the funds withheld payable components are valued consistent with the assets in the fair value hierarchy.

Debt

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

Securities Lending Payable

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

FHLB Advances

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

Repurchase Agreements

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

Separate Account Liabilities

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

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

	June 30, 2023				
		Fair Value			
	Carrying Value	Total	Level 1	Level 2	Level 3
Assets					
Mortgage loans	$ 10,303	$ 9,641	$ —	$ —	$ 9,641
Policy loans	943	943	—	—	943
FHLBI capital stock	146	146	146	—	—
Liabilities					
Annuity reserves (1)	$ 34,277	$ 29,171	$ —	$ —	$ 29,171
Reserves for guaranteed investment contracts (2)	865	819	—	—	819
Trust instruments supported by funding agreements (2)	5,917	5,607	—	—	5,607
FHLB funding agreements (2)	2,105	1,914	—	—	1,914
Funds withheld payable under reinsurance treaties	20,469	20,469	—	—	20,469
Debt	2,633	2,356	—	2,356	—
Securities lending payable	52	52	—	52	—
Repurchase agreements	1,626	1,626	—	1,626	—
Separate account liabilities (3)	212,719	212,719	—	212,719	—

	December 31, 2022				
		Fair Value			
	Carrying Value	Total	Level 1	Level 2	Level 3
Assets					
Mortgage loans	$ 10,967	$ 10,259	$ —	$ —	$ 10,259
Policy loans	958	958	—	—	958
FHLBI capital stock	146	146	146	—	—
Liabilities					
Annuity reserves (1)	$ 36,222	$ 31,242	$ —	$ —	$ 31,242
Reserves for guaranteed investment contracts (2)	1,128	1,099	—	—	1,099
Trust instruments supported by funding agreements (2)	5,887	5,760	—	—	5,760
FHLB funding agreements (2)	2,004	2,104	—	—	2,104
Funds withheld payable under reinsurance treaties	22,533	22,533	—	—	22,533
Debt	2,635	2,344	—	2,344	—
Securities lending payable	36	36	—	36	—
Repurchase agreements	1,012	1,012	—	1,012	—
Separate account liabilities (3)	195,906	195,906	—	195,906	—

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

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

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

7. Deferred Acquisition Costs

This note contains the new accounting policy for the adoption of LDTI

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

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

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

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

The following table presents the roll-forward of the DAC (in millions, 2022 information recast for the adoption of LDTI). The current period amortization is based on the end of the period estimates of mortality and persistency. The amortization pattern is revised on a prospective basis at the beginning of the period based on the period's actual experience.

	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Variable Annuities		
Balance, beginning of period	$ 12,699	$ 13,364
Deferrals of acquisition costs	206	544
Amortization	(572)	(1,209)
Variable Annuities balance, end of period	$ 12,333	$ 12,699
Reconciliation of total DAC		
Variable Annuities balance, end of period	$ 12,333	$ 12,699
Other product lines, end of period	266	224
Total balance, end of period	$ 12,599	$ 12,923

8. Reinsurance

This note contains the new accounting policy for the adoption of LDTI.

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

Athene Reinsurance

The Company entered into a funds withheld coinsurance agreement with Athene effective June 1, 2020, to reinsure on a 100% quota share basis, a block of Jackson's in-force fixed and fixed-index annuity product liabilities in exchange for a $1.2 billion ceding commission. The coinsurance with funds withheld agreement ("the coinsurance agreement") required Jackson to establish a segregated account in which the investments supporting the ceded obligations are maintained. While the economic benefits of the investments flow to Athene, Jackson retains physical possession and legal ownership of the investments supporting the reserve. Further, the investments in the segregated account are not available to settle any policyholder obligations other than those specifically covered by the coinsurance agreement and are not available to settle obligations to general creditors of Jackson. The profit and loss with respect to obligations ceded to Athene are included in periodic net settlements pursuant to the coinsurance agreement. To further support its obligations under the coinsurance agreement, Athene procured $1.2 billion in letters of credit for Jackson's benefit and established a trust account for Jackson's benefit, which had a book value of approximately $135 million at June 30, 2023.

Swiss Re Reinsurance

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

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

GMIB Reinsurance

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

Reinsurance Recoverables and Reinsured Market Risk Benefits

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

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

The Company regularly monitors the financial strength ratings of its reinsurers. At June 30, 2023 and December 31, 2022, the Company had an allowance for credit losses ("ACL") of $39 million and $15 million, respectively, on its reinsurance recoverables, which are reported net of ACL on the Condensed Consolidated Balance Sheets. The ACL considers the credit quality of the reinsurer and is generally determined based on probability of default and loss given default assumptions, after considering any applicable collateral arrangements. During the second quarter, the Company increased its ACL related to a specific reinsurer which was recently ordered into liquidation. The recognized ACL represents our current best estimate of our remaining loss exposure associated with this reinsurer.

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

Reinsurance recoverable on market risk benefits is recognized at fair value. The change in the fair value of reinsurance recoverable on market risk benefits, including the change in fair value due to the change in third-party credit risk (i.e., non-performance risk of the reinsurer), is recognized in current period earnings within market risk benefit (gains) losses, net. Non-performance risk of the reinsurer is incorporated into the calculation through the adjustment of the risk-free rate curve based on credit spreads observed on instruments issued by similarly-rated life insurance companies.

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

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

Components of the Company's reinsurance recoverable excluding MRBs were as follows (in millions, 2022 information recast for the adoption of LDTI):

	June 30, 2023	December 31, 2022
Reserves:		
Life	$ 5,317	$ 5,307
Accident and health	459	482
Annuity benefits [1]	20,590	22,470
Claims liability and other	703	787
Total	$ 27,069	$ 29,046

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

Components of the Company's reinsurance recoverable on market risk benefits were as follows (in millions, 2022 information recast for the adoption of LDTI):

	June 30, 2023	December 31, 2022
Variable annuity	$ 151	$ 183
Other product lines	43	38
Total	$ 194	$ 221

Reinsurance and Funds Withheld Payable Under Reinsurance Treaties

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

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

Funds withheld under reinsurance agreement with Athene

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

Funds withheld under reinsurance agreements with SRZ

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

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

	June 30, 2023	December 31, 2022
Assets		
Debt securities, available-for-sale	$ 12,085	$ 13,622
Debt securities, at fair value under the fair value option	161	159
Equity securities	148	77
Mortgage loans	3,302	4,127
Mortgage loans, at fair value under the fair value option	509	582
Policy loans	3,451	3,435
Freestanding derivative instruments, net	34	78
Other invested assets	638	793
Cash and cash equivalents	987	260
Accrued investment income	151	166
Other assets and liabilities, net	(49)	(73)
Total assets [1]	$ 21,417	$ 23,226
Liabilities		
Funds held under reinsurance treaties [2]	$ 21,170	$ 22,957
Total liabilities	$ 21,170	$ 22,957

(1) Certain assets are reported at amortized cost while the fair value of those assets is reported in the embedded derivative in the funds withheld liability.
(2) Includes funds withheld embedded derivative asset (liability) of $2,901 million and $3,158 million at June 30, 2023 and December 31, 2022, respectively.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Debt securities [1]	$ 160	$ 180	$ 332	$ 330
Equity securities	(37)	(9)	(38)	(25)
Mortgage loans [2]	60	49	126	101
Policy loans	77	79	158	159
Limited partnerships	7	86	15	102
Other investment income	3	1	3	1
Total investment income on funds withheld assets	270	386	596	668
Other investment expenses on funds withheld assets [3]	(18)	(22)	(37)	(44)
Total net investment income on funds withheld reinsurance treaties	$ 252	$ 364	$ 559	$ 624

(1) Includes nil and $2 million for the three and six months ended June 30, 2023, respectively, and $(2) million and $(8) million for the three and six months ended June 30, 2022, respectively, related to the change in fair value for securities carried under the fair value option.
(2) Includes nil and $(2) million for the three and six months ended June 30, 2023, respectively, and $(5) million and $(3) million for the three and six months ended June 30, 2022, respectively, related to the change in fair value for mortgage loans carried under the fair value option.
(3) Includes management fees.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Available-for-sale securities				
Realized gains on sale	$ 11	$ 3	$ 16	$ 40
Realized losses on sale	(10)	(4)	(48)	(31)
Credit loss expense	13	(12)	2	(40)
Credit loss expense on mortgage loans	(4)	13	(7)	11
Other	3	(43)	12	(59)
Net gains (losses) on non-derivative investments	13	(43)	(25)	(79)
Net gains (losses) on derivative instruments	(14)	63	(23)	84
Net gains (losses) on funds withheld payable under reinsurance treaties [1]	(133)	1,057	(759)	2,100
Total net gains (losses) on derivatives and investments	$ (134)	$ 1,077	$ (807)	$ 2,105

[1] Includes the Athene embedded derivative gain (loss) of $113 million and $(257) million for the three and six months ended June 30, 2023, respectively, and $1,347 million and $2,628 million for the three and six months ended June 30, 2022, respectively.

9. Reserves for Future Policy Benefits and Claims Payable

This note contains the new accounting policy for the adoption of LDTI.

Reserves for Future Policy Benefits

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

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

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

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

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

Additional Liabilities – Universal Life-type

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

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

Other Future Policy Benefits and Claims Payable

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

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

The following table summarizes the Company's reserves for future policy benefits and claims payable balances (in millions, 2022 information recast for the adoption of LDTI):

	June 30, 2023	December 31, 2022
Reserves for future policy benefits		
Payout Annuities	$ 1,054	$ 1,042
Closed Block Life	4,047	4,161
Closed Block Annuity	4,287	4,434
Reserves for future policy benefits	9,388	9,637
Additional liabilities		
Closed Block Life	1,102	1,131
Other future policy benefits and claims payable	1,513	1,550
Reserves for future policy benefits and claims payable	$ 12,003	$ 12,318

The following tables present the roll-forward of components of reserves for future policy benefits (in millions, 2022 information recast for the adoption of LDTI):

	Present Value of Expected Net Premiums					
	Six Months Ended June 30, 2023			Year Ended December 31, 2022		
	Payout Annuities	Closed Block Life	Closed Block Annuity	Payout Annuities	Closed Block Life	Closed Block Annuity
Balance, beginning of period	$ —	$ 1,287	$ —	$ —	$ 1,464	$ —
Beginning of period cumulative effect of changes in discount rate assumptions	—	161	—	—	(157)	—
Beginning balance at original discount rate	—	1,448	—	—	1,307	—
Effect of changes in cash flow assumptions	—	—	—	—	242	—
Effect of actual variances from expected experience	—	(78)	—	—	1	—
Balance adjusted for variances from expectation	—	1,370	—	—	1,550	—
Issuances	—	4	—	—	6	—
Interest accrual	—	19	—	—	39	—
Net premiums collected	—	(94)	—	—	(147)	—
Ending balance at original discount rate	—	1,299	—	—	1,448	—
End of period cumulative effect of changes in discount rate assumptions	—	(137)	—	—	(161)	—
Balance, end of period	$ —	$ 1,162	$ —	$ —	$ 1,287	$ —

	Present Value of Expected Future Policy Benefits					
	Six Months Ended June 30, 2023			Year Ended December 31, 2022		
	Payout Annuities	Closed Block Life	Closed Block Annuity	Payout Annuities	Closed Block Life	Closed Block Annuity
Balance, beginning of period	$ 1,042	$ 5,448	$ 4,434	$ 1,249	$ 6,913	$ 5,739
Beginning of period cumulative effect of changes in discount rate assumptions	132	958	275	(84)	(349)	(689)
Beginning balance at original discount rate (including DPL of $40, $0 and $671 in June 30, 2023, and, $38, $0 and $459 in December 31, 2022 for payout annuities, closed block life and closed block annuity, respectively)	1,174	6,406	4,709	1,165	6,564	5,050
Effect of changes in cash flow assumptions	—	—	—	4	331	(15)
Effect of actual variances from expected experience	(10)	(60)	(11)	(37)	38	(34)
Balance adjusted for variances from expectation	1,164	6,346	4,698	1,132	6,933	5,001
Issuances	59	8	—	126	14	4
Interest accrual	21	102	99	40	209	210
Benefits payments	(66)	(358)	(253)	(124)	(750)	(506)
Ending balance of original discount rate (including DPL of $41, $0 and $644 in June 30, 2023, and, $40, $0 and $671 in December 31, 2022 for payout annuities, closed block life and closed block annuity, respectively)	1,178	6,098	4,544	1,174	6,406	4,709
End of period cumulative effect of changes in discount rate assumptions	(124)	(889)	(257)	(132)	(958)	(275)
Balance, end of period	$ 1,054	$ 5,209	$ 4,287	$ 1,042	$ 5,448	$ 4,434
Reserves for future policy benefits	1,054	4,047	4,287	1,042	4,161	4,434
Less: Reinsurance recoverable	83	2,223	2	71	2,263	2
Reserves for future policy benefits, after reinsurance recoverable	$ 971	$ 1,824	$ 4,285	$ 971	$ 1,898	$ 4,432

The following table presents the weighted average duration of the reserves for future policy benefits (2022 information recast for the adoption of LDTI). The weighted average duration represents average cohort-level duration weighted by the benefit reserves amount:

	Payout Annuities	Closed Block Life	Closed Block Annuity
June 30, 2023			
Weighted average duration (years)	7.0	7.9	7.1
December 31, 2022			
Weighted average duration (years)	6.9	7.8	7.0

The discount rate assumption was updated based on current market data. Discount rates was flat in the second quarter of 2023 compared to the fourth quarter of 2022. Discount rates increased substantially throughout 2022 primarily due to increases in risk-free rates, which resulted in a decrease in the liability for future policy benefits. Refer to the roll-forward above for further details.

The following table presents the amount of undiscounted and discounted expected future gross premiums and expected future benefit payments for future policy benefits for non-participating traditional and limited-payment insurance contracts (in millions, 2022 information recast for the adoption of LDTI). The discounted premiums are calculated using the current discount rate, while the undiscounted cash flows represent the gross cash flows before any discounting is applied:

	June 30, 2023		December 31, 2022	
	Undiscounted	**Discounted**	**Undiscounted**	**Discounted**
Payout Annuities				
Expected future benefit payments	$ 1,559	$ 1,012	$ 1,542	$ 999
Expected future gross premiums	—	—	—	—
Closed Block Life				
Expected future benefit payments	8,361	5,334	8,751	5,578
Expected future gross premiums	5,574	3,219	5,976	3,489
Closed Block Annuity				
Expected future benefit payments	5,630	3,620	5,834	3,729
Expected future gross premiums	$ —	$ —	$ —	$ —

The following table presents the amount of revenue and interest related to non-participating traditional and limited-pay insurance contracts recognized in the Condensed Consolidated Income Statements (in millions, 2022 information recast for the adoption of LDTI):

	Gross Premiums		Interest Expense	
	Six Months Ended June 30, 2023	**Year Ended December 31, 2022**	**Six Months Ended June 30, 2023**	**Year Ended December 31, 2022**
Payout Annuities	$ 10	$ 10	$ 21	$ 40
Closed Block Life	165	390	83	170
Closed Block Annuity	1	—	99	210
Total	$ 176	$ 400	$ 203	$ 420

The following table presents the weighted average interest rate for the reserves for future policy benefits at the cohort's level for the locked-in discount rate (interest accretion rate), and current discount rate, weighted by the cohort's benefit reserve amount (2022 information recast for the adoption of LDTI):

	June 30, 2023	December 31, 2022
Payout Annuities		
Interest accretion rate	3.78 %	3.71 %
Current discount rate	5.38 %	5.40 %
Closed Block Life		
Interest accretion rate	3.01 %	3.01 %
Current discount rate	5.34 %	5.34 %
Closed Block Annuity		
Interest accretion rate	4.40 %	4.40 %
Current discount rate	5.38 %	5.41 %

The following table presents a roll-forward of Closed Block Life additional liabilities for annuitization, death and other insurance benefits (in millions, 2022 information recast for the adoption of LDTI):

	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Balance, beginning of period	$ 1,131	$ 1,173
Beginning of period cumulative effect of changes in shadow adjustments	41	(14)
Beginning balance excluding shadow	1,172	1,159
Effect of changes in cash flow assumptions	—	6
Effect of actual variances from expected experience	21	58
Interest accrual	28	56
Net assessments collected	(92)	(107)
Ending balance excluding shadow	1,129	1,172
End of period cumulative effect of changes in shadow adjustments	(27)	(41)
Balance, end of period	$ 1,102	$ 1,131

The following table presents the weighted average duration of Closed Block Life additional liabilities for annuitization, death and other insurance benefits. The weighted average duration represents average cohort-level duration weighted by the benefit reserves amount (2022 information recast for the adoption of LDTI):

	June 30, 2023	December 31, 2022
Weighted average duration (years)	7.8	8.1

The following table presents assessments and interest expense of Closed Block Life additional liabilities for annuitization, death and other insurance benefits recognized in the Condensed Consolidated Income Statements (in millions, 2022 information recast for the adoption of LDTI):

	Assessments		Interest Expense	
	Six Months Ended June 30, 2023	Year Ended December 31, 2022	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Additional liability for annuitization, death and other insurance benefits	$ (92)	$ (107)	$ 28	$ 56

The following table presents the weighted average current discount rate of Closed Block Life additional liabilities for annuitization, death and other insurance benefits, applied at the cohort level weighted by reserve benefit amount (2022 information recast for the adoption of LDTI):

	June 30, 2023	December 31, 2022
Weighted average current discount rate	4.96 %	4.96 %

10. Other Contract Holder Funds

This note contains the new accounting policy for the adoption of LDTI.

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

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

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

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

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

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

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

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

The Company has established a $27 billion aggregate Global Medium-Term Note ("MTN") program. Jackson National Life Global Funding was formed as a statutory business trust, solely for the purpose of issuing Medium-Term Note instruments to institutional investors, the proceeds of which are deposited with the Company and secured by the issuance of funding agreements. The carrying values at both June 30, 2023 and December 31, 2022 totaled $5.9 billion, respectively.

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

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

Jackson is a member of the FHLBI primarily for the purpose of participating in the bank's mortgage-collateralized loan advance program with long-term funding facilities. Advances are in the form of long-term notes or funding agreements issued to FHLBI. At both June 30, 2023 and December 31, 2022, the Company held $146 million of FHLBI capital stock, respectively, supporting $2.2 billion and $2.1 billion in funding agreements and long-term borrowings at June 30, 2023 and December 31, 2022, respectively.

The following table presents the liabilities for other contract holder funds (in millions, 2022 information recast for the adoption of LDTI):

	June 30, 2023	December 31, 2022
Payout Annuity	$ 853	$ 837
Variable Annuity	9,384	10,259
Fixed Annuity	10,601	11,696
Fixed Indexed Annuities	11,049	11,787
RILA	3,144	1,875
Closed Block Life	11,100	11,215
Closed Block Annuity	1,284	1,319
Institutional Products	8,887	9,019
Other Product Lines	175	183
Total other contract holder funds	$ 56,477	$ 58,190

The following table presents a roll-forward of other contract holder funds, gross of reinsurance (in millions, 2022 information recast for the adoption of LDTI):

	Payout Annuity	Variable Annuity	Fixed Annuity	Fixed Indexed Annuities	RILA	Closed Block Life	Closed Block Annuity	Total
Balance as of January 1, 2023	$ 837	$ 10,259	$ 11,696	$ 11,787	$ 1,875	$ 11,215	$ 1,319	$ 48,988
Deposits	102	588	142	138	1,074	155	2	2,201
Surrenders, withdrawals and benefits	(121)	(911)	(1,348)	(1,035)	(34)	(449)	(60)	(3,958)
Net transfers from (to) separate accounts	—	(650)	—	—	—	—	—	(650)
Investment performance / change in value of equity option	—	—	—	104	225	—	—	329
Interest credited	12	144	178	107	5	404	21	871
Policy charges and other	23	(46)	(67)	(52)	(1)	(225)	2	(366)
Balance as of June 30, 2023	$ 853	$ 9,384	$ 10,601	$ 11,049	$ 3,144	$ 11,100	$ 1,284	$ 47,415

	Payout Annuity	Variable Annuity	Fixed Annuity	Fixed Indexed Annuities	RILA	Closed Block Life	Closed Block Annuity	Total
Balance as of December 31, 2021	$ 831	$ 9,456	$ 13,185	$ 13,161	$ 110	$ 11,570	$ 1,394	$ 49,707
Deposits	213	1,350	276	126	1,811	320	9	4,105
Surrenders, withdrawals and benefits	(230)	(1,492)	(2,017)	(1,414)	(8)	(766)	(118)	(6,045)
Net transfers from (to) separate accounts	—	870	—	—	—	—	—	870
Investment performance / change in value of equity option	—	—	—	(302)	(37)	—	—	(339)
Interest credited	20	168	389	238	2	659	48	1,524
Policy charges and other	3	(93)	(137)	(22)	(3)	(568)	(14)	(834)
Balance as of December 31, 2022	$ 837	$ 10,259	$ 11,696	$ 11,787	$ 1,875	$ 11,215	$ 1,319	$ 48,988

The following table presents weighted average crediting rate, net amount at risk, and cash surrender value of contract holder account balances (dollars in millions, 2022 information recast for the adoption of LDTI):

	Payout Annuity	Variable Annuity	Fixed Annuity	Fixed Indexed Annuities	RILA	Closed Block Life	Closed Block Annuity
June 30, 2023							
Weighted-average crediting rate [1]	2.81 %	3.07 %	3.36 %	1.94 %	0.32 %	7.28 %	3.27 %
Net amount at risk [2]	$ —	$ —	$ —	$ —	$ —	$ 16,885	$ —
Cash surrender value [3]	$ —	$ 9,271	$ 10,505	$ 10,643	$ 2,956	$ 11,022	$ 1,284
December 31, 2022							
Weighted-average crediting rate [1]	2.39 %	1.64 %	3.33 %	2.02 %	0.11 %	5.88 %	3.64 %
Net amount at risk [2]	$ —	$ —	$ —	$ —	$ —	$ 17,427	$ —
Cash surrender value [3]	$ —	$ 10,101	$ 11,573	$ 11,409	$ 1,728	$ 7,096	$ 1,319

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

(2) Net amount at risk represents the standard excess benefit base for guaranteed death benefits on universal life type products. The net amount at risk associated with market risk benefits are presented within Note 12 of the Notes to Consolidated Financial Statements, as recast in our Current Report on Form 8-K filed May 10, 2023.

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

At June 30, 2023 and December 31, 2022, excluding reinsurance business, approximately 93% and 92% of the Company's annuity account values correspond to crediting rates that are at the minimum guaranteed interest rates, respectively. At June 30, 2023 and December 31, 2022, excluding reinsurance business, approximately 62% and 65% of the Company's closed block life account values correspond to crediting rates that are at the minimum guaranteed interest rates, respectively.

The following table presents contract holder account balances invested in fixed account funds by range of guaranteed minimum crediting rates and the related range of the difference between rates being credited to other contract holder funds and the respective guaranteed minimums (in millions, 2022 information recast for the adoption of LDTI):

	June 30, 2023				
Range of Guaranteed Minimum Crediting Rate	**At Guaranteed Minimum**	**1 Basis Point-50 Basis Points Above**	**51 Basis Points-150 Basis Points Above**	**Greater Than 150 Basis Points Above**	**Total**
Variable Annuities					
0.00%-1.50%	$ —	$ 14	$ 1	$ —	$ 15
1.51%-2.50%	187	—	—	—	187
Greater than 2.50%	9,120	—	—	62	9,182
Total	$ 9,307	$ 14	$ 1	$ 62	$ 9,384
Fixed Annuities					
0.00%-1.50%	$ 18	$ 63	$ 78	$ 1	$ 160
1.51%-2.50%	30	1	2	—	33
Greater than 2.50%	668	53	291	—	1,012
Total	$ 716	$ 117	$ 371	$ 1	$ 1,205
Fixed Indexed Annuities					
0.00%-1.50%	$ 6	$ 13	$ 4	$ 42	$ 65
1.51%-2.50%	—	—	—	—	—
Greater than 2.50%	22	—	45	—	67
Total	$ 28	$ 13	$ 49	$ 42	$ 132
RILA					
0.00%-1.50%	$ 8	$ —	$ 4	$ 1	$ 13
1.51%-2.50%	—	—	—	—	—
Greater than 2.50%	20	—	—	—	20
Total	$ 28	$ —	$ 4	$ 1	$ 33
Closed Block Life					
0.00%-1.50%	$ —	$ —	$ —	$ —	$ —
1.51%-2.50%	—	—	—	—	—
Greater than 2.50%	4,308	2,057	621	15	7,001
Total	$ 4,308	$ 2,057	$ 621	$ 15	$ 7,001
Closed Block Annuity					
0.00%-1.50%	$ —	$ —	$ —	$ —	$ —
1.51%-2.50%	—	—	1	12	13
Greater than 2.50%	929	163	23	—	1,115
Total	$ 929	$ 163	$ 24	$ 12	$ 1,128

	December 31, 2022				
Range of Guaranteed Minimum Crediting Rate	**At Guaranteed Minimum**	**1 Basis Point-50 Basis Points Above**	**51 Basis Points-150 Basis Points Above**	**Greater Than 150 Basis Points Above**	**Total**
Variable Annuities					
0.00%-1.50%	$ 6,679	$ 32	$ 2	$ 75	$ 6,788
1.51%-2.50%	200	—	—	—	200
Greater than 2.50%	3,271	—	—	—	3,271
Total	$ 10,150	$ 32	$ 2	$ 75	$ 10,259
Fixed Annuities					
0.00%-1.50%	$ 19	$ 76	$ 95	$ —	$ 190
1.51%-2.50%	35	2	1	—	38
Greater than 2.50%	576	64	351	—	991
Total	$ 630	$ 142	$ 447	$ —	$ 1,219
Fixed Indexed Annuities					
0.00%-1.50%	$ 6	$ 17	$ 5	$ 40	$ 68
1.51%-2.50%	—	—	—	—	—
Greater than 2.50%	24	—	—	—	24
Total	$ 30	$ 17	$ 5	$ 40	$ 92
RILA					
0.00%-1.50%	$ 10	$ —	$ 7	$ —	$ 17
1.51%-2.50%	—	—	—	—	—
Greater than 2.50%	—	—	—	—	—
Total	$ 10	$ —	$ 7	$ —	$ 17
Closed Block Life					
0.00%-1.50%	$ —	$ —	$ —	$ —	$ —
1.51%-2.50%	—	—	—	—	—
Greater than 2.50%	4,566	1,868	619	14	7,067
Total	$ 4,566	$ 1,868	$ 619	$ 14	$ 7,067
Closed Block Annuity					
0.00%-1.50%	$ —	$ —	$ —	$ —	$ —
1.51%-2.50%	—	—	1	10	11
Greater than 2.50%	980	159	21	—	1,160
Total	$ 980	$ 159	$ 22	$ 10	$ 1,171

11. Separate Account Assets and Liabilities

This note contains the new accounting policy for the adoption of LDTI.

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

The separate account assets supporting the variable portion of both traditional variable annuities and variable contracts with guarantees are carried at fair value and reported as summary total separate account assets with an equivalent summary total reported for separate account liabilities. At June 30, 2023 and December 31, 2022, the assets and liabilities associated with variable life and annuity contracts were $213 billion and $196 billion, respectively. Investment risks associated with market value changes are borne by the contract holders, except to the extent of minimum guarantees made by the Company.

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

Included in the separate account assets and liabilities described above is a Jackson issued group variable annuity contract designed for use in connection with and issued to the Company's Defined Contribution Retirement Plan. These deposits are allocated to the Jackson National Separate Account - II, which had balances of $316 million and $285 million at June 30, 2023 and December 31, 2022, respectively. The Company receives administrative fees for managing the funds. These fees are recorded as earned and included in fee income in the Condensed Consolidated Income Statements.

The following table presents the roll-forward of the separate account balance for variable annuities (in millions, 2022 information recast for the adoption of LDTI):

	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Balance as of beginning of period	$ 195,550	$ 248,469
Deposits	4,334	12,288
Surrenders, withdrawals and benefits	(7,830)	(14,554)
Net transfer from (to) general account	650	(870)
Investment performance	21,011	(47,150)
Policy charges and other	(1,387)	(2,633)
Balance as of end of period, gross	$ 212,328	$ 195,550
Cash surrender value [1]	$ 207,170	$ 190,243

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

The following table presents the reconciliation of the separate account balance in the Condensed Consolidated Balance Sheets (in millions, 2022 information recast for the adoption of LDTI):

	June 30, 2023	December 31, 2022
Variable Annuities	$ 212,328	$ 195,550
Other	391	356
Total	$ 212,719	$ 195,906

The following table presents aggregate fair value of assets, by major investment asset category, supporting separate accounts (in millions, 2022 information recast for the adoption of LDTI):

	June 30, 2023	December 31, 2022
Variable Annuities By Fund Type		
Equity	$ 147,040	$ 132,547
Bond	19,503	19,155
Balanced	42,953	40,797
Money Market	2,832	3,051
Total Variable Annuities	212,328	195,550
Other Product Lines	391	356
Total Separate Accounts	$ 212,719	$ 195,906

12. Market Risk Benefits

This note contains the new accounting policy for the adoption of LDTI.

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

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

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

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

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

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

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

Variable Annuities

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

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

Fixed Index Annuities

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

RILA

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

The following table presents the reconciliation of the market risk benefits balance in the Condensed Consolidated Balance Sheets (in millions, 2022 information recast for the adoption of LDTI):

	June 30, 2023			December 31, 2022		
	Variable Annuities	Other Product Lines	Total	Variable Annuities	Other Product Lines	Total
Market risk benefit - (assets)	$ (5,951)	$ (6)	$ (5,957)	$ (4,856)	$ (9)	$ (4,865)
Market risk benefit - liabilities	4,423	40	4,463	5,623	39	5,662
Market risk benefit - net	$ (1,528)	$ 34	$ (1,494)	$ 767	$ 30	$ 797

The following table presents the roll-forward of the net MRB (assets) liabilities for variable annuities (in millions, 2022 information recast for the adoption of LDTI):

	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Net MRB balance, beginning of period	$ 767	$ 6,281
Beginning of period cumulative effect of changes in non-performance risk	2,185	326
Net MRB balance, beginning of period, before effect of changes in non-performance risk	2,952	6,607
Effect of changes in interest rates	515	(14,137)
Effect of fund performance	(3,616)	6,432
Effect of changes in equity index volatility	(1,069)	1,576
Effect of expected policyholder behavior	209	532
Effect of actual policyholder behavior different from expected	288	(230)
Effect of time	898	1,707
Effect of changes in assumptions	—	465
Net MRB balance, end of period, before effect of changes in non-performance risk	177	2,952
End of period cumulative effect of changes in non-performance risk	(1,705)	(2,185)
Net MRB balance, end of period, gross	(1,528)	767
Reinsurance recoverable on market risk benefits at fair value, end of period	(151)	(183)
Net MRB balance, end of period, net of reinsurance	(1,679)	584
Weighted average attained age (years) [(1)]	69	69
Net amount at risk [(2)]	$ 10,106	$ 15,592

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

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

At each reporting date, the Company regularly evaluates the inputs and assumptions to be used to measure the fair value of the MRB assets and MRB liabilities. In prior periods, the non-performance risk adjustment was determined based on credit spreads indicated by a blend of yields on similarly rated peer debt and yields on Company debt. As of June 30, 2023, non-performance risk is incorporated into the calculation through the adjustment of the risk-free rate curve based only on credit spreads for debt and debt-like instruments issued by the Company or its insurance operating subsidiaries, adjusted, as necessary, to reflect the financial strength ratings of the issuing insurance subsidiaries. The change was made as a result of management's determination that the reliability of credit spreads on debt and debt-like instruments issued by the Company as a measure of company-specific credit risk has increased due to sustained levels of market trading volume of these instruments. For the three months ended June 30, 2023, this change in estimate resulted in other comprehensive income of $692 million and is reflected as a component of the change in non-performance risk on market risk benefits in Condensed Consolidated Statements of Comprehensive Income (Loss).

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

13. Long-Term Debt

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

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

	June 30, 2023	December 31, 2022
Long-Term Debt		
Senior Notes due 2023	$ 599	$ 598
Senior Notes due 2027	397	397
Senior Notes due 2031	493	493
Senior Notes due 2032	347	347
Senior Notes due 2051	489	488
Surplus notes	250	250
FHLBI bank loans	58	62
Total long-term debt	$ 2,633	$ 2,635

The following table presents the contractual maturities of the Company's long-term debt as of June 30, 2023 (in millions):

	Calendar Year					
	2023	2024	2025	2026	2027 and thereafter	Total
Long-term debt	$ 599	$ —	$ —	$ —	$ 2,034	$ 2,633

Senior Notes

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

Revolving Credit Facility

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

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

Line of Credit Agreement

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

14. Federal Home Loan Bank Advances

The Company, through its subsidiary, Jackson, entered into an advance program with the FHLBI in which interest rates were either fixed or variable based on the FHLBI cost of funds or market rates. Advances of nil were outstanding at both June 30, 2023 and December 31, 2022 and were recorded in other liabilities. Interest expense on such advances was $6 million and nil for the three months ended June 30, 2023 and 2022, respectively, and $6 million and nil for the six months ended June 30, 2023 and 2022, respectively.

15. Income Taxes

The Inflation Reduction Act of 2022 ("IRA") includes a new Federal alternative minimum tax ("AMT"), effective in 2023, that is based on 15% of an applicable corporation's adjusted financial statement income ("AFSI"). A corporation will be subject to the AMT if its average pre-tax AFSI over three prior years (starting with 2020-2022) is greater than $1 billion (an "applicable corporation"). Upon becoming an applicable corporation, an entity will remain so for all future years, except under limited circumstances. The corporation's AMT liability is payable to the extent the AMT liability exceeds regular corporate income tax. However, any AMT paid would be indefinitely available as a credit carryover that could reduce future regular corporate income tax in excess of AMT. The Company expects to be an applicable corporation starting in 2023. That expectation is based on interpretations and assumptions we have made regarding the AMT provisions of the IRA, which may change once regulatory guidance is issued. As of June 30, 2023, we have not recorded any provision for the AMT. The U.S. Department of the Treasury is expected to issue regulatory guidance regarding the AMT throughout 2023.

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

The Company's effective income tax rate was 16.8% and 52.8% for the three and six months ended June 30, 2023, compared with 20.6% and 18.4% for the same period in 2022. The ETR differs from the statutory rate of 21% primarily due to the dividends received deduction and utilization of foreign tax credits. The change in the ETR for the three and six months ended June 30, 2023 compared to the three and six months ended June 30, 2022 was due to the relationship of taxable income to consolidated pre-tax income. The ETR differs for the six months ended June 30, 2023 from the full year-ended December 31, 2022 ETR of 19.6% due to the relationship of taxable income to consolidated pre-tax income.

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

For the six months ended June 30, 2023, changes in market conditions and interest rates impacted the unrealized tax gains and losses in the available for sale securities portfolio resulting in deferred tax assets related to net unrealized tax capital losses. The deferred tax asset relates to the unrealized losses for which the carryforward period has not yet begun, and as such, when assessing its recoverability, we consider our ability and intent to hold the underlying securities to recovery.

As of June 30, 2023, based on all available evidence, we concluded that a valuation allowance should be established on a portion of the deferred tax asset related to unrealized losses that are not more-likely-than-not to be realized. For the three and six months ended June 30, 2023, the Company recorded an increase of $93 million and a decrease of $42 million to the valuation allowance associated with the unrealized tax losses in the Company's available for sale securities portfolio. The $93 million increase for the three months ended June 30, 2023 to the valuation allowance consists of $88 million tax expense recorded to other comprehensive income and $5 million tax expense recorded in the income tax expense. The $42 million decrease for the six months ended June 30, 2023 to the valuation allowance consists of $52 million tax (benefit) recorded to other comprehensive income offset by $10 million tax expense recorded in the income tax (benefit). At June 30, 2023 and December 31, 2022, the Company has recorded a total valuation allowance for $864 million and $906 million, respectively, associated with the unrealized tax losses in the Company's available for sale securities portfolio. At June 30, 2023 and December 31, 2022, the Company has recorded a total valuation allowance for $4 million and $4 million, respectively, against the deferred tax assets associated with both realized and unrealized losses on capital assets in the Non-life Companies' where it is not more-likely-than-not that the full tax benefit of the losses will be realized.

16. Commitments and Contingencies

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

At June 30, 2023, the Company had unfunded commitments related to its investments in limited partnerships and limited liability companies totaling $994 million. At June 30, 2023, unfunded commitments related to fixed-rate mortgage loans and other debt securities totaled $942 million.

17. Other Related Party Transactions

The Company's investment management operation, PPM, provides investment services to certain Prudential affiliated entities. The Company recognized $10 million and $9 million of revenue during the three months ended June 30, 2023, and 2022, and $18 million and $18 million of revenue during the six months ended June 30, 2023 and 2022, associated with these investment services. This revenue was included in fee income in the accompanying Condensed Consolidated Income Statements.

As discussed further in Note 1 of the Notes to Condensed Consolidated Financial Statements, as of June 30, 2023, Prudential has no remaining equity interest in the Company and is no longer a related party.

18. Operating Costs and Other Expenses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Asset-based commission expenses	$ 255	$ 250	$ 505	$ 525
Other commission expenses	177	229	351	469
Sub-advisor expenses	77	83	154	173
General and administrative expenses	238	153	474	394
Deferral of acquisition costs	(127)	(172)	(248)	(352)
Total operating costs and other expenses	$ 620	$ 543	$ 1,236	$ 1,209

19. Accumulated Other Comprehensive Income (Loss)

The following table represents changes in the balance of AOCI, net of income tax, related to unrealized investment gains (losses) (in millions, 2022 information recast for the adoption of LDTI):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Balance, beginning of period [1]	$ (2,308)	$ (119)	$ (3,378)	$ 1,360
Change in unrealized gains (losses) of investments	(580)	(3,290)	447	(6,871)
Change in current discount rate - reserve for future policy benefits[2]	96	591	(50)	1,356
Change in non-performance risk on market risk benefits	(764)	1,017	(480)	1,953
Change in unrealized gains (losses) - other	3	17	(11)	26
Change in deferred tax asset	181	42	71	444
Other comprehensive income (loss) before reclassifications	(1,064)	(1,623)	(23)	(3,092)
Reclassifications from AOCI, net of tax	7	3	36	(7)
Other comprehensive income (loss)	(1,057)	(1,620)	13	(3,099)
Balance, end of period [1]	$ (3,365)	$ (1,739)	$ (3,365)	$ (1,739)

(1) Includes $(1,930) million and $(2,106) million related to the investments held within the funds withheld account related to the Athene Reinsurance Transaction as of June 30, 2023 and December 31, 2022, respectively.

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

The following table represents amounts reclassified out of AOCI (in millions, 2022 information recast for the adoption of LDTI):

AOCI Components	Amounts Reclassified from AOCI		Affected Line Item in the Condensed Consolidated Income Statement
	Three Months Ended June 30,		
	2023	2022	
Net unrealized investment gain (loss):			
Net realized gain (loss) on investments	$ 16	$ (7)	Net gains (losses) on derivatives and investments
Other impaired securities	(7)	12	Net gains (losses) on derivatives and investments
Net unrealized gain (loss), before income taxes	9	5	
Income tax expense (benefit)	2	2	
Reclassifications, net of income taxes	$ 7	$ 3	

AOCI Components	Amounts Reclassified from AOCI		Affected Line Item in the Condensed Consolidated Income Statement
	Six Months Ended June 30,		
	2023	2022	
Net unrealized investment gain (loss):			
Net realized gain (loss) on investments	$ 76	$ (38)	Net gains (losses) on derivatives and investments
Other impaired securities	(30)	30	Net gains (losses) on derivatives and investments
Net unrealized gain (loss), before income taxes	46	(8)	
Income tax expense (benefit)	10	(1)	
Reclassifications, net of income taxes	$ 36	$ (7)	

20. Equity

Preferred Stock

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

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

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

The net proceeds from the sale are being used for general corporate purposes, including future repayments of debt.

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

				Dividends Paid	
	Declaration Date	**Record Date**	**Payment Date**	**Per Preferred Share**	**Per Depositary Share**
Quarter Ended					
06/30/2023	May 8, 2023	June 1, 2023	June 30, 2023	$594.44	$0.59444

Common Stock

At the time of the Demerger, the Company had two classes of common stock: Class A Common Stock and Class B Common Stock. Both classes had a par value of $0.01 per share. Each share of Class A Common Stock was entitled to one vote per share. Each share of Class B Common Stock was entitled to one-tenth of one vote per share. Except for voting rights, the Company's Class A Common Stock and Class B Common Stock had the same dividend rights, were equal in all other respects, and were otherwise treated as if they were one class of shares. On June 9, 2022, our shareholders approved the Third Amended and Restated Certificate of Incorporation, which amended and restated the Second Amended and Restated Certificate of Incorporation to eliminate the Class B Common Stock. At June 30, 2023 and December 31, 2022, the Company was authorized to issue up to 1 billion shares of common stock (formerly known as the Class A Common Stock at December 31, 2021).

Share Repurchase Program

On February 27, 2023, our Board of Directors authorized an increase of $450 million in our existing authorization to repurchase shares of our outstanding common stock as part of the Company's share repurchase program. As of August 3, 2023, the Company had remaining authorization to purchase $439 million of its common shares. The Company expects to repurchase shares from time to time in the open market or in privately negotiated transactions. The timing, form and amount of the share repurchases under the program are at the discretion of management and will depend on a variety of factors, including funds available at the parent company, other potential uses for such funds, market conditions, the Company's capital position, legal requirements and other factors. The repurchase program may be modified, extended or terminated by the Board at any time. It does not have an expiration date. There can be no assurance that we will continue share repurchases or approve any increase to, or approve any new, stock repurchase program, or as to the amount of any repurchases made pursuant to such programs.

The Inflation Reduction Act of 2022 creates a 1% excise tax on net stock buybacks of publicly-traded U.S. corporations. Starting in 2023, such excise tax generally applies if a company repurchases in excess of $1 million of its stock in any given calendar year. The impact of this provision depends on the extent to which net share repurchases are made. Any excise tax incurred on corporate stock repurchases will generally be recognized as part of the cost basis of the treasury stock acquired and not reported as income tax expense. Through June 30, 2023, we have not incurred any excise tax as stock issuances (including preferred stock) were greater than stock repurchases.

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

Period	Number of Shares Repurchased	Total Payments (in millions)	Average Price Paid Per Share
2022 (January 1- March 31)	3,433,610	$ 140	$ 40.84
2022 (April 1- June 30)	1,870,854	66	35.15
2022 (July 1- September 30)	1,200,000	39	32.75
2022 (October 1 - December 31)	1,142,105	38	33.33
Total 2022	7,646,569	$ 283	$ 37.05
2023 (January 1- March 31)	1,721,737	70	40.42
2023 (April 1- June 30)	1,394,797	47	33.87
Total 2023	3,116,534	$ 117	$ 37.49

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

	Common Stock Issued	Treasury Stock	Total Common Stock Outstanding
Shares at December 31, 2022	94,474,911	(11,784,813)	82,690,098
Share-based compensation programs	6,095	2,331,172 [(1)]	2,337,267
Shares repurchased under repurchase program	—	(3,116,534)	(3,116,534)
Shares at June 30, 2023	94,481,006	(12,570,175)	81,910,831

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

Dividends to Shareholders

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

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

	Declaration Date	Record Date	Payment Date	Dividends Paid Per Share
Quarter Ended				
03/31/2023	February 27, 2023	March 14, 2023	March 23, 2023	$0.62
06/30/2023	May 8, 2023	June 1, 2023	June 15, 2023	$0.62
Quarter Ended				
03/31/2022	February 28, 2022	March 14, 2022	March 23, 2022	$0.55
06/30/2022	May 9, 2022	June 2, 2022	June 16, 2022	$0.55

21. Earnings Per Share

Basic earnings per share is calculated by dividing net income (loss) attributable to Jackson Financial shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is calculated by dividing the net income (loss) attributable to Jackson Financial shareholders, by the weighted-average number of shares of common stock outstanding for the period, plus shares representing the dilutive effect of share-based awards. Beginning in 2021, the Company granted its first share-based awards subject to vesting provisions of the 2021 Omnibus Incentive Plan, which have a dilutive effect. See Note 18 of the Notes to Consolidated Financial Statements in the Company's 2022 Annual Report, as recast in our Current Report on Form 8-K filed May 10, 2023, for further description of share-based awards.

The following table sets forth the calculation of earnings per common share (2022 information recast for the adoption of LDTI):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in millions, except share and per share data)			
Net income (loss) attributable to Jackson Financial Inc.	$ 1,217	$ 3,263	$ (280)	$ 5,457
Less: Preferred stock dividends	13	—	13	—
Net income (loss) attributable to Jackson Financial Inc. common shareholders	$ 1,204	$ 3,263	$ (293)	$ 5,457
Weighted average shares of common stock outstanding - basic	82,595,287	85,968,564	82,620,558	86,649,493
Dilutive common shares	2,159,324	3,200,211	—	3,402,618
Weighted average shares of common stock outstanding - diluted[1]	84,754,611	89,168,775	82,620,558	90,052,111
Earnings per share—common stock				
Basic	$ 14.58	$ 37.96	$ (3.55)	$ 62.98
Diluted	$ 14.21	$ 36.59	$ (3.55)	$ 60.60

[1] In a quarter in which we reported a net loss attributable to Jackson Financial Inc., all common stock equivalents are anti-dilutive and are therefore excluded from the calculation of diluted shares and diluted per share amounts. The shares excluded from the diluted EPS calculation were 2,794,562 shares for the six months ended June 30, 2023.

22. Revision and Reclassifications of Prior Period Financial Statements

At September 30, 2022, the Company identified errors related to the classification of certain balances and amounts in line items of Condensed Consolidated Income Statements, and Condensed Consolidated Statements of Cash Flows of its previously issued Condensed Consolidated Financial Statements. These errors consisted of balances and amounts related to deferred sales inducement assets, liabilities for certain life-contingent annuities, sub-advisor fee expenses, and other operating expenses and did not impact previously reported net income, total equity, or net cash flows.

Management evaluated these errors and the impact to previously issued financial statements based upon SEC Staff Accounting Bulletin No. 99, Materiality, which has since been codified in Accounting Standards Codification ("ASC") 250, Accounting Changes and Error Corrections. Based on this evaluation, management concluded that the adjustments and impact of the errors were not material to any previously issued quarterly or annual financial statements. However, to improve the consistency and comparability of the financial statements, management revised previously reported financial statement line items and related disclosures in this report.

In addition, certain other immaterial amounts in prior period financial statements have been reclassified to conform to the current period presentation.

The following tables, recast for the adoption of LDTI, present Condensed Consolidated Income Statements line items affected by the revisions and reclassifications of previously reported financial statements, detailing amounts previously reported, the impact upon those line items due to revisions and reclassifications and amounts as currently revised within the financial statements. For the six months ended June 30, 2022, the reclassification also impacted the Condensed Consolidated Statement of Cash Flows in the amount of $44 million, which increased financing cash flows offset by a decrease in operating cash flows.

Condensed Consolidated Income Statements (in millions)	**As Previously Reported**	**Impact for the Adoption of LDTI**	**Impact of Revisions and Reclassifications**	**As Revised**
	Three Months Ended 6/30/22	Three Months Ended 6/30/22	Three Months Ended 6/30/22	Three Months Ended 6/30/22
Revenues				
Fee income	$ 1,852	$ —	$ 82	$ 1,934
Premium	32	—	—	32
Net investment income	747	—	(55)	692
Total net gains (losses) on derivatives and investments	3,867	148	—	4,015
Total revenues	6,519	148	27	6,694
Benefits and Expenses				
Death, other policy benefits and change in policy reserves, net of deferrals	912	(649)	11	274
(Gain) loss from updating future policy benefits cash flow assumptions, net	—	14	—	14
Market risk benefits (gains) losses, net	—	1,184	—	1,184
Interest credited on other contract holder funds, net of deferrals and amortization	217	1	(9)	209
Operating costs and other expenses, net of deferrals	517	—	26	543
Amortization of DAC	1,198	(890)	(1)	307
Total benefits and expenses	2,868	(340)	27	2,555
Pretax income (loss)	3,651	488	—	4,139
Income tax (benefit) expense	717	128	—	845
Net income (loss)	$ 2,934	$ 360	$ —	$ 3,294

Condensed Consolidated Income Statements (in millions)	As Previously Reported	Impact for the Adoption of LDTI	Impact of Revisions and Reclassifications	As Revised
	Six Months Ended 6/30/22	Six Months Ended 6/30/22	Six Months Ended 6/30/22	Six Months Ended 6/30/22
Revenues				
Fee income	$ 3,774	$ —	$ 172	$ 3,946
Premium	66	—	3	69
Net investment income	1,467	—	(85)	1,382
Total net gains (losses) on derivatives and investments	5,472	(1,995)	—	3,477
Total revenues	10,820	(1,995)	90	8,915
Benefits and Expenses				
Death, other policy benefits and change in policy reserves, net of deferrals	1,479	(930)	25	574
(Gain) loss from updating future policy benefits cash flow assumptions, net	—	29	—	29
Market risk benefits (gains) losses, net	—	(723)	—	(723)
Interest credited on other contract holder funds, net of deferrals and amortization	423	2	(19)	406
Operating costs and other expenses, net of deferrals	1,124	—	85	1,209
Amortization of deferred acquisition costs	1,713	(1,088)	(1)	624
Total benefits and expenses	4,783	(2,710)	90	2,163
Pretax income (loss)	6,037	715	—	6,752
Income tax (benefit) expense	1,047	186	—	1,233
Net income (loss)	$ 4,990	$ 529	$ —	$ 5,519

23. Subsequent Events

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

Dividends Declared to Shareholders

On August 7, 2023, our Board of Directors approved a third quarter cash dividend on JFI's common stock, $0.62 per share, payable on September 14, 2023, to shareholders of record on August 31, 2023. The Company also declared a cash dividend of $0.50 per depositary share (the "Depositary Shares"), each representing a 1/1,000th interest in a share of Fixed-Rate Reset Noncumulative Perpetual Preferred Stock, Series A. The dividend will be payable on October 2, 2023, to Depositary Shares shareholders of record at the close of business on August 31, 2023.

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

FORWARD-LOOKING STATEMENTS – CAUTIONARY LANGUAGE

The information in this Quarterly Report on Form 10-Q (this “report”) contains forward-looking statements about future events and circumstances and their effects upon revenues, expenses and business opportunities. Generally speaking, any statement in this report not based upon historical fact is a forward-looking statement. Forward-looking statements can also be identified by the use of forward-looking or conditional words, such as “could,” “should,” “can,” “continue,” “estimate,” “forecast,” “intend,” “look,” “may,” “will,” “expect,” “believe,” “anticipate,” “plan,” “remain,” “confident” and “commit” or similar expressions. In particular, statements regarding plans, strategies, prospects, targets and expectations regarding the business and industry are forward-looking statements. They reflect expectations, are not guarantees of performance and speak only as of the dates the statements are made. We caution investors that these forward-looking statements are subject to known and unknown risks and uncertainties that may cause actual results to differ materially from those projected, expressed, or implied. Factors that could cause actual results to differ materially from those in the forward-looking statements include those reflected in Part I, Item 1A. Risk Factors and Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 1, 2023, (the "2022 Annual Report"), as Part II, Item 7 was recast to reflect the adoption of LDTI in our Current Report on Form 8-K filed May 10, 2023, and elsewhere in Jackson Financial Inc.’s filings with the U.S. Securities and Exchange Commission (the "SEC"). Except as required by law, Jackson Financial Inc. does not undertake to update such forward-looking statements. You should not rely unduly on forward-looking statements.

Available Information

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

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

we, us, our and the Company	Jackson Financial Inc. and its consolidated subsidiaries, unless the context refers only to Jackson Financial Inc. as a corporate entity (which we refer to as "JFI" or "Jackson Financial")
Jackson	Jackson National Life Insurance Company, a Company subsidiary.
Brooke Life	Brooke Life Insurance Company, a Company subsidiary and the direct parent company of Jackson National Life Insurance Company.
Jackson Finance	Jackson Finance, LLC, a Company subsidiary.
JNAM	Jackson National Asset Management LLC, a Company subsidiary.
PPMH	PPM Holdings, Inc., a Company subsidiary
PPM	PPM America, Inc., a subsidiary of PPMH
ACL	Allowance for credit loss
Account value or account balance	The amount of money in a customer's account. For example, the value increases with additional premiums and investment gains, and it decreases with withdrawals, investment losses and fees.
Athene	Athene Life Re Ltd. and its affiliates and permitted transferees, including Athene Co-Invest Reinsurance Affiliate 1A Ltd.
Athene Reinsurance Transaction	The funds withheld coinsurance agreement entered into with Athene on June 18, 2020, effective June 1, 2020, to reinsure a 100% quota share of a block of our in-force fixed and fixed index annuity liabilities in exchange for approximately $1.2 billion in ceding commissions
AUM (Assets under management)	Investment assets that are managed by one of our subsidiaries and includes: (i) the assets in our investment portfolio managed by PPM, which excludes assets held in funds withheld accounts for reinsurance transactions, (ii) third-party assets managed by PPM, including those for Prudential and its affiliates or third parties, and (iii) the separate account assets of our Retail Annuities segment that Jackson National Asset Management, LLC ("JNAM") manages and administers.
Benefit base	A notional amount (not actual cash value) used to calculate the owner's guaranteed benefits within an annuity contract. The death benefit and living benefit within the same contract may have different benefit bases.
CMBS	Commercial mortgage-backed securities
DAC (Deferred acquisition costs)	Represent the incremental costs related directly to the successful acquisition of new and certain renewal insurance policies and annuity contracts and which have been deferred on the balance sheet as an asset.
Deferred tax asset or Deferred tax liability	Assets or liabilities that are recorded for the difference between book basis and tax basis of an asset or a liability.
Fixed Annuity	An annuity that guarantees a set annual rate of return with interest at rates we determine, subject to specified minimums. Credited interest rates are guaranteed not to change for certain limited periods of time.

Fixed Index Annuity	An annuity with an ability to share in the upside from certain financial markets, such as equity indices, and provides downside protection.
Form 10	Form 10 registration statement registering the Company's Class A Common Stock under the Securities Exchange Act of 1934, as amended, which became effective on August 6, 2021.
General account assets	The assets held in the general accounts of our insurance companies.
GIC	Guaranteed investment contract
Guarantee Fees	Fees charged on annuities for optional benefit guarantees
GMAB (Guaranteed minimum accumulation benefit)	An add-on benefit (enhanced benefits available for an additional cost) which entitles an owner to a minimum payment, typically in lump-sum, after a set period of time, typically referred to as the accumulation period. The minimum payment is based on the benefit base, which could be greater than the underlying account value.
GMDB (Guaranteed minimum death benefit)	An add-on benefit (enhanced benefits available for an additional cost) that guarantees an owner's beneficiaries are entitled to a minimum payment based on the benefit base, which could be greater than the underlying account value, upon the death of the owner.
GMIB (Guaranteed minimum income benefit)	An add-on benefit (available for an additional cost) where an owner is entitled to annuitize the policy and receive a minimum payment stream based on the benefit base, which could be greater than the payment stream resulting from current annuitization of the underlying account value.
GMWB (Guaranteed minimum withdrawal benefit)	An add-on benefit (available for an additional cost) where an owner is entitled to withdraw a maximum amount of their benefit base each year, for which cumulative payments to the owner could be greater than the underlying account value.
GMWB for Life (Guaranteed minimum withdrawal benefit for life)	An add-on benefit (available for an additional cost) where an owner is entitled to withdraw the guaranteed annual withdrawal amount each year, for the duration of the policyholder's life, regardless of account performance.
MRB (Market Risk Benefit	A contract or contract feature that both provides protection to the contract holder from other-than-nominal capital market risk and exposes the insurance entity to other-than-nominal capital market risk.
NAIC	National Association of Insurance Commissioners
NAV	Net asset value
Net flows	Net flows represent the net change in customer account balances during a period, including gross premiums, surrenders, withdrawals and benefits. Net flows exclude investment performance, interest credited to customer accounts and policy charges.
RBC (Risk-based capital)	Statutory minimum level of capital that is required by regulators for an insurer to support its operations.
RILA	A registered index-linked annuity that offers market index-linked investment options, subject to a cap, and offers a variety of guarantees designed to modify or limit losses.
RMBS	Residential mortgage-backed securities
Variable annuity	A type of annuity that offers tax-deferred investment into a range of asset classes and a variable return, which offers insurance features related to potential future income payments.
VIE	Variable interest entity

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

The following discussion and analysis of our financial condition and results of operations should be read in its entirety and in conjunction with the Condensed Consolidated Financial Statements and related notes contained in Part I, Item 1 of this report, as well as “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section in our 2022 Annual Report, as recast to reflect the adoption of LDTI in our Current Report on Form 8-K filed May 10, 2023.

Jackson Financial Inc. (“Jackson Financial”or “JFI”) along with its subsidiaries (collectively, the “Company,” which also may be referred to as “we,” “our” or “us”), is a financial services company focused on helping Americans grow and protect their retirement savings and income to enable them to pursue financial freedom for life. Jackson Financial, domiciled in the United States (“U.S.”), was previously a subsidiary of Prudential plc (“Prudential”), London, England and was the holding company for Prudential’s U.S. operations. The Company's demerger from Prudential was completed on September 13, 2021 (the "Demerger"). See Note 1 to Condensed Consolidated Financial Statements for further discussion of the Demerger. Jackson Financial’s primary operating subsidiary, Jackson National Life Insurance Company, is licensed to sell group and individual annuity products (including immediate, registered index-linked, deferred fixed, fixed index, fixed and variable annuities), and various protection products, primarily whole life, universal life and variable universal life and term life insurance products in all 50 states and the District of Columbia.

Executive Summary

This executive summary of Management’s Discussion and Analysis of Financial Condition and Results of Operation highlights selected information and may not contain all the information that is important to current or potential investors in our securities. You should read this report, together with our 2022 Annual Report, as recast to reflect the adoption of LDTI in our Current Report on Form 8-K filed May 10, 2023, in its entirety for a more detailed description of events, trends, uncertainties, risks and critical accounting estimates affecting us.

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

We offer a diverse suite of annuities to retail investors in the U.S. Our variable annuities have been among the best-selling products of their kind in the U.S. primarily due to the differentiated features we offer as compared to our competitors, in particular the wider range of investment options and greater freedom to invest across multiple investment options. We also offer fixed index annuities and fixed annuities. In the fourth quarter of 2021, our primary life insurance subsidiary, Jackson and its insurance subsidiaries successfully launched Jackson Market Link Pro^{SM} and Jackson Market Link Pro Advisory^{SM}, a commission and an advisory based suite of registered index-linked annuities ("RILA"). Also in the fourth quarter of 2021, we entered the defined contribution market as a carrier in the AllianceBernstein Lifetime Income Strategy.

We sell our products through a distribution network that includes independent broker-dealers, wirehouses, regional broker-dealers, banks, and independent registered investment advisors, third-party platforms and insurance agents.

Our operating platform is scalable and efficient. We administer approximately 78% of our in-force policies on our in-house policy administration platform. The remainder of our business is administered through established third-party arrangements. We believe that our operating platform provides us with a competitive advantage by allowing us to grow efficiently and provide superior customer service.

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

There are several significant events involving us, including:

- *Demerger from Prudential:* We were previously a majority-owned subsidiary of Prudential, London, England and served as the holding company for its U.S. operations. The Demerger, or separation, from Prudential was completed on September 13, 2021, and we became then a stand-alone U.S. public company. Prudential retained an equity interest in us after the Demerger. As a result of sales subsequent to the Demerger, Prudential has no remaining equity interest in the Company as of June 30, 2023.

- *Common Stock Repurchases:* Since the Demerger and through June 30, 2023, we have repurchased 16,541,752 shares of our common stock for an aggregate consideration of $611 million. After giving effect to those repurchases and issuances for our share-based compensation, we had 12,570,175 shares of treasury stock and 81,910,831 shares of common stock outstanding at June 30, 2023. See Note 20 of the Notes to Condensed Consolidated Financial Statements for further information on our share repurchases.

- *Inflation Reduction Act of 2022:* As discussed in Note 15 of Notes to Condensed Consolidated Financial Statements in this report, on August 16, 2022, the U.S. government enacted the Inflation Reduction Act ("IRA") which, among other changes, created a new corporate alternative minimum tax ("AMT") based on adjusted financial statement income, rather than reported taxable income, and imposed a 1% excise tax on corporate stock repurchases. The AMT provision became effective January 1, 2023. We expect that we will be subject to the AMT beginning in 2023. We expect any AMT incurred to be treated as a taxable temporary difference, and recorded as a deferred tax asset, so it is not expected to have a direct impact on total income tax expense; although it could affect our cash tax liabilities. As of June 30, 2023, we have not recorded any provision for the AMT. The calculation of adjusted financial statement income, and therefore the AMT, is subject to the issuance of regulatory guidance by the U.S. Department of the Treasury, which is expected throughout 2023. Any excise tax incurred on corporate stock repurchases will generally be recognized as part of the cost basis of the treasury stock acquired and not reported as part of income tax expense. We continue to monitor developments and regulations associated with the IRA for any potential future impacts on our business, financial condition, results of operations and cash flows.

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

Key Operating Measures

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

Sales

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in millions)			
Sales				
Variable annuities	$ 2,448	$ 3,633	$ 4,922	$ 8,208
RILA	541	490	1,074	689
Fixed Index Annuities	76	13	138	32
Fixed Annuities [(1)]	39	6	110	10
Total Retail Annuity Sales	3,104	4,142	6,244	8,939
Total Institutional Product Sales	304	201	953	1,176
Total Sales	$ 3,408	$ 4,343	$ 7,197	$ 10,115

[(1)] Includes payout annuities

For the three and six months ended June 30, 2023, total sales decreased by $935 million and $2,918 million compared to the three and six months ended June 30, 2022, respectively. Lower retail sales were primarily due to decreased sales of our variable annuities with lifetime living benefits, partially offset by RILA sales. In addition, sales of our institutional products were higher by $103 million and lower by $223 million, compared to the three and six months ended June 30, 2022, respectively. Sales of fixed index and fixed annuities increased in 2023 due to the higher interest rate environment, which enabled more favorable pricing actions.

Account Value

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

	June 30, 2023	December 31, 2022
	(in millions)	
Account Value		
GMWB For Life	$ 162,115	$ 149,706
GMWB	6,004	5,674
GMIB	1,366	1,356
No Living Benefits	52,227	49,073
Total Variable Annuity Account Value	221,712	205,809
RILA	3,144	1,875
Fixed Index Annuity [(1)]	559	415
Fixed Annuity [(1)]	1,205	1,219
Total Fixed & Fixed Index Annuity Account Value [(1)]	1,764	1,634
Payout Annuity[(1)]	646	649
Total Retail Annuities Account Value [(1)]	$ 227,266	$ 209,967
Total Institutional Products Account Value	$ 8,887	$ 9,019
Total Closed Life and Annuity Blocks Account Value [(1)]	$ 8,187	$ 8,288

[(1)] Net of reinsurance.

Net Flows

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in millions)			
Net Flows:				
Variable Annuity	$ (2,045)	$ (300)	$ (3,819)	$ (298)
RILA	524	489	1,040	687
Fixed Index Annuity [1]	65	18	135	33
Fixed Annuity [1]	(10)	(8)	(21)	(13)
Payout Annuity [1]	(11)	(15)	(37)	(44)
Total Retail Annuities Net Flows [1]	(1,477)	184	(2,702)	365
Net flows ceded	(996)	(564)	(2,199)	(1,150)
Total Retail Annuities net flows, gross of reinsurance	$ (2,473)	$ (380)	$ (4,901)	$ (785)
Total Institutional Products Net Flows	$ 100	$ (667)	$ (291)	$ (351)
Total Closed Life and Annuity Blocks Net Flows [1]	$ (85)	$ (59)	$ (132)	$ (139)

[1] Net of reinsurance.

Net flows, net of reinsurance, decreased for the three and six months ended June 30, 2023, compared to the three and six months ended June 30, 2022, driven by decreased variable annuity sales.

Benefit Base

Benefit base refers to a notional amount that represents the value of a customer's guaranteed benefit, and therefore may be a different value from the invested assets in a customer's account value. The benefit base may be used to calculate the fees for a customer's guaranteed benefits within an annuity contract. The guaranteed death benefit and guaranteed living benefit within the same contract may not have the same benefit base. We believe benefit base is a useful metric for our variable annuity policies in providing an understanding of, among other things, fee income generation, potential optional guarantee benefit obligations and risk management priorities. The following table shows variable annuity account value and benefit base as of June 30, 2023 and December 31, 2022:

	June 30, 2023		December 31, 2022	
	Account Value	**Benefit Base**	**Account Value**	**Benefit Base**
	(in millions)			
No Living Benefits	$ 52,227	N/A	$ 49,073	N/A
By Guaranteed Living Benefits:				
GMWB for Life	162,115	190,138	149,706	189,814
GMWB	6,004	5,510	5,674	5,655
GMIB [(1)]	1,366	1,836	1,356	1,929
Total	$ 221,712	$ 197,484	$ 205,809	$ 197,398
By Guaranteed Death Benefit:				
Return of AV (No GMDB)	$ 26,674	N/A	$ 25,049	N/A
Return of Premium	170,056	138,333	157,339	138,419
Highest Anniversary Value	12,954	13,928	12,128	14,272
Rollup	3,351	4,591	3,229	4,695
Combination HAV/Rollup	8,677	10,213	8,064	10,297
Total	$ 221,712	$ 167,065	$ 205,809	$ 167,683

[(1)] Substantially all our GMIB benefits are reinsured.

Assets Under Management

AUM, or assets under management, refers to investment assets that are managed by one of our subsidiaries and includes: (i) the assets in our investment portfolio managed by PPM, which excludes assets held in funds withheld accounts for reinsurance transactions, (ii) third-party assets managed by PPM, including those for our former parent, and other third parties, and (iii) the separate account assets of our Retail Annuities segment that Jackson National Asset Management LLC ("JNAM") manages and administers. Total AUM reflects exclusions between segments to avoid double counting. We believe AUM is a useful metric for understanding, among other things, the sources of our earnings, net investment income and performance of our invested assets, customer directed investments and risk management priorities.

	June 30, 2023	**December 31, 2022**
	(in millions)	
Jackson Invested Assets	$ 43,096	$ 44,486
Third Party Invested Assets (including CLOs)	27,175	26,993
Total PPM AUM	70,271	71,479
Total JNAM AUM	236,131	219,070
Total AUM	$ 306,402	$ 290,549

PPM manages the majority of our investment portfolio and provides investment management services to our former parent's affiliates in Asia, former affiliates in the United Kingdom, and other third parties across markets, including public fixed income, private equity, private debt and commercial real estate.

Macroeconomic, Industry and Regulatory Trends

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

Macroeconomic and Financial Market Conditions

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

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

In early March through late April, several regional U.S. banks were taken over by federal regulators with the Federal Deposit Insurance Corporation ("FDIC") named as the receiver. These bank failures raised concern among investors and depositors regarding the solvency and liquidity of regional banks across the country, leading to increased stress on the banking sector. In response, the FDIC invoked a systemic risk exception allowing the government to ensure repayment of all amounts on deposit at the failed banks. We continue to monitor and analyze the ongoing situation in the banking sector. Except for assets held as part of reinsurance arrangements within our funds withheld portfolios, where the Company does not have exposure to default risk, the Company's general account portfolio had no exposure to Silicon Valley Bank ("SVB"), Signature Bank, First Republic Bank, and Credit Suisse Additional Tier 1 debt as of June 30, 2023.

Equity Market Environment

Our financial performance is impacted by the performance of equity markets. For example, our variable annuities earn fees based on the account value, which changes with equity market levels. After a very volatile 2020, U.S. equity markets performed well in 2021, with the S&P 500 generally at or near all-time highs throughout the year. In 2022, equity markets declined, and equity volatility increased, resulting in higher hedging costs. While that reversed in the first half of 2023 (as equity markets increased and equity volatility eased), the financial performance of our hedging program could be impacted by any future large directional market movements, or periods of high volatility. In particular, our hedges could be less effective in periods of large directional movements or we could experience more frequent or more costly rebalancing in periods of high volatility, which would lead to adverse performance versus our hedge targets and increased hedging costs. Further, we are also exposed to basis risk, which results from our inability to purchase or sell hedge assets whose performance is perfectly correlated to the performance of the funds into which customers allocate their assets. We make funds available to customers where we believe we can transact in sufficiently correlated hedge assets, and we anticipate some variance in the performance of our hedge assets and customer funds. This variance may result in our hedge assets outperforming or underperforming the customer assets they are intended to match. This variance may be exacerbated during periods of high volatility, leading to a mismatch in our hedge results relative to our hedge targets and U.S GAAP results.

Interest Rate Environment

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

- Periods of sharp rises in interest rates, as we have seen recently as a result of the Federal Reserve's actions impact investment related activity including investment income returns, net investment spread results, new money rates, mortgage loan prepayments, and bond redemptions. Due to increases in interest rates, the yield on new investments has generally exceeded the yield on asset maturities and redemptions (runoff yield). Rising interest rates also impact the hedging results of our variable annuity business as the market value of interest rate hedges decline driving immediate hedging losses. We would expect lower hedging costs and reduced levels of hedging going forward. Further, we expect near-term hedging losses from rising rates may be more than offset by changes in the fair value of the related guaranteed benefit liabilities as was the case for the six months ended June 30, 2023.

- Interest rate increases also expose us to disintermediation risk, where higher rates make currently sold fixed annuity products more attractive while simultaneously reducing the market value of assets backing our liabilities. This creates an incentive for our customers to lapse their products in an environment where selling assets causes us to realize losses.

- Additionally, our statutory total adjusted capital ("TAC") may be negatively impacted by rising rates due to minimum required reserving levels (i.e., cash surrender value floor) when reserve releases are limited and unable to offset interest rate hedging losses. The RBC ratio may increase or decrease depending on the interaction between movements in TAC and movements in statutory required capital (the company action level, or "CAL"), which could impact available dividends from our insurance subsidiaries. CAL will generally decline in rising interest rate environments. However, at times the cash surrender value floor materially affects the CAL calculation (in addition to reserves), rising rates can, and have, negatively affected the RBC ratio as well.We are considering additional methods of moderating the impact of the cash surrender value floor on TAC, CAL and RBC. The implementation of any such method would be subject to Board and regulatory approval. We can provide no assurance that any such method will be approved or the timing or impact of any adoption and implementation.

- We operated in a low interest rate environment for several years. A prolonged low interest rate environment subjects us to increased hedging costs or an increase in the amount of statutory reserves that our insurance subsidiaries are required to hold for optional guaranteed benefits, decreasing statutory surplus, which would adversely affect their ability to pay dividends. Certain inputs to the statutory models rely on prescribed interest rates, which are determined using a historical interest rate perspective with a mean reversion path over the longer term. In addition, low interest rates could also increase the perceived value of optional guaranteed benefit features to our customers, which in turn could lead to a higher utilization of withdrawal or annuitization features of annuity policies and higher persistency of those products over time.

- Finally, some of our annuities have guaranteed minimum interest crediting rates ("GMICRs") that limit our ability to reduce crediting rates. If earnings on our investment portfolio decline, those GMICRs may result in net investment spread compression that negatively impacts earnings. Many of our annuities have GMICRs that reset at contractually specified times after issue, subject to a contractually specified minimum GMICR. In the current rising interest rate environment, the interest crediting rate on those GMICRs has increased. Conversely, in a falling interest rate environment they will eventually decrease; however, there may be a lag between interest rate movements and the GMICR reset, temporarily limiting our ability to lower crediting rates. When policies have comparatively high GMICRs, in a subsequent low interest rate environment more customers are expected to hold on to their policies, which may result in lower lapses than previously expected.

Credit Market Environment

Our financial performance is impacted by conditions in fixed income markets. After tightening in 2021, credit spreads widened in 2022 and remained relatively unchanged in the first half of 2023. As credit spreads widen, the fair value of our existing investment portfolio generally decreases, although we generally expect the widening spreads to increase the yield on new fixed income investments. Conversely, as credit spreads tighten, the fair value of our existing investment portfolio generally increases, and the yield available on new investment purchases decreases. While changing credit spreads impact the fair value of our investment portfolio, this revaluation is generally reflected in our AOCI. The revaluation will impact net income for realized gains or losses from the sale of securities, the change in fair value of trading securities or securities carried at fair value under the fair value election, or potential changes in the allowance for credit loss ("ACL"). In addition, if credit conditions deteriorate due to a recession or other negative credit events in capital markets, we could experience an increase in defaults and other-than-temporary-impairments ("OTTI").

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

Pandemics and Other Public Health Crises

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

Consumer Behavior

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

Demographics

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

Regulatory Policy

We operate in a highly regulated industry. Our insurance company subsidiaries are regulated primarily at the state level, with some policies and products also subject to federal regulation. As such, regulations recently approved or currently under review at both the U.S. federal and state level could impact our business model, including statutory reserve and capital requirements. We anticipate that our ability to respond to changes in regulation and other legislative activity will be critical to our long-term financial performance. In particular, the following could materially impact our business:

Department of Labor Fiduciary Advice Rule

The Department of Labor ("DOL") has issued a regulatory action (the "Fiduciary Advice Rule") effective February 16, 2021, that reinstates the text of the DOL's 1975 investment advice regulation defining what constitutes fiduciary "investment advice" to Employee Retirement Income Security Act ("ERISA") plans and individual retirement accounts ("IRAs") and provides guidance interpreting such regulation. The guidance provided by the DOL broadens the circumstances under which financial institutions, including insurance companies, could be considered fiduciaries under ERISA or the Federal income tax code. In particular, the DOL states that a recommendation to "roll over" assets from a qualified retirement plan to an IRA, or from an IRA to another IRA, can be considered fiduciary investment advice if provided by someone with an existing relationship with the ERISA plan or an IRA owner (or in anticipation of establishing such a relationship). This guidance reverses an earlier DOL interpretation suggesting that roll over advice did not constitute investment advice giving rise to a fiduciary relationship. However, the guidance has been subject to court challenges. In one recent decision issued in February 2023, a U.S. district court in Florida vacated the roll over portion of the guidance, ruling that the DOL exceeded its authority in this area by issuing guidance without going through a rulemaking process. Because our distribution of annuities is primarily through intermediaries, we believe that we will have limited exposure to the new Fiduciary Advice Rule. Unlike the DOL's previous fiduciary rule issued in 2016, compliance with the Fiduciary Advice Rule will not require us or our distributors to provide the disclosures required for exemptive relief under the previous rule. However, we continue to analyze the impact of the Fiduciary Advice Rule, and, while we cannot predict the rule's impact, it could have an adverse effect on sales of annuities through our distribution partners. The Fiduciary Advice Rule may also lead to changes to our compensation practices and product offerings and increased litigation risk, which could adversely affect our results of operations and financial condition. We may also need to take certain additional actions to comply with or assist our distributors in their compliance with the Fiduciary Advice Rule.

Legislative Reforms

Congress approved the Setting Every Community Up for Retirement Enhancement Act of 2019 (the "SECURE Act") on December 20, 2019. The SECURE Act provides individuals with greater access to retirement products. Namely, it makes it easier for 401(k) programs to offer annuities as an investment option by, among other things, creating a statutory safe harbor in ERISA for a retirement plan's selection of an annuity provider. The SECURE Act represents the largest overhaul to retirement plans in over a decade. On December 29, 2022, SECURE 2.0 Act of 2022 ("SECURE 2.0") was signed into law as part of a larger omnibus appropriations bill. SECURE 2.0 contains provisions that expand automatic enrollment programs, increase the age of required minimum distributions, and eliminate age requirements for traditional IRA contributions. These changes are intended to expand and increase Americans' retirement savings. We view these reforms as beneficial to our business model and expect growth opportunities will arise from the new laws.

Tax Laws

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

Cybersecurity Event

Progress Software Corporation disclosed a zero-day vulnerability, which is a previously unknown flaw, in its MOVEit Transfer software ("MOVEit") that could enable malicious actors to gain unauthorized access to sensitive files and information. MOVEit is now the subject of a widely reported cybersecurity event impacting numerous organizations and governmental agencies.

Jackson determined that Jackson’s information at one of our third-party vendors, Pension Benefit Information, LLC (“PBI”), was impacted by this event. Jackson, and many other insurance carriers, use PBI to satisfy our regulatory obligations to search various databases to determine the death of certain life insurance policyholders or annuity contract holders. This service helps Jackson to identify possible beneficiaries for death benefits. According to PBI, an unknown actor exploited the MOVEit flaw to access PBI’s systems and download certain data. Our current assessment indicates that personally identifiable information relating to approximately 850,000 of Jackson’s customers was obtained by that unknown actor from PBI’s systems. PBI has informed Jackson that it has rectified the MOVEit vulnerability.

Separately, Jackson experienced unauthorized access to two servers as a result of the MOVEit zero-day vulnerability, however, the scope and nature of the data accessed on those servers was significantly less than the PBI impact. Notably, the unauthorized actor did not gain access to any other systems or software, there was no interruption of Jackson’s business operations, and we believe there was no impact to our financial results. Jackson, with assistance of third-party cybersecurity specialists, promptly launched an investigation into the unauthorized access, secured Jackson’s servers, patched the identified MOVEit vulnerability, and conducted a forensic analysis. Our assessment is that a subset of information relating to certain partner organizations and individuals, including certain customers of Jackson, was obtained from the two affected servers.

Jackson notified law enforcement, as well as our primary insurance regulators, and we will continue to keep them informed. Further, we have completed appropriate notification to the affected individuals and applicable regulators. In addition, affected individuals are eligible to receive credit monitoring and identity theft services.

At this time, we do not believe the incident has a material adverse effect on the business, operations, or financial results of Jackson Financial.

Non-GAAP Financial Measures

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

Adjusted Operating Earnings

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

Adjusted Operating Earnings equals our Net income (loss) attributable to Jackson Financial Inc. common shareholders (which excludes income attributable to non-controlling interest and dividends on preferred stock) adjusted to eliminate the impact of the following items:

1. *Net Hedging Results*: Comprised of: (i) fees attributed to guaranteed benefits; (ii) changes in the fair value of freestanding derivatives used to manage the risk associated with market risk benefits and other guaranteed benefit features; (iii) the movements in reserves, market risk benefits, guaranteed benefit features accounted for as embedded derivative instruments, and related claims and benefit payments; (iv) amortization of the balance of unamortized deferred acquisition costs at the date of transition to current accounting guidance on January 1, 2021 associated with items excluded from adjusted operating earnings prior to transition; and (v) the impact on the valuation of Guaranteed Benefits and Net Hedging Results arising from changes in underlying actuarial assumptions. These items are excluded from adjusted operating earnings as they may vary significantly from period to period due to near-term market conditions and therefore are not directly comparable or reflective of the underlying performance of our business. We believe this approach appropriately removes the impact to both revenue and related expenses associated with Guaranteed Benefits and Net Hedging Results and provides investors a better picture of the drivers of our underlying performance.

2. *Net Realized Investment Gains and Losses:* Comprised of: (i) realized investment gains and losses associated with the periodic sales or disposals of securities, excluding those held within our trading portfolio; and (ii) impairments of securities, after adjustment for the non-credit component of the impairment charges. These items are excluded from pretax adjusted operating earnings as they may vary significantly from period to period due to near-term market conditions and therefore are not directly comparable or reflective of the underlying performance of our business. We believe this approach provides investors a better picture of the drivers of our underlying performance.

3. *Change in Value of Funds Withheld Embedded Derivative and Net investment income on funds withheld assets:* Composed of: (i) the change in fair value of funds withheld embedded derivatives; and (ii) net investment income on funds withheld assets related to funds withheld reinsurance transactions. These items are excluded from pretax adjusted operating earnings as they are not reflective of the underlying performance of our business. We believe this approach provides investors a better picture of the drivers of our underlying performance.

4. *Other items*: Comprised of: (i) the impact of investments that are consolidated in our financial statements due to U.S. GAAP accounting requirements, such as our investments in collateralized loan obligations (CLOs), but for which the consolidation effects are not consistent with our economic interest or exposure to those entities, and (ii) one-time or other non-recurring items, such as costs relating to our separation from Prudential. These items are excluded from adjusted operating earnings as they are not reflective of the underlying performance of our business. We believe this approach provides investors a better picture of the drivers of our underlying performance.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in millions)			
Net income (loss) attributable to Jackson Financial Inc common shareholders	$ 1,204	$ 3,263	$ (293)	$ 5,457
Add: dividends on preferred stock	13	—	13	—
Add: income tax expense (benefit)	245	845	(313)	1,233
Pretax income (loss) attributable to Jackson Financial Inc	1,462	4,108	(593)	6,690
Non-operating adjustments (income) loss:				
Guaranteed benefits and hedging results:				
Fees attributable to guarantee benefit reserves	(781)	(765)	(1,561)	(1,529)
Net movement in freestanding derivatives	1,911	(2,847)	4,423	(1,371)
Market risk benefits (gains) losses, net	(2,570)	1,184	(2,744)	(723)
Net reserve and embedded derivative movements	194	—	383	40
Amortization of DAC associated with non-operating items at date of transition to LDTI	149	166	302	339
Assumption changes	—	—	—	—
Total guaranteed benefits and net hedging results	(1,097)	(2,262)	803	(3,244)
Net realized investment (gains) losses	40	(5)	108	125
Net realized investment (gains) losses on funds withheld assets	134	(1,077)	807	(2,105)
Net investment income on funds withheld assets	(252)	(364)	(559)	(624)
Loss on funds withheld reinsurance transaction	—	—	—	—
Other items	18	64	41	67
Total non-operating adjustments	(1,157)	(3,644)	1,200	(5,781)
Pretax adjusted operating earnings	305	464	607	909
Less: operating income tax expense (benefit)	9	57	40	125
Adjusted operating earnings before dividends on preferred stock	296	407	567	784
Less: dividends on preferred stock	13	—	13	—
Adjusted operating earnings	$ 283	$ 407	$ 554	$ 784

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

We use Adjusted Operating Return on Equity ("ROE") Attributable to Common Shareholders to manage our business and evaluate our financial performance. Adjusted Operating ROE Attributable to Common Shareholders excludes items that vary from period to period due to accounting treatment under U.S. GAAP or that are non-recurring in nature, as such items may distort the underlying performance of our business. We calculate Adjusted Operating ROE Attributable to Common Shareholders by dividing our Adjusted Operating Earnings by average Adjusted Book Value Attributable to Common Shareholders. Adjusted Book Value Attributable to Common Shareholders excludes Preferred Stock and AOCI attributable to Jackson Financial Inc. AOCI attributable to Jackson Financial Inc. does not include AOCI arising from investments held within the funds withheld account related to the Athene Reinsurance Transaction. We exclude AOCI attributable to Jackson Financial Inc. from Adjusted Book Value Attributable to Common Shareholders because our invested assets are generally invested to closely match the duration of our liabilities, which are longer duration in nature, and therefore we believe period-to-period fair market value fluctuations in AOCI to be inconsistent with this objective. We believe excluding AOCI attributable to Jackson Financial Inc. is more useful to investors in analyzing trends in our business. Changes in AOCI within the funds withheld account related to the Athene Reinsurance Transaction offset the related non-operating earnings from the Athene Reinsurance Transaction resulting in a minimal net impact on Adjusted Book Value of Jackson Financial Inc.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
	(in millions)			
Net income (loss) attributable to Jackson Financial Inc. common shareholders	$ 1,204	$ 3,263	$ (293)	$ 5,457
Adjusted Operating Earnings	283	407	554	784
Total shareholders' equity	$ 8,652	$ 9,706	$ 8,652	$ 9,706
Less: Preferred stock	533	—	533	—
Total common shareholders' equity	8,119	9,706	8,119	9,706
Adjustments to total common shareholders' equity:				
Exclude AOCI attributable to Jackson Financial Inc. [1]	1,435	62	1,435	62
Adjusted Book Value Attributable to Common Shareholders	$ 9,554	$ 9,768	$ 9,554	$ 9,768
ROE Attributable to Common Shareholders	59.4 %	145.8 %	(7.1)%	128.2 %
Adjusted Operating ROE Attributable to Common Shareholders on average equity	12.5 %	18.7 %	11.8 %	19.6 %

[1] Excludes $(1,930) million and $(1,677) million related to the investments held within the funds withheld account related to the Athene Reinsurance Transaction as of June 30, 2023 and 2022, respectively, are not attributable to Jackson Financial Inc. and are therefore not included as an adjustment to total shareholders' equity in the reconciliation of Adjusted Book Value Attributable to Common Shareholders to total shareholders' equity.

Consolidated Results of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in millions)			
Revenues				
Fee income	$ 1,913	$ 1,934	$ 3,801	$ 3,946
Premiums	52	32	77	69
Net investment income:				
Net investment income excluding funds withheld assets	420	328	835	758
Net investment income on funds withheld assets	252	364	559	624
Total net investment income	672	692	1,394	1,382
Net gains (losses) on derivatives and investments:				
Net gains (losses) on derivatives and investments	(2,112)	2,938	(4,838)	1,372
Net gains (losses) on funds withheld reinsurance treaties	(134)	1,077	(807)	2,105
Total net gains (losses) on derivatives and investments	(2,246)	4,015	(5,645)	3,477
Other income	19	21	34	41
Total revenues	410	6,694	(339)	8,915
Benefits and Expenses				
Death, other policy benefits and change in policy reserves, net of deferrals	241	274	469	574
(Gain) loss from updating future policy benefits cash flow assumptions, net	10	14	24	29
Market risk benefits (gains) losses, net	(2,570)	1,184	(2,744)	(723)
Interest credited on other contract holder funds, net of deferrals and amortization	295	209	580	406
Interest expense	58	24	101	44
Operating costs and other expenses, net of deferrals	620	543	1,236	1,209
Amortization of deferred acquisition costs	291	307	584	624
Total benefits and expenses	(1,055)	2,555	250	2,163
Pretax income (loss)	1,465	4,139	(589)	6,752
Income tax expense (benefit)	245	845	(313)	1,233
Net income (loss)	1,220	3,294	(276)	5,519
Less: Net income (loss) attributable to noncontrolling interests	3	31	4	62
Net income (loss) attributable to Jackson Financial Inc.	1,217	3,263	(280)	5,457
Less: Dividends on preferred stock	13	—	13	—
Net income (loss) attributable to Jackson Financial Inc. common shareholders	$ 1,204	$ 3,263	$ (293)	$ 5,457

Three Months Ended June 30, 2023 compared to Three Months Ended June 30, 2022

Pretax Income (Loss)

Our pretax income (loss) decreased by $2,674 million to $1,465 million for the three months ended June 30, 2023, from $4,139 million for the three months ended June 30, 2022 primarily due to:

- $6,261 million decrease in total net gains (losses) on derivatives and investments as shown in the table below and driven by:

	Three Months Ended June 30,		
	2023	2022	Variance
	(in millions)		
Net gains (losses) excluding derivatives and funds withheld assets	$ (40)	$ 5	$ (45)
Net gains (losses) on freestanding derivatives	(1,952)	2,869	(4,821)
Net gains (losses) on embedded derivatives (excluding funds withheld reinsurance)	(120)	64	(184)
Net gains (losses) on derivative instruments	(2,072)	2,933	(5,005)
Net gains (losses) on funds withheld reinsurance	(134)	1,077	(1,211)
Total net gains (losses) on derivatives and investments	$ (2,246)	$ 4,015	$ (6,261)

  - Freestanding derivative losses from our equity derivatives during the three months ended June 30, 2023 primarily driven by market increases in 2023, compared to decreases in the prior year.
  - Losses recognized on funds withheld reinsurance were driven by the significant rise in interest rates during 2022 which resulted in income reported for the movement in the embedded derivative compared to 2023, which were more stable; and

- $86 million increase in interest credited on contract holder funds, net of deferrals, primarily due to an increase in flexible annual minimum interest rates on variable annuity general account funds and higher crediting rates on new institutional business; and
- $77 million increase in operating costs and other expenses, net of deferrals, primarily due to an increase in incentive compensation and deferred compensation expenses during the three months ended June 30, 2023 compared to the prior year quarter.
- $34 million higher interest expense incurred during the three months ended June 30, 2023 primarily related to interest on our repurchase agreements and other short-term borrowings;

These decreases were partially offset by:

- $3,754 million favorable movements in market risk benefits (gains) losses, net, primarily driven by positive fund performance during the three months ended June 30, 2023 as compared to negative fund performance in the prior year quarter. This was partially offset by smaller increases in interest rates in the current quarter compared to the prior year quarter.

Income Taxes

Income tax expense decreased $600 million to an expense of $245 million for the three months ended June 30, 2023, from an expense of $845 million for the three months ended June 30, 2022. The provision for income tax in the current period led to an effective income tax rate ("ETR") of 17% for the three months ended June 30, 2023 compared to the 2022 ETR of 21%. The expense during the three months ended June 30, 2023 decreased primarily due to the relationship of the taxable income to the consolidated pre-tax income. Our ETR differs from the statutory rate of 21% primarily due to the dividends received deduction and utilization of tax credits. See Note 15 of Notes to Consolidated Financial Statements in our audited Consolidated Financial Statements, as recast in our Current Report on Form 8-K filed May 10, 2023 and Note 15 of Notes to Condensed Consolidated Financial Statements in this report for more information.

Six Months Ended June 30, 2023 compared to Six Months Ended June 30, 2022

Pretax Income (Loss)

Our pretax income (loss) decreased by $7,341 million to $(589) million for the six months ended June 30, 2023, from $6,752 million for the six months ended June 30, 2022 primarily due to:

- $9,122 million decrease in total net gains (losses) on derivatives and investments as shown in the table below and driven by:

	Six Months Ended June 30,		
	2023	**2022**	**Variance**
	(in millions)		
Net gains (losses) excluding derivatives and funds withheld assets	$ (108)	$ (125)	$ 17
Net gains (losses) on freestanding derivatives	(4,501)	1,429	(5,930)
Net gains (losses) on embedded derivatives (excluding funds withheld reinsurance)	(229)	68	(297)
Net gains (losses) on derivative instruments	(4,730)	1,497	(6,227)
Net gains (losses) on funds withheld reinsurance	(807)	2,105	(2,912)
Total net gains (losses) on derivatives and investments	$ (5,645)	$ 3,477	$ (9,122)

  - Freestanding derivative losses on our equity derivatives primarily driven by market increases in 2023, compared to decreases in the prior year, partially offset by lower amounts of losses within our interest rate related hedge instruments, reflecting slight decreases in interest rates, compared to increasing interest rates in the prior year.
  - Losses recognized on funds withheld reinsurance were driven by the significant rise in interest rates during 2022 which resulted in income reported for the movement in the embedded derivative, compared to 2023 which were more stable; and
- $174 million increase in interest credited on contract holder funds, net of deferrals, primarily due to an increase in flexible annual minimum interest rates on variable annuity general account funds and higher crediting rates on new institutional business;
- $145 million decrease in fee income primarily due to lower average separate account values compared to prior year;
- $57 million higher interest expense incurred during 2023 primarily related to interest on our senior notes, repurchase agreements and other short-term borrowings; and
- $27 million increase in operating costs and other expenses, net of deferrals, primarily due to an increase in deferred compensation expenses during 2023 compared to the prior year, partially offset by lower asset-based non-deferrable commissions and lower sub-advisor expenses due to lower account values.

These decreases were partially offset by:

- $2,021 million favorable movements in market risk benefits (gains) losses, net, primarily driven by positive separate account returns as compared to negative separate account returns in the prior year. This was partially offset by less favorable movements in interest rates in 2023, compared to prior year; and
- $110 million decrease in death, other policy benefits, and change in policy reserves, net of (gain) loss from updating actual benefit cash flows used in the net premium ratio, partially offset by a $25 million increase in our allowance for reinsurance credit losses related to a specific reinsurer which was recently ordered into liquidation.

Income Taxes

Income tax expense decreased $1,546 million to a tax benefit of $313 million for the six months ended June 30, 2023, from an expense of $1,233 million for the six months ended June 30, 2022. The provision for income tax in the current period led to an ETR of 53% for the six months ended June 30, 2023 compared to the 2022 ETR of 18%. The change in the ETR during the six months ended June 30, 2023 compared to the six months ended June 30, 2022 was due to the relationship of taxable income to consolidated pre-tax income. The ETR differs from the statutory rate of 21% primarily due to the dividends received deduction and utilization of tax credits. See Note 15 of Notes to Consolidated Financial Statements in our audited Consolidated Financial Statements, as recast in our Current Report on Form 8-K filed May 10, 2023 and Note 15 of Notes to Condensed Consolidated Financial Statements in this report for more information.

Segment Results of Operations

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

Pretax Adjusted Operating Earnings by Segment

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in millions)			
Pretax Adjusted Operating Earnings by Segment:				
Retail Annuities	$ 328	$ 425	$ 684	$ 850
Institutional Products	17	19	26	42
Closed Life and Annuity Blocks	7	12	(13)	3
Corporate and Other	(47)	8	(90)	14
Pretax Adjusted Operating Earnings	**305**	**464**	**607**	**909**
Non-operating adjustments income (loss):				
Guaranteed benefits and hedging results:				
Fees attributable to guarantee benefit reserves	781	765	1,561	1,529
Net movement in freestanding derivatives	(1,911)	2,847	(4,423)	1,371
Market risk benefits gains (losses), net	2,570	(1,184)	2,744	723
Net reserve and embedded derivative movements	(194)	—	(383)	(40)
Amortization of DAC associated with non-operating items at date of transition to LDTI	(149)	(166)	(302)	(339)
Total guaranteed benefits and hedging results	1,097	2,262	(803)	3,244
Net realized investment gains (losses)	(40)	5	(108)	(125)
Net realized investment gains (losses) on funds withheld assets	(134)	1,077	(807)	2,105
Net investment income on funds withheld assets	252	364	559	624
Other items	(18)	(64)	(41)	(67)
Total pre-tax reconciling items	1,157	3,644	(1,200)	5,781
Pretax income (loss) attributable to Jackson Financial Inc	1,462	4,108	(593)	6,690
Income tax expense (benefit)	245	845	(313)	1,233
Net income (loss) attributable to Jackson Financial Inc	1,217	3,263	(280)	5,457
Less: Dividends on preferred stock	13	—	13	—
Net income (loss) attributable to Jackson Financial Inc common shareholders	$ 1,204	$ 3,263	$ (293)	$ 5,457

Retail Annuities

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in millions)			
Retail Annuities:				
Operating Revenues				
Fee income	$ 1,002	$ 1,034	$ 1,977	$ 2,142
Premiums	6	—	10	3
Net investment income	130	113	266	227
Income (loss) on operating derivatives	(12)	7	(22)	18
Other income	10	11	19	22
Total Operating Revenues	**1,136**	**1,165**	**2,250**	**2,412**
Operating Benefits and Expenses				
Death, other policy benefits and change in policy reserves, net of deferrals	12	16	(3)	48
(Gain) loss from updating future policy benefits cash flow assumptions, net	—	1	(2)	(2)
Interest credited on other contract holder funds, net of deferrals and amortization	96	61	194	118
Interest expense	32	6	49	11
Operating costs and other expenses, net of deferrals	529	515	1,051	1,107
Amortization of deferred acquisition costs	139	141	277	280
Total Operating Benefits and Expenses	**808**	**740**	**1,566**	**1,562**
Pretax Adjusted Operating Earnings	**$ 328**	**$ 425**	**$ 684**	**$ 850**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in millions)			
Retail Annuities Account Value:				
Balance as of beginning of period	$ 218,770	$ 242,951	$ 209,967	$ 260,135
Premiums and deposits	3,154	4,210	6,351	9,062
Surrenders, withdrawals, and benefits	(4,631)	(4,026)	(9,053)	(8,697)
Net flows	(1,477)	184	(2,702)	365
Investment performance	10,483	(33,310)	21,011	(50,037)
Change in value of equity option	117	(63)	225	(67)
Interest credited	96	60	195	116
Policy charges and other	(723)	(691)	(1,430)	(1,381)
Balance as of end of period, net of ceded reinsurance	227,266	209,131	227,266	209,131
Ceded reinsurance	20,093	23,921	20,093	23,921
Balance as of end of period, gross of reinsurance	$ 247,359	$ 233,052	$ 247,359	$ 233,052

Three Months Ended June 30, 2023 compared to Three Months Ended June 30, 2022

Pretax Adjusted Operating Earnings

Pretax adjusted operating earnings decreased $97 million to $328 million for the three months ended June 30, 2023 from $425 million for the three months ended June 30, 2022 primarily due to:

- $32 million decrease in fee income primarily due to lower average separate account values compared to prior year;
- $26 million increase in interest expense incurred in the current year primarily related to interest on our repurchase agreements and other short-term borrowings;
- $19 million decrease in income (loss) on operating derivatives primarily due to the increase in floating rates in 2023;
- $18 million decrease in spread income primarily due to $35 million higher interest credited driven by resetting minimum interest crediting rates on variable annuity fixed rate options in the first quarter of 2023, partially offset by $17 million higher investment income; and
- $14 million increase in operating costs and other expenses, net of deferrals, primarily due to an increase in incentive compensation and deferred compensation expenses in 2023.

Six Months Ended June 30, 2023 compared to Six Months Ended June 30, 2022

Pretax Adjusted Operating Earnings

Pretax adjusted operating earnings decreased $166 million to $684 million for the six months ended June 30, 2023 from $850 million for the six months ended June 30, 2022 primarily due to:

- $165 million decrease in fee income primarily due to lower average separate account values compared to prior year;
- $40 million decrease in income on operating derivatives primarily due to the increase in floating rates during 2023;
- $38 million increase in interest expense incurred in the current year primarily related to interest on our repurchase agreements and other short-term borrowings; and
- $37 million decrease in spread income primarily due to $76 million higher interest credited driven by resetting minimum interest crediting rates on variable annuity fixed rate options in the first quarter of 2023, partially offset by $39 million higher investment income.

These decreases were partially offset by:

- $56 million decrease in operating costs and other expenses, net of deferrals, primarily due to lower asset-based non-deferrable commissions and lower sub-advisor expenses due to lower account values during 2023, partially offset by an increase in deferred compensation expenses in 2023; and
- $51 million decrease in death, other policy benefits, and change in policy reserves, net of (gain) loss from updating future policy benefits cash flow assumptions, primarily due to lower other policyholder benefits in 2023.

Account Value

Retail annuities account value, net of reinsurance, increased $18.1 billion between periods primarily due to positive variable annuity separate account returns driven by favorable market performance in 2023, as well as positive RILA net flows over the period.

Institutional Products

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in millions)			
Institutional Products:				
Operating Revenues				
Net investment income	$ 119	$ 72	$ 221	$ 136
Income (loss) on operating derivatives	(13)	(4)	(25)	(5)
Total Operating Revenues	**106**	**68**	**196**	**131**
Operating Benefits and Expenses				
Interest credited on other contract holder funds, net of deferrals and amortization	84	47	160	86
Interest expense	4	—	8	—
Operating costs and other expenses, net of deferrals	1	2	2	3
Total Operating Benefits and Expenses	**89**	**49**	**170**	**89**
Pretax Adjusted Operating Earnings	**$ 17**	**$ 19**	**$ 26**	**$ 42**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in millions)			
Institutional Products:				
Balance as of beginning of period	$ 8,691	$ 9,173	$ 9,019	$ 8,830
Premiums and deposits	304	201	953	1,176
Surrenders, withdrawals, and benefits	(204)	(868)	(1,244)	(1,527)
Net flows	100	(667)	(291)	(351)
Credited Interest	84	47	160	86
Policy Charges and other	12	(70)	(1)	(82)
Balance as of end of period	$ 8,887	$ 8,483	$ 8,887	$ 8,483

Three Months Ended June 30, 2023 compared to Three Months Ended June 30, 2022

Pretax Adjusted Operating Earnings

Pretax adjusted operating earnings decreased $2 million to $17 million for the three months ended June 30, 2023 from $19 million for the three months ended June 30, 2022 primarily due to increased interest credited on contract holder funds due to higher crediting rates on new business and increased losses on operating derivatives, partially offset by higher investment income.

Six Months Ended June 30, 2023 compared to Six Months Ended June 30, 2022

Pretax Adjusted Operating Earnings

Pretax adjusted operating earnings decreased $16 million to $26 million for the six months ended June 30, 2023 from $42 million for the six months ended June 30, 2022 primarily due to increased interest credited on contract holder funds due to higher crediting rates on new business and increased losses on operating derivatives, partially offset by higher investment income.

Account Value

Institutional product account value increased from $8,483 million at June 30, 2022 to $8,887 million at June 30, 2023. The increase in account value was driven by new issuances, partially offset by continued maturities of the existing contracts and funding agreements.

Closed Life and Annuity Blocks

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
	(in millions)			
Closed Life and Annuity Blocks:				
Operating Revenues				
Fee income	$ 116	$ 119	$ 233	$ 240
Premiums	49	35	72	72
Net investment income	175	167	352	356
Income (loss) on operating derivatives	(14)	13	(24)	28
Other income	6	9	10	17
Total Operating Revenues	**332**	**343**	**643**	**713**
Operating Benefits and Expenses				
Death, other policy benefits and change in policy reserves, net of deferrals	154	194	317	419
(Gain) loss from updating future policy benefits cash flow assumptions, net	11	14	27	32
Interest credited on other contract holder funds, net of deferrals and amortization	115	101	226	202
Operating costs and other expenses, net of deferrals	42	19	81	51
Amortization of deferred acquisition costs	3	3	5	6
Total Operating Benefits and Expenses	**325**	**331**	**656**	**710**
Pretax Adjusted Operating Earnings	**$ 7**	**$ 12**	**$ (13)**	**$ 3**

Three Months Ended June 30, 2023 compared to Three Months Ended June 30, 2022

Pretax Adjusted Operating Earnings

Pretax adjusted operating earnings decreased $5 million to $7 million for the three months ended June 30, 2023 from $12 million for the three months ended June 30, 2022 primarily due to:

- $27 million decrease in income on operating derivatives primarily due to the increase in floating rates during 2023; and
- $23 million increase in operating costs and other expenses, net of deferrals, primarily due to an increase in incentive compensation and deferred compensation expenses in 2023.

These decreases were partially offset by:

- $43 million decrease in death, other policy benefits, and change in policy reserves, net of (gain) loss from updating actual benefit cash flows used in the net premium ratio, partially offset by a $25 million increase in our allowance for reinsurance credit losses related to a specific reinsurer which was recently ordered into liquidation.

Six Months Ended June 30, 2023 compared to Six Months Ended June 30, 2022

Pretax Adjusted Operating Earnings

Pretax adjusted operating earnings decreased $16 million to $(13) million for the six months ended June 30, 2023 from $3 million for the six months ended June 30, 2022 primarily due to:

- $52 million decrease in income on operating derivatives primarily due to the increase in floating rates during 2023; and
- $30 million increase in operating costs and other expenses, net of deferrals, primarily due to an increase in deferred compensation expenses in 2023; and
- $24 million increase in interest credited related to persistency bonuses in 2023.

These decreases were partially offset by:

- $107 million decrease in death, other policy benefits, and change in policy reserves, net of (gain) loss from updating actual benefit cash flows used in the net premium ratio, partially offset by a $25 million increase in our allowance for reinsurance credit losses related to a specific reinsurer which was recently ordered into liquidation.

Corporate and Other

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
	(in millions)			
Corporate and Other:				
Operating Revenues				
Fee income	$ 13	$ 14	$ 26	$ 30
Net investment income	11	9	33	43
Income (loss) on operating derivatives	(4)	8	(8)	18
Other income	3	1	5	2
Total Operating Revenues	**23**	**32**	**56**	**93**
Operating Benefits and Expenses				
Interest expense	22	18	44	33
Operating costs and other expenses, net of deferrals	48	6	102	46
Total Operating Benefits and Expenses	**70**	**24**	**146**	**79**
Pretax Adjusted Operating Earnings	**$ (47)**	**$ 8**	**$ (90)**	**$ 14**

Three Months Ended June 30, 2023 compared to Three Months Ended June 30, 2022

Pretax Adjusted Operating Earnings

Pretax adjusted operating earnings decreased $55 million to $(47) million for the three months ended June 30, 2023 from $8 million for the three months ended June 30, 2022 primarily due to the following:

- $42 million increase in operating costs and other expenses, net of deferrals, primarily due to an increase in incentive compensation and deferred compensation expenses in 2023; and
- $12 million decrease in income on operating derivatives primarily due to the increase in floating rates in 2023.

Six Months Ended June 30, 2023 compared to Six Months Ended June 30, 2022

Pretax Adjusted Operating Earnings

Pretax adjusted operating earnings decreased $104 million to $(90) million for the six months ended June 30, 2023 from $14 million for the six months ended June 30, 2022 primarily due to the following:

- $56 million increase in operating costs and other expenses, net of deferrals, primarily due an increase in deferred compensation expenses in 2023; and
- $26 million decrease in income on operating derivatives primarily due to the increase in floating rates in 2023.
- $11 million higher interest expense incurred in the current year primarily related to our senior notes.

Investments

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

Investment Strategy

Our overall investment strategy is to maintain a diversified and largely investment grade fixed income portfolio that is capital efficient, achieves risk-adjusted returns that support competitive pricing for our products, generates profitable growth of our business and maintains adequate liquidity to support our obligations. The investments within our investment portfolio are primarily managed by PPM, our wholly-owned registered investment advisor. Our investment strategy benefits from PPM's ability to originate investments directly, as well as participate in transactions originated by banks, investment banks, commercial finance companies and other intermediaries. Certain investments held in funds withheld accounts for reinsurance transactions are managed by Apollo Insurance Solutions Group LP ("Apollo"), an Athene affiliate, see Note 8 - Reinsurance of Notes to Condensed Consolidated Financial Statements for further details. We may also use other third-party investment managers for certain niche asset classes. As of June 30, 2023, Apollo managed $17.9 billion of cash and investments and other third-party investment managers managed approximately $208 million of investments.

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

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

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

As of June 30, 2023 and December 31, 2022, we had total investments of $64.3 billion and $65.9 billion, respectively.

Portfolio Composition

The following table summarizes the carrying values of our investments:

	June 30, 2023			December 31, 2022		
	Investments excluding Funds Withheld	Funds Withheld	Total	Investments excluding Funds Withheld	Funds Withheld	Total
	(in millions)					
Debt Securities, available-for-sale, net of allowance for credit losses	$ 29,978	$ 12,085	$ 42,063	$ 28,867	$ 13,622	$ 42,489
Debt Securities, at fair value under fair value option	2,049	161	2,210	2,014	159	2,173
Debt securities, trading, at fair value	101	—	101	100	—	100
Equity securities, at fair value	119	148	267	316	77	393
Mortgage loans, net of allowance for credit losses	7,001	3,302	10,303	6,840	4,127	10,967
Mortgage loans, at fair value under fair value option	—	509	509	—	582	582
Policy loans	930	3,451	4,381	942	3,435	4,377
Freestanding derivative instruments	912	34	946	1,192	78	1,270
Other invested assets	2,865	638	3,503	2,802	793	3,595
Total investments	$ 43,955	$ 20,328	$ 64,283	$ 43,073	$ 22,873	$ 65,946

Available-for-sale debt securities decreased to $42,063 million at June 30, 2023 from $42,489 million at December 31, 2022, primarily due to an increase in net unrealized losses. The amortized cost of available-for-sale debt securities decreased from $48,798 million as of December 31, 2022 to $47,872 million as of June 30, 2023. Further, net unrealized losses were $6,286 million as of December 31, 2022 compared to $5,792 million as of June 30, 2023.

Other Invested Assets

Other invested assets decreased to $3,503 million at June 30, 2023 from $3,595 million at December 31, 2022, primarily due to a sale of limited partnerships in the funds withheld portfolio.

Debt Securities

At June 30, 2023 and December 31, 2022, the amortized cost, allowance for credit loss, gross unrealized gains and losses, and fair value of debt securities, including trading securities and securities carried at fair value under the fair value option, were as follows (in millions):

June 30, 2023	**Amortized Cost**	**Allowance for Credit Loss**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. government securities	$ 5,630	$ —	$ —	$ 961	$ 4,669
Other government securities	1,685	3	1	221	1,462
Corporate securities					
Utilities	5,974	—	26	669	5,331
Energy	3,061	1	8	349	2,719
Banking	2,179	1	2	220	1,960
Healthcare	3,184	—	9	407	2,786
Finance/Insurance	4,457	4	8	568	3,893
Technology/Telecom	2,369	1	5	264	2,109
Consumer goods	2,578	—	13	350	2,241
Industrial	1,755	—	8	156	1,607
Capital goods	2,054	—	4	177	1,881
Real estate	1,665	—	1	217	1,449
Media	1,233	—	2	155	1,080
Transportation	1,469	—	1	199	1,271
Retail	1,292	—	4	162	1,134
Other [(1)]	2,127	—	3	163	1,967
Total Corporate Securities	35,397	7	94	4,056	31,428
Residential mortgage-backed	456	6	12	52	410
Commercial mortgage-backed	1,676	—	—	185	1,491
Other asset-backed securities	5,338	—	12	436	4,914
Total Debt Securities	$ 50,182	$ 16	$ 119	$ 5,911	$ 44,374

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

December 31, 2022	**Amortized Cost**	**Allowance for Credit Loss**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. government securities	$ 6,192	$ —	$ 1	$ 1,008	$ 5,185
Other government securities	1,719	2	1	251	1,467
Corporate securities					
Utilities	5,893	—	27	695	5,225
Energy	3,006	10	7	390	2,613
Banking	1,994	—	2	234	1,762
Healthcare	2,956	—	8	439	2,525
Finance/Insurance	4,497	4	8	621	3,880
Technology/Telecom	2,333	1	2	296	2,038
Consumer goods	2,463	—	10	378	2,095
Industrial	1,675	—	8	173	1,510
Capital goods	1,982	—	3	196	1,789
Real estate	1,723	—	1	225	1,499
Media	1,230	—	1	175	1,056
Transportation	1,576	—	3	214	1,365
Retail	1,312	—	5	182	1,135
Other [(1)]	2,056	—	1	178	1,879
Total Corporate Securities	34,696	15	86	4,396	30,371
Residential mortgage-backed	510	6	19	59	464
Commercial mortgage-backed	1,821	—	—	183	1,638
Other asset-backed securities	6,133	—	8	504	5,637
Total Debt Securities	$ 51,071	$ 23	$ 115	$ 6,401	$ 44,762

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

Evaluation of Available-For-Sale Debt Securities

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

Equity Securities

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

	June 30, 2023	December 31, 2022
	(in millions)	
Common Stock	$ 72	$ 82
Preferred Stock	176	133
Mutual Funds	19	178
Total	$ 267	$ 393

Mortgage Loans

Commercial mortgage loans of $9.7 billion and $10.2 billion at June 30, 2023 and December 31, 2022, respectively, are reported net of an allowance for credit losses of $154 million and $91 million at each date, respectively. At June 30, 2023, commercial mortgage loans were collateralized by properties located in 37 states, the District of Columbia, and Europe. Residential mortgage loans of $1.1 billion and $1.3 billion at June 30, 2023 and December 31, 2022, respectively, are reported net of an allowance for credit losses of $8 million and $4 million at each date, respectively. Residential mortgage loans were collateralized by properties located in 50 states, the District of Columbia, Mexico, and Europe.

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

	June 30, 2023	December 31, 2022
	(in millions)	
Commercial:		
Apartment	$ 3,278	$ 3,558
Hotel	933	1,015
Office	1,497	1,795
Retail	2,080	2,085
Warehouse	1,912	1,788
Total Commercial	$ 9,700	$ 10,241
Residential	1,112	1,308
Total	$ 10,812	$ 11,549

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

	June 30, 2023	December 31, 2022
	(in millions)	
United States:		
East North Central	$ 1,083	$ 1,116
East South Central	526	546
Middle Atlantic	1,512	1,677
Mountain	522	627
New England	336	371
Pacific	2,586	2,850
South Atlantic	2,194	2,313
West North Central	586	572
West South Central	979	920
Total United States	10,324	10,992
Foreign	488	557
Total	$ 10,812	$ 11,549

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

	June 30, 2023	December 31, 2022
	(in millions)	
Commercial mortgage loans		
Loan to value ratios:		
Less than 70%	$ 8,997	$ 9,586
70% - 80%	457	424
80% - 100%	222	197
Greater than 100%	24	34
Total	9,700	10,241
Residential mortgage loans		
Performing	1,042	1,230
Nonperforming [1]	70	78
Total	1,112	1,308
Total mortgage loans	$ 10,812	$ 11,549

[1] As of June 30, 2023 and December 31, 2022, includes $28 million and $41 million of loans purchased when the loans were greater than 90 days delinquent and $9 million and $12 million of loans in process of foreclosure, respectively, and are supported with insurance or other guarantees provided by various governmental programs.

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

	June 30, 2023	June 30, 2022
	(in millions)	
Balance at beginning of year	$ 95	$ 94
Provision (release), net [1]	67	(14)
Balance at end of period	$ 162	$ 80

[1] At June 30, 2023, the $82 million increase in the allowance for credit loss resulted primarily from two mezzanine loans experiencing stress around payoff, or refinance, of the loans for which the Company continues to assess options with the lending group and borrowers.

The Company's mortgage loans that are current and in good standing are accruing interest. Interest is not accrued on loans greater than 90 days delinquent and in process of foreclosure, when deemed uncollectible. Delinquency status is determined from the date of the first missed contractual payment.

At June 30, 2023, there was $13 million of recorded investment, $14 million of unpaid principal balance, no related loan allowance, $15 million of average recorded investment, and no investment income recognized on impaired residential mortgage loans.

At December 31, 2022, there was $15 million of recorded investment, $16 million of unpaid principal balance, no related loan allowance, $18 million of average recorded investment, and no investment income recognized on impaired residential mortgage loans.

Derivative Instruments

The following table presents the aggregate contractual or notional amounts and the fair values of our freestanding and embedded derivatives instruments (in millions):

	June 30, 2023			
	Contractual/ Notional Amount [1]	Assets Fair Value	Liabilities Fair Value	Net Fair Value Asset (Liability)
Freestanding derivatives				
Cross-currency swaps	$ 1,854	$ 108	$ 143	$ (35)
Equity index call options	12,000	486	—	486
Equity index futures [2]	14,377	—	—	—
Equity index put options	41,500	283	—	283
Interest rate swaps	7,728	5	241	(236)
Put-swaptions	19,500	—	1,362	(1,362)
Interest rate futures [2]	37,339	—	—	—
Total return swaps	1,460	—	40	(40)
Total freestanding derivatives	135,758	882	1,786	(904)
Embedded derivatives				
Fixed index annuity embedded derivatives [3]	N/A	—	970	(970)
Registered index linked annuity embedded derivatives [3]	N/A	—	639	(639)
Total embedded derivatives	N/A	—	1,609	(1,609)
Derivatives related to funds withheld under reinsurance treaties				
Cross-currency swaps	158	20	1	19
Cross-currency forwards	1,401	44	29	15
Funds withheld embedded derivative [4]	N/A	2,901	—	2,901
Total derivatives related to funds withheld under reinsurance treaties	1,559	2,965	30	2,935
Total	$ 137,317	$ 3,847	$ 3,425	$ 422

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

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

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

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

	December 31, 2022			
	Contractual/ Notional Amount [1]	Assets Fair Value	Liabilities Fair Value	Net Fair Value Asset (Liability)
Freestanding derivatives				
Cross-currency swaps	$ 1,825	$ 73	$ 104	$ (31)
Equity index call options	17,500	106	—	106
Equity index futures [2]	19,760	—	—	—
Equity index put options	30,500	958	—	958
Interest rate swaps	7,728	5	231	(226)
Interest rate swaps - cleared [2]	1,500	—	—	—
Put-swaptions	25,000	—	1,711	(1,711)
Interest rate futures [2]	105,261	—	—	—
Total return swaps	739	31	—	31
Total freestanding derivatives	209,813	1,173	2,046	(873)
Embedded derivatives				
Fixed index annuity embedded derivatives [3]	N/A	—	931	(931)
Registered index linked annuity embedded derivatives [3]	N/A	—	205	(205)
Total embedded derivatives	N/A	—	1,136	(1,136)
Derivatives related to funds withheld under reinsurance treaties				
Cross-currency swaps	158	23	1	22
Cross-currency forwards	1,490	74	18	56
Funds withheld embedded derivative [4]	N/A	3,158	—	3,158
Total derivatives related to funds withheld under reinsurance treaties	1,648	3,255	19	3,236
Total	$ 211,461	$ 4,428	$ 3,201	$ 1,227

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

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

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

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

Evaluation of Invested Assets

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

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

Policy and Contract Liabilities

We establish, and carry as liabilities, actuarially determined amounts that are calculated to meet policy obligations or to provide for future annuity payments. Amounts for actuarial liabilities are computed and reported on the Condensed Consolidated Financial Statements in conformity with GAAP. For more details on Policyholder Liabilities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates" included in our 2022 Annual Report.

As an insurance company, a substantial portion of our profits are derived from fee income and the invested assets backing our policy and contract liabilities, which includes separate account liabilities, reserves for future policy benefits and claims payable and other contract holder funds. As of June 30, 2023, 89% of our policy and contract liabilities were in our Retail Annuities segment, 3% were in our Institutional Products segment and 8% were in our Closed Life and Annuity Blocks segment.

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

June 30, 2023	**Separate Accounts**	**Reserves for future policy benefits**	**Other contract holder funds**	**Market Risk Benefits**	**Total**
			(in millions)		
Variable Annuities	$ 212,328	$ —	$ 9,384	$ (1,528)	$ 220,184
RILA[1]	—	—	3,144	3	3,147
Fixed Annuities	—	—	10,601	1	10,602
Fixed Index Annuities[2]	—	—	11,049	24	11,073
Payout Annuities	—	1,054	853	—	1,907
Other Annuities	316	—	—	—	316
Total Retail Annuities	212,644	1,054	35,031	(1,500)	247,229
Total Institutional Products	—	—	8,887	—	8,887
Total Closed Life and Annuity Blocks	75	9,436	12,384	6	21,901
Total Policy and Contract Liabilities	212,719	10,490	56,302	(1,494)	278,017
Claims payable and other	—	1,513	175	—	1,688
Total	**$ 212,719**	**$ 12,003**	**$ 56,477**	**$ (1,494)**	**$ 279,705**

December 31, 2022	**Separate Accounts**	**Reserves for future policy benefits**	**Other contract holder funds**	**Market Risk Benefits**	**Total**
			(in millions)		
Variable Annuities	$ 195,550	$ —	$ 10,259	$ 767	$ 206,576
RILA[1]	—	—	1,875	5	1,880
Fixed Annuities	—	—	11,696	—	11,696
Fixed Index Annuities[2]	—	—	11,787	17	11,804
Payout Annuities	—	1,042	837	—	1,879
Other Annuities	285	—	—	—	285
Total Retail Annuities	195,835	1,042	36,454	789	234,120
Total Institutional Products	—	—	9,019	—	9,019
Total Closed Life and Annuity Blocks	71	9,726	12,534	8	22,339
Total Policy and Contract Liabilities	195,906	10,768	58,007	797	265,478
Claims payable and other	—	1,550	183	—	1,733
Total	**$ 195,906**	**$ 12,318**	**$ 58,190**	**$ 797**	**$ 267,211**

(1) Includes the embedded derivative liabilities in other contract holder funds related to RILA of $639 million and $205 million at June 30, 2023 and December 31, 2022, respectively.

(2) Includes the embedded derivative liabilities related to fixed index annuity in other contract holder funds of $970 million and $931 million at June 30, 2023 and December 31, 2022, respectively.

As of June 30, 2023, $212.7 billion or 77% of our policy and contract liabilities were backed by separate account assets. These separate account assets backed reserves primarily related to our variable annuities. Separate account liabilities are fully funded by cash flows from the customer's corresponding separate account assets and are set equal to the fair value of such invested assets. We generate revenue on our separate account liabilities primarily from asset-based fee income. Separate account assets and associated liabilities are subject to variability driven by the performance of the underlying investments, which are exposed to fluctuations in equity markets and bond fund valuations. As a result, revenue derived from asset-based fee income is similarly subject to variability in line with the variability of the underlying separate account assets.

As of June 30, 2023, $45.0 billion of our policy and contract liabilities were backed by our investment portfolio and $20.3 billion reinsured by Athene, were backed by funds withheld assets. As of June 30, 2023, 100% of our RILA policy and contract liabilities were subject to surrender charges of at least 5% or at market value in the event of discretionary withdrawal by customers. We have the discretion, subject to contractual limitations and minimums, to reset the crediting terms on the majority of our fixed index annuities and fixed annuities. As of June 30, 2023, 94% of fixed annuity, fixed-indexed annuity, and the fixed accounts of RILA and variable annuity correspond to crediting rates that are at the guaranteed minimum crediting rate.

See Note 9, Note 10, Note 11 and Note 12 of Notes to Condensed Consolidated Financial Statements for additional discussion on accounting policies around Reserves for future policy benefits and claims payable, Other contract holder funds, Separate account assets and liabilities and MRBs.

Liquidity and Capital Resources

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

The discussion below describes our liquidity and capital resources for the six months ended June 30, 2023 and 2022.

Cash Flows

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

	Six Months Ended June 30,	
	2023	2022
	(in millions)	
Net cash provided by (used in) operating activities	$ 2,547	$ 2,052
Net cash provided by (used in) investing activities	(2,804)	2,615
Net cash provided by (used in) financing activities	(1,941)	(2,032)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(2,198)	2,635
Cash, cash equivalents, and restricted cash at beginning of period	4,301	2,631
Total cash, cash equivalents, and restricted cash at end of period	$ 2,103	$ 5,266

Cash flows from Operating Activities

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

Cash flows provided by (used in) operating activities increased $495 million to $2,547 million for the six months ended June 30, 2023 from $2,052 million for the six months ended June 30, 2022. This was primarily due to the timing of settlements of receivables and payables as well as lower acquisition costs.

Cash flows from Investing Activities

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

Cash flows provided by (used in) investing activities decreased $5,419 million to $(2,804) million during the six months ended June 30, 2023 from $2,615 million during the six months ended June 30, 2022. This decrease was primarily due to outflows related to our hedging program for derivative settlements and collateral predominantly resulting from market increases in 2023.

Cash flows from Financing Activities

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

Cash flows provided by (used in) financing activities increased $91 million to $(1,941) million during the six months ended June 30, 2023 from $(2,032) million during the six months ended June 30, 2022. This increase was primarily due to proceeds from repurchase agreements and issuance of our preferred stock, partially offset by decreased deposits driven by lower variable annuity sales in 2023 compared to 2022.

Statutory Capital

Our insurance company subsidiaries have statutory surplus above the level needed to meet current regulatory requirements. RBC requirements are used as minimum capital requirements by the NAIC and the state insurance departments to identify companies that merit regulatory action. RBC is based on a formula that incorporates both factor-based components (applied to various asset, premium, claim, expense and statutory reserve items) and model-based components. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk, market risk and business risk and is calculated on an annual basis. The formula is used as an early warning regulatory tool to identify possible inadequately capitalized insurers for purposes of initiating regulatory action, and not to rank insurers generally. As of June 30, 2023, our insurance companies were well in excess of the minimum required capital levels. Jackson is also subject to risk-based capital guidelines that provide a method to measure the adjusted capital that a life insurance company should have for regulatory purposes, taking into account the risk characteristics of Jackson's investments and products.

Our statutory TAC may be negatively impacted by minimum required reserving levels (i.e., cash surrender value floor) when reserve releases are limited and unable to offset losses from our hedging program. The RBC ratio may increase or decrease depending on the interaction between movements in TAC and movements in statutory CAL, which could impact available dividends from our insurance subsidiaries. At times the cash surrender value floor materially affects the CAL calculation in addition to reserve levels. We are considering additional methods of moderating the impact of the cash surrender value floor on TAC, CAL and RBC. The implementation of any such method would be subject to Board and regulatory approval. We can provide no assurance that any such method will be approved or the timing or impact of any adoption and implementation.

Holding Company Liquidity

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

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

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

On March 13, 2023, the Company issued and sold 22,000,000 depositary shares (the "Depositary Shares"), each representing a 1/1,000th fractional interest in a share of the Company's Fixed-Rate Reset Noncumulative Perpetual Preferred Stock, Series A, $25,000 liquidation preference per share (equivalent to $25 per Depositary Share), with a 5-year dividend rate reset period and noncumulative dividends (the "Series A Preferred Stock"). After underwriting discounts and expenses, we received net proceeds of approximately $533 million. See Note 20 of the Notes to Condensed Consolidated Financial Statements for more information.

During the second quarter of 2023, we paid a cash dividend of $0.59444 per depositary share and $0.62 per share on JFI's preferred and common stock totaling $13 million and $53 million, respectively. On August 7, 2023, our Board of Directors approved a third quarter cash dividend on JFI's common stock of $0.62 per share, payable on September 14, 2023 to shareholders of record on August 31, 2023. The Company also declared a cash dividend of $0.50 per depositary share (the "Depositary Shares"), each representing a 1/1,000th interest in a share of Fixed-Rate Reset Noncumulative Perpetual Preferred Stock, Series A. The dividend will be payable on October 2, 2023, to Depositary Shares shareholders of record at the close of business on August 31, 2023.

We repurchased a total of 1,394,797 shares and a total of 3,116,534 shares of common stock for an aggregate purchase price of $47 million and $117 million in the three and six months ended June 30, 2023, respectively, which were funded with cash on hand.

See Note 20 of the Notes to Condensed Consolidated Financial Statements in this Report for further information on dividends to shareholders and share repurchases.

During the second quarter of 2023, Jackson Financial Inc. purchased certain private equity fund investments from Jackson National Life Insurance Company for $452 million, with a carrying value of $502 million, as part of rebalancing Jackson National Life Insurance Company's portfolio mix. Jackson Financial Inc. expects to divest these investments in future quarters. The Company recognized a $50 million loss expected from this future divestiture in Net Investment Income within the consolidated financial statements as of June 30, 2023, and has excluded this loss from adjusted operating earnings as a non-operating item.

Distributions from our Insurance Company Subsidiaries

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

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

For 2023, Jackson and Brooke Life have total ordinary dividend capacity, based on 2022 statutory capital and surplus and statutory net gain from operations, subject to the availability of earned surplus, of $3,688 million and $501 million, respectively. Brooke Life, as the sole owner of our other insurance company subsidiaries, including Jackson and Jackson National Life NY, is the direct recipient of any dividend payments from those subsidiaries and must make dividend payments to its ultimate parent company, Jackson Financial, in order for any funds from our insurance company subsidiaries to reach Jackson Financial. As such, Jackson Financial’s ability to receive dividend payments from our insurance company subsidiaries is effectively limited by Brooke Life’s ability to make dividend payments to Jackson Financial.

On March 1, 2023, Jackson paid a $450 million ordinary dividend and remitted a $150 million return of capital to its parent company, Brooke Life. Brooke Life subsequently paid a $360 million ordinary dividend and remitted a $150 million return of capital to its ultimate parent, Jackson Financial. In addition, for the quarter ended March 31, 2023, Brooke Life paid $45 million of interest associated with the $2 billion surplus note between Brooke Life and Jackson Finance, LLC ("Jackson Finance"), a subsidiary of Jackson Financial.

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

Insurance Company Subsidiaries' Liquidity

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

Liquidity requirements are principally for purchases of new investments, management of derivative related margin requirements, repayment of principal and interest on debt, payments of interest on surplus notes, funding of insurance product liabilities including payments for policy benefits, surrenders, maturities and new policy loans, funding of expenses including payment of commissions, operating expenses and taxes. As of June 30, 2023, Jackson's outstanding surplus notes and bank debt included $58 million of bank loans from the Federal Home Loan Bank of Indianapolis ("FHLBI"), collateralized by mortgage-related securities and mortgage loans and $250 million of surplus notes maturing in 2027.

Significant increases in interest rates could create sudden increases in surrender and withdrawal requests by customers and contract holders and result in increased liquidity requirements at our insurance company subsidiaries. Significant increases in interest rates or equity markets may also result in higher margin and collateral requirements on our derivative portfolio. The derivative contracts are an integral part of our risk management program, especially for the management of our variable annuities program, and are managed in accordance with our hedging and risk management program. Our cash flows associated with collateral received from counterparties and posted with counterparties fluctuates with changes in the market value of the underlying derivative contract and/or the market value of the collateral. The net collateral position depends on changes in interest rates and equity markets related to the amount of the exposures hedged. Collateral posting requirements can result in material liquidity needs for our insurance subsidiaries. As of June 30, 2023, we were in a net collateral payable position of $498 million, which is down from $689 million as of December 31, 2022.

Other factors that are not directly related to interest rates can also give rise to an increase in liquidity requirements, including, changes in ratings from rating agencies, general policyholder concerns relating to the life insurance industry (e.g., the unexpected default of a large, unrelated life insurer) and competition from other products, including non-insurance products such as mutual funds, certificates of deposit and newly developed investment products. Most of the life insurance and annuity products Jackson offers permit the policyholder or contract holder to withdraw or borrow funds or surrender cash values. As of June 30, 2023, approximately half of Jackson's general account reserves are not surrenderable, included surrender charges greater than 5%, or included market value adjustments to discourage early withdrawal of policy and contract funds.

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

Jackson uses a variety of asset liability management techniques to provide for the orderly provision of cash flow from investments and other sources as policies and contracts mature in accordance with their normal terms. Jackson's principal sources of liquidity to meet unexpected cash outflows associated with sudden and severe increases in surrenders and withdrawals or benefit payments are its portfolio of liquid assets and its net operating cash flows. As of June 30, 2023, the portfolio of cash, short-term investments and privately and publicly traded securities and equities, which are unencumbered and unrestricted to sale, amounted to $21.1 billion.

Our Indebtedness

Senior Notes

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

On November 23, 2021, the Company issued $1.6 billion aggregate principal amount of its senior unsecured notes consisting of $600 million aggregate principal amount of 1.125% Senior Notes due November 22, 2023, $500 million aggregate principal amount of 3.125% Senior Notes due November 23, 2031, and $500 million aggregate principal amount of 4.000% Senior Notes due November 23, 2051.

Revolving Credit and Short-Term Borrowing Facilities

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

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

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

Surplus Notes

On March 15, 1997, our subsidiary, Jackson, issued 8.2% surplus notes in the principal amount of $250 million due March 15, 2027. These surplus notes were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims and may not be redeemed at the option of the Company or any holder prior to maturity. Interest is payable semi-annually on March 15th and September 15th of each year. Interest expense on the notes was $7 million and $12 million for the three and six months ended June 30, 2023, respectively and interest expense on the notes was $5 million and $10 million for the three and six months ended June 30, 2022, respectively.

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

Federal Home Loan Bank

Jackson is a member of the regional FHLBI primarily for the purpose of participating in its collateralized loan advance program with funding facilities. Membership requires us to purchase and hold a minimum amount of FHLBI capital stock, plus additional stock based on outstanding advances. Advances are in the form of either notes or funding agreements issued to FHLBI. As of June 30, 2023 and December 31, 2022, Jackson held a bank loan with an outstanding balance of $58 million and $62 million, respectively.

Financial Strength Ratings

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

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

As of August 3, 2023, the financial strength ratings of our principal insurance subsidiaries were as follows:

Company	A.M. Best	Fitch	Moody's	S&P
Jackson National Life Insurance Company				
Rating	A	A	A2	A
Outlook	stable	stable	negative	stable
Jackson National Life Insurance Company of New York				
Rating	A	A	A2	A
Outlook	stable	stable	negative	stable
Brooke Life Insurance Company				
Rating	A			
Outlook	stable			

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

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

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

Impact of Recent Accounting Pronouncements

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

As discussed in Note 2 of Notes to Condensed Consolidated Financial Statements in this report, we adopted Accounting Standards Update ("ASU") 2018-12, “Targeted Improvements to the Accounting for Long-Duration Contracts” (“LDTI”), for our fiscal year beginning January 1, 2023, with a transition date of January 1, 2021. Based upon the elected transition methods, the adoption of LDTI resulted in a decrease in total equity of $3.0 billion as of the transition date of January 1, 2021, comprised of a reduction in accumulated other comprehensive income ("AOCI") of $0.4 billion and a reduction in retained earnings of $2.6 billion. The adoption of the standard resulted in increases in net income attributable to Jackson Financial Inc. of $489 million and $234 million for the years ended December 31, 2022 and 2021, respectively, and also resulted in an increase in total equity of $223 million and a decrease of $2.8 billion for the years ended December 31, 2022 and 2021, respectively, from the amounts reported prior to the adoption of LDTI. The change in the equity impact from the transition date was primarily due to higher interest rates and is comprised of a reduction in retained earnings that is more than offset by an increase in AOCI. See further discussion in Note 2- New Accounting Standards of the Notes to Condensed Consolidated Financial Statements for the significant changes associated with this change in accounting principle.

Summary of Critical Accounting Estimates

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

The below critical accounting estimates are described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates” and Notes 1 and 2 of the Notes to the Consolidated Financial Statements included in our 2022 Annual Report, as recast to reflect the adoption of LDTI in our Current Report on Form 8-K filed May 10, 2023.

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

The below critical accounting estimates are updated from our 2022 Annual Report for the adoption of LDTI.

Reserves for Future Policy Benefits and Claims Payable

We establish reserves for future policy benefits to, or on behalf of, customers in the same period in which the policy is issued or acquired, using methodologies prescribed by U.S. GAAP.

Reserves for Future Policy Benefits

For non-participating traditional life insurance contracts and limited pay life-contingent contracts, which includes term, whole life, and payout annuities with significant insurance risk, reserves for future policy benefits represents the present value of estimated future policy benefits to be paid to or on behalf of policyholders in future periods and certain related expenses less the present value of estimated future net premiums.

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

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

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

Additional Liabilities - Universal Life-type

The Company issues universal life plans with secondary guarantees and interest-sensitive life plans. The primary reserves for these policies are the contract holder account balances reported within the other contract holder funds line of the balance sheet. Where these contracts provide additional benefits beyond the account balance or base insurance coverage that are not market risk benefits or embedded derivatives, liabilities in addition to the policyholder's account value are recognized. These additional liabilities for annuitization, death and other insurance benefits are reported within reserves for future policy benefits and claims payable. The methodology uses a benefit ratio defined as a constant percentage of the assessment base. This ratio is multiplied by current period assessments to determine the reserve accrual for the period. The assumptions used in the measurement of the additional liabilities for annuitization, death and other insurance benefits are based on best estimate assumptions including mortality, persistency, investment returns, and discount rates. These assumptions are similarly subject to the annual review process discussed above.

Other Future Policy Benefits and Claims Payable

In conjunction with a prior acquisition, we recorded a fair value adjustment related to certain annuity and interest-sensitive life blocks of business to reflect the cost of the interest guarantees within the in-force liabilities, based on the difference between the guaranteed interest rate and an assumed new money guaranteed interest rate. This adjustment is recorded in reserves for future policy benefits and claims payable. This component of the acquired reserves is reassessed at the end of each period, taking into account changes in the in-force block. Any resulting change in the reserve is recorded as a change in policy reserve through the consolidated income statements.

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

See Note 9 - Reserve for Future Policy Benefits and Claims Payable of the Notes to Condensed Consolidated Financial Statements for additional information on these accounting policies.

Market Risk Benefits

Contracts or contract features that provide protection to the contract holder from capital market risk and expose the Company to other-than-nominal capital market risk are classified as MRBs. All long-duration insurance contracts and certain investment contracts are subject to MRB evaluation. MRBs are measured at fair value at the contract level and can be in either an asset or liability position. For contracts that contain multiple MRB features, the MRBs are valued together as a single compound MRB.

The use of models and assumptions used to determine fair value of MRBs requires a significant amount of judgement. The significant assumptions used in the MRB fair value calculations are:

- *Mortality rates* - These vary by attained age, tax qualification status, guaranteed benefit election, and duration. The range used reflects ages from the minimum issue age for the benefit through age 95, which corresponds to the typical maturity age. A mortality improvement assumption is also applied.
- *Base lapse rates* - These vary by contract-level factors, such as product type, surrender charge schedule and optional benefits election. Lapse rates are further adjusted based on the degree to which a guaranteed benefit is in-the-money, with lower lapse applying when benefits are more in-the-money. Lapse rates are also adjusted to reflect lower lapse expectations when guaranteed benefits are utilized.
- *Utilization rates* - These represents the expected percentage of contracts that will utilize the benefit through annuitization (GMIB) or commencement of withdrawals (GMWB). Utilization may vary by benefit type, attained age, duration, tax qualification status, benefit provision, and degree to which the guaranteed benefit is in-the-money.
- *Withdrawal rates* - These represent the percentage of annual withdrawal assumed relative to the maximum allowable withdrawal amount under the free partial withdrawal provision or the GMWB, as applicable. Free partial withdrawal rates vary based on the product type and duration. Withdrawal rates on contracts with a GMWB vary based on attained age, tax qualification status, GMWB type and GMWB benefit provisions.

- *Non-performance risk adjustment* - This is applied as a spread over the risk-free rate to determine the rate used to discount the related cash flows and varies by projection year.
- *Long-term equity volatility* - This represents the equity volatility beyond the period for which observable equity volatilities are available.

See Note 6 - Fair Value Measurements of the Notes to Condensed Consolidated Financial Statements for additional information.

Variable Annuities

We issue variable contracts through our separate accounts for which investment income and investment gains and losses accrue directly to, and investment risk is borne by, the contract holder. Certain of these contracts include contract provisions by which we contractually guarantee to the contract holder either a) return of no less than total deposits made to the account adjusted for any partial withdrawals, b) total deposits made to the account adjusted for any partial withdrawals plus a minimum return, or c) the highest account value on a specified anniversary date adjusted for any withdrawals following the contract anniversary. These guarantees include benefits that are payable upon the depletion of funds (GMWB), in the event of death (GMDB), at annuitization (GMIB), or at the end of a specified period (GMAB). Substantially all of our GMIB benefits are reinsured. GMIB benefits and GMAB benefits were discontinued in 2009 and 2011, respectively. For additional information regarding our account value by optional guarantee benefit, see Business–Our Segments–Retail Annuities–Variable Annuities in the 2022 Annual Report.

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

Fixed Index Annuities

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

RILA

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

See Note 12 - Market Risk Benefits of the Notes to Condensed Consolidated Financial Statements for additional information on these accounting policies.

Reinsurance

Accounting for reinsurance requires extensive use of assumptions and estimates, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risk with respect to reinsurance receivables. We periodically review actual and anticipated experience compared to the aforementioned assumptions used to establish assets and liabilities relating to ceded and assumed reinsurance and evaluate the financial strength of counterparties to our reinsurance agreements. Counterparty credit risk may be managed through the use of letters of credit, collateral trusts or on balance sheet funds withheld agreements. Assets held under funds withheld agreements are included on our balance sheets and subject to triggers embedded within the relevant reinsurance agreements.

Additionally, for each of our reinsurance agreements, we determine whether the agreement provides indemnification against loss or liability relating to insurance risk, in accordance with applicable accounting standards. We review all contractual features, including those that may limit the amount of insurance risk to which the reinsurer is subject or features that delay the timely reimbursement of claims.

For reinsurance contracts, reinsurance recoverable balances are generally calculated using methodologies and assumptions that are consistent with those used to calculate the direct liabilities. For non-participating traditional life insurance contracts and limited pay life-contingent contracts, there may be reinsurance contracts executed subsequent to the direct contract issue dates, and market interest rates may have changed between the date that the underlying insurance contracts were issued and the date the reinsurance contract is recognized in the financial statements, resulting in the underlying discount rate differing between the direct and reinsured business.

Our guaranteed minimum income benefits (GMIBs) are reinsured with an unrelated party. For contracts that only ceded the GMIB feature of our annuity products, the reinsurance contract in its entirety is classified as a reinsured market risk benefit. Accordingly, the reinsured market risk benefit is recorded at fair value using internally developed models consistent with those used to value our direct market risk benefits.

See Note 8 - Reinsurance of the Notes to Condensed Consolidated Financial Statements for additional information on these accounting policies.

Off–Balance Sheet Arrangements

We do not have any off–balance sheet arrangements as of June 30, 2023.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to the quantitative and qualitative disclosures about market risk described in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures About Market Risk" previously disclosed in our 2022 Annual Report.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, which are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. During the period covered by this Report, we, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) and determined our disclosure controls and procedures were not effective due to a material weakness identified related to the ineffective risk assessment of a process level control used to determine our non-performance risk adjustment in developing the discount rate used to estimate the fair value of some of the guarantee features of our variable annuity products, as described in "Item 9A. Controls and Procedures—Management's Report on Internal Control Over Financial Reporting" previously disclosed in our 2022 Annual Report. Consequently, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was not effective as of June 30, 2023.

The Company began remediation of the material weakness in the first quarter of 2023 and expects that it will be remediated by the end of the year. Remediation will include additional evidence supporting the review and challenge of inputs and results as well as enhancements to the governance process in developing the discount rate used to estimate the fair value of some of our guarantee features.

Changes in Internal Control Over Financial Reporting

As described above, the Company is taking steps to remediate the material weakness in its internal control over financial reporting and is implementing additional controls to remediate the material weakness. Additionally, as part of the adoption of LDTI, the Company has made certain changes to its valuation, financial reporting, and disclosure processes. As a result of these changes, the Company has made changes to certain existing controls, and implemented certain new controls, which address the risks of material misstatement in these processes. Other than these additional controls, there was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended June 30, 2023, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

We discuss in this report, in our 2022 Annual Report, and in our other filings with the SEC, various risks that may materially affect our business. In addition, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Forward-Looking Statements - Cautionary Language" included herein. There have been no material changes to our risk factors disclosed in our 2022 Annual Report.

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

Recent Sales of Unregistered Securities.

None.

Repurchase of Equity by the Company.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program [2]	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program (in millions) [2]
April 1, 2023 - April 30, 2023 [1]				
Share repurchase program	653,531	$ 36.10	653,531	$ 463
Employee transactions [3]	1,282,247	35.79	N/A	N/A
May 1, 2023 - May 31, 2023				
Share repurchase program	741,266	31.90	741,266	439
Employee transactions [3]	—	N/A	N/A	N/A
June 1, 2023 - June 30, 2023				
Share repurchase program	—	—	—	439
Employee transactions [3]	3,732	29.98	N/A	N/A
Totals				
Share repurchase program	1,394,797		1,394,797	
Employee transactions [3]	1,285,979		N/A	
	2,680,776		**1,394,797**	

[1] Includes repurchases of shares under Class A Common Stock repurchase agreements with Athene.
[2] On February 27, 2023, our Board of Directors authorized an increase of $450 million to the existing share repurchase authorization. For more information on common stock repurchases, see Note 20 of Notes to Condensed Consolidated Financial Statements included elsewhere in this Report.
[3] Includes shares withheld pursuant to the terms of awards under the Company's 2021 Omnibus Incentive Plan to offset tax withholding obligations that occur upon vesting and release of shares, which are treated as share repurchases. The value of the shares withheld is the closing price of common stock of Jackson Financial Inc. on the date the relevant transaction occurs.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

On June 13, 2023, Craig D. Smith, President and CEO of PPM America Inc., and an executive officer of Jackson Financial, terminated a Rule 10b5-1 trading arrangement he adopted on March 13, 2023 (the "Plan"). The Plan provided for the sale of up to 23,894 shares of the Company's common stock and was scheduled to expire upon the earlier of March 1, 2024 or the sale of all shares subject to the Plan.

Item 6. Exhibits.

The following documents are filed as exhibits hereto:

Number	Description
10.1*†	Form of 2023 Notice of Award of Restricted Share Units and 2023 Director Restricted Share Unit Agreement (annual equity retainer) between Jackson Financial Inc. and each of Lily Fu Claffee, Gregory T. Durant, Steven A. Kandarian, Derek G. Kirkland, Drew Lawton, Martin J. Lippert, Russell G. Noles, and Esta E. Stecher.
10.2*†	Form of 2023 Notice of Award of Restricted Share Units and 2023 Director Restricted Share Units Agreement (annual equity in lieu of cash retainer) between Jackson Financial Inc. and each of Lily Fu Claffee, Martin J. Lippert and Esta E. Stecher.
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document – The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.
† Identifies each management contract or compensatory plan or arrangement.

SIGNATURES

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

JACKSON FINANCIAL INC.
(Registrant)

Date: August 8, 2023

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

2023 NOTICE OF AWARD OF RESTRICTED SHARE UNITS

Director:	###PARTICIPANT_NAME###
Grant Date:	###GRANT_DATE###
Restricted Share Units granted hereby:	###TOTAL_AWARDS###

2023 Director Restricted Share Unit Agreement

This 2023 Director Restricted Share Unit Agreement (the "Agreement"), by and between Jackson Financial Inc., a Delaware corporation (the "Company"), and the Director whose name is set forth on the Notice of Award hereto (the "Director"), is being entered into pursuant to the Jackson Financial Inc. 2021 Omnibus Incentive Plan (the "Plan") and is dated as of the date it is accepted and agreed to by the Director in accordance with Section 6(o). Capitalized terms that are used but not defined herein shall have the meanings given to them in the Plan.

Section 1. Grant of Restricted Share Units. The Company hereby evidences and confirms its grant to the Director, effective as of the date set forth on the Notice of Award hereto (the "Grant Date"), of the aggregate number of Restricted Share Units set forth on the Notice of Award hereto (the "Restricted Share Units"), as satisfaction of the equity portion of the Director's annual fee for the current year. The Restricted Share Units granted hereunder are subject to the terms and conditions of the Agreement and the Plan, which are incorporated by reference herein, subject to Section 6(f) below.

Section 2. Vesting of Restricted Share Units.

(a) Generally. Except as otherwise provided herein, the Restricted Share Units granted hereunder shall vest, if at all, on the earlier of (i) the first anniversary of the Grant Date or (ii) the date of the next annual meeting of shareholders (the "Vesting Date"), subject to the Director's continued service as a member of the Board through such date. Vested Restricted Share Units shall be settled as provided in Section 3 of this Agreement.

(b) Effect of Termination of Service. Upon the Director's termination of service from the Board prior to the Vesting Date, a *pro rata* amount of the outstanding unvested Restricted Share Units shall vest as of the date of such termination (the "Termination Date"), based on the period of the Director's service on the Board during the vesting period. If, however, the Director's service on the Board is terminated prior to the Vesting Date due to (i) the Director's death or Disability, or (ii) the Director's resignation from the Board as a requirement of his or her service in a governmental position, then all outstanding unvested Restricted Share Units shall vest as of the Termination Date. Notwithstanding the foregoing, should the Director's service on the Board be terminated for Cause, then all of the Director's unvested Restricted Share Units shall be automatically forfeited as of the Termination Date.

(c) Effect of a Change in Control. In the event of a Change in Control, the treatment of any unvested Restricted Share Units shall be governed by Article XIV of the Plan.

(d) Discretionary Acceleration. Notwithstanding anything contained in this Agreement to the contrary, the Compensation Committee of the Board (the "Administrator"), in its sole discretion, may accelerate the vesting with respect to any unvested Restricted Share Units under this Agreement, at such times and upon such terms and conditions as the Administrator shall determine.

Section 3. Settlement of Restricted Share Units.

(a) Timing of Settlement. Subject to Section 6(a), any outstanding Restricted Share Units that become vested shall be settled into an equal number of shares of Company Common Stock on a date selected by the Company that is within 30 days following the date on which the Director's services on the Board terminate (the "Settlement Date").

(b) Mechanics of Settlement. On the Settlement Date, the Company shall electronically issue to the Director one whole share of Company Common Stock for each Restricted Share Unit that is vested, and, upon such issuance, the Director's rights in respect of such Restricted Share Unit shall be extinguished. In the event that there are any fractional Restricted Share Units credited to the Director's account as of such Settlement Date, such fractional Restricted Share Units shall be settled in cash on or within 30 days following such Settlement Date. No fractional shares of Company Common Stock shall be issued.

Section 4. Securities Law Compliance. Notwithstanding any other provision of this Agreement, the Director may not sell the shares of Company Common Stock acquired upon settlement of the Restricted Share Units unless such shares are registered under the Securities Act of 1933, as amended (the "Securities Act"), or, if such shares are not then so registered, such sale would be exempt from the registration requirements of the Securities Act. The sale of such shares must also comply with other applicable laws and regulations governing the Company Common Stock, and the Director may not sell the shares of Company Common Stock if the Company determines that such sale would not be in material compliance with such laws and regulations.

Section 5. Restriction on Transfer; Non-Transferability of Restricted Share Units. The Restricted Share Units are not assignable or transferable, in whole or in part, and they may not, directly or indirectly, be offered, transferred, sold, pledged, assigned, alienated, hypothecated or otherwise disposed of or encumbered (including, but not limited to, by gift, operation of law or otherwise) other than by will or by the laws of descent and distribution to the estate of the Director upon the Director's death. Any purported transfer in violation of this Section 5 shall be void *ab initio*. Notwithstanding the foregoing, the Participant may, with the prior approval of the Company, transfer the RSUs for estate planning purposes.

Section 6. Miscellaneous.

(a) Dividend Equivalents. Unless otherwise determined by the Administrator, in the event that the record date for an ordinary dividend cash payment on a share of Company Common Stock occurs following the Grant Date and prior to the Settlement Date, a Dividend Equivalent shall be credited to the account of the Director in respect of each outstanding Restricted Share Unit, in an amount equal to the amount of such cash dividend. The dollar value of each such Dividend Equivalent shall be deemed reinvested in additional Restricted Share Units, based on the closing market price of a share of Company Common Stock reported for the date the corresponding dividend is payable to shareholders. The settlement of any additional Restricted Share Units so credited shall be deferred until the settlement of the underlying Restricted Share Units to which they relate. In the event that a Dividend Equivalent is credited prior to the Vesting Date, the additional Restricted Share Unit(s) into which the Dividend Equivalent is deemed reinvested shall not be payable unless the related Restricted Share Units (or portion thereof) vest and shall be forfeited to the extent that the related Restricted Share Units (or portion thereof) are forfeited. Any fractional Restricted Share Units credited to the Director's account as of such Settlement Date shall be settled in cash on or within 30 days following such Settlement Date.

(b) Applicability of Section 409A of the Code. To the extent that the Restricted Share Units constitute deferred compensation subject to Section 409A of the Code, references in this Agreement to "termination of the Director's services on the Board" and corollary terms shall mean the Director's "separation from service" within the meaning of Section 409A of the Code and related regulations.

(c) Authorization to Share Personal Data. The Director authorizes the Company or any Affiliate of the Company that has or lawfully obtains personal data relating to the Director to divulge or transfer such personal data to the Company or to a third party, in each case in any jurisdiction, if and to the extent reasonably appropriate in connection with this Agreement or the administration of the Plan.

(d) No Rights as Shareholder; No Voting Rights. Except as provided in Section 6(a), the Director shall have no rights as a Shareholder of the Company with respect to any shares of Company Common Stock covered by the Restricted Share Units prior to the issuance of such shares of Company Common Stock.

(e) No Right to Continued Service; Discretionary Nature of Plan. Nothing in this Agreement shall be deemed to confer on the Director any right to continue in the service of the Company or any Subsidiary, or to interfere with or limit in any way the right of the Company or any Subsidiary to terminate such service at any time. The Plan is discretionary and may be amended, cancelled or terminated by the Company at any time, in its discretion. The grant of the Restricted Share Units pursuant to this Agreement does not create any contractual right or other right to receive any Restricted Share Units or other Award in the future. Future Awards, if any, will be at the sole discretion of the Company. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Director's membership on the Board.

(f) Interpretation. The Administrator shall have full power and discretion to construe and interpret the Plan (and any rules and regulations issued thereunder) and this Agreement. Any determination or interpretation by the Administrator under or pursuant to the Plan or this Agreement shall be final and binding and conclusive on all persons affected hereby. If there is any inconsistency between any express provision of this Agreement and any express term of the Plan, the express term of the Plan shall govern.

(g) Forfeiture of Awards. The Restricted Share Units granted hereunder (and gains earned or accrued in connection therewith) shall be subject to such generally applicable policies as to forfeiture and recoupment (including, without limitation, upon the occurrence of material financial or accounting errors, financial or other misconduct or Competitive Activity) as may be adopted by the Administrator or the Board from time to time and communicated to the Director or as required by applicable law, and are otherwise subject to forfeiture or disgorgement of profits as provided by the Plan.

(h) Consent to Electronic Delivery. By entering into this Agreement and accepting the Restricted Share Units evidenced hereby, the Director hereby consents to the delivery of information (including, without limitation, information required to be delivered to the Director pursuant to applicable securities laws) regarding the Company and the Subsidiaries, the Plan, this Agreement and the Restricted Share Units via Company website or other electronic delivery.

(i) Binding Effect; Benefits. This Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their respective successors and assigns. Nothing in this Agreement, express or implied, is intended or shall be construed to give any person other than the parties to this Agreement or their respective successors or assigns any legal or equitable right, remedy or claim under or in respect of any agreement or any provision contained herein.

(j) Waiver; Amendment.

(i) Waiver. Any party hereto or beneficiary hereof may by written notice to the other parties (A) extend the time for the performance of any of the obligations or other actions of the other parties under this Agreement, (B) waive compliance with any of the conditions or covenants of the other parties contained in this Agreement and (C) waive or modify performance of any of the obligations of the other parties under this Agreement. Except as provided in the preceding sentence, no action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of any party or beneficiary, shall be deemed to constitute a waiver by the party or beneficiary taking such action of compliance with any representations, warranties, covenants or agreements contained herein. The waiver by any party hereto or beneficiary hereof of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any preceding or succeeding breach and no failure by a party or beneficiary to exercise any right or privilege hereunder shall be deemed a waiver of such party's or beneficiary's rights or privileges hereunder or shall be deemed a waiver of such party's or beneficiary's rights to exercise the same at any subsequent time or times hereunder.

(ii) Amendment. This Agreement may not be amended, modified or supplemented orally, but only by a written instrument executed by the Director and the Company; provided that the Company may unilaterally amend this Agreement to the extent necessary to comply with applicable law, rule or regulation.

(k) Assignability. Neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by the Director without the prior written consent of the Company.

(l) Applicable Law. This Agreement shall be governed in all respects, including, but not limited to, as to validity, interpretation and effect, by the internal laws of the State of Michigan, without reference to principles of conflict of law that would require application of the law of another jurisdiction.

(m) Waiver of Jury Trial. Each party hereby waives, to the fullest extent permitted by applicable law, any right he, she or it may have to a trial by jury in respect of any suit, action or proceeding arising out of this Agreement or any transaction contemplated hereby. Each party (i) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that he, she or it and the other party hereto have been induced to enter into the Agreement by, among other things, the mutual waivers and certifications in this Section 6(m).

(n) Section and Other Headings, etc. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

(o) Acceptance of Restricted Share Units and Agreement. The Director has indicated his or her consent and acknowledgement of the terms of this Agreement pursuant to the instructions provided to the Director by or on behalf of the Company. The Director acknowledges receipt of the Plan, represents to the Company that he or she has read and understood this Agreement and the Plan, and, as an express condition to the grant of the Restricted Share Units under this Agreement, agrees to be bound by the terms of both this Agreement and the Plan. The Director and the Company each agrees and acknowledges that the use of electronic media (including, without limitation, a clickthrough button or checkbox on a website of the Company or a third-party administrator) to indicate the Director's confirmation, consent, signature, agreement and delivery of this Agreement and the Restricted Share Units is legally valid and has the same legal force and effect as if the Director and the Company signed and executed this Agreement in paper form. The same use of electronic media may be used for any amendment or waiver of this Agreement.

2023 NOTICE OF AWARD OF RESTRICTED SHARE UNITS

Director:	###PARTICIPANT_NAME###
Grant Date:	###GRANT_DATE###
Restricted Share Units granted hereby:	###TOTAL_AWARDS###
Vesting Schedule:	August 31, 2023 November 30, 2023 February 28, 2024 May 31, 2024

2023 Director Restricted Share Unit Agreement

This 2023 Director Restricted Share Unit Agreement (the "Agreement"), by and between Jackson Financial Inc., a Delaware corporation (the "Company"), and the Director whose name is set forth on the Notice of Award hereto (the "Director"), is being entered into pursuant to the Jackson Financial Inc. 2021 Omnibus Incentive Plan (the "Plan") and is dated as of the date it is accepted and agreed to by the Director in accordance with Section 6(o). Capitalized terms that are used but not defined herein shall have the meanings given to them in the Plan.

Section 1. Grant of Restricted Share Units. The Company hereby evidences and confirms its grant to the Director, effective as of the date set forth on the Notice of Award hereto (the "Grant Date"), of the aggregate number of Restricted Share Units set forth on the Notice of Award hereto (the "Restricted Share Units"), as satisfaction of the cash portion of the Director's annual fee for the current year, in accordance with the Director's election to receive an equity grant in lieu of his or her cash compensation payment. The Restricted Share Units granted hereunder are subject to the terms and conditions of the Agreement and the Plan, which are incorporated by reference herein, subject to Section 6(f) below.

Section 2. Vesting of Restricted Share Units.

(a) Generally. Except as otherwise provided herein, the Restricted Share Units granted hereunder shall vest, if at all, in substantially equal installments on the vesting dates as set forth on the Notice of Award (each, a "Vesting Date"), subject to the Director's continued service as a member of the Board through such date. Vested Restricted Share Units shall be settled as provided in Section 3 of this Agreement.

(b) Effect of Termination of Service. Upon the Director's termination of service from the Board prior to the final Vesting Date, a *pro rata* amount of the outstanding unvested Restricted Share Units shall vest as of the date of such termination (the "Termination Date"), based on the period of the Director's service on the Board during the vesting period. If, however, the Director's service on the Board is terminated prior to the final Vesting Date due to (i) the Director's death or Disability, or (ii) the Director's resignation from the Board as a requirement of his or her service in a governmental position, then all outstanding unvested Restricted Share Units shall vest as of the Termination Date. Notwithstanding the foregoing, should the Director's service on the Board be terminated for Cause, then all of the Director's unvested Restricted Share Units shall be automatically forfeited as of the Termination Date.

(c) Effect of a Change in Control. In the event of a Change in Control, the treatment of any unvested Restricted Share Units shall be governed by Article XIV of the Plan.

(d) Discretionary Acceleration. Notwithstanding anything contained in this Agreement to the contrary, the Compensation Committee of the Board (the "Administrator"), in its sole discretion, may accelerate the vesting with respect to any unvested Restricted Share Units under this Agreement, at such times and upon such terms and conditions as the Administrator shall determine.

Section 3. Settlement of Restricted Share Units.

(a) Timing of Settlement. Subject to Section 6(a), any outstanding Restricted Share Units that become vested shall be settled into an equal number of shares of Company Common Stock on a date selected by the Company that is within 30 days following the date on which the Director's services on the Board terminate (the "Settlement Date").

(b) Mechanics of Settlement. On the Settlement Date, the Company shall electronically issue to the Director one whole share of Company Common Stock for each Restricted Share Unit that is vested, and, upon such issuance, the Director's rights in respect of such Restricted Share Unit shall be extinguished. In the event that there are any fractional Restricted Share Units credited to the Director's account as of such Settlement Date, such fractional Restricted Share Units shall be settled in cash on or within 30 days following such Settlement Date. No fractional shares of Company Common Stock shall be issued.

Section 4. Securities Law Compliance. Notwithstanding any other provision of this Agreement, the Director may not sell the shares of Company Common Stock acquired upon settlement of the Restricted Share Units unless such shares are registered under the Securities Act of 1933, as amended (the "Securities Act"), or, if such shares are not then so registered, such sale would be exempt from the registration requirements of the Securities Act. The sale of such shares must also comply with other applicable laws and regulations governing the Company Common Stock, and the Director may not sell the shares of Company Common Stock if the Company determines that such sale would not be in material compliance with such laws and regulations.

Section 5. Restriction on Transfer; Non-Transferability of Restricted Share Units. The Restricted Share Units are not assignable or transferable, in whole or in part, and they may not, directly or indirectly, be offered, transferred, sold, pledged, assigned, alienated, hypothecated or otherwise disposed of or encumbered (including, but not limited to, by gift, operation of law or otherwise) other than by will or by the laws of descent and distribution to the estate of the Director upon the Director's death. Any purported transfer in violation of this Section 5 shall be void *ab initio*. Notwithstanding the foregoing, the Participant may, with the prior approval of the Company, transfer the RSUs for estate planning purposes.

Section 6. Miscellaneous.

(a) Dividend Equivalents. Unless otherwise determined by the Administrator, in the event that the record date for an ordinary dividend cash payment on a share of Company Common Stock occurs following the Grant Date and prior to the Settlement Date, a Dividend Equivalent shall be credited to the account of the Director in respect of each outstanding Restricted Share Unit, in an amount equal to the amount of such cash dividend. The dollar value of each such Dividend Equivalent shall be deemed reinvested in additional Restricted Share Units, based on the closing market price of a share of Company Common Stock reported for the date the corresponding dividend is payable to shareholders. The settlement of any additional Restricted Share Units so credited shall be deferred until the settlement of the underlying Restricted Share Units to which they relate. In the event that a Dividend Equivalent is credited prior to the Vesting Date, the additional Restricted Share Unit(s) into which the Dividend Equivalent is deemed reinvested shall not be payable unless the related Restricted Share Units (or portion thereof) vest and shall be forfeited to the extent that the related Restricted Share Units (or portion thereof) are forfeited. Any fractional Restricted Share Units credited to the Director's account as of such Settlement Date shall be settled in cash on or within 30 days following such Settlement Date.

(b) Applicability of Section 409A of the Code. To the extent that the Restricted Share Units constitute deferred compensation subject to Section 409A of the Code, references in this Agreement to "termination of the Director's services on the Board" and corollary terms shall mean the Director's "separation from service" within the meaning of Section 409A of the Code and related regulations.

(c) Authorization to Share Personal Data. The Director authorizes the Company or any Affiliate of the Company that has or lawfully obtains personal data relating to the Director to divulge or transfer such personal data to the Company or to a third party, in each case in any jurisdiction, if and to the extent reasonably appropriate in connection with this Agreement or the administration of the Plan.

(d) No Rights as Shareholder; No Voting Rights. Except as provided in Section 6(a), the Director shall have no rights as a Shareholder of the Company with respect to any shares of Company Common Stock covered by the Restricted Share Units prior to the issuance of such shares of Company Common Stock.

(e) No Right to Continued Service; Discretionary Nature of Plan. Nothing in this Agreement shall be deemed to confer on the Director any right to continue in the service of the Company or any Subsidiary, or to interfere with or limit in any way the right of the Company or any Subsidiary to terminate such service at any time. The Plan is discretionary and may be amended, cancelled or terminated by the Company at any time, in its discretion. The grant of the Restricted Share Units pursuant to this Agreement does not create any contractual right or other right to receive any Restricted Share Units or other Award in the future. Future Awards, if any, will be at the sole discretion of the Company. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Director's membership on the Board.

(f) Interpretation. The Administrator shall have full power and discretion to construe and interpret the Plan (and any rules and regulations issued thereunder) and this Agreement. Any determination or interpretation by the Administrator under or pursuant to the Plan or this Agreement shall be final and binding and conclusive on all persons affected hereby. If there is any inconsistency between any express provision of this Agreement and any express term of the Plan, the express term of the Plan shall govern.

(g) Forfeiture of Awards. The Restricted Share Units granted hereunder (and gains earned or accrued in connection therewith) shall be subject to such generally applicable policies as to forfeiture and recoupment (including, without limitation, upon the occurrence of material financial or accounting errors, financial or other misconduct or Competitive Activity) as may be adopted by the Administrator or the Board from time to time and communicated to the Director or as required by applicable law, and are otherwise subject to forfeiture or disgorgement of profits as provided by the Plan.

(h) Consent to Electronic Delivery. By entering into this Agreement and accepting the Restricted Share Units evidenced hereby, the Director hereby consents to the delivery of information (including, without limitation, information required to be delivered to the Director pursuant to applicable securities laws) regarding the Company and the Subsidiaries, the Plan, this Agreement and the Restricted Share Units via Company website or other electronic delivery.

(i) Binding Effect; Benefits. This Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their respective successors and assigns. Nothing in this Agreement, express or implied, is intended or shall be construed to give any person other than the parties to this Agreement or their respective successors or assigns any legal or equitable right, remedy or claim under or in respect of any agreement or any provision contained herein.

(j) Waiver; Amendment.

(i) Waiver. Any party hereto or beneficiary hereof may by written notice to the other parties (A) extend the time for the performance of any of the obligations or other actions of the other parties under this Agreement, (B) waive compliance with any of the conditions or covenants of the other parties contained in this Agreement and (C) waive or modify performance of any of the obligations of the other parties under this Agreement. Except as provided in the preceding sentence, no action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of any party or beneficiary, shall be deemed to constitute a waiver by the party or beneficiary taking such action of compliance with any representations, warranties, covenants or agreements contained herein. The waiver by any party hereto or beneficiary hereof of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any preceding or succeeding breach and no failure by a party or beneficiary to exercise any right or privilege hereunder shall be deemed a waiver of such party’s or beneficiary’s rights or privileges hereunder or shall be deemed a waiver of such party’s or beneficiary’s rights to exercise the same at any subsequent time or times hereunder.

(ii) Amendment. This Agreement may not be amended, modified or supplemented orally, but only by a written instrument executed by the Director and the Company; provided that the Company may unilaterally amend this Agreement to the extent necessary to comply with applicable law, rule or regulation.

(k) Assignability. Neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by the Director without the prior written consent of the Company.

(l) Applicable Law. This Agreement shall be governed in all respects, including, but not limited to, as to validity, interpretation and effect, by the internal laws of the State of Michigan, without reference to principles of conflict of law that would require application of the law of another jurisdiction.

(m) Waiver of Jury Trial. Each party hereby waives, to the fullest extent permitted by applicable law, any right he, she or it may have to a trial by jury in respect of any suit, action or proceeding arising out of this Agreement or any transaction contemplated hereby. Each party (i) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that he, she or it and the other party hereto have been induced to enter into the Agreement by, among other things, the mutual waivers and certifications in this Section 6(m).

(n) Section and Other Headings, etc. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

(o) Acceptance of Restricted Share Units and Agreement. The Director has indicated his or her consent and acknowledgement of the terms of this Agreement pursuant to the instructions provided to the Director by or on behalf of the Company. The Director acknowledges receipt of the Plan, represents to the Company that he or she has read and understood this Agreement and the Plan, and, as an express condition to the grant of the Restricted Share Units under this Agreement, agrees to be bound by the terms of both this Agreement and the Plan. The Director and the Company each agrees and acknowledges that the use of electronic media (including, without limitation, a clickthrough button or checkbox on a website of the Company or a third-party administrator) to indicate the Director's confirmation, consent, signature, agreement and delivery of this Agreement and the Restricted Share Units is legally valid and has the same legal force and effect as if the Director and the Company signed and executed this Agreement in paper form. The same use of electronic media may be used for any amendment or waiver of this Agreement.

Exhibit 31.1

CERTIFICATIONS

I, Laura L. Prieskorn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Jackson Financial Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2023

/s/ Laura L. Prieskorn
Laura L. Prieskorn
President and
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Marcia L. Wadsten, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Jackson Financial Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2023

/s/ Marcia Wadsten
Marcia Wadsten
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

Certification pursuant to 18 U.S.C. Section 1350 by the Chief Executive Officer, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Jackson Financial Inc. (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2023

/s/ Laura L. Prieskorn
Laura L. Prieskorn
President and Chief Executive Officer

Exhibit 32.2

Certification pursuant to 18 U.S.C. Section 1350 by the Chief Financial Officer, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Jackson Financial Inc. (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2023

/s/ *Marcia* Wadsten
Marcia Wadsten
Executive Vice President and
*Chief Financial Office*r