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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2018

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 001-32293

TALCOTT RESOLUTION LIFE INSURANCE COMPANY

(Exact name of registrant as specified in its charter)

Connecticut	**06-0974148**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

One Griffin Road North, Windsor, Connecticut 06095
(Address of principal executive offices)

(800) 862-6668
(Registrant's telephone number, including area code)

Indicate by check mark:	**Yes**	**No**
• 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.	☒	☐
• whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).	☒	☐

• 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 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. ☐

• whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)	☐	☒

As of November 5, 2018, there were outstanding 1,000 shares of Common Stock, $5,690 par value per share, of the registrant.

TALCOTT RESOLUTION LIFE INSURANCE COMPANY
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2018

TABLE OF CONTENTS

[a] Not applicable

Forward-Looking Statements

Certain of the statements contained herein are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects,” “projects,” and similar references to future periods.

Forward-looking statements are based on management's current expectations and assumptions regarding future economic, competitive, legislative and other developments and their potential effect upon Talcott Resolution Life Insurance Company (formerly "Hartford Life Insurance Company") and its subsidiaries (collectively, the “Company”). Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Actual results could differ materially from expectations, depending on the evolution of various factors, including the risks and uncertainties identified below, as well as factors described in such forward-looking statements or in Part I, Item 1A, Risk Factors, in the Company’s 2017 Form 10-K Annual Report and those identified from time to time in our other filings with the Securities and Exchange Commission ("SEC").

- Risks Relating to Economic, Political and Global Market Conditions:
    - challenges related to the Company's current operating environment, including global, political, economic and market conditions, and the effect of financial market disruptions, economic downturns or other potentially adverse macroeconomic developments on our products, the returns in our investment portfolios and the hedging costs associated with our run-off annuity block;
    - financial risk related to the continued reinvestment of our investment portfolios and performance of our hedge program for our run-off annuity block;
    - market risks associated with our business, including changes in credit spreads, equity prices, interest rates, market volatility and foreign exchange rates;
    - the impact on our investment portfolio if our investment portfolio is concentrated in any particular segment of the economy;
- Insurance Industry and Product-Related Risks:
    - volatility in our statutory earnings and earnings calculated in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and potential material changes to our results resulting from our adjustment of our risk management program to emphasize protection of statutory surplus and economic value;
    - the possibility of a terrorist attack, a pandemic, or other natural or man-made disaster that may increase the Company's mortality exposure and adversely affect its businesses;
    - the possibility of losses from increased life expectancy trends among policyholders receiving long-term life contingent benefit payments;
- Financial Strength, Credit and Counterparty Risks:
    - risks to our business, financial position, prospects and results associated with negative rating actions or downgrades in the Company's financial strength and credit ratings or negative rating actions or downgrades relating to our investments;
    - the impact on our statutory capital of various factors, including many that are outside the Company’s control, which can in turn affect our credit and financial strength ratings, cost of capital, regulatory compliance and other aspects of our business and results;
    - losses due to nonperformance or defaults by others, including sourcing partners, derivative counterparties and other third parties;
    - the potential for losses due to our reinsurers' unwillingness or inability to meet their obligations under reinsurance contracts and the availability, pricing and adequacy of reinsurance to protect the Company against losses;
    - regulatory limitations on the ability of the Company and certain of its subsidiaries to declare and pay dividends;
- Risks Relating to Estimates, Assumptions and Valuations:
    - risk associated with the use of analytical models in making decisions in key areas such as capital management, hedging, and reserving;
    - the potential for differing interpretations of the methodologies, estimations and assumptions that underlie the Company’s fair value estimates for its investments and the evaluation of the other-than-temporary impairments on available-for-sale securities;

    - the potential for further acceleration in amortization of the present value of the business acquired ("VOBA") and an increase in reserve for certain guaranteed benefits in our variable annuities;
    - the potential for valuation allowances against deferred tax assets;
- Strategic and Operational Risks:
    - the risks associated with separating our operations from those of our former parent and establishing a stand-alone company, including increased costs related to replacing third-party arrangements previously obtained through our former parent;
    - the Company’s ability to maintain the availability of its systems and safeguard the security of its data in the event of a disaster, cyber or other information security incident or other unanticipated event;
    - the potential for difficulties arising from outsourcing and similar third-party relationships;
    - the risks, challenges and uncertainties associated with the Company's initiatives and other actions, which may include acquisitions and divestitures;
    - the Company’s ability to protect its intellectual property and defend against claims of infringement;
- Regulatory and Legal Risks:
    - the cost and other potential effects of increased regulatory and legislative developments, including those that could adversely impact the Company’s operating costs and required capital levels;
    - unfavorable judicial or legislative developments;
    - the impact of changes in federal or state tax laws that could impact the tax-favored status of life and annuity contracts; and
    - the impact of potential changes in accounting and financial reporting requirements of the liability for future policy benefits, including how we account for our long-duration insurance contracts, including the discounting of life contingent fixed annuities.

Any forward-looking statement made by the Company in this document speaks only as of the date of the filing of this Form 10-Q. Factors or events that could cause the Company’s actual results to differ may emerge from time to time, and it is not possible for the Company to predict all of them. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

Table of Contents

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

TALCOTT RESOLUTION LIFE INSURANCE COMPANY AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

	Successor Company		Predecessor Company		
(In millions)	For the three months ended September 30, 2018	June 1, 2018 to September 30, 2018	For the three months ended September 30, 2017	January 1, 2018 to May 31, 2018	For the nine months ended September 30, 2017
Revenues					
Fee income and other	$ 212	$ 284	$ 215	$ 381	$ 661
Earned premiums	12	18	27	42	97
Net investment income	216	281	324	520	958
Net realized capital losses	(136)	(132)	(33)	(107)	(61)
Amortization of deferred reinsurance gain	13	22	—	—	—
Total revenues	**317**	**473**	**533**	**836**	**1,655**
Benefits, losses and expenses					
Benefits, losses and loss adjustment expenses	176	221	352	534	1,024
Amortization of deferred policy acquisition costs ("DAC") and present value of future profits ("VOBA")	(16)	(9)	7	16	25
Insurance operating costs and other expenses	101	134	103	183	304
Other intangible asset amortization	2	2	—	—	—
Dividends to policyholders	—	—	—	2	—
Total benefits, losses and expenses	**263**	**348**	**462**	**735**	**1,353**
Income before income taxes	**54**	**125**	**71**	**101**	**302**
Income tax expense (benefit)	(13)	1	(12)	7	32
Net income	**$ 67**	**$ 124**	**$ 83**	**$ 94**	**$ 270**

See Notes to Condensed Consolidated Financial Statements

TALCOTT RESOLUTION LIFE INSURANCE COMPANY AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

	Successor Company		Predecessor Company		
(In millions)	For the three months ended September 30, 2018	June 1, 2018 to September 30, 2018	For the three months ended September 30, 2017	January 1, 2018 to May 31, 2018	For the nine months ended September 30, 2017
Net income	$ 67	$ 124	$ 83	$ 94	$ 270
Other comprehensive income (loss):					
Changes in net unrealized gain/(loss) on securities	(49)	(124)	32	(430)	238
Changes in net gain on cash-flow hedging instruments	—	—	(7)	(18)	(16)
Changes in foreign currency translation adjustments	—	2	—	1	—
OCI, net of tax	**(49)**	**(122)**	**25**	**(447)**	**222**
Comprehensive income (loss)	**$ 18**	**$ 2**	**$ 108**	**$ (353)**	**$ 492**

See Notes to Condensed Consolidated Financial Statements

TALCOTT RESOLUTION LIFE INSURANCE COMPANY AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Unaudited)

(In millions, except for share data)	Successor Company As of September 30, 2018	Predecessor Company As of December 31, 2017
Assets		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost: September 30, 2018 Successor Company - $14,200; December 31, 2017 Predecessor Company - $20,914)	$ 14,072	$ 22,799
Fixed maturities, at fair value using the fair value option	14	32
Equity securities, at fair value	109	—
Equity securities, available-for-sale, at fair value (cost: December 31, 2017 Predecessor Company - $140)	—	154
Mortgage loans (net of valuation allowances: September 30, 2018 Successor Company - $6; December 31, 2017 Predecessor Company - $0)	2,099	2,872
Policy loans, at outstanding balance	1,426	1,432
Limited partnerships and other alternative investments	877	1,001
Other investments	174	213
Short-term investments	1,159	1,094
Total investments	19,930	29,597
Cash	199	537
Premiums receivable and agents' balances	16	15
Reinsurance recoverables	29,819	20,785
Deferred policy acquisition costs and present value of future profits	818	405
Deferred income taxes, net	1,013	556
Other intangible assets	53	—
Other assets	426	1,003
Separate account assets	106,829	115,834
Total assets	**$ 159,103**	**$ 168,732**
Liabilities		
Reserve for future policy benefits	$ 18,292	$ 14,482
Other policyholder funds and benefits payable	28,963	29,228
Other liabilities	3,250	2,508
Separate account liabilities	106,829	115,834
Total liabilities	**157,334**	**162,052**
Commitments and Contingencies (Note 10)		
Stockholder's Equity		
Common stock—1,000 shares authorized, issued and outstanding, par value $5,690	6	6
Additional paid-in capital	1,761	3,539
Accumulated other comprehensive income (loss), net of tax	(122)	1,023
Retained earnings	124	2,112
Total stockholder's equity	**1,769**	**6,680**
Total liabilities and stockholder's equity	**$ 159,103**	**$ 168,732**

See Notes to Condensed Consolidated Financial Statements

TALCOTT RESOLUTION LIFE INSURANCE COMPANY AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Stockholder's Equity
(Unaudited)

	Successor Company	Predecessor Company	
(In millions)	**June 1, 2018 to September 30, 2018**	**January 1, 2018 to May 31, 2018**	**For the nine months ended September 30, 2017**
Common Stock	$ 6	$ 6	$ 6
Additional Paid-in Capital			
Additional Paid-in Capital, beginning of period	1,761	3,539	4,935
Capital contributions to parent	—	(517)	(598)
Additional Paid-in Capital, end of period	1,761	3,022	4,337
Retained Earnings			
Retained Earnings, beginning of period	—	2,112	2,158
Cumulative effect of accounting changes, net of tax	—	(182)	—
Adjusted balance, beginning of period	—	1,930	2,158
Net income	124	94	270
Retained Earnings, end of period	124	2,024	2,428
Accumulated Other Comprehensive Income (loss), net of tax			
Accumulated Other Comprehensive Income, net of tax, beginning of period	—	1,023	722
Cumulative effect of accounting changes, net of tax	—	182	—
Adjusted balance, beginning of period	—	1,205	722
Total other comprehensive income (loss)	(122)	(447)	222
Accumulated Other Comprehensive Income, net of tax, end of period	(122)	758	944
Total Stockholder's Equity	**$ 1,769**	**$ 5,810**	**$ 7,715**

See Notes to Condensed Consolidated Financial Statements

TALCOTT RESOLUTION LIFE INSURANCE COMPANY AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Successor Company	Predecessor Company	
(In millions)	June 1, 2018 to September 30, 2018	January 1, 2018 to May 31, 2018	For the nine months ended September 30, 2017
Operating Activities			
Net income	$ 124	$ 94	$ 270
Adjustments to reconcile net income to net cash provided by operating activities:			
Net realized capital losses	132	107	61
Amortization of deferred reinsurance gain	22	—	—
Amortization of DAC and VOBA	(9)	16	25
Additions to DAC	—	(1)	(2)
Depreciation and (accretion) amortization, net	21	(1)	27
Other operating activities, net	9	131	132
Change in assets and liabilities:			
(Increase) decrease in reinsurance recoverables	(1,309)	(2)	75
(Increase) decrease in accrued and deferred income taxes	(15)	274	(36)
Increase (decrease) in reserve for future policy benefits and unearned premiums	(259)	45	141
Net changes in other assets and other liabilities	148	(60)	(81)
Net cash provided by (used for) operating activities	**(1,136)**	**603**	**612**
Investing Activities			
Proceeds from the sale/maturity/prepayment of:			
Fixed maturities, available-for-sale	1,592	4,397	7,619
Fixed maturities, fair value option	13	5	46
Equity securities, at fair value	58	49	—
Equity securities, available-for-sale	—	—	178
Mortgage loans	48	116	314
Partnerships	42	188	81
Payments for the purchase of:			
Fixed maturities, available-for-sale	(1,338)	(2,447)	(7,106)
Equity securities, at fair value	(3)	(25)	—
Equity securities, available-for-sale	—	—	(182)
Mortgage loans	(268)	(86)	(389)
Repurchase agreements program	(17)	—	—
Partnerships	(47)	(80)	(163)
Net payments for derivatives	(116)	(200)	(98)
Net increase (decrease) in policy loans	33	(26)	27
Net sales of (additions to) property and equipment	—	44	(15)
Net proceeds from (payments for) short-term investments	1,446	(1,494)	(59)
Other investing activities, net	(9)	22	13
Net cash provided by investing activities	**1,434**	**463**	**266**
Financing Activities			
Deposits and other additions to investment and universal life-type contracts	1,283	1,782	3,586
Withdrawals and other deductions from investment and universal life-type contracts	(6,807)	(9,206)	(10,580)
Net transfers from separate accounts related to investment and universal life-type contracts	5,178	6,999	6,080
Net increase (decrease) in securities loaned or sold under agreements to repurchase	—	(406)	331
Return of capital to parent	—	(517)	(598)
Net repayments at maturity or settlement of consumer notes	—	(8)	(12)
Net cash used for financing activities	**(346)**	**(1,356)**	**(1,193)**
Net decrease in cash	(48)	(290)	(315)
Cash — beginning of period	247	537	554
Cash — end of period	**$ 199**	**$ 247**	**$ 239**
Supplemental Disclosure of Cash Flow Information:			
Income tax received	$ —	$ 271	$ 24

See Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

Talcott Resolution Life Insurance Company, formerly Hartford Life Insurance Company, (together with its subsidiaries, “TL,” “Company,” “we” or “our”) is a provider of insurance and investment products in the United States (“U.S.”) and is a wholly-owned subsidiary of Talcott Resolution Life, Inc., a Delaware corporation ("TLI"). Hopmeadow Holdings LP (“Hopmeadow Holdings", or "HHLP ”) is the ultimate parent of the Company.

The Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information, which differ materially from the accounting practices prescribed by various insurance regulatory authorities. These Condensed Consolidated Financial Statements and Notes should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company's 2017 Form 10-K Annual Report (“Predecessor Company”).

On May 31, 2018 the Company's indirect parent, Hartford Holding, Inc. ("HHI") completed the sale of the Company's parent to a group of investors led by Cornell Capital LLC, Atlas Merchant Capital LLC, TRB Advisors LP, Global Atlantic Financial Group ("Global Atlantic"), Pine Brook and J. Safra Group. Although Talcott Resolution Life Insurance Company is no longer affiliated with The Hartford Financial Services Group, Inc. ("The Hartford") or any of its subsidiaries, The Hartford retained a 9.7 percent ownership interest in HHLP. On June 1, 2018, TL executed reinsurance agreements to reinsure certain fixed immediate and deferred annuity contracts, variable payout separate account annuity contracts, standard mortality structured settlements, and period certain structured settlement annuity contracts to Commonwealth Annuity and Life Insurance Company ("Commonwealth"), a subsidiary of Global Atlantic which is a member of the acquiring investment group. TL reinsured an 85% quota share, except 75% for standard mortality structured settlements, in exchange for a $357 ceding commission that was fixed based on reinsuring approximately $9.3 billion of reserves as of December 31, 2016, plus annuitizations through closing and annuitizations from market value adjusted annuities post-close. The reinsurance agreement was executed after the Talcott Acquisition Date and as such, the accounting for the agreement was recorded after the TL balance sheet was adjusted to fair value in purchase and pushdown accounting. A deferred gain of approximately $1 billion was recorded in Other liabilities on the Condensed Consolidated Balance Sheet related to this reinsurance agreement and will be amortized over the life of the underlying policies reinsured.

In conjunction with the sale, the Company has entered into a transition services agreement with The Hartford to provide general ledger and cash management, investment accounting and information technology infrastructure services for a period of up to two years. These transition services are not considered a material change in internal controls as the controls are substantially similar to those that existed prior to the Talcott Resolution Sale Transaction. The Company monitors and maintains oversight of the control environment provided by The Hartford covering these services and considers these controls in the evaluation of our internal control environment.

HHLP’s May 31, 2018 acquisition of TLI was accounted for by HHLP using business combination accounting. Under this method, the purchase price paid by the investor group was assigned to the identifiable assets acquired and liabilities assumed as of the acquisition date based on their fair value. HHLP elected to apply "pushdown" accounting by applying the guidance permitted under Accounting Standards Codification (“ASC”) Topic 805 *Business Combinations*. By the application of pushdown accounting, the Company’s assets, liabilities and equity were accordingly adjusted to fair value on May 31, 2018 which generated both intangible assets and Value of Business Acquired (“VOBA”). Determining the fair value of certain assets acquired and liabilities assumed is judgmental in nature and often involves the use of significant estimates and assumptions. While we do not anticipate material changes to the initial valuation of assets and liabilities in purchase and pushdown accounting, new information related to acquisition date valuations may give rise to a measurement period adjustment. The measurement period is not to exceed one year from the acquisition date and as of September 30, 2018 no changes have been made to the initial valuation of assets and liabilities determined as part of the purchase and pushdown accounting. Due to the application of pushdown accounting, TL’s financial statements and footnote disclosures are presented in two distinct periods to indicate the application of two different bases of accounting. The periods prior to June 1, 2018 are identified herein as “Predecessor,” while the periods subsequent to HHLP’s acquisition of TLI is identified as “Successor.” As a result of the change in the basis of accounting from historical GAAP to reflect HHLP’s purchase cost, the financial statements for the Predecessor period are not comparable to the Successor periods. Operating results for the period of June 1, 2018 to September 30, 2018 (Successor Company) and the period of January 1, 2018 to May 31, 2018 (Predecessor Company) are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2018 (Successor Company).

The accompanying Condensed Consolidated Financial Statements and Notes are unaudited. These financial statements reflect all adjustments (consisting only of normal accruals) which are, in the opinion of management, necessary for the fair presentation of the financial position, results of operations and cash flows for the interim periods. The Company's significant accounting policies are summarized in Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Consolidated Financial Statements included in the Company's 2017 Form 10-K Annual Report (Predecessor Company). Other than the accounting matters resulting from

1. Basis of Presentation and Significant Accounting Policies (continued)

the application of pushdown accounting in connection with ASC Topic 805, the Company did not make significant changes to accounting policies during the three and nine months ended September 30, 2018.

Consolidation

The Condensed Consolidated Financial Statements include the accounts of TL and entities the Company directly or indirectly has a controlling financial interest in, which the Company is required to consolidate. Entities in which TL has significant influence over the operating and financing decisions, but is not required to consolidate, are reported using the equity method. All intercompany transactions and balances between TL and its subsidiaries have been eliminated.

Use of Estimates

The preparation of financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates include those used in determining estimated gross profits used in the valuation and amortization of assets (including VOBA) and liabilities associated with variable annuity and other universal life-type contracts; evaluation of other-than-temporary impairments on available-for-sale securities and valuation allowances on investments; living benefits required to be fair valued; valuation of investments and derivative instruments; valuation allowance on deferred tax assets; amortization of the deferred gain on reinsurance; and contingencies relating to corporate litigation and regulatory matters. Certain of these estimates are particularly sensitive to market conditions, and deterioration and/or volatility in the worldwide debt or equity markets could have a material impact on the Condensed Consolidated Financial Statements.

Reclassifications

Certain reclassifications have been made to prior year financial information to conform to the current year presentation.

1. Basis of Presentation and Significant Accounting Policies (continued)

Pushdown Accounting (Successor Company)

The table below shows the main balance sheet line items impacted in pushdown accounting as of the date of the acquisition.

Cash and invested assets	$ 27,038
VOBA	805
Deferred Income Taxes	998
Intangible Assets	55
Reinsurance recoverable and other assets	22,615
Separate account assets	110,773
Total assets	162,284
Reserves for future policy benefits	18,057
Other policyholder funds and benefits payable	29,560
Other liabilities	2,127
Separate account liabilities	110,773
Total liabilities	160,517
Equity	1,767
Total liabilities and stockholder's equity	$ 162,284

Intangible Assets

Intangible assets with definite lives are amortized over the estimated useful life of the asset. Amortizable intangible assets primarily consist of internally developed software amortized over a period not to exceed five years. Intangible assets with indefinite lives, primarily insurance licenses, are not amortized but are reviewed annually in the Company's impairment analysis. They will be tested for impairment more frequently if events or circumstances indicate the fair value of the indefinitely lived intangibles is less than the carrying value.

Investments

In pushdown accounting, the acquired investments are recorded at fair value through adjustments to additional paid in capital at the acquisition date.

Value of Business Acquired/DAC/Additional Reserves

In conjunction with the acquisition of TLI, a portion of the purchase price was allocated to the right to receive future gross profits from cash flows and earnings of the Company's insurance and investment contracts as of the date of the transaction. This intangible asset is called VOBA and is based on the actuarially estimated present value of future cash flows from the Company's insurance and investment contracts in-force as of the date of the transaction. The estimated fair value calculation of VOBA is based on certain assumptions, including mortality, persistency, expenses, interest rates, and other factors that the Company expects to experience in future years. Actual experience on the acquired contracts may vary from these projections and the recovery of VOBA is dependent upon the future profitability of the related business. The Company amortizes VOBA over estimated gross profits and it is reviewed for recoverability quarterly. Consistent with the acquisition being recorded at fair value, deferred acquisition costs which do not represent future cash flows are eliminated in pushdown accounting. The fair value of certain acquired obligations of the Company exceeded the book value of assumed in-force policy liabilities resulting in additional reserve liabilities. In pushdown accounting these liabilities were increased to fair value, which is presented separately from VOBA as additional insurance liability in Reserves for future policy benefits and Other policyholder funds and benefits payable. The additional liability is amortized to income over the policy or other relevant time period.

1. Basis of Presentation and Significant Accounting Policies (continued)

Adoption of New Accounting Standards

Reclassification of Effect of Tax Rate Change from AOCI to Retained Earnings

In February 2018, the Financial Accounting Standards Board ("FASB") issued new accounting guidance for the effect on deferred tax assets and liabilities related to items recorded in accumulated other comprehensive income ("AOCI") resulting from legislated tax reform enacted on December 22, 2017. The tax reform reduced the federal tax rate applied to the Company's deferred tax balances from 35% to 21% on enactment. Under U.S. GAAP, the Company recorded the total effect of the change in enacted tax rates on deferred tax balances as a charge to income tax expense within net income, including the change in deferred tax balances related to components of AOCI. The new accounting guidance permits the Company to reclassify the "stranded" tax effects out of AOCI and into retained earnings that resulted from recording the tax effects of unrealized investment gains at a 35% tax rate because the 14 point reduction in tax rate was recognized in net income instead of other comprehensive income. On January 1, 2018, the Company (Predecessor company) adopted the new guidance and recorded a reclassification of $193 which increased AOCI and reduced retained earnings.

Financial Instruments - Recognition and Measurement

On January 1, 2018, the Company adopted updated guidance issued by the FASB for the recognition and measurement of financial instruments through a cumulative effect adjustment to the opening balances of retained earnings and AOCI. The new guidance requires investments in equity securities to be measured at fair value with any changes in valuation reported in net income except for investments that are consolidated or are accounted for under the equity method of accounting. The new guidance also requires a deferred tax asset resulting from net unrealized losses on available-for-sale fixed maturities that are recognized in AOCI to be evaluated for recoverability in combination with the Company's other deferred tax assets. Under prior guidance, the Company reported equity securities, available for sale ("AFS"), at fair value with changes in fair value reported in other comprehensive income. As of January 1, 2018, the Company (Predecessor Company) reclassified from AOCI to retained earnings net unrealized gains of $11, after tax, related to equity securities having a fair value of $154. Beginning in 2018, the Company reports equity securities at fair value with changes in fair value reported in net realized capital gains and losses.

Revenue Recognition

On January 1, 2018, the Company adopted the FASB's updated guidance for recognizing revenue from contracts with customers, which excludes insurance contracts and financial instruments. Revenue subject to the guidance is recognized when, or as, goods or services are transferred to customers in an amount that reflects the consideration that an entity is expected to receive in exchange for those goods or services. The updated guidance is consistent with previous guidance for the Company's transactions and did not have an effect on the Company's financial position, cash flows or net income.

Revenue from customers for other than insurance and investment contracts was $24 for the three months ended September 30, 2018 (Successor Company), $32 for the period June 1, 2018 to September 30, 2018 (Successor Company), $40 for the period January 1, 2018 to May 31, 2018 (Predecessor Company) and $14 and $43 for the three and nine months ended September 30, 2017 (Predecessor Company), respectively. The Company earns revenues from these contracts primarily for administrative and distribution services fees from offering certain fund families as investment options in its variable annuity products. Fees are primarily based on the average daily net asset values of the funds and are recorded in the period in which the services are provided and collected monthly. Fluctuations in domestic and international markets and related investment performance, volume and mix of sales and redemptions of the funds, and other changes to the composition of assets under management are all factors that ultimately have a direct effect on fee income earned.

Accounting Pronouncements Not Yet Adopted

Financial Instruments - Credit Losses

In June 2016, the FASB issued updated guidance for the recognition and measurement of financial instruments. The guidance revises the credit loss recognition criteria for certain financial assets and off-balance sheet exposures, including reinsurance recoverables. The Accounting Standards Update ("ASU") provides a new expected credit loss model where the reporting entity recognizes its estimate of lifetime expected credit losses for affected financial assets in a valuation allowance resulting in presentation of a net carrying value in the amount expected to be collected. The Company expects to adopt the updated guidance January 1, 2020, as required, although earlier adoption is permitted beginning January 1, 2019. The Company is currently assessing the impact of the ASU on the Company's consolidated financial statements.

1. Basis of Presentation and Significant Accounting Policies (continued)

Targeted Improvements to the Accounting for Long Duration Contracts

The FASB issued ASU 2018-12 on August 15, 2018 which impacts the existing recognition, measurement, presentation, and disclosure requirements for long duration contracts issued by an insurance company. The guidance is intended to improve the timeliness of recognizing changes in the liability for future policy benefits and modify the rate used to discount future cash flows. Further, the guidance seeks to improve the accounting for certain market-based options or guarantees associated with account balance contracts and improve the effectiveness of the required disclosures. This ASU is effective January 1, 2021 with early adoption permitted. The Company has not yet determined the timing of its adoption and is currently assessing the impact of ASU 2018-12 on its financial statements.

Changes to the Disclosure Requirements for Fair Value Measurement

On August 28, 2018 the FASB issued ASU 2018-13 which removes, modifies and adds certain disclosure requirements related to fair value measurements in ASC 820, *Fair Value Measurements*. This guidance is effective January 1, 2020 with early adoption permitted. The Company has not yet determined the timing of its adoption and is currently assessing the impact of ASU 2018-13 on its financial statements.

2. Fair Value Measurements

The Company carries certain financial assets and liabilities at estimated fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants. Our fair value framework includes a hierarchy that gives the highest priority to the use of quoted prices in active markets, followed by the use of market observable inputs, followed by the use of unobservable inputs. The fair value hierarchy levels are as follows:

Level 1	Fair values based primarily on unadjusted quoted prices for identical assets, or liabilities, in active markets that the Company has the ability to access at the measurement date.
Level 2	Fair values primarily based on observable inputs, other than quoted prices included in Level 1, or based on prices for similar assets and liabilities.
Level 3	Fair values derived when one or more of the significant inputs are unobservable (including assumptions about risk). With little or no observable market, the determination of fair values uses considerable judgment and represents the Company's best estimate of an amount that could be realized in a market exchange for the asset or liability. Also included are securities that are traded within illiquid markets and/or priced by independent brokers.

The Company will classify the financial asset or liability by level based upon the lowest level input that is significant to the determination of the fair value. In most cases, both observable inputs (e.g., changes in interest rates) and unobservable inputs (e.g., changes in risk assumptions) are used to determine fair values that the Company has classified within Level 3.

2. Fair Value Measurements (continued)

Successor Company

Assets and (Liabilities) Carried at Fair Value by Hierarchy Level as of September 30, 2018

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Fixed maturities, AFS				
Asset backed securities ("ABS")	$ 558	$ —	$ 540	$ 18
Collateralized debt obligations ("CDOs")	769	—	610	159
Commercial mortgage-backed securities ("CMBS")	1,398	—	1,395	3
Corporate	7,910	—	7,553	357
Foreign government/government agencies	371	—	371	—
Bonds of municipalities and political subdivisions ("municipal bonds")	723	—	711	12
Residential mortgage-backed securities ("RMBS")	1,030	—	559	471
U.S. Treasuries	1,313	101	1,212	—
Total fixed maturities	14,072	101	12,951	1,020
Fixed maturities, FVO	14	—	14	—
Equity securities, at fair value	109	47	19	43
Derivative assets				
Credit derivatives	3	—	3	—
Interest rate derivatives	(2)	—	(2)	—
Guaranteed minimum withdrawal benefit ("GMWB") hedging instruments	28	—	5	23
Macro hedge program	47	—	—	47
Total derivative assets [2]	76	—	6	70
Short-term investments	1,159	469	690	—
Reinsurance recoverable for GMWB	17	—	—	17
Modified coinsurance reinsurance contracts	10	—	10	—
Separate account assets [3]	103,673	68,704	34,912	57
Total assets accounted for at fair value on a recurring basis	**$ 119,130**	**$ 69,321**	**$ 48,602**	**$ 1,207**
Liabilities accounted for at fair value on a recurring basis				
Other policyholder funds and benefits payable				
GMWB embedded derivative	$ 12	$ —	$ —	$ 12
Total other policyholder funds and benefits payable	12	—	—	12
Derivative liabilities				
Credit derivatives	2	—	2	—
Foreign exchange derivatives	(190)	—	(190)	—
Interest rate derivatives	(290)	—	(264)	(26)
GMWB hedging instruments	(12)	—	8	(20)
Macro hedge program	(85)	—	—	(85)
Total derivative liabilities [4]	(575)	—	(444)	(131)
Total liabilities accounted for at fair value on a recurring basis	**$ (563)**	**$ —**	**$ (444)**	**$ (119)**

2. Fair Value Measurements (continued)

Predecessor Company

Assets and (Liabilities) Carried at Fair Value by Hierarchy Level as of December 31, 2017

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Fixed maturities, AFS				
ABS	$ 819	$ —	$ 806	$ 13
CDOs	888	—	815	73
CMBS	2,084	—	2,058	26
Corporate	14,038	—	13,595	443
Foreign government/government agencies	407	—	406	1
Bonds of municipalities and political subdivisions ("municipal bonds")	1,266	—	1,228	38
RMBS	1,427	—	735	692
U.S. Treasuries	1,870	284	1,586	—
Total fixed maturities	22,799	284	21,229	1,286
Fixed maturities, FVO	32	—	32	—
Equity securities, trading [1]	12	12	—	—
Equity securities, AFS	154	61	47	46
Derivative assets				
Credit derivatives	1	—	1	—
Foreign exchange derivatives	(1)	—	(1)	—
Interest rate derivatives	47	—	47	—
GMWB hedging instruments	69	—	35	34
Macro hedge program	19	—	—	19
Total derivative assets [2]	135	—	82	53
Short-term investments	1,094	807	287	—
Reinsurance recoverable for GMWB	36	—	—	36
Modified coinsurance reinsurance contracts	55	—	55	—
Separate account assets [3]	113,302	73,538	38,677	185
Total assets accounted for at fair value on a recurring basis	**$ 137,619**	**$ 74,702**	**$ 60,409**	**$ 1,606**
Liabilities accounted for at fair value on a recurring basis				
Other policyholder funds and benefits payable				
GMWB embedded derivative	$ (75)	$ —	$ —	$ (75)
Total other policyholder funds and benefits payable	(75)	—	—	(75)
Derivative liabilities				
Foreign exchange derivatives	(187)	—	(187)	—
Interest rate derivatives	(403)	—	(374)	(29)
GMWB hedging instruments	(2)	—	(2)	—
Macro hedge program	4	—	—	4
Total derivative liabilities [4]	(588)	—	(563)	(25)
Total liabilities accounted for at fair value on a recurring basis	**$ (663)**	**$ —**	**$ (563)**	**$ (100)**

[1] Included in other investments on the Condensed Consolidated Balance Sheets.

[2] Includes derivative instruments in a net positive fair value position after consideration of the accrued interest and impact of collateral posting requirements which may be imposed by agreements and applicable law. See footnote 4 to this table for derivative liabilities.

[3] Approximately $2.7 billion and $2.5 billion of investment sales receivable, as of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company), respectively, are excluded from this disclosure requirement because they are trade receivables in the ordinary course of business where the carrying amount approximates fair value. Included in the total fair value amount are $0.5 billion and $0.9 billion of investments, as of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company), respectively, for which the fair value is estimated using the net asset value per unit as a practical expedient which are excluded from the disclosure requirement to classify amounts in the fair value hierarchy.

[4] Includes derivative instruments in a net negative fair value position (derivative liability) after consideration of the accrued interest and impact of collateral posting requirements, which may be imposed by agreements and applicable law.

2. Fair Value Measurements (continued)

Fixed Maturities, Equity Securities, Short-term Investments, and Free-standing Derivatives

Valuation Techniques

The Company generally determines fair values using valuation techniques that use prices, rates, and other relevant information evident from market transactions involving identical or similar instruments. Valuation techniques also include, where appropriate, estimates of future cash flows that are converted into a single discounted amount using current market expectations. The Company uses a "waterfall" approach comprised of the following pricing sources and techniques, which are listed in priority order:

- Quoted prices, unadjusted, for identical assets or liabilities in active markets, which are classified as Level 1.
- Prices from third-party pricing services, which primarily utilize a combination of techniques. These services utilize recently reported trades of identical, similar, or benchmark securities making adjustments for market observable inputs available through the reporting date. If there are no recently reported trades, they may use a discounted cash flow technique to develop a price using expected cash flows based upon the anticipated future performance of the underlying collateral discounted at an estimated market rate. Both techniques develop prices that consider the time value of future cash flows and provide a margin for risk, including liquidity and credit risk. Most prices provided by third-party pricing services are classified as Level 2 because the inputs used in pricing the securities are observable. However, some securities that are less liquid or trade less actively are classified as Level 3. Additionally, certain long-dated securities, such as municipal securities and bank loans, include benchmark interest rate or credit spread assumptions that are not observable in the marketplace and are thus classified as Level 3.
- Internal matrix pricing, which is a valuation process internally developed for private placement securities for which the Company is unable to obtain a price from a third-party pricing service. Internal pricing matrices determine credit spreads that, when combined with risk-free rates, are applied to contractual cash flows to develop a price. The Company develops credit spreads using market based data for public securities adjusted for credit spread differentials between public and private securities, which are obtained from a survey of multiple private placement brokers. The market-based reference credit spread considers the issuer’s financial strength and term to maturity, using an independent public security index and trade information, while the credit spread differential considers the non-public nature of the security. Securities priced using internal matrix pricing are classified as Level 2 because the inputs are observable or can be corroborated with observable data.
- Independent broker quotes, which are typically non-binding and use inputs that can be difficult to corroborate with observable market based data. Brokers may use present value techniques using assumptions specific to the security types, or they may use recent transactions of similar securities. Due to the lack of transparency in the process that brokers use to develop prices, valuations that are based on independent broker quotes are classified as Level 3.

The fair value of free-standing derivative instruments are determined primarily using a discounted cash flow model or option model technique and incorporate counterparty credit risk. In some cases, quoted market prices for exchange-traded and OTC-cleared derivatives may be used and in other cases independent broker quotes may be used. The pricing valuation models primarily use inputs that are observable in the market or can be corroborated by observable market data. The valuation of certain derivatives may include significant inputs that are unobservable, such as volatility levels, and reflect the Company’s view of what other market participants would use when pricing such instruments. Unobservable market data is used in the valuation of customized derivatives that are used to hedge certain GMWB variable annuity riders. See the section “GMWB Embedded, Customized, and Reinsurance Derivatives” below for further discussion of the valuation model used to value these customized derivatives.

Valuation Controls

The fair value process for investments is monitored by the Valuation Committee of the Company's investment manager, which is a cross-functional group of senior management at the Company's investment manager that meets at least quarterly. The purpose of the committee is to oversee the pricing policy and procedures, as well as to approve changes to valuation methodologies and pricing sources. Controls and procedures used to assess third-party pricing services are reviewed by the Valuation Committee, including the results of annual due-diligence reviews.

There are also two working groups under the Valuation Committee of the Company's investment manager: a Securities Fair Value Working Group (“Securities Working Group”) and a Derivatives Fair Value Working Group ("Derivatives Working Group"). The working groups, which include various investment, operations, accounting and risk management professionals, meet monthly to review market data trends, pricing and trading statistics and results, and any proposed pricing methodology changes.

2. Fair Value Measurements (continued)

The Securities Working Group reviews prices received from third parties to ensure that the prices represent a reasonable estimate of the fair value. The group considers trading volume, new issuance activity, market trends, new regulatory rulings and other factors to determine whether the market activity is significantly different than normal activity in an active market. A dedicated pricing unit follows up with trading and investment sector professionals and challenges prices of third-party pricing services when the estimated assumptions used differ from what the unit believes a market participant would use. If the available evidence indicates that pricing from third-party pricing services or broker quotes is based upon transactions that are stale or not from trades made in an orderly market, the Company places little, if any, weight on the third party service's transaction price and will estimate fair value using an internal process, such as a pricing matrix.

The Derivatives Working Group reviews the inputs, assumptions and methodologies used to ensure that the prices represent a reasonable estimate of the fair value. A dedicated pricing team works directly with investment sector professionals to investigate the impacts of changes in the market environment on prices or valuations of derivatives. New models and any changes to current models are required to have detailed documentation and are validated to a second source. The model validation documentation and results of validation are presented to the Valuation Committee for approval.

The Company's investment manager conducts other monitoring controls around securities and derivatives pricing including, but not limited to, the following:

- Review of daily price changes over specific thresholds and new trade comparison to third-party pricing services.
- Daily comparison of OTC derivative market valuations to counterparty valuations.
- Review of weekly price changes compared to published bond prices of a corporate bond index.
- Monthly reviews of price changes over thresholds, stale prices, missing prices, and zero prices.
- Monthly validation of prices to a second source for securities in most sectors and for certain derivatives.

The Company maintains oversight of its investment manager's internal controls, including valuation controls, and maintains the final decision on all valuation matters.

Valuation Inputs

Quoted prices for identical assets in active markets are considered Level 1 and consist of on-the-run U.S. Treasuries, money market funds, exchange-traded equity securities, open-ended mutual funds, short-term investments, and exchange traded futures and option contracts.

2. Fair Value Measurements (continued)

Valuation Inputs Used in Level 2 and 3 Measurements for Securities and Freestanding Derivatives

Level 2 Primary Observable Inputs	Level 3 Primary Unobservable Inputs
Fixed Maturity Investments	
Structured securities (includes ABS, CDOs, CMBS and RMBS)	
• Benchmark yields and spreads • Monthly payment information • Collateral performance, which varies by vintage year and includes delinquency rates, loss severity rates and refinancing assumptions • Credit default swap indices Other inputs for ABS and RMBS: • Estimate of future principal prepayments, derived based on the characteristics of the underlying structure • Prepayment speeds previously experienced at the interest rate levels projected for the collateral	• Independent broker quotes • Credit spreads beyond observable curve • Interest rates beyond observable curve Other inputs for less liquid securities or those that trade less actively, including subprime RMBS: • Estimated cash flows • Credit spreads, which include illiquidity premium • Constant prepayment rates • Constant default rates • Loss severity
Corporates	
• Benchmark yields and spreads • Reported trades, bids, offers of the same or similar securities • Issuer spreads and credit default swap curves Other inputs for investment grade privately placed securities that utilize internal matrix pricing : • Credit spreads for public securities of similar quality, maturity, and sector, adjusted for non-public nature	• Independent broker quotes • Credit spreads beyond observable curve • Interest rates beyond observable curve Other inputs for below investment grade privately placed securities: • Independent broker quotes • Credit spreads for public securities of similar quality, maturity, and sector, adjusted for non-public nature
U.S Treasuries, Municipals and Foreign government/government agencies	
• Benchmark yields and spreads • Issuer credit default swap curves • Political events in emerging market economies • Municipal Securities Rulemaking Board reported trades and material event notices • Issuer financial statements	• Independent broker quotes • Credit spreads beyond observable curve • Interest rates beyond observable curve
Equity Securities	
• Quoted prices in markets that are not active	• For privately traded equity securities, internal discounted cash flow models utilizing earnings multiples or other cash flow assumptions that are not observable
Short Term Investments	
• Benchmark yields and spreads • Reported trades, bids, offers • Issuer spreads and credit default swap curves • Material event notices and new issue money market rates	Not applicable
Derivatives	
Credit derivatives	
• Swap yield curve • Credit default swap curves	Not applicable
Equity derivatives	
• Equity index levels • Swap yield curve	• Independent broker quotes • Equity volatility
Foreign exchange derivatives	
• Swap yield curve • Currency spot and forward rates • Cross currency basis curves	Not applicable
Interest rate derivatives	
• Swap yield curve	• Independent broker quotes • Interest rate volatility

2. Fair Value Measurements (continued)

Significant Unobservable Inputs for Level 3 - Securities

Assets Accounted for at Fair Value on a Recurring Basis	Fair Value	Predominant Valuation Technique	Significant Unobservable Input	Minimum	Maximum	Weighted Average [1]	Impact of Increase in Input on Fair Value [2]
As of September 30, 2018 (Successor Company)							
CMBS [3]	$ 3	Discounted cash flows	Spread (encompasses prepayment, default risk and loss severity)	9bps	1,816bps	240bps	Decrease
Corporate [4]	$ 157	Discounted cash flows	Spread	100bps	781bps	304bps	Decrease
Municipal	$ 4	Discounted cash flows	Spread	160bps	160bps	160bps	Decrease
RMBS	$ 471	Discounted cash flows	Spread	7bps	382bps	73bps	Decrease
			Constant prepayment rate	—%	13%	6%	Decrease [5]
			Constant default rate	2%	8%	3%	Decrease
			Loss severity	—%	100%	58%	Decrease
As of December 31, 2017 (Predecessor Company)							
CMBS [3]	$ 15	Discounted cash flows	Spread (encompasses prepayment, default risk and loss severity)	9bps	1,816bps	457bps	Decrease
Corporate [4]	$ 190	Discounted cash flows	Spread	103bps	1,000bps	355bps	Decrease
Municipal	$ 22	Discounted cash flows	Spread	192bps	250bps	228bps	Decrease
RMBS [3]	$ 692	Discounted cash flows	Spread	24bps	463bps	77bps	Decrease
			Constant prepayment rate	—%	25%	6%	Decrease [5]
			Constant default rate	—%	7%	4%	Decrease
			Loss severity	—%	100%	65%	Decrease

[1] The weighted average is determined based on the fair value of the securities.
[2] Conversely, the impact of a decrease in input would have the opposite impact to the fair value as that presented in the table.
[3] Excludes securities for which the Company based fair value on broker quotations.
[4] Excludes securities for which the Company bases fair value on broker quotations; however, included are broker priced lower-rated private placement securities for which the Company receives spread and yield information to corroborate the fair value.
[5] Decrease for above market rate coupons and increase for below market rate coupons.

2. Fair Value Measurements (continued)

Significant Unobservable Inputs for Level 3 - Freestanding Derivatives

	Fair Value	Predominant Valuation Technique	Significant Unobservable Input	Minimum	Maximum	Impact of Increase in Input on Fair Value [1]
As of September 30, 2018 (Successor Company)						
Interest rate derivatives						
Interest rate swaps	$ (26)	Discounted cash flows	Swap curve beyond 30 years	3%	3%	Decrease
GMWB hedging instruments						
Equity variance swaps	$ (27)	Option model	Equity volatility	18%	18%	Increase
Equity options	$ (2)	Option model	Equity volatility	30%	32%	Increase
Customized swaps	$ 32	Discounted cash flows	Equity volatility	8%	30%	Increase
Macro hedge program [2]						
Equity options	$ (36)	Option model	Equity volatility	18%	29%	Increase
As of December 31, 2017 (Predecessor Company)						
Interest rate derivatives						
Interest rate swaps	$ (29)	Discounted cash flows	Swap curve beyond 30 years	2%	3%	Decrease
GMWB hedging instruments						
Equity variance swaps	$ (26)	Option model	Equity volatility	19%	19%	Increase
Equity options	$ 1	Option model	Equity volatility	27%	30%	Increase
Customized swaps	$ 59	Discounted cash flows	Equity volatility	7%	30%	Increase
Macro hedge program [2]						
Equity options	$ 29	Option model	Equity volatility	18%	31%	Increase

[1] Conversely, the impact of a decrease in input would have the opposite impact to the fair value as that presented in the table. Changes are based on long positions, unless otherwise noted. Changes in fair value will be inversely impacted for short positions.

[2] Excludes derivatives for which the Company bases fair value on broker quotations.

The tables above exclude the portion of ABS, index options and certain corporate securities for which fair values are predominately based on independent broker quotes. While the Company does not have access to the significant unobservable inputs that independent brokers may use in their pricing process, the Company believes brokers likely use inputs similar to those used by the Company and third-party pricing services to price similar instruments. As such, in their pricing models, brokers likely use estimated loss severity rates, prepayment rates, constant default rates and credit spreads. Therefore, similar to non-broker priced securities, increases in these inputs would generally cause fair values to decrease. For the three months ended September 30, 2018 (Successor Company) and the periods of June 1, 2018 to September 30, 2018 (Successor Company) and January 1, 2018 to May 31, 2018 (Predecessor Company), no significant adjustments were made by the Company to broker prices received.

Transfers between Levels

Transfers of securities among the levels occur at the beginning of the reporting period. For the three months ended September 30, 2018 (Successor Company) the amount of transfers from Level 1 to Level 2 was $13, which represented previously on-the-run U.S.Treasury securities that are now off-the-run. The amount of transfers from Level 1 to Level 2 was $71 and $283, for the period of June 1, 2018 to September 30, 2018 (Successor Company) and the period of January 1, 2018 to May 31, 2018 (Predecessor Company), respectively, which represented previously on-the-run U.S.Treasury securities that are now off-the-run. For the three months ended September 30, 2018 (Successor Company) and the periods of June 1, 2018 to September 30, 2018 (Successor Company) and January 1, 2018 to May 31, 2018 (Predecessor Company), there were no transfers from Level 2 to Level 1. The amount of transfers from Level 1 to Level 2 was $163 and $657, for the three and nine months ended September 30, 2017 (Predecessor Company), respectively, which represented previously on-the-run U.S.Treasury securities that are now off-the-run. For the three and nine months ended September 30, 2017 (Predecessor Company), there were no transfers from Level 2 to Level 1. See the fair value roll-forward tables for the transfers into and out of Level 3.

2. Fair Value Measurements (continued)

GMWB Embedded, Customized and Reinsurance Derivatives

GMWB Embedded Derivatives	The Company formerly offered certain variable annuity products with GMWB riders that provide the policyholder with a guaranteed remaining balance ("GRB") which is generally equal to premiums less withdrawals. If the policyholder's account value is reduced to a specified level through a combination of market declines and withdrawals but the GRB still has value, the Company is obligated to continue to make annuity payments to the policyholder until the GRB is exhausted. When payments of the GRB are not life-contingent, the GMWB represents an embedded derivative carried at fair value reported in other policyholder funds and benefits payable in the Consolidated Balance Sheets with changes in fair value reported in net realized capital gains and losses.
Free-standing Customized Derivatives	The Company holds free-standing customized derivative contracts to provide protection from certain capital markets risks for the remaining term of specified blocks of non-reinsured GMWB riders. These customized derivatives are based on policyholder behavior assumptions specified at the inception of the derivative contracts. The Company retains the risk for differences between assumed and actual policyholder behavior and between the performance of the actively managed funds underlying the separate accounts and their respective indices. These derivatives are reported in the Consolidated Balance Sheets within other investments or other liabilities, as appropriate, after considering the impact of master netting agreements.
GMWB Reinsurance Derivative	The Company has reinsurance arrangements in place to transfer a portion of its risk of loss due to GMWB. These arrangements are recognized as derivatives carried at fair value and reported in reinsurance recoverables in the Consolidated Balance Sheets. Changes in the fair value of the reinsurance agreements are reported in net realized capital gains and losses.

Valuation Techniques

Fair values for GMWB embedded derivatives, free-standing customized derivatives and reinsurance derivatives are classified as Level 3 in the fair value hierarchy and are calculated using internally developed models that utilize significant unobservable inputs because active, observable markets do not exist for these items. In valuing the GMWB embedded derivative, the Company attributes to the derivative a portion of the expected fees to be collected over the expected life of the contract from the contract holder equal to the present value of future GMWB claims. The excess of fees collected from the contract holder in the current period over the portion of fees attributed to the embedded derivative in the current period are associated with the host variable annuity contract and reported in fee income.

Valuation Controls

Oversight of the Company's valuation policies and processes for GMWB embedded, reinsurance, and customized derivatives is performed by a multidisciplinary group comprised of finance, actuarial and risk management professionals. This multidisciplinary group reviews and approves changes and enhancements to the Company's valuation model as well as associated controls.

Valuation Inputs

The fair value for each of the non-life contingent GMWBs, the free-standing customized derivatives and the GMWB reinsurance derivative is calculated as an aggregation of the following components: Best Estimate Claim Payments; Credit Standing Adjustment; and Margins. The Company believes the aggregation of these components results in an amount that a market participant in an active liquid market would require, if such a market existed, to assume the risks associated with the guaranteed minimum benefits and the related reinsurance and customized derivatives. Each component described in the following discussion is unobservable in the marketplace and requires subjectivity by the Company in determining its value.

Best Estimate Claim Payments

The Best Estimate Claim Payments are calculated based on actuarial and capital market assumptions related to projected cash flows, including the present value of benefits and related contract charges, over the lives of the contracts, incorporating unobservable inputs including expectations concerning policyholder behavior. These assumptions are input into a stochastic risk neutral scenario process that is used to determine the valuation and involves numerous estimates and subjective judgments regarding a number of variables.

The Company monitors various aspects of policyholder behavior and may modify certain of its assumptions, including lapses and withdrawal rates, if credible emerging data indicates that changes are warranted. In addition, the Company will continue to evaluate policyholder behavior assumptions should we implement further initiatives to reduce the size of the variable annuity business. At a minimum, all policyholder behavior assumptions are reviewed and updated at least annually as part of the Company's annual fourth-quarter comprehensive study to refine its estimate of future gross profits. In addition, the Company recognizes non-market-based updates driven by the relative outperformance (underperformance) of the underlying actively managed funds as compared to their respective indices.

2. Fair Value Measurements (continued)

Credit Standing Adjustment

The credit standing adjustment is an estimate of the adjustment to the fair value that market participants would require in determining fair value to reflect the risk that GMWB benefit obligations or the GMWB reinsurance recoverables will not be fulfilled. The Company incorporates a blend of estimates of Company and reinsurer credit default spreads from capital markets, adjusted for market recoverability.

Margins

The behavior risk margin adds a margin that market participants would require, in determining fair value, for the risk that the Company's assumptions about policyholder behavior could differ from actual experience. The behavior risk margin is calculated by taking the difference between adverse policyholder behavior assumptions and best estimate assumptions.

Valuation Inputs Used in Levels 2 and 3 Measurements for GMWB Embedded, Customized and Reinsurance Derivatives

Level 2 Primary Observable Inputs	Level 3 Primary Unobservable Inputs
• Risk-free rates as represented by the Eurodollar futures, LIBOR deposits and swap rates to derive forward curve rates • Correlations of 10 years of observed historical returns across underlying well-known market indices • Correlations of historical index returns compared to separate account fund returns • Equity index levels	• Market implied equity volatility assumptions • Credit standing adjustment assumptions Assumptions about policyholder behavior, including: • Withdrawal utilization • Withdrawal rates • Lapse rates • Reset elections

Significant Unobservable Inputs for Level 3 GMWB Embedded Customized and Reinsurance Derivatives

As of September 30, 2018 (Successor Company)

Significant Unobservable Input	Unobservable Inputs (Minimum)	Unobservable Inputs (Maximum)	Impact of Increase in Input on Fair Value Liability [1]
Withdrawal Utilization [2]	15%	100%	Increase
Withdrawal Rates [3]	—%	8%	Increase
Lapse Rates [4]	—%	40%	Decrease
Reset Elections [5]	30%	75%	Increase
Equity Volatility [6]	8%	30%	Increase
Credit Standing Adjustment [7]	0.04%	0.27%	Decrease

As of December 31, 2017 (Predecessor Company)

Significant Unobservable Input	Unobservable Inputs (Minimum)	Unobservable Inputs (Maximum)	Impact of Increase in Input on Fair Value Liability [1]
Withdrawal Utilization [2]	15%	100%	Increase
Withdrawal Rates [3]	—%	8%	Increase
Lapse Rates [4]	—%	40%	Decrease
Reset Elections [5]	30%	75%	Increase
Equity Volatility [6]	7%	30%	Increase

[1] Conversely, the impact of a decrease in input would have the opposite impact to the fair value as that presented in the table.
[2] Range represents assumed cumulative percentages of policyholders taking withdrawals.
[3] Range represents assumed cumulative annual amount withdrawn by policyholders.
[4] Range represents assumed annual percentages of full surrender of the underlying variable annuity contracts across all policy durations for in force business.
[5] Range represents assumed cumulative percentages of policyholders that would elect to reset their guaranteed benefit base.
[6] Range represents implied market volatilities for equity indices based on multiple pricing sources.
[7] Range represents Company credit spreads, adjusted for market recoverability.

2. Fair Value Measurements (continued)

Separate Account Assets

Separate account assets are primarily invested in mutual funds. Other separate account assets include fixed maturities, limited partnerships, equity securities, short-term investments and derivatives that are valued in the same manner, and using the same pricing sources and inputs as those investments held by the Company. For limited partnerships in which fair value represents the separate account's share of the NAV, 50% and 51% were subject to significant liquidation restrictions as of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company), respectively. Total limited partnerships that do not allow any form of redemption were 0% and 21% as of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company), respectively. Separate account assets classified as Level 3 primarily include subprime RMBS and commercial mortgage loans.

Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs

The Company uses derivative instruments to manage the risk associated with certain assets and liabilities. However, the derivative instrument may not be classified with the same fair value hierarchy level as the associated asset or liability. Therefore, the realized and unrealized gains and losses on derivatives reported in the Level 3 roll-forward may be offset by realized and unrealized gains and losses of the associated assets and liabilities in other line items of the financial statements.

The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the three months ended September 30, 2018 (Successor Company), for which the Company has used significant unobservable inputs (Level 3):

Fair Value Roll-forwards for Financial Instruments Classified as Level 3

		Total realized/ unrealized gains (losses)							
	Fair Value as of June 30, 2018	Included in Net Income [1] [2] [6]	Included in OCI [3]	Purchases	Settlements	Sales	Transfers into Level 3 [4]	Transfers out of Level 3 [4]	Fair Value as of September 30, 2018
Assets									
Fixed Maturities, AFS									
ABS	$ 20	$ —	$ —	$ 12	$ (1)	$ —	$ 1	$ (14)	$ 18
CDOs	95	—	—	95	(3)	—	—	(28)	159
CMBS	7	—	—	—	(1)	—	—	(3)	3
Corporate	396	—	(1)	14	(1)	(20)	—	(31)	357
Municipal	12	—	—	—	—	—	—	—	12
RMBS	534	—	—	—	(28)	(13)	—	(22)	471
Total Fixed Maturities, AFS	1,064	—	(1)	121	(34)	(33)	1	(98)	1,020
Equity Securities, at fair value	43	—	—	1	—	(1)	—	—	43
Freestanding Derivatives									
Interest rate	(27)	1	—	—	—	—	—	—	(26)
GMWB hedging instruments	17	(14)	—	—	—	—	—	—	3
Macro hedge program	3	(82)	—	41	—	—	—	—	(38)
Total Freestanding Derivatives [5]	(7)	(95)	—	41	—	—	—	—	(61)
Reinsurance Recoverable for GMWB	22	(9)	—	—	4	—	—	—	17
Separate Accounts	74	—	—	16	—	(2)	6	(37)	57
Total Assets	**$ 1,196**	**$ (104)**	**$ (1)**	**$ 179**	**$ (30)**	**$ (36)**	**$ 7**	**$ (135)**	**$ 1,076**
(Liabilities)									
Other Policyholder Funds and Benefits Payable									
Guaranteed Withdrawal Benefits	$ (18)	$ 45	$ —	$ —	$ (15)	$ —	$ —	$ —	$ 12
Total Other Policyholder Funds and Benefits Payable	(18)	45	—	—	(15)	—	—	—	12
Total Liabilities	**$ (18)**	**$ 45**	**$ —**	**$ —**	**$ (15)**	**$ —**	**$ —**	**$ —**	**$ 12**

2. Fair Value Measurements (continued)

The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the the period of June 1, 2018 to September 30, 2018 (Successor Company), for which the Company has used significant unobservable inputs (Level 3):

Fair Value Roll-forwards for Financial Instruments Classified as Level 3

		Total Realized/ Unrealized Gains (Losses)							
	Fair value as of June 1, 2018	Included in Net Income [1] [2] [6]	Included in OCI [3]	Purchases	Settlements	Sales	Transfers into Level 3 [4]	Transfers out of Level 3 [4]	Fair Value as of September 30, 2018
Assets									
Fixed Maturities, AFS									
ABS	$ 12	$ —	$ —	$ 20	$ (1)	$ —	$ 1	$ (14)	$ 18
CDOs	65	—	—	125	(3)	—	—	(28)	159
CMBS	17	—	—	3	(1)	—	—	(16)	3
Corporate	451	—	(1)	14	(1)	(25)	—	(81)	357
Municipal	24	—	—	—	—	(12)	—	—	12
RMBS	617	—	—	21	(40)	(105)	—	(22)	471
Total Fixed Maturities, AFS	1,186	—	(1)	183	(46)	(142)	1	(161)	1,020
Equity Securities, at fair value	42	—	1	1	—	(1)	—	—	43
Freestanding Derivatives									
Interest rate	(27)	1	—	—	—	—	—	—	(26)
GMWB hedging instruments	17	(14)	—	—	—	—	—	—	3
Macro hedge program	(5)	(70)	—	41	(4)	—	—	—	(38)
Total Freestanding Derivatives [5]	(15)	(83)	—	41	(4)	—	—	—	(61)
Reinsurance Recoverable for GMWB	22	(10)	—	—	5	—	—	—	17
Separate Accounts	55	—	—	36	—	(1)	6	(39)	57
Total Assets	**$ 1,290**	**$ (93)**	**$ —**	**$ 261**	**$ (45)**	**$ (144)**	**$ 7**	**$ (200)**	**$ 1,076**
(Liabilities)									
Other Policyholder Funds and Benefits Payable									
Guaranteed Withdrawal Benefits	$ (21)	$ 53	$ —	$ —	$ (20)	$ —	$ —	$ —	$ 12
Total Other Policyholder Funds and Benefits Payable	(21)	53	—	—	(20)	—	—	—	12
Total Liabilities	**$ (21)**	**$ 53**	**$ —**	**$ —**	**$ (20)**	**$ —**	**$ —**	**$ —**	**$ 12**

2. Fair Value Measurements (continued)

The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the period of January 1, 2018 to May 31, 2018 (Predecessor Company), for which the Company has used significant unobservable inputs (Level 3):

Fair Value Roll-forwards for Financial Instruments Classified as Level 3

		Total Realized/ Unrealized Gains (Losses)							
	Fair Value as of January 1, 2018	Included in Net Income [1] [2] [6]	Included in OCI [3]	Purchases	Settlements	Sales	Transfers into Level 3 [4]	Transfers out of Level 3 [4]	Fair Value as of May 31, 2018
Assets									
Fixed Maturities, AFS									
ABS	$ 13	$ —	$ —	$ 6	$ (1)	$ —	$ 1	$ (7)	$ 12
CDOs	73	—	—	5	—	(3)	—	(10)	65
CMBS	26	—	—	7	(1)	(15)	—	—	17
Corporate	443	2	(23)	47	(16)	(46)	64	(20)	451
Foreign Govt./Govt. Agencies	1	—	—	—	(1)	—	—	—	—
Municipal	38	—	(1)	—	—	—	—	(13)	24
RMBS	692	—	(3)	35	(78)	(24)	—	(5)	617
Total Fixed Maturities, AFS	1,286	2	(27)	100	(97)	(88)	65	(55)	1,186
Equity Securities, at fair value	46	10	—	—	—	(14)	—	—	42
Freestanding Derivatives									
Interest rate	(29)	2	—	—	—	—	—	—	(27)
GMWB hedging instruments	34	(15)	—	—	—	(2)	—	—	17
Macro hedge program	23	(28)	—	—	—	—	—	—	(5)
Total Freestanding Derivatives [5]	28	(41)	—	—	—	(2)	—	—	(15)
Reinsurance Recoverable for GMWB	36	(19)	—	—	5	—	—	—	22
Separate Accounts	185	—	—	34	—	(164)	22	(22)	55
Total Assets	**$ 1,581**	**$ (48)**	**$ (27)**	**$ 134**	**$ (92)**	**$ (268)**	**$ 87**	**$ (77)**	**$ 1,290**
(Liabilities)									
Other Policyholder Funds and Benefits Payable									
Guaranteed Withdrawal Benefits	$ (75)	$ 82	$ —	$ —	$ (28)	$ —	$ —	$ —	$ (21)
Total Other Policyholder Funds and Benefits Payable	(75)	82	—	—	(28)	—	—	—	(21)
Total Liabilities	**$ (75)**	**$ 82**	**$ —**	**$ —**	**$ (28)**	**$ —**	**$ —**	**$ —**	**$ (21)**

2. Fair Value Measurements (continued)

The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the three months ended September 30, 2017 (Predecessor Company), for which the Company has used significant unobservable inputs (Level 3):

Fair Value Roll-forwards for Financial Instruments Classified as Level 3

		Total Realized/ Unrealized Gains (Losses)							
	Fair Value as of June 30, 2017	Included in Net Income [1] [2] [6]	Included in OCI [3]	Purchases	Settlements	Sales	Transfers into Level 3 [4]	Transfers out of Level 3 [4]	Fair Value as of September 30, 2017
Assets									
Fixed Maturities, AFS									
ABS	$ 33	$ —	$ —	$ —	$ (3)	$ —	$ 3	$ (3)	$ 30
CDOs	136	—	(1)	20	—	—	—	(63)	92
CMBS	33	—	—	—	(1)	—	—	—	32
Corporate	608	(1)	3	6	2	(16)	—	(96)	506
Foreign Govt./Govt. Agencies	7	—	—	2	—	—	—	(1)	8
Municipal	70	—	—	—	—	—	—	—	70
RMBS	739	—	10	1	(47)	—	—	(8)	695
Total Fixed Maturities, AFS	1,626	(1)	12	29	(49)	(16)	3	(171)	1,433
Equity Securities, AFS	43	—	(2)	3	—	—	—	—	44
Freestanding Derivatives									
Interest rate	(29)	—	—	—	—	—	—	—	(29)
GMWB hedging instruments	40	(16)	—	—	—	—	—	—	24
Macro hedge program	160	14	—	9	—	—	—	—	183
Total Freestanding Derivatives [5]	171	(2)	—	9	—	—	—	—	178
Reinsurance Recoverable for GMWB	57	(9)	—	—	3	—	—	—	51
Separate Accounts	192	—	3	37	(1)	(2)	—	(3)	226
Total Assets	**$ 2,089**	**$ (12)**	**$ 13**	**$ 78**	**$ (47)**	**$ (18)**	**$ 3**	**$ (174)**	**$ 1,932**
(Liabilities)									
Other Policyholder Funds and Benefits Payable									
Guaranteed Withdrawal Benefits	$ (134)	$ 58	$ —	$ —	$ (17)	$ —	$ —	$ —	$ (93)
Equity Linked Notes	(37)	—	—	—	37	—	—	—	—
Total Other Policyholder Funds and Benefits Payable	(171)	58	—	—	20	—	—	—	(93)
Total Liabilities	**$ (171)**	**$ 58**	**$ —**	**$ —**	**$ 20**	**$ —**	**$ —**	**$ —**	**$ (93)**

2. Fair Value Measurements (continued)

The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the nine months ended September 30, 2017 (Predecessor Company), for which the Company has used significant unobservable inputs (Level 3):

Fair Value Roll-forwards for Financial Instruments Classified as Level 3

		Total Realized/ Unrealized Gains (Losses)							
	Fair Value as of January 1, 2017	Included in Net Income [1] [2] [6]	Included in OCI [3]	Purchases	Settlements	Sales	Transfers into Level 3 [4]	Transfers out of Level 3 [4]	Fair Value as of September 30, 2017
Assets									
Fixed Maturities, AFS									
ABS	$ 37	$ —	$ —	$ 14	$ (6)	$ —	$ 6	$ (21)	$ 30
CDOs	260	—	(2)	134	(107)	—	—	(193)	92
CMBS	21	—	1	33	(3)	—	—	(20)	32
Corporate	566	(8)	22	88	3	(89)	57	(133)	506
Foreign Govt./Govt. Agencies	17	—	1	3	(2)	—	—	(11)	8
Municipal	72	—	3	—	—	(5)	—	—	70
RMBS	711	—	21	107	(136)	—	—	(8)	695
Total Fixed Maturities, AFS	1,684	(8)	46	379	(251)	(94)	63	(386)	1,433
Equity Securities, AFS	44	—	(5)	5	—	—	—	—	44
Freestanding Derivatives									
Interest rate	(30)	1	—	—	—	—	—	—	(29)
GMWB hedging instruments	81	(57)	—	—	—	—	—	—	24
Macro hedge program	167	7	—	9	—	—	—	—	183
Total Freestanding Derivatives [5]	218	(49)	—	9	—	—	—	—	178
Reinsurance Recoverable for GMWB	73	(33)	—	—	11	—	—	—	51
Separate Accounts	201	3	5	148	(7)	(45)	10	(89)	226
Total Assets	**$ 2,220**	**$ (87)**	**$ 46**	**$ 541**	**$ (247)**	**$ (139)**	**$ 73**	**$ (475)**	**$ 1,932**
(Liabilities)									
Other Policyholder Funds and Benefits Payable									
Guaranteed Withdrawal Benefits	$ (241)	$ 197	$ —	$ —	$ (49)	$ —	$ —	$ —	$ (93)
Equity Linked Notes	(33)	(4)	—	—	37	—	—	—	—
Total Other Policyholder Funds and Benefits Payable	(274)	193	—	—	(12)	—	—	—	(93)
Total Liabilities	**$ (274)**	**$ 193**	**$ —**	**$ —**	**$ (12)**	**$ —**	**$ —**	**$ —**	**$ (93)**

[1] The Company classifies realized and unrealized gains (losses) on GMWB reinsurance derivatives and GMWB embedded derivatives as unrealized gains (losses) for purposes of disclosure in this table because it is impracticable to track on a contract-by-contract basis the realized gains (losses) for these derivatives and embedded derivatives.

[2] Amounts in these rows are generally reported in net realized capital gains (losses). The realized/unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which results in a net zero impact on net income for the Company. All amounts are before income taxes and amortization.

[3] All amounts are before income taxes and amortization.

[4] Transfers in and/or (out) of Level 3 are primarily attributable to the availability of market observable information and the re-evaluation of the observability of pricing inputs.

[5] Derivative instruments are reported in this table on a net basis for asset (liability) positions and reported in the Consolidated Balance Sheets in other investments and other liabilities.

[6] Includes both market and non-market impacts in deriving realized and unrealized gains (losses).

2. Fair Value Measurements (continued)

Changes in Unrealized Gains (Losses) Included in Net Income for Financial Instruments Classified as Level 3 Still Held at End of Period

	Successor Company		Predecessor Company		
	For the three months ended September 30, 2018 [1] [2]	June 1, 2018 to September 30, 2018 [1] [2]	For the three months ended September 30, 2017 [1] [2]	January 1, 2018 to May 31, 2018 [1] [2]	For the nine months ended September 30, 2017 [1] [2]
Assets					
Fixed Maturities, AFS					
Corporate	$ —	$ —	$ (1)	$ 2	$ (13)
Total Fixed Maturities, AFS	—	—	(1)	2	(13)
Freestanding Derivatives					
Interest Rate	1	1	—	(5)	—
GMWB hedging instruments	(14)	(14)	(16)	(17)	(57)
Macro hedge program	(82)	(77)	14	(26)	8
Total Freestanding Derivatives	(95)	(90)	(2)	(48)	(49)
Reinsurance Recoverable for GMWB	(9)	(10)	(9)	(19)	(33)
Separate Accounts	—	—	—	—	1
Total Assets	**$ (104)**	**$ (100)**	**$ (12)**	**$ (65)**	**$ (94)**
(Liabilities)					
Other Policyholder Funds and Benefits Payable					
Guaranteed Withdrawal Benefits	$ 45	$ 53	$ 58	$ 82	$ 197
Equity Linked Notes	—	—	—	—	(4)
Total Other Policyholder Funds and Benefits Payable	45	53	58	82	193
Total Liabilities	**$ 45**	**$ 53**	**$ 58**	**$ 82**	**$ 193**

[1] All amounts in these rows are reported in net realized capital gains (losses). The realized/unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which results in a net zero impact on net income for the Company. All amounts are before income taxes and amortization.

[2] Amounts presented are for Level 3 only and therefore may not agree to other disclosures included herein.

Fair Value Option

The Company has elected the fair value option for certain securities that contain embedded credit derivatives with underlying credit risk, related to residential real estate, and these securities are included within Fixed Maturities, FVO on the Consolidated Balance Sheets.

As of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company), the fair value of assets and liabilities using the fair value option was $14 and $32, respectively, within the residential real estate sector.

The Company also previously elected the fair value option for certain equity securities in order to align the accounting with total return swap contracts that hedged the risk associated with the investments. The swaps did not qualify for hedge accounting and the change in value of both the equity securities and the total return swaps were recorded in net realized capital gains and losses. These equity securities were classified within equity securities, AFS on the Condensed Consolidated Balance Sheets. Income earned from FVO securities was recorded in net investment income and changes in fair value were recorded in net realized capital gains and losses.

For the three months ended September 30, 2018 (Successor Company), the period of June 1, 2018 to September 30, 2018 (Successor Company) and the period of January 1, 2018 to May 31, 2018 (Predecessor Company) there were no realized capital gains (losses) related to the fair value of assets using the fair value option. For the three and nine months ended September 30, 2017 (Predecessor Company) the income earned from FVO securities and the changes recorded in net realized capital gains (losses) were $0 and $2, respectively, related to equity securities. The Company did not hold any of these equity securities as of September 30, 2018 (Successor Company).

2. Fair Value Measurements (continued)

Financial Assets and Liabilities Not Carried at Fair Value

		Successor Company		Predecessor Company	
	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		September 30, 2018		December 31, 2017	
Assets					
Policy loans	Level 3	$ 1,426	$ 1,426	$ 1,432	$ 1,432
Mortgage loans	Level 3	$ 2,099	$ 2,081	$ 2,872	$ 2,941
Liabilities					
Other policyholder funds and benefits payable [1]	Level 3	$ 6,277	$ 5,971	$ 5,905	$ 6,095
Consumer notes [2] [3]	Level 3	$ —	$ —	$ 8	$ 8
Assumed investment contracts [3]	Level 3	$ 355	$ 355	$ 342	$ 361

[1] Excludes group accident and health and universal life insurance contracts, including corporate owned life insurance.
[2] Excludes amounts carried at fair value and included in preceding disclosures.
[3] Included in other liabilities in the Condensed Consolidated Balance Sheets.

3. Investments

Net Realized Capital Gains (Losses)

	Successor Company		Predecessor Company		
(Before tax)	For the three months ended September 30, 2018	June 1, 2018 to September 30, 2018	For the three months ended September 30, 2017	January 1, 2018 to May 31, 2018	For the nine months ended September 30, 2017
Gross gains on sales	$ 6	$ 7	$ 28	$ 49	$ 141
Gross losses on sales	(8)	(9)	(7)	(112)	(47)
Equity securities [1]	(1)	1	—	2	—
Net OTTI losses recognized in earnings	—	—	(1)	—	(14)
Valuation allowances on mortgage loans	(6)	(6)	—	—	2
Results of variable annuity hedge program					
GMWB derivatives, net	1	8	15	12	53
Macro hedge program	(121)	(121)	(65)	(36)	(189)
Total results of variable annuity hedge program	(120)	(113)	(50)	(24)	(136)
Transactional foreign currency revaluation	9	16	3	(6)	(11)
Non-qualifying foreign currency derivatives	(12)	(20)	(4)	7	4
Other, net [2]	(4)	(8)	(2)	(23)	—
Net realized capital gains (losses)	**$ (136)**	**$ (132)**	**$ (33)**	**$ (107)**	**$ (61)**

[1] *Effective January 1, 2018, with adoption of new accounting standards for equity securities, include all changes in fair value and trading gains and losses for equity securities at fair value.*

[2] *Includes gains (losses) on non-qualifying derivatives, excluding foreign currency derivatives, of $(4) for the three months ended September 30, 2018 (Successor Company), $(5) for the period of June 1, 2018 to September 30, 2018 (Successor Company) and $(10) for the period of January 1, 2018 to May 31, 2018 (Predecessor Company). Includes losses on non-qualifying derivatives, excluding foreign currency derivatives, of $(4) and $(7) for the three and nine months ended September 30, 2017 (Predecessor Company), respectively.*

Net realized capital gains and losses from investment sales are reported as a component of revenues and are determined on a specific identification basis. For the three months ended September 30, 2018 (Successor Company) and for the the period of June 1, 2018 to September 30, 2018 (Successor Company), before tax, net gains and losses on sales and impairments previously reported as unrealized gains or losses in AOCI were $(1) and $(1), respectively. Before tax, net gains and losses on sales and impairments previously reported as unrealized gains or losses were $(2) for the period January 1, 2018 to May 31, 2018 (Predecessor Company). Before tax, net gains and losses on sales and impairments previously reported as unrealized gains or losses in AOCI were $20 and $81 for the three and nine months ended September 30, 2017 (Predecessor Company), respectively. For the three months ended September 30, 2018 (Successor Company) and for the period of June 1, 2018 to September 30, 2018 (Successor Company), proceeds from sales of AFS securities totaled $1.1 billion and $1.2 billion, respectively. Proceeds from sales of AFS securities totaled $3.5 billion for the period of January 1, 2018 to May 31, 2018 (Predecessor Company) and $1.4 billion and $5.9 billion for the three and nine months ended September 30, 2017 (Predecessor Company), respectively. Effective January 1, 2018, with adoption of the new accounting standards for equity securities, the proceeds from sales of AFS securities no longer includes equity securities.

The net unrealized gain (loss) on equity securities included in net realized capital gains (losses) related to equity securities still held as of September 30, 2018, was $1, $2 and $(3) for the three months ended September 30, 2018 (Successor Company), the period of June 1, 2018 to September 30, 2018 (Successor Company), and the period of January 1, 2018 to May 31, 2018 (Predecessor Company), respectively. Prior to January 1, 2018, changes in net unrealized gains (losses) were included in AOCI.

Recognition and Presentation of Other-Than-Temporary Impairments

The Company will record an other-than-temporary impairment ("OTTI") for fixed maturities if the Company intends to sell or it is more likely than not that the Company will be required to sell the security before a recovery in value. A corresponding charge is recorded in net realized capital losses equal to the difference between the fair value and amortized cost basis of the security.

3. Investments (continued)

The Company will also record an OTTI for those fixed maturities for which the Company does not expect to recover the entire amortized cost basis. For these securities, the excess of the amortized cost basis over its fair value is separated into the portion representing a credit OTTI, which is recorded in net realized capital losses, and the remaining non-credit amount, which is recorded in OCI. The credit OTTI amount is the excess of its amortized cost basis over the Company’s best estimate of discounted expected future cash flows. The non-credit amount is the excess of the best estimate of the discounted expected future cash flows over the fair value. The Company’s best estimate of discounted expected future cash flows becomes the new cost basis and accretes prospectively into net investment income over the estimated remaining life of the security.

The Company’s best estimate of expected future cash flows is a quantitative and qualitative process that incorporates information received from third-party sources along with certain internal assumptions regarding the future performance. The Company's considerations include, but are not limited to, (a) changes in the financial condition of the issuer and the underlying collateral, (b) whether the issuer is current on contractually obligated interest and principal payments, (c) credit ratings, (d) payment structure of the security and (e) the extent to which the fair value has been less than the amortized cost of the security.

For non-structured securities, assumptions include, but are not limited to, economic and industry-specific trends and fundamentals, security-specific developments, industry earnings multiples and the issuer’s ability to restructure and execute asset sales.

For structured securities, assumptions include, but are not limited to, various performance indicators such as historical and projected default and recovery rates, credit ratings, current and projected delinquency rates, loan-to-value ("LTV") ratios, average cumulative collateral loss rates that vary by vintage year, prepayment speeds, and property value declines. These assumptions require the use of significant management judgment and include the probability of issuer default and estimates regarding timing and amount of expected recoveries which may include estimating the underlying collateral value.

Prior to January 1, 2018, the Company recorded an OTTI for certain equity securities with debt-like characteristics if the Company intended to sell or it was more likely than not that the Company was required to sell the security before a recovery in value as well as for those equity securities for which the Company did not expect to recover the entire amortized cost basis. The Company also recorded an OTTI for equity securities where the decline in the fair value was deemed to be other-than-temporary. For further discussion of these policies, see Recognition and Presentation of Other-Than-Temporary Impairments within Note 3 - Investments of Notes to Consolidated Financial Statements included in the Company’s 2017 Form 10-K Annual Report (Predecessor Company).

Impairments in Earnings by Type

	Successor Company		Predecessor Company		
	For the three months ended September 30, 2018	June 1, 2018 to September 30, 2018	For the three months ended September 30, 2017	January 1, 2018 to May 31, 2018	For the nine months ended September 30, 2017
Credit impairments	$ —	$ —	$ 1	$ —	$ 14
Intent-to-sell impairments	—	—	—	—	—
Total impairments	**$ —**	**$ —**	**$ 1**	**$ —**	**$ 14**

3. Investments (continued)

Cumulative Credit Impairments

	Successor Company		Predecessor Company		
(Before tax)	For the three months ended September 30, 2018	June 1, 2018 to September 30, 2018	For the three months ended September 30, 2017	January 1, 2018 to May 31, 2018	For the nine months ended September 30, 2017
Balance as of beginning of period	$ —	$ —	$ (142)	$ (88)	$ (170)
Additions for credit impairments recognized on [1]:					
Securities not previously impaired	—	—	—	—	(1)
Securities previously impaired	—	—	(1)	—	(13)
Reductions for credit impairments previously recognized on:					
Securities that matured or were sold during the period	—	—	2	17	35
Securities due to an increase in expected cash flows	—	—	5	1	13
Balance as of end of period	**$ —**	**$ —**	**$ (136)**	**$ (70)**	**$ (136)**

[1] These additions are included in the net OTTI losses recognized in earnings in the Condensed Consolidated Statements of Operations.

Available-for-Sale Securities

AFS Securities by Type

	Successor Company					Predecessor Company				
	September 30, 2018					December 31, 2017				
	Cost or Amortized Cost [1]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-Credit OTTI [2]	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-Credit OTTI [2]
ABS	$ 558	$ 1	$ (1)	$ 558	$ —	$ 821	$ 9	$ (11)	$ 819	$ —
CLOs	768	2	(1)	769	—	886	2	—	888	—
CMBS	1,411	5	(15)	1,398	—	2,061	45	(22)	2,084	(1)
Corporate	7,968	18	(110)	7,910	—	12,587	1,483	(32)	14,038	—
Foreign govt./govt. agencies	373	3	(3)	371	—	379	30	(2)	407	—
Municipal	736	1	(15)	723	—	1,125	142	(1)	1,266	—
RMBS	1,033	1	(4)	1,030	—	1,388	41	(2)	1,427	—
U.S. Treasuries	1,353	—	(40)	1,313	—	1,667	206	(3)	1,870	—
Total fixed maturities, AFS	**14,200**	**31**	**(189)**	**14,072**	**—**	**20,914**	**1,958**	**(73)**	**22,799**	**(1)**
Equity securities, AFS [3]						140	14	—	154	—
Total AFS securities	**$ 14,200**	**$ 31**	**$ (189)**	**$14,072**	**$ —**	**$ 21,054**	**$ 1,972**	**$ (73)**	**$22,953**	**$ (1)**

[1] The cost or amortized cost of assets that support modified coinsurance reinsurance contracts were not adjusted as part of the application of pushdown accounting. As a result, gross unrealized gains (losses) only include subsequent changes in value recorded in AOCI beginning June 1, 2018. Prior changes in value have been recorded in additional paid-in capital.

[2] Represents the amount of cumulative non-credit OTTI losses recognized in OCI on securities that also had credit impairments. These losses are included in gross unrealized losses as of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company).

[3] Effective January 1, 2018, with the adoption of new accounting standards for financial instruments, equity securities, AFS were reclassified to equity securities at fair value and are excluded from the table above as of September 30, 2018.

3. Investments (continued)

Fixed maturities, AFS, by Contractual Maturity Year

	Successor Company		Predecessor Company	
	September 30, 2018		December 31, 2017	
Contractual Maturity	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
One year or less	$ 564	$ 564	$ 844	$ 850
Over one year through five years	1,580	1,577	3,498	3,580
Over five years through ten years	1,879	1,863	3,178	3,321
Over ten years	6,407	6,313	8,238	9,830
Subtotal	10,430	10,317	15,758	17,581
Mortgage-backed and asset-backed securities	3,770	3,755	5,156	5,218
Total fixed maturities, AFS	**$ 14,200**	**$ 14,072**	**$ 20,914**	**$ 22,799**

Estimated maturities may differ from contractual maturities due to security call or prepayment provisions. Due to the potential for variability in payment speeds (i.e. prepayments or extensions), mortgage-backed and asset-backed securities are not categorized by contractual maturity.

Concentration of Credit Risk

The Company aims to maintain a diversified investment portfolio including issuer, sector and geographic stratification, where applicable, and has established certain exposure limits, diversification standards and review procedures to mitigate credit risk.

The Company had no investment exposure to any credit concentration risk of a single issuer greater than 10% of the Company's stockholder's equity, other than the U.S. government and certain U.S. government agencies as of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company). For further discussion of concentration of credit risk, see the Concentration of Credit Risk section in Note 3 - Investments of Notes to Consolidated Financial Statements in the Company's 2017 Form 10-K Annual Report (Predecessor Company).

Unrealized Losses on AFS Securities

Unrealized Loss Aging for AFS Securities by Type and Length of Time as of September 30, 2018

	Successor Company								
	Less Than 12 Months			12 Months or More			Total		
	Amortized Cost [1]	**Fair Value**	**Unrealized Losses**	**Amortized Cost [1]**	**Fair Value**	**Unrealized Losses**	**Amortized Cost [1]**	**Fair Value**	**Unrealized Losses**
ABS	$ 273	$ 272	$ (1)	$ —	$ —	$ —	$ 273	$ 272	$ (1)
CDOs	509	508	(1)	—	—	—	509	508	(1)
CMBS	1,180	1,162	(15)	—	—	—	1,180	1,162	(15)
Corporate	6,646	6,570	(110)	—	—	—	6,646	6,570	(110)
Foreign govt./govt. agencies	111	107	(3)	—	—	—	111	107	(3)
Municipal	655	641	(15)	—	—	—	655	641	(15)
RMBS	619	615	(4)	—	—	—	619	615	(4)
U.S. Treasuries	1,302	1,262	(40)	—	—	—	1,302	1,262	(40)
Total fixed maturities, AFS in an unrealized loss position	**$ 11,295**	**$ 11,137**	**$ (189)**	**$ —**	**$ —**	**$ —**	**$ 11,295**	**$ 11,137**	**$ (189)**

3. Investments (continued)

Unrealized Loss Aging for AFS Securities by Type and Length of Time as of December 31, 2017

	Predecessor Company								
	Less Than 12 Months			12 Months or More			Total		
	Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses
ABS	$ 158	$ 157	$ (1)	$ 219	$ 209	$ (10)	$ 377	$ 366	$ (11)
CDOs	242	242	—	37	37	—	279	279	—
CMBS	524	517	(7)	346	331	(15)	870	848	(22)
Corporate	1,082	1,074	(8)	779	755	(24)	1,861	1,829	(32)
Foreign govt./govt. agencies	60	59	(1)	35	34	(1)	95	93	(2)
Municipal	9	9	—	10	9	(1)	19	18	(1)
RMBS	288	287	(1)	28	27	(1)	316	314	(2)
U.S. Treasuries	382	380	(2)	38	37	(1)	420	417	(3)
Total fixed maturities, AFS in an unrealized loss position	**2,745**	**2,725**	**(20)**	**1,492**	**1,439**	**(53)**	**4,237**	**4,164**	**(73)**
Equity securities, AFS [2]	6	6	—	3	3	—	9	9	—
Total securities in an unrealized loss position	**$ 2,751**	**$ 2,731**	**$ (20)**	**$ 1,495**	**$ 1,442**	**$ (53)**	**$ 4,246**	**$ 4,173**	**$ (73)**

[1] The cost or amortized cost of assets that support modified coinsurance reinsurance contracts were not adjusted as part of the application of pushdown accounting. As a result, gross unrealized gains (losses) only include subsequent changes in value recorded in AOCI beginning June 1, 2018. Prior changes in value have been recorded in additional paid-in capital.

[2] Effective January 1, 2018, with the adoption of new accounting standards for financial instruments, equity securities, AFS were reclassified to equity securities at fair value and are excluded from the table above as of September 30, 2018.

As of September 30, 2018 (Successor Company), AFS securities in an unrealized loss position consisted of 2,328 securities, primarily in the corporate sector, which were depressed due to an increase in interest rates since the application of pushdown accounting in connection with the May 31, 2018 sale by HHI. As of September 30, 2018 (Successor Company), 100% of these securities were depressed less than 20% of amortized cost.

The Company neither has an intention to sell nor does it expect to be required to sell the securities outlined in the preceding discussion.

Mortgage Loans

Mortgage Loan Valuation Allowances

Mortgage loans are considered to be impaired when management estimates that, based upon current information and events, it is probable that the Company will be unable to collect amounts due according to the contractual terms of the loan agreement. The Company reviews mortgage loans on a quarterly basis to identify potential credit losses. Among other factors, management reviews current and projected macroeconomic trends, such as unemployment rates, and property-specific factors such as rental rates, occupancy levels, LTV ratios and debt service coverage ratios ("DSCR"). In addition, the Company considers historical, current and projected delinquency rates and property values. Estimates of collectibility require the use of significant management judgment and include the probability and timing of borrower default and loss severity estimates. In addition, cash flow projections may change based upon new information about the borrower's ability to pay and/or the value of underlying collateral such as changes in projected property value estimates.

For mortgage loans that are deemed impaired, a valuation allowance is established for the difference between the carrying amount and estimated value. The mortgage loan's estimated value is most frequently the Company's share of the fair value of the collateral but may also be the Company's share of either (a) the present value of the expected future cash flows discounted at the loan's effective interest rate or (b) the loan's observable market price. A valuation allowance may be recorded for an individual loan or for a group of loans that have an LTV ratio of 90% or greater, a low DSCR or have other lower credit quality characteristics. Changes in valuation allowances are recorded in net realized capital gains and losses. Interest income on impaired loans is accrued to the extent it is deemed collectible and the borrowers continue to make payments under the original or restructured loan terms. The Company stops accruing interest income on loans when it is probable that the Company will not receive interest and principal payments according to the contractual terms of the loan agreement. The Company resumes accruing interest income when it determines that sufficient collateral exists to satisfy the full

3. Investments (continued)

amount of the loan principal and interest payments and when it is probable cash will be received in the foreseeable future. Interest income on defaulted loans is recognized when received.

As of September 30, 2018 (Successor Company), mortgage loans had an amortized cost and carrying value of $2.1 billion, with a valuation allowance of $6. As of December 31, 2017 (Predecessor Company), mortgage loans had an amortized cost and carrying value of $2.9 billion, with no valuation allowance. Amortized cost represents carrying value prior to valuation allowances, if any.

As of September 30, 2018 the carrying value of mortgage loans that had a valuation allowance was $14. There were no mortgage loans held-for-sale as of September 30, 2018 (Successor Company) or December 31, 2017 (Predecessor Company). As of September 30, 2018 (Successor Company), the Company had no mortgage loans that have had extensions or restructurings other than what is allowable under the original terms of the contract.

Valuation Allowance Activity

	Successor Company	Predecessor Company	
	June 1, 2018 to September 30, 2018	January 1, 2018 to May 31, 2018	For the nine months ended September 30, 2017
Beginning Balance	**$ —**	**$ —**	**$ (19)**
Reversals/(Additions)	(6)	—	(1)
Deductions	—	—	19
Ending Balance	**$ (6)**	**$ —**	**$ (1)**

The weighted-average LTV ratio of the Company's mortgage loan portfolio was 52% as of September 30, 2018 (Successor Company), while the weighted-average LTV ratio at origination of these loans was 63%. LTV ratios compare the loan amount to the value of the underlying property collateralizing the loan. The loan collateral values are updated no less than annually through reviews of the underlying properties. Factors considered in estimating property values include, among other things, actual and expected property cash flows, geographic market data and the ratio of the property's net operating income to its value. DSCR compares a property's net operating income to the borrower's principal and interest payments. As of both September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company), the Company held no delinquent mortgage loans past due by 90 days or more.

Mortgage Loans Credit Quality

	Successor Company		Predecessor Company	
	September 30, 2018		December 31, 2017	
Loan-to-value	Carrying Value	Avg. Debt-Service Coverage Ratio	Carrying Value	Avg. Debt-Service Coverage Ratio
Greater than 80%	$ 5	1.28x	$ 5	1.26x
65% - 80%	367	1.65x	125	1.88x
Less than 65%	1,727	2.48x	2,742	2.69x
Total mortgage loans	**$ 2,099**	**2.33x**	**$ 2,872**	**2.65x**

3. Investments (continued)

Mortgage Loans by Region

	Successor Company		Predecessor Company	
	September 30, 2018		December 31, 2017	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
East North Central	$ 61	2.9%	$ 62	2.1%
East South Central	19	0.9%	14	0.5%
Middle Atlantic	135	6.4%	291	10.1%
Mountain	51	2.4%	53	1.9%
New England	42	2.0%	92	3.2%
Pacific	677	32.3%	838	29.2%
South Atlantic	455	21.7%	608	21.2%
West South Central	227	10.8%	195	6.8%
Other [1]	432	20.6%	719	25.0%
Total mortgage loans	**$ 2,099**	**100.0%**	**$ 2,872**	**100.0%**

[1] Primarily represents loans collateralized by multiple properties in various regions.

Mortgage Loans by Property Type

	Successor Company		Predecessor Company	
	September 30, 2018		December 31, 2017	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
Commercial				
Industrial	$ 546	26.0%	$ 743	25.9%
Lodging	25	1.2%	24	0.8%
Multifamily	519	24.7%	662	23.0%
Office	487	23.2%	685	23.9%
Retail	289	13.8%	557	19.4%
Single Family	86	4.1%	—	—%
Other	147	7.0%	201	7.0%
Total commercial mortgage loans	**$ 2,099**	**100.0%**	**$ 2,872**	**100.0%**

Variable Interest Entities

The Company is engaged with various special purpose entities and other entities that are deemed to be VIEs primarily as an investor through normal investment activities.

A VIE is an entity that either has investors that lack certain essential characteristics of a controlling financial interest, such as simple majority kick-out rights, or lacks sufficient funds to finance its own activities without financial support provided by other entities. The Company performs ongoing qualitative assessments of its VIEs to determine whether the Company has a controlling financial interest in the VIE and therefore is the primary beneficiary. The Company is deemed to have a controlling financial interest when it has both the ability to direct the activities that most significantly impact the economic performance of the VIE and the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. Based on the Company's assessment, if it determines it is the primary beneficiary, the Company consolidates the VIE in the Company's Condensed Consolidated Financial Statements. As of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company) the Company did not hold any VIEs for which it was the primary beneficiary.

Non-Consolidated VIEs

The Company, through normal investment activities, makes passive investments in limited partnerships and other alternative investments. The Company has determined it is not the primary beneficiary as it has no ability to direct activities that could significantly affect the economic performance of the investments. The Company's maximum exposure to loss as of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company) is limited to the total carrying value of $821 and $900, respectively, which are included in limited partnerships and other alternative investments in the Company's Condensed Consolidated Balance Sheets. As of

3. Investments (continued)

September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company), the Company has outstanding commitments totaling $517 and $673, respectively, whereby the Company is committed to fund these investments and may be called by the partnership during the commitment period to fund the purchase of new investments and partnership expenses. These investments are generally of a passive nature in that the Company does not take an active role in management. For further discussion of these investments, see Equity Method Investments within Note 3 - Investments of Notes to Consolidated Financial Statements included in the Company's 2017 Form 10-K Annual Report (Predecessor Company).

In addition, the Company also makes passive investments in structured securities issued by VIEs for which the Company is not the manager. These investments are included in ABS, CDOs, CMBS and RMBS in the Available for Sale Securities table and fixed maturities, AFS and FVO, in the Company's Condensed Consolidated Balance Sheets. The Company has not provided financial or other support with respect to these investments other than its original investment. For these investments, the Company determined it is not the primary beneficiary due to the relative size of the Company's investment in comparison to the principal amount of the structured securities issued by the VIEs, the level of credit subordination which reduces the Company's obligation to absorb losses or right to receive benefits and the Company's inability to direct the activities that most significantly impact the economic performance of the VIEs. The Company's maximum exposure to loss on these investments is limited to the amount of the Company's investment.

Securities Lending, Repurchase Agreements and Other Collateral Transactions

The Company enters into securities financing transactions as a way to earn additional income or manage liquidity, primarily through securities lending and repurchase agreements.

Securities Lending

Under a securities lending program, the Company lends certain fixed maturities within the corporate, foreign government/government agencies, and municipal sectors as well as equity securities to qualifying third-party borrowers in return for collateral in the form of cash or securities. For domestic and non-domestic loaned securities, respectively, borrowers provide collateral of 102% and 105% of the fair value of the securities lent at the time of the loan. Borrowers will return the securities to the Company for cash or securities collateral at maturity dates generally of 90 days or less. Security collateral on deposit from counterparties in connection with securities lending transactions may not be sold or re-pledged, except in the event of default by the counterparty, and is not reflected on the Company's Condensed Consolidated Balance Sheets. Additional collateral is obtained if the fair value of the collateral falls below 100% of the fair value of the loaned securities. The agreements provide the counterparty the right to sell or re-pledge the securities loaned. If cash, rather than securities, is received as collateral, the cash is typically invested in short-term investments or fixed maturities and is reported as an asset on the Company's Condensed Consolidated Balance Sheets. Income associated with securities lending transactions is reported as a component of net investment income in the Company's Condensed Consolidated Statements of Operations.

Repurchase Agreements

From time to time, the Company enters into repurchase agreements to manage liquidity or to earn incremental income. A repurchase agreement is a transaction in which one party (transferor) agrees to sell securities to another party (transferee) in return for cash (or securities), with a simultaneous agreement to repurchase the same securities at a specified price at a later date. These transactions generally have a contractual maturity of ninety days or less. Repurchase agreements include master netting provisions that provide both counterparties the right to offset claims and apply securities held by them with respect to their obligations in the event of a default. Although the Company has the contractual right to offset claims, the Company's current positions do not meet the specific conditions for net presentation.

Under repurchase agreements, the Company transfers collateral of U.S. government and government agency securities and receives cash. For repurchase agreements, the Company obtains cash in an amount equal to at least 95% of the fair value of the securities transferred. The agreements require additional collateral to be transferred when necessary and provide the counterparty the right to sell or re-pledge the securities transferred. The cash received from the repurchase program is typically invested in short-term investments or fixed maturities and is reported as an asset on the Company's Condensed Consolidated Balance Sheets. The Company accounts for the repurchase agreements as collateralized borrowings. The securities transferred under repurchase agreements are included in fixed maturities, AFS with the obligation to repurchase those securities recorded in other liabilities on the Company's Condensed Consolidated Balance Sheets.

From time to time, the Company enters into reverse repurchase agreements where the Company purchases securities and simultaneously agrees to resell the same or substantially the same securities. The agreements require additional collateral to be transferred to the Company when necessary and the Company has the right to sell or re-pledge the securities received. The Company accounts for reverse repurchase agreements as collateralized financing. The receivable for reverse repurchase agreements is included within short term investments in the Company's Condensed Consolidated Balance Sheets.

3. Investments (continued)

Securities Lending and Repurchase Agreements

	Successor Company		Predecessor Company	
	September 30, 2018		December 31, 2017	
	Fair Value		Fair Value	
Securities Lending Transactions:				
Gross amount of securities on loan	$	289	$	674
Gross amount of associated liability for collateral received [1]	$	296	$	689
Repurchase agreements:				
Gross amount of recognized liabilities for repurchase agreements	$	191	$	202
Gross amount of collateral pledged related to repurchase agreements [2]	$	193	$	206
Gross amount of recognized receivables for reverse repurchase agreements [3]	$	14	$	—

[1] Cash collateral received is reinvested in fixed maturities, AFS and short term investments which are included in the Condensed Consolidated Balance Sheets. Amount includes additional securities collateral received of $0 and $1 which are excluded from the Company's Condensed Consolidated Balance Sheets as of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company), respectively.

[2] Collateral pledged is included within fixed maturities, AFS and short term investments in the Company's Condensed Consolidated Balance Sheets.

[3] Collateral received is included within short term investments in the Company's Condensed Consolidated Balance Sheets.

Other Collateral Transactions

The Company is required by law to deposit securities with government agencies in certain states in which it conducts business. As of both September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company), the fair value of securities on deposit was $22 and $22, respectively.

For disclosure of collateral in support of derivative transactions, refer to the Derivative Collateral Arrangements section of Note 4 - Derivative Instruments of Notes to Condensed Consolidated Financial Statements.

4. Derivative Instruments

The Company utilizes a variety of OTC, OTC-cleared and exchange traded derivative instruments as a part of its overall risk management strategy as well as to enter into replication transactions. Derivative instruments are used to manage risk associated with interest rate, equity market, credit spread, issuer default, price and currency exchange rate risk or volatility. Replication transactions are used as an economical means to synthetically replicate the characteristics and performance of assets that are permissible investments under the Company's investment policies. The Company also may enter into and has previously issued financial instruments and products that either are accounted for as free-standing derivatives, such as certain reinsurance contracts, or as embedded derivative instruments, such as certain GMWB riders included with certain variable annuity products.

Strategies that Qualify for Hedge Accounting

The Company's derivatives may satisfy hedge accounting requirements as outlined in Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Consolidated Financial Statements included in the Company's 2017 Form 10-K Annual Report (Predecessor Company). Typically, these hedging instruments include interest rate swaps and, to a lesser extent, foreign currency swaps where the terms or expected cash flows of the hedged item closely match the terms of the swap. The interest rate swaps are typically used to manage interest rate duration of certain fixed maturity securities or liability contracts. As a result of pushdown accounting, derivative instruments that qualified for hedge accounting were recorded at fair value through adjustments to additional paid in capital at the acquisition date. As of September 30, 2018 (Successor Company), the Company has no derivative instruments that qualify for hedge accounting. The hedge strategies by hedge accounting designation have previously included:

Cash Flow Hedges

Interest rate swaps have been predominantly used to manage portfolio duration and better match cash receipts from assets with cash disbursements required to fund liabilities. These derivatives primarily converted interest receipts on floating-rate fixed maturity securities to fixed rates. The Company also previously entered into forward starting swap agreements to hedge the interest rate exposure related to the future purchase of fixed-rate securities, primarily to hedge interest rate risk inherent in the assumptions used to price certain product liabilities.

Foreign currency swaps have been used to convert foreign currency-denominated cash flows related to certain investment receipts and liability payments to U.S. dollars in order to reduce cash flow fluctuations due to changes in currency rates.

Non-qualifying Strategies

Derivative relationships that do not qualify for hedge accounting ("non-qualifying strategies") primarily include the hedge program for the Company's variable annuity products as well as the hedging and replication strategies that utilize credit default swaps. In addition, hedges of interest rate, foreign currency and equity risk of certain fixed maturities, equities and liabilities do not qualify for hedge accounting.

The non-qualifying strategies include:

Interest Rate Swaps and Futures

The Company uses interest rate swaps, swaptions, and futures to manage interest rate duration between assets and liabilities in certain investment portfolios. In addition, the Company enters into interest rate swaps to terminate existing swaps, thereby offsetting the changes in value of the original swap. As of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company), the notional amount of interest rate swaps in offsetting relationships was $2.7 billion.

Foreign Currency Swaps and Forwards

The Company enters into foreign currency swaps to convert the foreign currency exposures of certain foreign currency-denominated fixed maturity investments to U.S. dollars. The Company also enters into foreign currency forwards to hedge non-U.S. dollar denominated cash and, previously, to hedge equity securities.

Fixed Payout Annuity Hedge

The Company has obligations for certain yen denominated fixed payout annuities under an assumed reinsurance contract. The Company invests in U.S. dollar denominated assets to support the assumed reinsurance liability. The Company has in place pay U.S. dollar, receive yen swap contracts to hedge the currency and yen interest rate exposure between the U.S. dollar denominated assets and the yen denominated fixed liability reinsurance payments.

Credit Contracts

Credit default swaps are used to purchase credit protection on an individual entity or referenced index to economically hedge against default risk and credit-related changes in the value of fixed maturity securities. Credit default swaps are also used to assume credit risk related to an individual entity or referenced index as a part of replication transactions. These contracts require the Company to pay or

4. Derivative Instruments (continued)

receive a periodic fee in exchange for compensation from the counterparty should the referenced security issuers experience a credit event, as defined in the contract. In addition, the Company enters into credit default swaps to terminate existing credit default swaps, thereby offsetting the changes in value of the original swap going forward.

Equity Index Swaps and Options

The Company enters into equity index options to hedge the impact of a decline in the equity markets on the investment portfolio. The Company previously entered into total return swaps to hedge equity risk of specific common stock investments which were accounted for using fair value option in order to align the accounting treatment within net realized capital gains (losses). In addition, the Company formerly offered certain equity indexed products that remain in force, a portion of which contained embedded derivatives that require changes in value to be bifurcated from the host contract. The Company uses equity index swaps to economically hedge the equity volatility risk associated with the equity indexed products.

GMWB Derivatives, net

The Company formerly offered certain variable annuity products with GMWB riders. The GMWB product is a bifurcated embedded derivative (“GMWB product derivatives”) that has a notional value equal to the GRB. The Company uses reinsurance contracts to transfer a portion of its risk of loss due to GMWB. The reinsurance contracts covering GMWB (“GMWB reinsurance contracts”) are accounted for as free-standing derivatives with a notional amount equal to the GRB reinsured.

The Company utilizes derivatives (“GMWB hedging instruments”) as part of a dynamic hedging program designed to hedge a portion of the capital market risk exposures of the non-reinsured GMWB riders. The GMWB hedging instruments hedge changes in interest rates, equity market levels, and equity volatility. These derivatives include customized swaps, interest rate swaps and futures, and equity swaps, options and futures, on certain indices including the S&P 500 index, EAFE index and NASDAQ index. The Company retains the risk for differences between assumed and actual policyholder behavior and between the performance of the actively managed funds underlying the separate accounts and their respective indices.

GMWB Hedging Instruments

	Notional Amount		Fair Value	
	Successor Company	Predecessor Company	Successor Company	Predecessor Company
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Customized swaps	$ 4,627	$ 5,023	$ 32	$ 59
Equity swaps, options, and futures	824	1,407	(32)	(31)
Interest rate swaps and futures	3,076	3,022	16	39
Total	**$ 8,527**	**$ 9,452**	**$ 16**	**$ 67**

Macro Hedge Program

The Company utilizes equity swaps, options, and futures to provide protection against the statutory tail scenario risk to the Company's statutory surplus arising from higher GMWB and guaranteed minimum death benefits ("GMDB") claims as well as lower variable annuity fee revenue. These derivatives cover some of the residual risks not otherwise covered by the dynamic hedging program. In the third quarter of 2018, the Company purchased additional options in order to provide longer dated protection against the risks of lower equity markets.

Modified Coinsurance Reinsurance Contracts

As of September 30, 2018 (Successor Company), and December 31, 2017 (Predecessor Company), the Company had $800 and $861, respectively, of invested assets supporting other policyholder funds and benefits payable reinsured under a modified coinsurance arrangement in connection with the sale of the Individual Life business, which was structured as a reinsurance transaction. The assets are primarily held in a trust established by the Company. The Company pays or receives cash quarterly to settle the operating results of the reinsured business, including the investment results. As a result of this modified coinsurance arrangement, the Company has an embedded derivative that transfers to the reinsurer certain unrealized changes in fair value of investments subject to interest rate and credit risk. The notional amount of the embedded derivative reinsurance contracts are the invested assets which are carried at fair value and support the reinsured reserves.

4. Derivative Instruments (continued)

Derivative Balance Sheet Classification

For reporting purposes, the Company has elected to offset within assets or liabilities based upon the net of the fair value amounts, income accruals, and related cash collateral receivables and payables of OTC derivative instruments executed in a legal entity and with the same counterparty under a master netting agreement, which provides the Company with the legal right of offset. The following fair value amounts do not include income accruals or related cash collateral receivables and payables, which are netted with derivative fair value amounts to determine balance sheet presentation. Derivatives in the Company's separate accounts, where the associated gains and losses accrue directly to policyholders, are not included in the table below. The Company's derivative instruments are held for risk management purposes, unless otherwise noted in the following table. The notional amount of derivative contracts represents the basis upon which pay or receive amounts are calculated and is presented in the table to quantify the volume of the Company's derivative activity. Notional amounts are not necessarily reflective of credit risk. The following tables exclude investments that contain an embedded credit derivative for which the Company has elected the fair value option. For further discussion, see the Fair Value Option section of Note 2 - Fair Value Measurements of Notes to the Condensed Consolidated Financial Statements.

4. Derivative Instruments (continued)

Derivative Balance Sheet Presentation

	Net Derivatives				Asset Derivatives [1]		Liability Derivatives [1]	
	Notional Amount		Fair Value		Fair Value		Fair Value	
	Successor Company	Predecessor Company	Successor Company	Predecessor Company	Successor Company	Predecessor Company	Successor Company	Predecessor Company
	Sep 30, 2018	Dec 31, 2017	Sep 30, 2018	Dec 31, 2017	Sep 30, 2018	Dec 31, 2017	Sep 30, 2018	Dec 31, 2017
Cash flow hedges								
Interest rate swaps	$ —	$ 1,486	$ —	$ —	$ —	$ 1	$ —	$ (1)
Foreign currency swaps	—	182	—	(12)	—	5	—	(17)
Total cash flow hedges	**—**	**1,668**	**—**	**(12)**	**—**	**6**	**—**	**(18)**
Non-qualifying strategies								
Interest rate contracts								
Interest rate swaps and futures	4,694	3,219	(292)	(356)	123	203	(415)	(559)
Foreign exchange contracts								
Foreign currency swaps and forwards	225	342	(10)	(6)	6	—	(16)	(6)
Fixed payout annuity hedge	539	540	(180)	(170)	—	—	(180)	(170)
Credit contracts								
Credit derivatives that purchase credit protection	45	80	(1)	(3)	—	—	(1)	(3)
Credit derivatives that assume credit risk [2]	292	380	6	3	6	3	—	—
Credit derivatives in offsetting positions	48	200	—	1	5	7	(5)	(6)
Variable annuity hedge program								
GMWB product derivatives [3]	10,345	11,390	12	(75)	28	—	(16)	(75)
GMWB reinsurance contracts	2,188	2,372	16	35	16	35	—	—
GMWB hedging instruments	8,527	9,452	16	67	83	116	(67)	(49)
Macro hedge program	12,642	7,252	(38)	23	78	45	(116)	(22)
Other								
Modified coinsurance reinsurance contracts	800	861	10	55	10	55	—	—
Total non-qualifying strategies	**40,345**	**36,088**	**(461)**	**(426)**	**355**	**464**	**(816)**	**(890)**
Total cash flow hedges and non-qualifying strategies	**$ 40,345**	**$ 37,756**	**$ (461)**	**$ (438)**	**$ 355**	**$ 470**	**$ (816)**	**$ (908)**
Balance Sheet Location								
Fixed maturities, available-for-sale	$ 41	$ 39	$ —	$ —	$ —	$ —	$ —	$ —
Other investments	6,486	10,340	76	135	97	149	(21)	(14)
Other liabilities	20,485	12,754	(575)	(588)	204	231	(779)	(819)
Reinsurance recoverables	2,988	3,233	26	90	26	90	—	—
Other policyholder funds and benefits payable	10,345	11,390	12	(75)	28	—	(16)	(75)
Total derivatives	**$ 40,345**	**$ 37,756**	**$ (461)**	**$ (438)**	**$ 355**	**$ 470**	**$ (816)**	**$ (908)**

[1] Certain prior year amounts have been restated to conform to the current year presentation for OTC-cleared derivatives.
[2] The derivative instruments related to this strategy are held for other investment purposes.
[3] These derivatives are embedded within liabilities and are not held for risk management purposes.

Offsetting of Derivative Assets/Liabilities

The following tables present the gross fair value amounts, the amounts offset, and net position of derivative instruments eligible for offset in the Company's Condensed Consolidated Balance Sheets. Amounts offset include fair value amounts, income accruals and related cash collateral receivables and payables associated with derivative instruments that are traded under a common master netting agreement, as described in the preceding discussion. Also included in the tables are financial collateral receivables and payables, which are contractually permitted to be offset upon an event of default, although are disallowed for offsetting under U.S. GAAP.

4. Derivative Instruments (continued)

Offsetting Derivative Assets and Liabilities

	(i)	(ii)	(iii) = (i) - (ii)		(iv)	(v) = (iii) - (iv)
			Net Amounts Presented in the Statement of Financial Position		Collateral Disallowed for Offset in the Statement of Financial Position	
	Gross Amounts of Recognized Assets (Liabilities) [1]	Gross Amounts Offset in the Statement of Financial Position	Derivative Assets [2] (Liabilities) [3]	Accrued Interest and Cash Collateral Received [4] Pledged [3]	Financial Collateral Received [5]	Net Amount
Successor Company						
As of September 30, 2018						
Other investments	$ 301	$ 268	$ 76	$ (43)	$ 2	$ 31
Other liabilities	$ (800)	$ (112)	$ (575)	$ (113)	$ (688)	$ —
Predecessor Company						
As of December 31, 2017						
Other investments	$ 380	$ 338	$ 135	$ (93)	$ —	$ 42
Other liabilities	$ (833)	$ (154)	$ (588)	$ (91)	$ (674)	$ (5)

[1] Certain prior year amounts have been restated to conform to the current year presentation for OTC-cleared derivatives.
[2] Included in other invested assets in the Company's Condensed Consolidated Balance Sheets.
[3] Included in other liabilities in the Company's Condensed Consolidated Balance Sheets and is limited to the net derivative receivable associated with each counterparty.
[4] Included in other investments in the Company's Condensed Consolidated Balance Sheets and is limited to the net derivative payable associated with each counterparty.
[5] Excludes collateral associated with exchange-traded derivative instruments.

Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of OCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing hedge ineffectiveness are recognized in current period earnings. All components of each derivative's gain or loss were included in the assessment of hedge effectiveness.

Derivatives in Cash Flow Hedging Relationships

	Gain (Loss) Recognized in OCI on Derivative (Effective Portion)				
	Successor Company		Predecessor Company		
	For the three months ended September 30, 2018	June 1, 2018 to September 30, 2018	For the three months ended September 30, 2017	January 1, 2018 to May 31, 2018	For the nine months ended September 30, 2017
Interest rate swaps	$ —	$ —	$ (3)	$ (17)	$ (3)
Foreign currency swaps	—	—	2	—	6
Total	**$ —**	**$ —**	**$ (1)**	**$ (17)**	**$ 3**

Table of Contents

4. Derivative Instruments (continued)

Derivatives in Cash Flow Hedging Relationships

		Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)				
		Successor Company		Predecessor Company		
		For the three months ended September 30, 2018	June 1, 2018 to September 30, 2018	For the three months ended September 30, 2017	January 1, 2018 to May 31, 2018	For the nine months ended September 30, 2017
Interest rate swaps	Net realized capital gains (losses)	$ —	$ —	$ —	$ —	$ (1)
Interest rate swaps	Net investment income	—	—	7	8	20
Foreign currency swaps	Net realized capital gains (losses)	—	—	3	(2)	9
Total		**$ —**	**$ —**	**$ 10**	**$ 6**	**$ 28**

For all periods presented, the Successor and Predecessor Company had no ineffectiveness recognized in income within net realized capital gains (losses).

For all periods presented, the Successor and Predecessor Company had no net reclassifications from AOCI to earnings resulting from the discontinuance of cash-flow hedges due to forecasted transactions that were no longer probable of occurring.

4. Derivative Instruments (continued)

Non-qualifying Strategies

For non-qualifying strategies, including embedded derivatives that are required to be bifurcated from their host contracts and accounted for as derivatives, the gain or loss on the derivative is recognized currently in earnings within net realized capital gains (losses).

Non-Qualifying Strategies Recognized within Net Realized Capital Gains (Losses)

	Successor Company		Predecessor Company		
	For the three months ended September 30, 2018	June 1, 2018 to September 30, 2018	For the three months ended September 30, 2017	January 1, 2018 to May 31, 2018	For the nine months ended September 30, 2017
Variable annuity hedge program					
GMWB product derivatives	$ 45	$ 53	$ 58	$ 82	$ 198
GMWB reinsurance contracts	(5)	(6)	(9)	(25)	(33)
GMWB hedging instruments	(39)	(39)	(34)	(45)	(112)
Macro hedge program	(121)	(121)	(65)	(36)	(189)
Total variable annuity hedge program	(120)	(113)	(50)	(24)	(136)
Foreign exchange contracts					
Foreign currency swaps and forwards	1	1	(1)	(3)	(4)
Fixed payout annuity hedge	(13)	(21)	(3)	10	8
Total foreign exchange contracts	(12)	(20)	(4)	7	4
Other non-qualifying derivatives					
Interest rate contracts					
Interest rate swaps and futures	(9)	(18)	(5)	(40)	3
Credit contracts					
Credit derivatives that purchase credit protection	—	—	2	1	14
Credit derivatives that assume credit risk	3	3	(1)	(3)	(10)
Equity contracts					
Equity index swaps and options	—	—	—	—	(4)
Other					
Modified coinsurance reinsurance contracts	2	10	—	32	(10)
Total other non-qualifying derivatives	(4)	(5)	(4)	(10)	(7)
Total [1]	**$ (136)**	**$ (138)**	**$ (58)**	**$ (27)**	**$ (139)**

[1] Excludes investments that contain an embedded credit derivative for which the Company has elected the fair value option. For further discussion, see the Fair Value Option section in Note 2 - Fair Value Measurements of Notes to Condensed Consolidated Financial Statements.

Credit Risk Assumed through Credit Derivatives

The Company enters into credit default swaps that assume credit risk of a single entity or referenced index in order to synthetically replicate investment transactions that are permissible under the Company's investment policies. The Company will receive periodic payments based on an agreed upon rate and notional amount and will only make a payment if there is a credit event. A credit event payment will typically be equal to the notional value of the swap contract less the value of the referenced security issuer's debt obligation after the occurrence of the credit event. A credit event is generally defined as a default on contractually obligated interest or principal payments or bankruptcy of the referenced entity. The credit default swaps in which the Company assumes credit risk primarily reference investment grade single corporate issuers and baskets, which include standard diversified portfolios of corporate and CMBS issuers. The diversified portfolios of corporate issuers are established within sector concentration limits and may be divided into tranches that possess different credit ratings.

4. Derivative Instruments (continued)

Credit Derivatives by Type

As of September 30, 2018

Successor Company

Credit Derivative type by derivative risk exposure	Notional Amount [2]	Fair Value	Weighted Average Years to Maturity	Underlying Referenced Credit Obligation(s) [1] Type	Average Credit Rating	Offsetting Notional Amount [3]	Offsetting Fair Value [3]
Single name credit default swaps							
Investment grade risk exposure	$ 80	$ 2	5 years	Corporate Credit/ Foreign Gov.	A-	$ —	$ —
Basket credit default swaps [4]							
Investment grade risk exposure	202	4	5 years	Corporate Credit	BBB+	—	—
Investment grade risk exposure	13	—	5 years	CMBS Credit	A-	3	—
Below investment grade risk exposure	21	(5)	Less than 1 Year	CMBS Credit	CCC+	21	5
Total [5]	**$ 316**	**$ 1**				**$ 24**	**$ 5**

As of December 31, 2017

Predecessor Company

Credit Derivative type by derivative risk exposure	Notional Amount [2]	Fair Value	Weighted Average Years to Maturity	Underlying Referenced Credit Obligation(s) [1] Type	Average Credit Rating	Offsetting Notional Amount [3]	Offsetting Fair Value [3]
Single name credit default swaps							
Investment grade risk exposure	$ 120	$ 3	5 years	Corporate Credit/ Foreign Gov.	A-	$ —	$ —
Below investment grade risk exposure	43	—	Less than 1 Year	Corporate Credit	B	43	—
Basket credit default swaps [4]							
Investment grade risk exposure	250	—	5 years	Corporate Credit	BBB+	—	—
Below investment grade risk exposure	22	2	3 years	Corporate Credit	B+	22	—
Investment grade risk exposure	15	(1)	4 years	CMBS Credit	A	5	—
Below investment grade risk exposure	30	(5)	Less than 1 Year	CMBS Credit	CCC	30	5
Total [5]	**$ 480**	**$ (1)**				**$ 100**	**$ 5**

[1] The average credit ratings are based on availability and are generally the midpoint of the available ratings among Moody's, S&P, Fitch, and Morningstar. If no rating is available from a rating agency, then an internally developed rating is used.

[2] Notional amount is equal to the maximum potential future loss amount. These derivatives are governed by agreements and applicable law, which include collateral posting requirements. There is no additional specific collateral related to these contracts or recourse provisions included in the contracts to offset losses.

[3] The Company has entered into offsetting credit default swaps to terminate certain existing credit default swaps, thereby offsetting the future changes in value of, or losses paid related to the original swap.

[4] Comprised of swaps of standard market indices of diversified portfolios of corporate and CMBS issuers referenced through credit default swaps. These swaps are subsequently valued based upon the observable standard market index.

[5] Excludes investments that contain an embedded credit derivative for which the Company has elected the fair value option. For further discussion, see the Fair Value Option section in Note 2 - Fair Value Measurements of Notes to Condensed Consolidated Financial Statements.

4. Derivative Instruments (continued)

Derivative Collateral Arrangements

The Company enters into various collateral arrangements in connection with its derivative instruments, which require both the pledging and accepting of collateral. As of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company), the Company pledged cash collateral associated with derivative instruments with a fair value of $4 and $6, respectively, for which the collateral receivable has been recorded in other assets or other liabilities on the Company's Condensed Consolidated Balance Sheets as determined by the Company's election to offset on the balance sheet. The Company also pledged securities collateral associated with derivative instruments with a fair value of $748 and $729, respectively, as of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company), which have been included in fixed maturities on the Condensed Consolidated Balance Sheets. The counterparties have the right to sell or re-pledge these securities. In addition, as of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company), the Company has pledged initial margin of cash and securities to clearinghouses and exchanges related to OTC-cleared and exchange traded derivatives of $115 and $136, respectively.

As of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company), the Company accepted cash collateral associated with derivative instruments of $280 and $310, respectively, which was invested and recorded in the Company's Condensed Consolidated Balance Sheets in fixed maturities and short-term investments with corresponding amounts recorded in other investments or other liabilities as determined by the Company's election to offset on the balance sheet. The Company also accepted securities collateral as of September 30, 2018 (Successor Company), with a fair value of $3 all of which the Company has the ability to sell or repledge. As of September 30, 2018 (Successor Company), the Company had not repledged securities and did not sell any securities. The non-cash collateral accepted was held in separate custodial accounts and was not included in the Company’s Condensed Consolidated Balance Sheets. As of December 31, 2017 (Predecessor Company), the Company did not hold any securities collateral.

5. Reinsurance

The Company cedes insurance to unaffiliated insurers to enable the Company to manage capital and risk exposure. Such arrangements do not relieve the Company of its primary liability to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company regularly monitors the financial condition and ratings of its reinsurers and structures agreements to provide collateral funds where necessary.

Reinsurance Recoverables

Reinsurance recoverables include balances due from reinsurance companies and are presented net of an allowance for uncollectible reinsurance. Reinsurance recoverables include an estimate of the amount of policyholder benefits that may be ceded under the terms of the reinsurance agreements. Amounts recoverable from reinsurers are estimated in a manner consistent with assumptions used for the underlying policy benefits. Accordingly, the Company's estimate of reinsurance recoverables is subject to similar risks and uncertainties as the estimate of the gross reserve for future policy benefits.

Reinsurance Recoverables

	Successor Company	Predecessor Company
	September 30, 2018	December 31, 2017
Reserve for future policy benefits and other policyholder funds and benefits payable		
Sold businesses (MassMutual and Prudential)	$ 19,288	$ 19,448
Commonwealth	9,235	—
Other reinsurers	1,296	1,337
Gross reinsurance recoverables	**$ 29,819**	**$ 20,785**

As of September 30, 2018, the Company (Successor Company) has reinsurance recoverables from Commonwealth, MassMutual, and Prudential of approximately $9.2 billion, $8.1 billion and $11.2 billion, respectively. As of December 31, 2017, the Company (Predecessor Company) had reinsurance recoverables from MassMutual and Prudential of $8.3 billion and $11.1 billion, respectively. The Company's obligations to its direct policyholders that have been reinsured to Commonwealth, MassMutual and Prudential (Successor Company) and MassMutual and Prudential (Predecessor Company) are primarily secured by invested assets held in trust.

No allowance for uncollectible reinsurance is required as of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company). The allowance for uncollectible reinsurance reflects management's best estimate of reinsurance cessions that may be uncollectible in the future due to reinsurers' unwillingness or inability to pay. The Company analyzes the overall credit quality of the Company's reinsurers. Based on this analysis, the Company may adjust the allowance for uncollectible reinsurance or charge off reinsurer balances that are determined to be uncollectible. Where its contracts permit, the Company secures future claim obligations with various forms of collateral, including irrevocable letters of credit, secured trusts, and funds held accounts. Although management has determined that no allowance is required at this time, the Company closely monitors the financial condition, ratings, and current market information of all of its counterparty reinsurers.

Insurance Revenues

The effect of reinsurance on earned premiums, fee income and other is as follows:

Insurance Revenues

	Successor Company		Predecessor Company		
	For the three months ended September 30, 2018	June 1, 2018 to September 30, 2018	For the three months ended September 30, 2017	January 1, 2018 to May 31, 2018	For the nine months ended September 30, 2017
Gross earned premiums, fee income and other	$ 616	$ 817	$ 602	$ 1,059	$ 1,837
Reinsurance assumed	29	39	30	48	89
Reinsurance ceded	(421)	(554)	(390)	(684)	(1,168)
Net earned premiums, fee income and other	**$ 224**	**$ 302**	**$ 242**	**$ 423**	**$ 758**

5. Reinsurance (continued)

The cost of reinsurance related to long-duration contracts is accounted for over the life of the underlying reinsured policies using assumptions consistent with those used to account for the underlying policies. Insurance recoveries on ceded reinsurance agreements, which reduce death and other benefits, were $284 for the three months ended September 30, 2018 (Successor Company), $410 for the period of June 1, 2018 to September 30, 2018 (Successor Company), $253 for the three months ended September 30, 2017 (Predecessor Company), $546 for the period of January 1, 2018 to May 31, 2018 (Predecessor Company) and $836 for the nine months ended September 30, 2017 (Predecessor Company). In addition, the Company has reinsured a portion of the risk associated with U.S. variable annuities and the associated GMDB and GMWB riders.

6. Deferred Policy Acquisition Costs and Value of Business Acquired

Changes in the DAC Balance [1]

	Successor Company	Predecessor Company	
	June 1, 2018 to September 30, 2018	January 1, 2018 to May 31, 2018	For the nine months ended September 30, 2017
Balance, beginning of period	**$ —**	**$ 405**	**$ 463**
Deferred costs	—	1	2
Amortization — DAC	—	(13)	(42)
Amortization — Unlock (charge) benefit, pre-tax	—	(3)	17
Adjustments to unrealized gains and losses on securities AFS and other	—	31	(14)
Balance, end of period	**$ —**	**$ 421**	**$ 426**

[1] Effective with the application of pushdown accounting on May 31, 2018, the Company eliminated its DAC balance through a pushdown accounting adjustment. Please see Note 1, Basis of Presentation and Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements for further discussion of pushdown accounting.

Changes in the VOBA Balance [1]

	Successor Company	Predecessor Company	
	June 1, 2018 to September 30, 2018	January 1, 2018 to May 31, 2018	For the nine months ended September 30, 2017
Balance, beginning of period	**$ 805**	**$ —**	**$ —**
Amortization	4	—	—
Amortization — Unlock benefit, pre-tax	5	—	—
Adjustments to unrealized gains and losses on securities AFS and other	4	—	—
Balance, end of period	**$ 818**	**$ —**	**$ —**

[1] Effective with the application of pushdown accounting on May 31, 2018, the Company established its VOBA through a pushdown accounting adjustment. Please see Note 1, Basis of Presentation and Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements for further discussion of pushdown accounting.

Expected Amortization of VOBA

Successor Company	
Years	**Expected Amortization**
2018	$ 6
2019	$ 68
2020	$ 63
2021	$ 57
2022	$ 53

Table of Contents

7. Reserves for Future Policy Benefits and Separate Account Liabilities

Changes in Reserves for Future Policy Benefits

Successor Company

	Universal Life-Type Contracts			
	GMDB/GMWB [1]	Universal Life Secondary Guarantees	Traditional Annuity and Other Contracts [2]	Total Future Policy Benefits
Liability balance as of June 1, 2018	**$ 471**	**$ 3,057**	**$ 14,529**	**$ 18,057**
Incurred [3]	29	139	389	557
Paid	(34)	—	(288)	(322)
Liability balance as of September 30, 2018	**$ 466**	**$ 3,196**	**$ 14,630**	**$ 18,292**
Reinsurance recoverable asset, as of June 1, 2018	**$ 294**	**$ 3,057**	**$ 1,964**	**$ 5,315**
Incurred [3]	20	139	3,044	3,203
Paid	(28)	—	(19)	(47)
Reinsurance recoverable asset, as of September 30, 2018	**$ 286**	**$ 3,196**	**$ 4,989**	**$ 8,471**

Predecessor Company

	Universal Life-Type Contracts			
	GMDB/GMWB [1]	Universal Life Secondary Guarantees	Traditional Annuity and Other Contracts [2]	Total Future Policy Benefits
Liability balance as of January 1, 2018	**$ 873**	**$ 2,940**	**$ 10,669**	**$ 14,482**
Incurred [3]	56	117	229	402
Paid	(45)	—	(326)	(371)
Change in unrealized investment gains and losses	—	—	(205)	(205)
Liability balance as of May 31, 2018	**$ 884**	**$ 3,057**	**$ 10,367**	**$ 14,308**
Reinsurance recoverable asset, as of January 1, 2018	**$ 464**	**$ 2,940**	**$ 1,742**	**$ 5,146**
Incurred [3]	36	117	(25)	128
Paid	(37)	—	(24)	(61)
Reinsurance recoverable asset, as of May 31, 2018	**$ 463**	**$ 3,057**	**$ 1,693**	**$ 5,213**

Predecessor Company

	Universal Life-Type Contracts			
	GMDB/GMWB [1]	Universal Life Secondary Guarantees	Traditional Annuity and Other Contracts [2]	Total Future Policy Benefits
Liability balance as of January 1, 2017	**$ 786**	**$ 2,627**	**$ 10,587**	**$ 14,000**
Incurred [3]	57	231	523	811
Paid	(76)	—	(590)	(666)
Change in unrealized investment gains and losses	—	—	135	135
Liability balance as of September 30, 2017	**$ 767**	**$ 2,858**	**$ 10,655**	**$ 14,280**
Reinsurance recoverable asset, as of January 1, 2017	**$ 432**	**$ 2,627**	**$ 1,697**	**$ 4,756**
Incurred [3]	37	231	33	301
Paid	(63)	—	(45)	(108)
Reinsurance recoverable asset, as of September 30, 2017	**$ 406**	**$ 2,858**	**$ 1,685**	**$ 4,949**

[1] These liability balances include all GMDB benefits, plus the life-contingent portion of GMWB benefits in excess of the return of the GRB. GMWB benefits up to the return of the GRB are embedded derivatives held at fair value and are excluded from these balances.
[2] Represents life-contingent reserves for which the company is subject to insurance and investment risk.
[3] Includes the portion of assessments established as additions to reserves as well as changes in estimates affecting the reserves.

7. Reserves for Future Policy Benefits and Separate Account Liabilities (continued)

Account Value by GMDB/GMWB Type as of September 30, 2018 (Successor Company)

	Account Value ("AV") [8]	Net Amount at Risk ("NAR") [9]	Retained Net Amount at Risk ("RNAR") [9]	Weighted Average Attained Age of Annuitant
Maximum anniversary value ("MAV") [1]				
MAV only	$ 13,228	$ 1,863	$ 281	72
With 5% rollup [2]	1,095	115	37	72
With Earnings Protection Benefit Rider ("EPB") [3]	3,357	535	81	72
With 5% rollup & EPB	464	106	23	74
Total MAV	18,144	2,619	422	
Asset Protection Benefit (APB) [4]	9,352	85	56	70
Lifetime Income Benefit (LIB) – Death Benefit [5]	415	4	4	71
Reset [6] (5-7 years)	2,412	5	5	71
Return of Premium [7] /Other	8,512	51	49	72
Subtotal Variable Annuity with GMDB/GMWB [10]	**$ 38,835**	**$ 2,764**	**$ 536**	**71**
Less: General Account Value with GMDB/GMWB	3,464			
Subtotal Separate Account Liabilities with GMDB	**35,371**			
Separate Account Liabilities without GMDB	71,458			
Total Separate Account Liabilities	**$ 106,829**			

[1] MAV GMDB is the greatest of current AV, net premiums paid and the highest AV on any anniversary before age 80 years (adjusted for withdrawals).
[2] Rollup GMDB is the greatest of the MAV, current AV, net premium paid and premiums (adjusted for withdrawals) accumulated at generally 5% simple interest up to the earlier of age 80 years or 100% of adjusted premiums.
[3] EPB GMDB is the greatest of the MAV, current AV, or contract value plus a percentage of the contract's growth. The contract's growth is AV less premiums net of withdrawals, subject to a cap of 200% of premiums net of withdrawals.
[4] APB GMDB is the greater of current AV or MAV, not to exceed current AV plus 25% times the greater of net premiums and MAV (each adjusted for premiums in the past 12 months).
[5] LIB GMDB is the greatest of current AV; net premiums paid; or, for certain contracts, a benefit amount generally based on market performance that ratchets over time.
[6] Reset GMDB is the greatest of current AV, net premiums paid and the most recent five to seven year anniversary AV before age 80 years (adjusted for withdrawals).
[7] ROP GMDB is the greater of current AV or net premiums paid.
[8] AV includes the contract holder's investment in the separate account and the general account.
[9] NAR is defined as the guaranteed minimum death benefit in excess of the current AV. RNAR represents NAR reduced for reinsurance. NAR and RNAR are highly sensitive to equity markets movements and increase when equity markets decline.
[10] Some variable annuity contracts with GMDB also have a life-contingent GMWB that may provide for benefits in excess of the return of the GRB. Such contracts included in this amount have $5.7 billion of total account value and weighted average attained age of 73 years. There is no NAR or retained NAR related to these contracts. Includes $2.0 billion of account value for contracts that had a GMDB at issue but no longer have a GMDB due to certain elections made by policyholders or their beneficiaries.

Account Balance Breakdown of Variable Separate Account Investments for Contracts with Guarantees

	Successor Company	Predecessor Company
Asset type	**As of September 30, 2018**	**As of December 31, 2017**
Equity securities (including mutual funds)	$ 32,575	$ 34,496
Cash and cash equivalents	2,796	2,712
Total [1]	**$ 35,371**	**$ 37,208**

[1] Includes $2.0 billion and $1.9 billion of account value as of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company) for contracts that had a GMDB at issue but no longer have a GMDB due to certain elections made by policyholders or their beneficiaries.

As of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company), approximately 14% and 15%, respectively, of the equity securities (including mutual funds) in the preceding table were funds invested in fixed income securities and approximately 86% and 85%, respectively, were funds invested in equity securities.

For further information on guaranteed living benefits that are accounted for at fair value, such as GMWB, see Note 2 - Fair Value Measurements of Notes to Condensed Consolidated Financial Statements (Predecessor Company).

8. Other Intangible Assets

Other Intangible Assets

As of September 30, 2018 (Successor Company)				
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Expected Life
Amortized Intangible Assets [1]	$ 29	$ 2	$ 27	5
Total Indefinite Lived Intangible Assets [2]	26	—	26	—
Total Other Intangible Assets	**$ 55**	**$ 2**	**$ 53**	**5**

[1] Consist of internally developed software
[2] Consist of state insurance licenses.

Expected Pre-tax Amortization Expense

Successor Company	
Years	**Expected Future Amortization**
2018	$ 1
2019	$ 6
2020	$ 6
2021	$ 6
2022	$ 6

9. Income Taxes

Income Tax Rate Reconciliation

	Successor Company		Predecessor Company		
	For the three months ended September 30, 2018	June 1, 2018 to September 30, 2018	For the three months ended September 30, 2017	January 1, 2018 to May 31, 2018	For the nine months ended September 30, 2017
Tax provision at the U.S. federal statutory rate	$ 11	$ 26	$ 25	$ 21	$ 106
Dividends-received deduction ("DRD")	(23)	(23)	(36)	(12)	(72)
Foreign related investments	(1)	(2)	(2)	(3)	(5)
Tax reform	—	—	—	(2)	—
Other	—	—	1	3	3
Provision for income taxes	**$ (13)**	**$ 1**	**$ (12)**	**$ 7**	**$ 32**

The federal audits have been completed through 2013, and the Company is not currently under examination for any open years. Management believes that adequate provision has been made in the consolidated financial statements for any potential adjustments that may result from tax examinations and other tax-related matters for all open tax years.

The Company classifies interest and penalties (if applicable) as income tax expense in the consolidated financial statements. The Company recognized no interest expense for the three months ended September 30, 2018 (Successor Company), the period of June 1, 2018 to September 30, 2018 (Successor Company), the period of January 1, 2018 to May 31, 2018 (Predecessor Company) and for the three and nine months ended September 30, 2017 (Predecessor Company). The Company had no interest payable as of September 30, 2018 (Successor Company) and September 30, 2017 (Predecessor Company). The Company does not believe it would be subject to any penalties in any open tax years and, therefore, has not recorded any accrual for penalties.

The separate account DRD is estimated for the current year using information from the most recent return, adjusted for current year equity market performance and other appropriate factors, including estimated levels of corporate dividend payments and level of policy owner equity account balances. The actual current year DRD can vary from estimates based on, but not limited to, changes in eligible dividends received in the mutual funds, amounts of distributions from these mutual funds, and the Company’s taxable income before the DRD. The Company evaluates its DRD computations on a quarterly basis.

The application of purchase and pushdown accounting resulted in market value adjustments to the Company’s assets and liabilities, which resulted in a corresponding increase in the Company’s deferred tax asset. For further information, see Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements.

The Company believes it is more likely than not that all deferred tax assets will be fully realized. In assessing the need for a valuation allowance, management considered future taxable temporary difference reversals, future taxable income exclusive of reversing temporary differences and carryovers, taxable income in open carry back years and other tax planning strategies. From time to time, tax planning strategies could include holding a portion of debt securities with market value losses until recovery, making investments which have specific tax characteristics and business considerations such as asset-liability matching.

Net deferred income taxes include the future tax benefits associated with the net operating loss carryover, alternative minimum tax credit carryover and foreign tax credit carryover as follows:

Net Operating Loss Carryover

As of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company), the net deferred tax asset included the expected tax benefit attributable to net operating losses of $952 and $3,243, respectively. The September 30, 2018 total includes $596 of U.S. losses generated prior to 2017 that are subject to limits on the period for which they can be carried forward. If not utilized, these losses will expire from 2027 to 2030. Utilization of these loss carryovers is dependent upon the generation of sufficient future taxable income. The September 30, 2018 total also includes $356 of U.S. losses generated in the Successor Company's taxable year beginning June 1, 2018; primarily due to the Commonwealth reinsurance transaction. These losses do not expire, but their utilization in any carryforward year is limited to 80% of taxable income in that year.

Given the continued runoff of the U.S. fixed and variable annuity business, the exposure to taxable losses is significantly lessened, and given the Company's expected future earnings, the Company believes sufficient taxable income will be generated in the future to utilize its net operating loss carryover. Although the Company believes there will be sufficient future taxable income to fully recover the remainder of the loss carryover, the Company's estimate of the likely realization may change over time. In connection with The Hartford's sale of Hartford Life, Inc. ("HLI") and subsidiaries, the Company has forgone approximately $555 of deferred tax assets associated with net operating loss carryovers that will be retained by The Hartford.

9. Income Taxes (continued)

Alternative Minimum Tax Credit

As of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company), the Company had an alternative minimum tax credit ("AMT") carryover, net of a sequestration fee payable, of $0 and $235, respectively, which is reflected as a current income tax receivable within Other assets in the accompanying Condensed Consolidated Balance Sheet. In connection with The Hartford's sale of HLI and subsidiaries, The Hartford retained all AMT credits.

Foreign Tax Credit Carryover

As of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company), the net deferred tax asset included the expected tax benefit attributable to foreign tax credit carryovers of $3 and $23, respectively. In connection with The Hartford's sale of HLI and subsidiaries, The Successor Company has forgone approximately $23 of deferred tax assets associated with foreign tax credit carryovers that will be retained by The Hartford.

10. Commitments and Contingencies

Litigation

The Company is involved in claims litigation arising in the ordinary course of business with respect to life, disability and accidental death and dismemberment insurance policies and with respect to annuity contracts. The Company accounts for such activity through the establishment of reserves for future policy benefits. Management expects that the ultimate liability, if any, with respect to such ordinary-course claims litigation, after consideration of provisions made for potential losses and costs of defense, will not be material to the consolidated financial condition, results of operations or cash flows of the Company.

The Company is also involved in other kinds of legal actions, some of which assert claims for substantial amounts. Such actions have alleged, for example, bad faith in the handling of insurance claims and improper sales practices in connection with the sale of insurance and investment products. Some of these actions also seek punitive damages. Management expects that the ultimate liability, if any, with respect to such lawsuits, after consideration of provisions made for estimated losses, will not be material to the consolidated financial condition of the Company. Nonetheless, given the large or indeterminate amounts sought in certain of these actions, and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company’s consolidated financial condition, results of operations or cash flows in particular quarterly or annual periods.

Derivative Commitments

Certain of the Company’s derivative agreements contain provisions that are tied to the financial strength ratings, as set by nationally recognized statistical agencies, of the individual legal entity that entered into the derivative agreement. If the legal entity’s financial strength were to fall below certain ratings, the counterparties to the derivative agreements could demand immediate and ongoing full collateralization and in certain instances enable the counterparties to terminate the agreements and demand immediate settlement of all outstanding derivative positions traded under each impacted bilateral agreement. The settlement amount is determined by netting the derivative positions transacted under each agreement. If the termination rights were to be exercised by the counterparties, it could impact the legal entity’s ability to conduct hedging activities by increasing the associated costs and decreasing the willingness of counterparties to transact with the legal entity. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a net liability position as of September 30, 2018 (Successor Company) is $686. Of this $686, the legal entities have posted collateral of $739, which is inclusive of initial margin requirements in the normal course of business. In addition, the Company has posted collateral of $29 associated with a customized GMWB derivative. Based on derivative market values as of September 30, 2018, a downgrade of one or two levels below the current financial strength ratings by either Moody's or S&P would not require additional assets to be posted as collateral. These collateral amounts could change as derivative market values change, as a result of changes in our hedging activities or to the extent changes in contractual terms are negotiated. The nature of the collateral that we post, when required, would be primarily in the form of U.S. Treasury bills, U.S. Treasury notes and government agency securities.

11. Transactions with Affiliates

Affiliate Transactions (Predecessor Company)

Transactions of the Company with Hartford Fire Insurance Company ("Hartford Fire"), Hartford Holdings Inc. ("HHI") and its affiliates related principally to tax settlements, reinsurance, insurance coverage, rental and service fees, payment of dividends and capital contributions, and employee costs. In addition, the Company had issued structured settlement contracts to fund claims settlements of property casualty insurance companies and self-insured entities. In many cases, the structured settlement contracts were to fund claim settlements of the Company's affiliated property and casualty companies whereby these property and casualty companies transferred funds to another affiliate of the Company to purchase the contracts. Reserves for annuities issued by the Company to The Hartford's property and casualty subsidiaries to fund structured settlement payments where the claimant had not released The Hartford's property and casualty subsidiaries of their primary obligation totaled $682 (Predecessor Company) as of December 31, 2017.

Prior to the sale of the Company, substantially all general insurance expenses related to the Company were initially paid by The Hartford. Expenses were allocated to the Company using specific identification if available, or other applicable methods, that would include a blend of revenue, expense and capital.

In 1990, Hartford Fire guaranteed the obligations of the Company with respect to life, accident and health insurance and annuity contracts issued after January 1, 1990. The guarantee was issued to provide an increased level of security to potential purchasers of the Company’s products. Although the guarantee was terminated in 1997, it still covers policies that were issued from 1990 to 1997. As of December 31, 2017, no recoverables have been recorded for this guarantee as the Company was able to meet these policyholder obligations.

Reinsurance Ceded to Affiliates (Predecessor Company)

The Company maintains a reinsurance agreement with Hartford Life and Accident Insurance Company ("HLA"), whereby the Company cedes both group life and group accident and health risk business. Under this treaty, the Company ceded group life premium of $9 for the period of January 1, 2018 to May 31, 2018 (Predecessor Company) and $7 and $22 for the three and nine months ended September 30, 2017 (Predecessor Company), respectively. The Company ceded accident and health premiums to HLA of $25 for the period of January 1, 2018 to May 31, 2018 (Predecessor Company) and $16 and $52 for the three and nine months ended September 30, 2017 (Predecessor Company), respectively.

12. Changes in and Reclassifications From Accumulated Other Comprehensive Income

Successor Company

Changes in AOCI, Net of Tax for the Three Months Ended September 30, 2018

	Changes in			
	Net Unrealized Gain on Securities	Net Gain on Cash Flow Hedging Instruments	Foreign Currency Translation Adjustments	AOCI, net of tax
Beginning balance	**$ (75)**	**$ —**	**$ 2**	**$ (73)**
OCI before reclassifications	(50)	—	—	(50)
Amounts reclassified from AOCI	1	—	—	1
OCI, net of tax	(49)	—	—	(49)
Ending balance	**$ (124)**	**$ —**	**$ 2**	**$ (122)**

Successor Company

Changes in AOCI, Net of Tax for the Period of June 1, 2018 to September 30, 2018

	Changes in			
	Net Unrealized Gain on Securities	Net Gain on Cash Flow Hedging Instruments	Foreign Currency Translation Adjustments	AOCI, net of tax
Beginning balance	**$ —**	**$ —**	**$ —**	**$ —**
OCI before reclassifications	(125)	—	2	(123)
Amounts reclassified from AOCI	1	—	—	1
OCI, net of tax	(124)	—	2	(122)
Ending balance	**$ (124)**	**$ —**	**$ 2**	**$ (122)**

Predecessor Company

Changes in AOCI, Net of Tax for the Period of January 1, 2018 to May 31, 2018

	Changes in			
	Net Unrealized Gain on Securities	Net Gain on Cash Flow Hedging Instruments	Foreign Currency Translation Adjustments	AOCI, net of tax
Beginning balance	**$ 1,022**	**$ 4**	**$ (3)**	**$ 1,023**
Cumulative effect of accounting changes, net of tax [1]	182	—	—	182
Adjusted balance, beginning of period	**1,204**	**4**	**(3)**	**1,205**
OCI before reclassifications	(432)	(13)	1	(444)
Amounts reclassified from AOCI	2	(5)	—	(3)
OCI, net of tax	(430)	(18)	1	(447)
Ending balance	**$ 774**	**$ (14)**	**$ (2)**	**$ 758**

[1] Includes reclassification to retained earnings of $193 of stranded tax effects and $11 of net unrealized gains, after tax, related to equity securities. Refer to Note 1 - Basis of Presentation and Significant Accounting Policies for further information.

12. Changes in and Reclassifications From Accumulated Other Comprehensive Income (continued)

Reclassifications from AOCI

	Successor Company		Predecessor Company	
	For the three months ended September 30, 2018	June 1, 2018 to September 30, 2018	January 1, 2018 to May 31, 2018	Affected Line Item in the Condensed Consolidated Statement of Operations
Net Unrealized Gain on Securities				
Available-for-sale securities	$ (1)	$ (1)	$ (2)	Net realized capital losses
	(1)	**(1)**	**(2)**	**Income before income taxes**
	—	—	—	Income tax expense (benefit)
	$ (1)	**$ (1)**	**$ (2)**	**Net income**
Net Gains on Cash Flow Hedging Instruments				
Interest rate swaps	$ —	$ —	$ —	Net realized capital losses
Interest rate swaps	—	—	8	Net investment income
Foreign currency swaps	—	—	(2)	Net realized capital losses
	—	**—**	**6**	**Income before income taxes**
	—	—	1	Income tax expense (benefit)
	—	**—**	**5**	**Net income**
Total amounts reclassified from AOCI	**$ (1)**	**$ (1)**	**$ 3**	**Net income**

12. Changes in and Reclassifications From Accumulated Other Comprehensive Income (continued)

Predecessor Company

Changes in AOCI, Net of Tax for the Three Months Ended September 30, 2017

	Changes in			
	Net Unrealized Gain on Securities	Net Gain on Cash Flow Hedging Instruments	Foreign Currency Translation Adjustments	AOCI, net of tax
Beginning balance	**$ 899**	**$ 23**	**$ (3)**	**$ 919**
OCI before reclassifications	45	(1)	—	44
Amounts reclassified from AOCI	(13)	(6)	—	(19)
OCI, net of tax	32	(7)	—	25
Ending balance	**$ 931**	**$ 16**	**$ (3)**	**$ 944**

Predecessor Company

Changes in AOCI, Net of Tax for the Nine Months Ended September 30, 2017

	Changes in			
	Net Unrealized Gain on Securities	Net Gain on Cash Flow Hedging Instruments	Foreign Currency Translation Adjustments	AOCI, net of tax
Beginning balance	**$ 693**	**$ 32**	**$ (3)**	**$ 722**
OCI before reclassifications	291	2	—	293
Amounts reclassified from AOCI	(53)	(18)	—	(71)
OCI, net of tax	238	(16)	—	222
Ending balance	**$ 931**	**$ 16**	**$ (3)**	**$ 944**

Reclassified from AOCI

	Predecessor Company		
	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017	Affected Line Item in the Condensed Consolidated Statement of Operations
Net Unrealized Gain on Securities			
Available-for-sale securities	$ 20	$ 81	Net realized capital losses
	20	**81**	**Income before income taxes**
	7	28	Income tax expense (benefit)
	13	**53**	**Net income**
Net Gains on Cash Flow Hedging Instruments			
Interest rate swaps	—	(1)	Net realized capital losses
Interest rate swaps	7	20	Net investment income
Foreign currency swaps	3	9	Net realized capital losses
	10	**28**	**Income before income taxes**
	4	10	Income tax expense (benefit)
	6	**18**	**Net income**
Total amounts reclassified from AOCI	**$ 19**	**$ 71**	**Net income**

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollar amounts in millions, unless otherwise stated)

On May 31, 2018, Hartford Holdings, Inc. ("HHI"), an indirect parent company of Talcott Resolution Life Insurance Company ("TL, or the "Company") and a direct wholly-owned subsidiary of The Hartford Financial Services Group, Inc. ("The Hartford"), consummated the Talcott Resolution Sale Transaction (as defined below) contemplated by the Stock and Asset Purchase Agreement ("SAPA"), entered into on December 3, 2017 by and among HHI and its parent company, The Hartford ("Seller"), and Hopmeadow Acquisition, Inc. (“Buyer”). Pursuant to the SAPA, HHI sold all of the issued and outstanding equity of Hartford Life, Inc. ("HLI"), the parent of the Company, to the Buyer (the “Talcott Resolution Sale Transaction”). The Talcott Resolution Sale Transaction was funded by the Buyer through Hopmeadow Holdings, LP and Hopmeadow Holdings GP LLC, each of which is comprised of a group of investors led by Cornell Capital LLC, Atlas Merchant Capital LLC, TRB Advisors LP, Global Atlantic Financial Group, Pine Brook and J. Safra Group.

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) addresses the financial condition of the Company and its subsidiaries as of and for the period ended September 30, 2018. "Successor Company" along with the reporting periods ending May 31, 2018 and September 30, 2017 "Predecessor Company". For additional information on the election of pushdown accounting in conjunction with the acquisition of the Company's parent, see Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements.

The Company has included, under Item 2, Consolidated Results of Operations to explain any material changes in revenue and expense items for the periods presented. Certain reclassifications have been made to prior period financial information to conform to the current period classifications. This discussion should be read in conjunction with MD&A in Hartford Life Insurance Company’s 2017 Form 10-K Annual Report (Predecessor Company).

INDEX

CONSOLIDATED RESULTS OF OPERATIONS

Operating Summary

	Successor Company		Predecessor Company		
	For the three months ended September 30, 2018	**June 1, 2018 to September 30, 2018**	**For the three months ended September 30, 2017**	**January 1, 2018 to May 31, 2018**	**For the nine months ended September 30, 2017**
Fee income and other	$ 212	$ 284	$ 215	$ 381	$ 661
Earned premiums	12	18	27	42	97
Net investment income	216	281	324	520	958
Net realized capital losses	(136)	(132)	(33)	(107)	(61)
Amortization of deferred reinsurance gain	13	22	—	—	—
Total revenues	**317**	**473**	**533**	**836**	**1,655**
Benefits, losses and loss adjustment expenses	176	221	352	534	1,024
Amortization of deferred policy acquisition costs ("DAC") and present value of future profits ("VOBA")	(16)	(9)	7	16	25
Insurance operating costs and other expenses	101	134	103	183	304
Other intangible asset amortization	2	2	—	—	—
Dividends to policyholders	—	—	—	2	—
Total benefits, losses and expenses	**263**	**348**	**462**	**735**	**1,353**
Income before income taxes	**54**	**125**	**71**	**101**	**302**
Income tax expense (benefit) [1]	(13)	1	(12)	7	32
Net income	**$ 67**	**$ 124**	**$ 83**	**$ 94**	**$ 270**

[1] *The effective tax rate differs from the U.S. statutory rate of 21% and 35% in 2018 and 2017, respectively, primarily due to the separate account dividends received deduction ("DRD"). For a reconciliation of the income tax provision at the U.S. Federal statutory rate to the provision for income taxes, see Note 9 - Income Taxes of Notes to Condensed Consolidated Financial Statements.*

For the three months ended September 30, 2018 (Successor Company)

Net income was primarily driven by fee income and other as well as net investment income, partially offset by net realized capital losses due to macro hedge program losses, benefits, losses and loss adjustment expenses and insurance operating costs and other expenses.

Fee income and insurance operating costs and other expenses for the period continued to decline due to the run off of the variable annuity block of business. Net investment income was primarily impacted by lower income from fixed maturities driven by lower asset levels. For further discussion, see MD&A - Investments Results, Net Investment Income.

For the period of June 1, 2018 to September 30, 2018 (Successor Company)

Net income was primarily driven by fee income and other as well as net investment income, partially offset by net realized capital losses due to macro hedge program losses, benefits, losses and loss adjustment expenses and insurance operating costs and other expenses.

Fee income and other for the period continued to decline due to the run off of the variable annuity block of business. Net investment income was primarily impacted by lower income from fixed maturities driven by lower asset levels due to the reinsurance agreement that the Company entered into with Commonwealth Annuity and Life Insurance Company ("Commonwealth", or "Commonwealth Annuity Reinsurance Agreement") as well as the continued run off of the Company's business. Insurance operating costs and other expenses include separation, stand-up and reinsurance related costs which were partially offset by the amortization of the deferred gain on the Commonwealth Annuity Reinsurance Agreement.

For the period of January 1, 2018 to May 31, 2018 (Predecessor Company)

Net income was primarily driven by net investment income and fee income and other, partially offset by benefits, losses and loss adjustment expenses and insurance operating costs and other expenses and net realized capital losses.

Fee income and insurance operating costs and other expenses for the period continued to decline due to the run off of the variable annuity block of business. Net investment income was primarily impacted by lower income from fixed maturities driven by lower asset levels, partially offset by an increase in income from limited partnerships and other alternative investments. Net realized capital losses were primarily driven by losses on sales including the transfer of property recognized in connection with the May 31, 2018 sale of the Company as well as hedge program losses.

For the three and nine months ended September 30, 2017 (Predecessor Company)

Net income for the period was primarily driven by net investment income and fee income and other, partially offset by benefits, losses and loss adjustment expenses and insurance operating costs and other expenses.

Fee income and insurance operating costs and other expenses for the period continued to decline due to the run off of the variable annuity block of business. Net investment income for the period was primarily comprised of fixed maturities and mortgage loans.

INVESTMENT RESULTS

Composition of Invested Assets

	Successor Company		Predecessor Company	
	September 30, 2018		December 31, 2017	
	Amount	Percent	Amount	Percent
Fixed maturities, available-for-sale ("AFS"), at fair value	$ 14,072	70.6 %	$ 22,799	77.0 %
Fixed maturities, at fair value using the fair value option ("FVO")	14	0.1 %	32	0.1 %
Equity securities, at fair value [1]	109	0.5 %	—	— %
Equity securities, AFS, at fair value [1]	—	— %	154	0.5 %
Mortgage loans	2,099	10.5 %	2,872	9.7 %
Policy loans, at outstanding balance	1,426	7.2 %	1,432	4.9 %
Limited partnerships and other alternative investments	877	4.4 %	1,001	3.4 %
Other investments [2]	174	0.9 %	213	0.7 %
Short-term investments	1,159	5.8 %	1,094	3.7 %
Total investments	**$ 19,930**	**100%**	**$ 29,597**	**100%**

[1] Effective January 1, 2018, with the adoption of new accounting standards for financial instruments, equity securities, AFS were reclassified to equity securities at fair value.

[2] Primarily relates to derivative instruments.

Total investments decreased since December 31, 2017 (Predecessor Company), primarily as a result of reinsurance agreements to reinsure certain fixed immediate and deferred annuity contracts, standard mortality structured settlements and period certain structured settlement annuity contracts to Commonwealth ("Commonwealth Annuity Reinsurance Agreement") as well as the continued runoff of the Company's business. The aggregate amount of invested assets that the Company transferred to the reinsurer or sold to fund the Commonwealth Annuity Reinsurance Agreement was approximately $8.5 billion.

Net Investment Income

	Successor Company				Predecessor Company					
	For the three months ended September 30, 2018		June 1, 2018 to September 30, 2018		For the three months ended September 30, 2017		January 1, 2018 to May 31, 2018		For the nine months ended September 30, 2017	
(Before tax)	Amount	Yield [1]	Amount	Yield [1]	Amount	Yield [1]	Amount	Yield [1]	Amount	Yield [1]
Fixed maturities [2]	$ 147	3.9 %	$ 196	4.0 %	$ 251	4.5 %	$ 395	4.6 %	$ 758	4.5 %
Equity securities	1	3.7 %	2	4.3 %	1	2.8 %	4	4.3 %	4	2.2 %
Mortgage loans	22	4.2 %	28	4.1 %	31	4.3 %	54	4.5 %	93	4.4 %
Policy loans	18	5.0 %	25	5.1 %	20	5.5 %	32	5.3 %	59	5.5 %
Limited partnerships and other alternative investments	32	14.8 %	35	12.3 %	23	9.8 %	41	10.4 %	44	6.5 %
Other [3]	4		7		12		13		41	
Investment expense	(8)		(12)		(14)		(19)		(41)	
Total net investment income	**216**	**4.4%**	**281**	**4.3%**	**324**	**4.5%**	**520**	**4.7%**	**958**	**4.4%**
Total net investment income excluding limited partnerships and other alternative investments	**$ 184**	**3.9%**	**$ 246**	**4.0%**	**$ 301**	**4.4%**	**$ 479**	**4.5%**	**$ 914**	**4.4%**

[1] Yields calculated using annualized net investment income divided by the monthly average invested assets at amortized cost as applicable, excluding repurchase agreement and securities lending collateral, if any, and derivatives book value.

[2] Includes net investment income on short-term investments.

[3] Primarily includes income from derivatives that qualify for hedge accounting and hedge fixed maturities.

Three months ended September 30, 2018 and for the period June 1, 2018 to September 30, 2018 (Successor Company)

Total net investment income for the three months ended September 30, 2018 and for the period of June 1, 2018 to September 30, 2018 was $216 and $281, respectively. Total net investment income was primarily impacted by lower income from fixed maturities driven by lower asset levels due to the Commonwealth Annuity Reinsurance Agreement that the Company entered into as well as the continued runoff of the Company's business.

The annualized net investment income yield, excluding limited partnerships and other alternative investments, was 4.0% for the period of June 1, 2018 to September 30, 2018. Excluding non-routine items, which primarily include make-whole payments on fixed maturities and mortgage loan pre-payments, the annualized investment income yield, excluding limited partnerships and other alternative investments, was 3.9% for the same period.

The new money yield for the period of June 1, 2018 to September 30, 2018, excluding certain U.S. Treasury securities and cash equivalent securities, was approximately 4.1%, which was above the average yield of sales and maturities of 4.0% for the same period due to higher interest rates.

We expect the annualized net investment income yield for the 2018 calendar year, excluding limited partnerships and other alternative investments, to be lower than the portfolio yield earned in 2017 due to the resetting of cost basis of assets to current fair value of assets in connection with the application of pushdown accounting. The estimated impact on net investment income is subject to change as the composition of the portfolio changes through portfolio management and trading activities and changes in market conditions.

For the period January 1, 2018 to May 31, 2018 (Predecessor Company)

Total net investment income for the period of January 1, 2018 to May 31, 2018 was $520. Total net investment income was primarily impacted by lower income from fixed maturities driven by lower asset levels, partially offset by an increase in income from limited partnerships and other alternative investments.

The annualized net investment income yield, excluding limited partnerships and other alternative investments, was 4.5% for the period. Excluding non-routine items, which primarily include make-whole payments on fixed maturities and mortgage loan pre-payments, the annualized investment income yield, excluding limited partnerships and other alternative investments, was 4.4%.

The new money yield for the period, excluding certain U.S. Treasury securities and cash equivalent securities, was approximately 4.3%, which was above the average yield of sales and maturities of 3.9% for the same period due to higher interest rates.

Three and nine months ended September 30, 2017 (Predecessor Company)

Total net investment income for the three and nine months ended September 30, 2017 was $324 and $958, respectively.

The annualized net investment income yield, excluding limited partnerships and other alternative investments, was 4.4% for the nine months ended September 30, 2017. Excluding non-routine items, which primarily include make-whole payments on fixed maturities, the annualized investment income yield, excluding limited partnerships and other alternative investments, was 4.3% for the same period.

The new money yield for the nine months ended September 30, 2017, excluding certain U.S. Treasury securities and cash equivalent securities, was approximately 3.7%, which was below the average yield of sales and maturities of 3.9% for the same period.

Net Realized Capital Losses

(Before tax)	Successor Company For the three months ended September 30, 2018	Successor Company June 1, 2018 to September 30, 2018	Predecessor Company For the three months ended September 30, 2017	Predecessor Company January 1, 2018 to May 31, 2018	Predecessor Company For the nine months ended September 30, 2017
Gross gains on sales	$ 6	$ 7	$ 28	$ 49	$ 141
Gross losses on sales	(8)	(9)	(7)	(112)	(47)
Equity securities [1]	(1)	1	—	2	—
Net OTTI losses recognized in earnings	—	—	(1)	—	(14)
Valuation allowances on mortgage loans	(6)	(6)	—	—	2
Results of variable annuity hedge program					
GMWB derivatives, net	1	8	15	12	53
Macro hedge program	(121)	(121)	(65)	(36)	(189)
Total results of variable annuity hedge program	(120)	(113)	(50)	(24)	(136)
Transactional foreign currency revaluation	9	16	3	(6)	(11)
Non-qualifying foreign currency derivatives	(12)	(20)	(4)	7	4
Other, net [2]	(4)	(8)	(2)	(23)	—
Net realized capital losses	**$ (136)**	**$ (132)**	**$ (33)**	**$ (107)**	**$ (61)**

[1] Effective January 1, 2018, with adoption of new accounting standards for equity securities, includes all changes in fair value and trading gains and losses for equity securities at fair value.

[2] Primarily consists of changes in value of non-qualifying derivatives, including credit derivatives, interest rate derivatives used to manage duration, and embedded derivatives associated with modified coinsurance reinsurance contracts.

Gross Gains and Losses on Sales

- Gross gains and losses on sales for the three months ended September 30, 2018 (Successor Company) and the period of June 1, 2018 to September 30, 2018 (Successor Company) resulted from duration, liquidity and credit management within corporate, municipal, and U.S. Treasury securities.
- Gross gains and losses on sales for the period of January 1, 2018 to May 31, 2018 (Predecessor Company) were primarily the result of sales of fixed maturities, AFS executed in order to fund the Commonwealth Annuity Reinsurance Agreement. Gross gains and losses on sales also resulted from duration, liquidity and credit management within corporate and US Treasury securities. In addition, gross losses on sales include the transfer of property recognized in connection with the May 31, 2018 sale of the Company.
- Gross gains and losses on sales for the three and nine months ended September 30, 2017 (Predecessor Company) were primarily the result of duration, liquidity and credit management within corporate securities, residential mortgage-backed securities ("RMBS"), equity securities, and municipal bonds.

Variable Annuity Hedge Program

- For the period of three months ended September 30, 2018 (Successor Company) and the period of June 1, 2018 to September 30, 2018 (Successor Company), the gain on the combined GMWB derivative, net which include the GMWB product, reinsurance and hedging derivatives was primarily due to non-market factors.
- For the period of January 1, 2018 to May 31, 2018 (Predecessor Company), the gain on the combined GMWB derivative, net which include the GMWB product, reinsurance and hedging derivatives was primarily due to a decline in the equity market volatility of $3 and policy holder behavior of $3, as well as an increase in interest rates of $2.
- For both the three months ended September 30, 2018 (Successor Company) and the period of June 1, 2018 to September 30, 2018 (Successor Company), the losses on the macro hedge program were primarily due to losses of $69 driven by an increase in the domestic equity markets, and losses of $22 driven by time decay on options.

- For the period of January 1, 2018 to May 31, 2018 (Predecessor Company), the losses on the macro hedge program were primarily due to losses of $8 driven by an increase in domestic equity markets, and losses of $33 driven by time decay on options.
- For the three and nine months ended September 30, 2017 (Predecessor Company), the net gain on the combined GMWB derivatives, net, which include the GMWB product, reinsurance and hedging derivatives, was primarily due to gains of $8 and $19, respectively, driven by a decline in the equity market volatility, $7 and $18, respectively, driven by time decay of options, and $4 and $15, respectively, due to policy holder behavior.
- For the three and nine months ended September 30, 2017 (Predecessor Company), the losses on the macro hedge program were primarily due to losses of $42 and $109, respectively, driven by an improvement in domestic equity markets and $15 and $51, respectively, driven by time decay on options. Also included for the nine months ended September 30, 2017 (Predecessor Company), were losses of $8 and $37 driven by a decline in equity market volatility.

Other, Net

- Other, net losses for the three months ended September 30, 2018 (Successor Company) and the periods of June 1, 2018 to September 30, 2018 (Successor Company) and January 1, 2018 to May 31, 2018 (Predecessor Company) were primarily due to losses on interest rate derivatives partially offset by gains associated with modified coinsurance reinsurance contracts, both driven by an increase in interest rates. Modified coinsurance reinsurance contracts are accounted for as embedded derivatives and transfer to the reinsurer the investment experience related to the assets supporting the reinsured policies.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ, and in the past have differed, from those estimates. The Company's critical accounting estimates are discussed in Part II, Item 7 MD&A in the Company's 2017 Form 10-K Annual Report (Predecessor Company). The following discussion updates certain of the Company's critical accounting estimates as of September 30, 2018.

Estimated Gross Profits

Estimated gross profits ("EGPs") are used in the valuation and amortization of the VOBA (Successor Company) and DAC (Predecessor Company) assets. Portions of EGPs are also used in the valuation of reserves for death and other insurance benefit features on variable annuity and other universal life-type contracts.

Significant EGP-based Balances

	Successor Company	Predecessor Company
	As of September 30, 2018	**As of December 31, 2017**
DAC [1]	$ —	$ 405
Value of Business Acquired (VOBA) [1]	$ 818	—
Death and Other Insurance Benefit Reserves, net of reinsurance [2]	$ 180	$ 409

[1] For additional information on DAC and VOBA, see Note 6 - Deferred Policy Acquisition Costs and Value of Business Acquired of Notes to Condensed Consolidated Financial Statements.

[2] For additional information on death and other insurance benefit reserves, see Note 7 - Reserves for Future Policy Benefits and Separate Account Liabilities of Notes to Condensed Consolidated Financial Statements.

Benefit (Charge) to Income, Net of Tax, as a Result of Unlock [1]

	Successor Company		Predecessor Company		
	For the three months ended September 30, 2018	**June 1, 2018 to September 30, 2018**	**For the three months ended September 30, 2017**	**January 1, 2018 to May 31, 2018**	**For the nine months ended September 30, 2017**
DAC	$ —	$ —	$ 7	$ (3)	$ 16
VOBA	—	5	—	—	—
Death and Other Insurance Benefit Reserves	1	6	5	—	20
Total (pre tax)	**1**	**11**	**12**	**(3)**	**36**
Income tax effect	—	2	5	(1)	13
Total (after tax)	**$ 1**	**$ 9**	**$ 7**	**$ (2)**	**$ 23**

[1] For further information, see Note 1 - Basis of Presentation and Significant Accounting Policies and Note 6 - Deferred Policy Acquisition Costs and Value of Business Acquired of Notes to Condensed Consolidated Financial Statements.

<u>*Successor Company*</u>

The Unlock benefit, after-tax, for the three months ended September 30, 2018 was primarily due to separate account returns being above our aggregated estimated returns during the period largely due to an increase in equity markets.

The Unlock benefit, after-tax, for the period of June 1, 2018 to September 30, 2018 was primarily related to modifying the reversion-to-mean ("RTM") separate account return assumption to consider returns since May 31, 2018, rather than March 31, 2009. For further discussion on RTM assumptions, please see the Market Unlocks section below. For further information regarding the elimination of DAC and the establishment of VOBA during pushdown accounting, see Note 1 - Basis of Presentation and Significant Accounting Policies and Note 6 - Deferred Policy Acquisition Costs and Value of Business Acquired of Notes to Condensed Consolidated Financial Statements.

<u>*Predecessor Company*</u>

The Unlock charge, after-tax, for the period of January 1, 2018 to May 31, 2018 was primarily due to separate account returns being below our aggregated estimated returns during the period largely due to a decrease in equity markets.

The Unlock benefit, after-tax, for the three and nine months ended September 30, 2017 was primarily due to separate account returns being above our aggregated estimated returns during the period largely due to an increase in equity markets.

Use of Estimated Gross Profits in Amortization and Reserving

For variable annuity contracts, the Company estimates gross profits over 20 years as EGPs emerging subsequent to that time frame are immaterial. Future gross profits are projected over the estimated lives of the underlying contracts, based on future account value projections for variable annuity products. The projection of future account values requires the use of certain assumptions including: separate account returns; separate account fund mix; fees assessed against the contract holder's account balance; full and partial surrender rates; interest credited; mortality; and the extent and duration of hedging activities and hedging costs. Changes in these assumptions and changes to other policyholder behavior assumptions such as GMWB utilization, reaction to price increases, and asset allocations cause EGPs to fluctuate which impacts earnings.

The Company determines EGPs using a set of stochastic RTM separate account return projections which is an estimation technique commonly used by insurance entities to project future separate account returns. Through this estimation technique, the Company's model is adjusted to reflect actual account values at the end of each quarter. Through consideration of recent market returns, the Company will unlock, or adjust, projected returns over a future period so that the account value returns to the long-term expected rate of return, providing that those projected returns do not exceed certain caps.

Market Unlocks

In addition to updating assumptions in the fourth quarter of each year, an Unlock revises EGPs, on a quarterly basis, to reflect the Company's current best estimate assumptions and market updates of policyholder account value. The Unlock for future separate account returns is determined each quarter. Under RTM, the expected long term rate of return is 8.3%. The annual return assumed over the next five years of approximately 7.7% was calculated based on the return needed over that period to produce an 8.3% return since the date VOBA was established in pushdown accounting, May 31, 2018. Based on the expected trend of policy lapses and annuitizations, the Company expects approximately 35% of its block of variable annuities to run off in the next 5 years.

Aggregate Recoverability

After each quarterly Unlock, the Company also tests the aggregate recoverability of VOBA by comparing the VOBA balance to the present value of future EGPs. The margin between the VOBA balance and the present value of future EGPs for variable annuities was 71% as of September 30, 2018 (Successor Company). If the margin between the VOBA asset and the present value of future EGPs is exhausted, then further reductions in EGPs would cause portions of VOBA to be unrecoverable and the VOBA asset would be written down to equal future EGPs.

Accounting for Amortization of Deferred Gain on Reinsurance Contracts

A deferred gain was recorded in Other liabilities on the Condensed Consolidated Balance Sheet related to the Commonwealth reinsurance agreements. This gain was calculated based on the underlying contract values adjusted to fair value in pushdown accounting. The deferred gain will be amortized into income over the life of the underlying policies reinsured.

Valuation Allowance on Deferred Tax Assets

Deferred tax assets represent the tax benefit of future deductible temporary differences and tax credit carryforwards. Deferred tax assets are measured using the enacted tax rates expected to be in effect when such benefits are realized if there is no change in tax law. Under U.S. GAAP, we test the value of deferred tax assets for impairment on a quarterly basis at the entity level within each tax jurisdiction, consistent with our filed tax returns. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. The determination of the valuation allowance for our deferred tax assets requires management to make certain judgments and assumptions. In evaluating the ability to recover deferred tax assets, we have considered all available evidence as of September 30, 2018 (Successor Company) including past operating results, forecasted earnings, future taxable income, and prudent and feasible tax planning strategies. In the event we determine it is more likely than not that we will not be able to realize all or part of our deferred tax assets in the future, an increase to the valuation allowance would be charged to earnings in the period such determination is made. Likewise, if it is later determined that it is more likely than not that those deferred tax assets would be realized, the previously provided valuation allowance would be reversed. Our judgments and assumptions are subject to change given the inherent uncertainty in predicting future performance and specific industry and investment market conditions.

As of September 30, 2018 (Successor Company) and 2017 (Predecessor Company), the Company had no valuation allowance. In assessing the need for a valuation allowance, management considered future taxable temporary difference reversals, future taxable income exclusive of reversing temporary differences and carryovers, taxable income in open carry back years and other tax planning strategies. From time to time, tax planning strategies could include holding a portion of debt securities with market value losses until recovery, making investments which have specific tax characteristics, and business considerations such as asset-liability matching. Management views such tax planning strategies as prudent and feasible and would implement them, if necessary, to realize the deferred tax assets.

In connection with the sale of HLI and subsidiaries, the Company has foregone approximately $578 of deferred tax assets associated with net operating loss carryovers and foreign tax credits that will be retained by The Hartford.

Contingencies Relating to Corporate Litigation and Regulatory Matters

Management evaluates each contingent matter separately. A loss is recorded if probable and reasonably estimable. Management establishes reserves for these contingencies at its "best estimate," or, if no one number within the range of possible losses is more probable than any other, the Company records an estimated reserve at the low end of the range of losses.

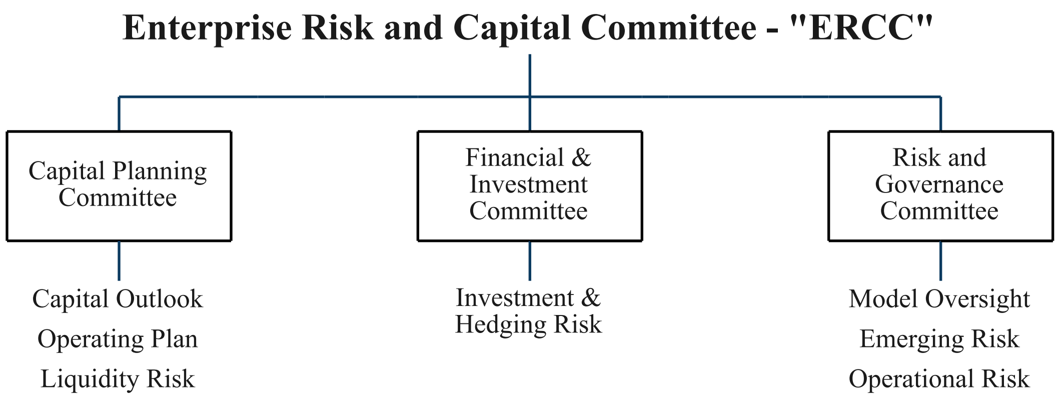
The Company has a quarterly monitoring process involving legal and accounting professionals. Legal personnel first identify outstanding corporate litigation and regulatory matters posing a reasonable possibility of loss. These matters are then jointly reviewed by accounting and legal personnel to evaluate the facts and changes since the last review in order to determine if a provision for loss should be recorded or adjusted, the amount that should be recorded, and the appropriate disclosure. The outcomes of certain contingencies currently being evaluated by the Company, which relate to corporate litigation and regulatory matters, are inherently difficult to predict, and any reserves that may be established for estimated settlement amounts may be subject to significant changes. Management expects that the ultimate liability, if any, with respect to such lawsuits, after consideration of provisions made for estimated losses, will not be material to the consolidated financial condition of the Company. In view of the uncertainties regarding the outcome of these matters, as well as the tax-deductibility of payments, it is possible that the ultimate cost to the Company of these matters could exceed the reserve by an amount that would have a material adverse effect on the Company's consolidated results of operations and liquidity in a particular quarterly or annual period.

ENTERPRISE RISK MANAGEMENT

The Company's Board of Directors ("the Board") has ultimate responsibility for risk oversight while management is tasked with the day-to-day management of The Company's risks. The Board executes risk oversight through its Finance, Investment, and Enterprise Risk Committee ("FIRMCo")

The Company manages and monitors risk through risk policies, controls and limits.

At the senior management level, an Enterprise Risk and Capital Committee ("ERCC") oversees the risk profile and risk management practices of the Company. ERCC reports to FIRMCo on Talcott's overall risk profile and adherence to risk limits. As illustrated below, a number of functional committees sit underneath the ERCC, providing oversight of specific risk areas.



ERCC Members

President (Chair)
Chief Financial Officer
Chief Investment Officer
Chief Technology Officer
Chief Administrative Officer
Chief Risk Officer
Chief Counsel
Others as deemed necessary by the Committee Chair

The Company's enterprise risk management ("ERM") function supports the ERCC and functional committees, and is tasked with, among other things:

- risk identification and assessment;
- the development of risk appetites, tolerances, and limits;
- risk monitoring; and
- internal and external risk reporting.

The Company categorizes its main risks as financial risk, operational risk and insurance risk, each of which is described in more detail below.

Financial Risk

Financial risks include direct and indirect risks to the Company's financial objectives coming from events that impact market conditions or prices. Some events may cause correlated movement in multiple risk factors. The primary sources of financial risks are the Company's general account and separate account assets and the liabilities and the guarantees which the company has written over various liability products, particularly its fixed and variable annuities. Consistent with its risk appetite, the Company establishes financial risk limits to control potential loss on a U.S. statutory and economic basis. Exposures are actively monitored, and mitigated where appropriate. The Company uses various risk management strategies, including reinsurance and over-the-counter and exchange traded derivatives with counterparties meeting the appropriate regulatory and due diligence requirements. Derivatives are utilized to achieve one of four Company-approved objectives: hedging risk arising from interest rate, equity market, commodity market, credit spread and issuer default, price or currency exchange rate risk or volatility; managing liquidity; controlling transaction costs; or entering into synthetic replication transactions. Derivative activities are monitored and evaluated by the Company's compliance and risk management teams and reviewed by senior management.

The company identifies different categories of financial risk, including liquidity, credit, interest rate, equity and foreign exchange as described below.

Liquidity Risk

Liquidity risk is the risk to current or prospective earnings or capital arising from the Company's inability or perceived inability to meet its contractual funding obligations when they come due.

Sources of Liquidity Risk

Sources of Liquidity Risk include funding risk, company-specific liquidity risk and market liquidity risk resulting from differences in the amount and timing of sources and uses of cash as well as company-specific and general market conditions. Stressed market conditions may impact the ability to sell assets or otherwise transact business and may result in a significant loss in value.

Impact

Inadequate capital resources and liquidity could negatively affect the Company's overall financial strength and its ability to generate cash flows from its businesses, borrow funds at competitive rates, and raise new capital to meet operating and growth needs.

Management

The Company has defined ongoing monitoring and reporting requirements to assess liquidity across the enterprise under both current and stressed market conditions. The Company measures and manages liquidity risk exposures and funding needs within prescribed limits across legal entities, taking into account legal, regulatory and operational limitations to the transferability of liquidity. The Company also monitors internal and external conditions, and identifies material risk changes and emerging risks that may impact liquidity.

For further discussion on liquidity see the section on Capital Resources and Liquidity.

Credit Risk

Credit risk is the risk to earnings or capital due to uncertainty of an obligor's or counterparty's ability or willingness to meet its obligations in accordance with contractually agreed upon terms. Credit risk is comprised of three major factors: the risk of change in credit quality, or credit migration risk; the risk of default; and the risk of a change in value due to changes in credit spread.

Sources of Credit Risk

The majority of the Company's credit risk is concentrated in its investment holdings but it is also present in the Company's derivative counterparty exposure and reinsurance transactions.

Impact

A decline in creditworthiness is typically associated with an increase in an investment's credit spread, potentially resulting in an increase in other-than-temporary impairments and an increased probability of a realized loss upon sale. Reinsurance recoverables are also subject to credit risk based on the counterparty's unwillingness or inability to pay.

Management

The objective of the Company's enterprise credit risk management strategy is to identify, quantify, and manage credit risk on an aggregate portfolio basis and to limit potential losses in accordance with an established credit risk management policy. The Company primarily manages its credit risk by holding a diversified mix of investment grade issuers and counterparties across its investment, reinsurance, and insurance portfolios. Potential losses are also limited within portfolios by diversifying across geographic regions, asset types, and sectors.

The Company manages credit risk on an on-going basis through the use of various processes and analyses. Both the investment and reinsurance areas have formulated procedures for counterparty approvals and authorizations, which establish minimum levels of creditworthiness and financial stability. Credits considered for investment are subjected to underwriting reviews. Within the investment portfolio, private securities are subject to committee review for approval. Mitigation strategies vary across the three sources of credit risk, but may include:

- Investing in a portfolio of high-quality and diverse securities;
- Selling investments subject to credit risk;
- Hedging through use of single name or basket credit default swaps;
- Clearing transactions through central clearing houses that require daily variation margin;
- Entering into contracts only with strong creditworthy institutions
- Requiring collateral.

The Company has developed credit exposure thresholds which are based upon counterparty ratings. Aggregate counterparty credit quality and exposure is monitored on a daily basis utilizing an enterprise-wide credit exposure information system that contains data on issuers, ratings, exposures, and credit limits. Exposures are tracked on a current and potential basis and aggregated by ultimate parent across investments, reinsurance receivables, insurance products with credit risk, and derivative counterparties.

As of September 30, 2018 (Successor Company), the Company had no investment exposure to any credit concentration risk of a single issuer, or counterparty greater than 10% of the Company's stockholder's equity, other than the U.S. government and certain U.S. government securities. For further discussion of concentration of credit risk in the investment portfolio, see the Concentration of Credit Risk section in Note 3 - Investments of Notes to Condensed Consolidated Financial Statements.

Credit Risk of Derivatives

The Company uses various derivative counterparties in executing its derivative transactions. The use of counterparties creates credit risk that the counterparty may not perform in accordance with the terms of the derivative transaction. Downgrades to the credit ratings of the Company's insurance operating companies may have adverse implications for its use of derivatives including those used to hedge benefit guarantees of variable annuities. In some cases, downgrades may give derivative counterparties for over-the-counter ("OTC") derivatives and clearing brokers for OTC-cleared derivatives the right to cancel and settle outstanding derivative trades or require additional collateral to be posted. In addition, downgrades may result in counterparties and clearing brokers becoming unwilling to engage in or clear additional derivatives or may require collateralization before entering into any new trades. This would restrict the supply of derivative instruments commonly used to hedge variable annuity guarantees, particularly long-dated equity derivatives and interest rate swaps.

Managing the Credit Risk of Counterparties to Derivative Instruments

The Company has derivative counterparty exposure policies which limit the Company's exposure to credit risk. The Company monitors counterparty exposure on a daily basis to ensure compliance with Company policies and statutory limitations. The Company's policies with respect to derivative counterparty exposure establish market-based credit limits, favors long-term financial stability and creditworthiness of the counterparty and typically require credit enhancement/credit risk reducing agreements, which are monitored and evaluated by the Company's risk management team and reviewed by senior management.

The Company minimizes the credit risk of derivative instruments by entering into transactions with high quality counterparties primarily rated A or better. The Company also generally requires that OTC derivative contracts be governed by an International Swaps and Derivatives Association ("ISDA") Master Agreement, which is structured by legal entity and by counterparty and permits right of offset. The Company enters into credit support annexes in conjunction with the ISDA agreements, which require daily collateral settlement based upon agreed upon thresholds.

The Company has developed credit exposure thresholds which are based upon counterparty ratings. Credit exposures are measured using the market value of the derivatives, resulting in amounts owed to the Company by its counterparties or potential payment obligations from the Company to its counterparties. The notional amounts of derivative contracts represent the basis upon which pay or receive amounts are calculated and are not reflective of credit risk. For purposes of daily derivative collateral maintenance, credit exposures are generally quantified based on the prior business day's market value and collateral is pledged to and held by, or on behalf of, the Company to the extent the current value of the derivatives exceed the contractual thresholds. In accordance with industry standard and the contractual agreements, collateral is typically settled on same business day. The Company has exposure to credit risk for amounts below the exposure thresholds which are uncollateralized, as well as for market fluctuations that may occur between contractual settlement periods of collateral movements.

Most of the Company's derivative counterparty relationships have a zero uncollateralized threshold. Currently, the Company only transacts OTC derivatives in two legal entities and two counterparties that have a threshold greater than zero. The maximum combined threshold in those relationships is $10. Based on the contractual terms of the collateral agreements, these thresholds may be immediately reduced due to a downgrade in either party's credit rating. For further discussion, see the Derivative Commitments section of Note 10 - Commitments and Contingencies of Notes to Condensed Consolidated Financial Statements.

For the periods of June 1, 2018 to September 30, 2018 (Successor Company) and January 1, 2018 to May 31, 2018 (Predecessor Company), the Company incurred no losses on derivative instruments due to counterparty default.

Use of Credit Derivatives

The Company may also use credit default swaps to manage credit exposure or to assume credit risk to enhance yield. The Company uses credit derivatives to purchase credit protection with respect to a single entity, referenced index, or asset pool. The Company purchases credit protection through credit default swaps to economically hedge and manage credit risk of certain fixed maturity investments across multiple sectors of the investment portfolio. As of September 30, 2018 (Successor Company) and December 31, 2017, (Predecessor Company) the notional amount related to credit derivatives that purchase credit protection was $45 and $80, respectively, while the fair value was $(1) and $(3), respectively. These amounts do not include positions that are in offsetting relationships.

The Company also enters into credit default swaps that assume credit risk as part of replication transactions. Replication transactions are used as an economical means to synthetically replicate the characteristics and performance of assets that are permissible investments under the Company's investment policies. These swaps reference investment grade single corporate issuers and baskets, which include customized diversified portfolios of corporate issuers. These baskets are established within sector concentration limits and may be divided into tranches which possess different credit ratings. As of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company), the notional amount related to credit derivatives that assume credit risk was $292 and $380 , while the fair value was $6 and $3, respectively. These amounts do not include positions that are in offsetting relationships.

For further information on credit derivatives, see Note 4- Derivative Instruments of Notes to Condensed Consolidated Financial Statements.

Interest Rate Risk

Interest rate risk is the risk of financial loss due to adverse changes in the value of assets and liabilities arising from movements in interest rates. Interest rate risk encompasses exposures with respect to changes in the level of interest rates, the shape of the term structure of rates and the volatility of interest rates. Interest rate risk does not include exposure to changes in credit spreads.

Sources of Interest Rate Risk

The Company has exposure to interest rates arising from its fixed maturity securities and interest sensitive liabilities. In addition, certain product liabilities, including those containing GMWB or GMDB, expose the Company to interest rate risk but also have significant equity risk. These liabilities are discussed as part of the Variable Product Guarantee Risks and Risk Management section. Management also evaluates performance of certain products based on net investment spread which is, in part, influenced by changes in interest rates.

Impact

Changes in interest rates from current levels can have both favorable and unfavorable effects for the Company.

Change in Interest Rates	Favorable Effects	Unfavorable Effects
⇧	Additional investment income	Decrease in the fair value of the fixed maturity investment portfolio
	Lower cost of the variable annuity hedge	Potential increase in policyholder surrenders, requiring the Company to liquidate assets in an unrealized loss position to fund liability surrender value
	Lower margin erosion associated with minimum guaranteed crediting rates on certain products	Potential impact on the Company's tax planning strategies
		Higher interest expense
⇩	Increase in the fair value of the fixed maturity investment portfolio	Lower net investment income due to reinvesting at lower investment yields
	Lower interest expense	Lower interest income on variable rate investments
		Acceleration in paydowns and prepayments or calls of certain mortgage-backed and municipal securities
		Increased cost of variable annuity hedge program
		Potential margin erosion associated with minimum guaranteed crediting rates on certain products.

Management

The Company primarily manages its exposure to interest rate risk by constructing investment portfolios that maintain asset allocation limits and asset/liability duration matching targets which may include the use of derivatives. The Company analyzes interest rate risk using various models including parametric models and cash flow simulation under various market scenarios of the liabilities and their supporting investment portfolios. Key metrics that the Company uses to quantify its exposure to interest rate risk inherent in its invested assets and interest rate sensitive liabilities include duration, convexity and key rate duration.

The Company may also utilize a variety of derivative instruments to mitigate interest rate risk associated with its investment portfolio or to hedge liabilities. Interest rate caps, floors, swaps, swaptions, and futures may be used to manage portfolio duration. Interest rate swaps are primarily used to convert interest receipts or payments to a fixed or variable rate. The use of such swaps enables the Company to customize contract terms and conditions to desired objectives and manage the duration profile within established tolerances. Interest rate swaps are also used to hedge the variability in the cash flows of a forecasted purchase or sale of fixed rate securities due to changes in interest rates.

Equity Risk

Equity risk is the risk of financial loss due to changes in the value of global equities or equity indices.

Sources of Equity Risk

The Company has exposure to equity risk from general account assets, variable annuity fund assets under management and embedded derivatives within the Company's variable annuity products. The Company's variable products are significantly influenced by the U.S. and other equity markets, as discussed below.

Impact of Equity Risk on General Account Products

Declines in equity markets may result in losses due to sales or reductions in market value that are recorded within reported earnings. Declines in equity markets may also decrease the value of limited partnerships and other alternative investments or result in losses on derivatives, including on embedded product derivatives, thereby negatively impacting our reported earnings.

Managing Equity Risk on Variable Annuity Products

Most of the Company's variable annuities include GMDB and certain contracts with GMDB also include GMWB features.

Impact

The Company's variable annuity contracts are significantly influenced by the U.S. and other equity markets. Generally, declines in equity markets will:

- reduce the value of assets under management and the amount of fee income generated from those assets;
- increase the value of derivative assets used to hedge product guarantees resulting in realized capital gains;
- increase the costs of the hedging instruments we use in our hedging program;
- increase the Company's net amount at risk ("NAR"), described below, for GMDB and GMWB;
- increase the amount of required assets to be held backing variable annuity guarantees to maintain required regulatory reserve levels and targeted risk based capital ratios; and
- decrease the Company's estimated future gross profits, resulting in a VOBA unlock charge.

Increases in equity markets will generally have the inverse impact of those listed in the preceding discussion.

Declines in the equity markets will increase the Company's liability for these benefits. Many contracts with a GMDB include a maximum anniversary value ("MAV"), which in rising markets resets the guarantee on the anniversary to be 'at the money'. As the MAV increases, it can increase the NAR for subsequent declines in account value. Generally, a GMWB contract is 'in the money' if the contractholder's guaranteed remaining balance ("GRB") becomes greater than the account value.

The NAR is generally defined as the guaranteed minimum benefit amount in excess of the contractholder's current account value. Variable annuity account values with guarantee features were $38.8 billion as of September 30, 2018 (Successor Company) and $40.8 billion December 31, 2017 (Predecessor Company).

The following tables summarize the account values of the Company's variable annuities with guarantee features and the NAR split between various guarantee features (retained net amount at risk is net of reinsurance, but does not take into consideration the effects of the variable annuity hedge programs currently in place as of each balance sheet date).

Successor Company

Total Variable Annuity Guarantees as of September 30, 2018

($ in billions)	Account Value	Gross Net Amount at Risk	Retained Net Amount at Risk	% of Contracts In the Money[2]	% In the Money[2][3]
Variable Annuity [1]					
GMDB [4]	$ 38.8	$ 2.8	$ 0.5	15%	23%
GMWB	16.5	0.2	0.1	5%	19%

Predecessor Company

Total Variable Annuity Guarantees as of December 31, 2017

($ in billions)	Account Value	Gross Net Amount at Risk	Retained Net Amount at Risk	% of Contracts In the Money[2]	% In the Money[2][3]
Variable Annuity [1]					
GMDB [4]	$ 40.8	$ 2.9	$ 0.6	14%	26%
GMWB	17.8	0.2	0.1	4%	19%

[1] Contracts with a guaranteed living benefit also have a guaranteed death benefit. The NAR for each benefit is shown; however these benefits are not additive. When a contract terminates due to death, any NAR related to GMWB is released. Similarly, when a contract goes into benefit status on a GMWB, the GMDB NAR is reduced to zero.

[2] Excludes contracts that are fully reinsured.

[3] For all contracts that are "in the money", this represents the percentage by which the average contract was in the money.

[4] Includes contracts that had a GMDB at issue but no longer have a GMDB due to certain elections made by policyholders or their beneficiaries. Such contracts had $2.0 billion of account value as of as of September 30, 2018 (Successor Company) and $1.9 billion as of as of December 31, 2017 (Predecessor Company).

Many policyholders with a GMDB also have a GMWB. Policyholders that have a product that offers both guarantees can only receive the GMDB or GMWB. The GMDB NAR disclosed in the preceding tables is a point in time measurement and assumes that all participants utilize the GMDB on that measurement date.

The Company expects to incur GMDB payments in the future only if the policyholder has an "in the money" GMDB at their death. For policies with a GMWB rider, the company expects to incur GMWB payments in the future only if the account value is reduced over time to a specified level through a combination of market performance and periodic withdrawals, at which point the contractholder will receive an annuity equal to the GRB which is generally equal to premiums less withdrawals. For the Company's "lifetime" GMWB products, this annuity can exceed the GRB. As the account value fluctuates with equity market returns on a daily basis and the "lifetime" GMWB payments may exceed the GRB, the ultimate amount to be paid by the Company, if any, is uncertain and could be significantly more or less than the Company's current carried liability. For additional information on the Company's GMWB liability, see Note 2 - Fair Value Measurements of Notes to Condensed Consolidated Financial Statements. For additional information on the Company's GMDB liability, see Note 7 - Reserves for Future Policy Benefits and Separate Account Liabilities of Notes to Condensed Consolidated Financial Statements.

Variable Annuity Market Risk Exposures

The following table summarizes the broad Variable Annuity Guarantees offered by the Company and the market risks to which the guarantee is most exposed from a U.S. GAAP accounting perspective.

Variable Annuity Guarantees [1]	U.S. GAAP Treatment [1]	Primary Market Risk Exposures [1]
GMDB and life-contingent component of the GMWB	Accumulation of the portion of fees required to cover expected claims, less accumulation of actual claims paid	Equity Market Levels
GMWB (excluding life-contingent portions)	Fair Value	Equity Market Levels / Implied Volatility / Interest Rates

[1] Each of these guarantees and the related U.S. GAAP accounting volatility will also be influenced by actual and estimated policyholder behavior.

Risk Hedging

Variable Annuity Hedging Program

Through the use of reinsurance, capital market derivatives, and other derivative instruments, the Company's variable annuity hedging program is primarily focused on reducing the economic exposure to market risks associated with guaranteed benefits that are embedded in our variable annuity contracts. The variable annuity hedging program also considers the potential impacts on statutory capital.

Reinsurance

The Company uses reinsurance for a portion of contracts with GMWB riders issued prior to the second quarter of 2006. The Company also uses reinsurance for a majority of the GMDB riders where the GMDB is higher than a return of premium death benefit or account value benefit.

GMWB Hedge Program

Under the dynamic hedging program, the Company enters into derivative contracts to hedge market risk exposures associated with the portions of GMWB liabilities that are not life-contingent and are not reinsured. These derivative contracts include customized swaps, interest rate swaps and futures, and equity swaps, options, and futures on certain indices including the S&P 500 index, EAFE index, and NASDAQ index.

Additionally, the Company holds customized capital market derivative contracts to provide protection from certain capital market risks for the remaining term of specified blocks of non-reinsured GMWB riders. These customized derivative contracts are based on policyholder behavior assumptions specified at the inception of the derivative contracts. The Company retains the risk for differences between assumed and actual policyholder behavior and between the performance of the actively managed funds underlying the separate accounts and their respective indices.

While the Company actively manages this dynamic hedging program, increased U.S. GAAP earnings volatility may result from factors including, but not limited to: policyholder behavior, capital markets, divergence between the performance of the underlying funds and the hedging indices, changes in hedging positions and the relative emphasis placed on various risk management objectives.

Macro Hedge Program

The Company's macro hedging program uses derivative instruments, such as options and futures on equities and interest rates, to provide protection against the statutory tail scenario risk arising from GMWB and GMDB liabilities on the Company's statutory surplus as well as to protect a portion of the expected fee revenue to be received on variable annuity contacts. These macro hedges cover some of the residual risks not otherwise covered by the dynamic hedging program. Management assesses this residual risk under various scenarios in designing and executing the macro hedge program. The macro hedge program will result in additional U.S. GAAP earnings volatility as changes in the value of the macro hedge derivatives, which are designed to reduce statutory reserve and capital volatility, may not be closely aligned to changes in U.S. GAAP liabilities.

Variable Annuity Hedging Program Sensitivities

The underlying guaranteed withdrawal benefit liabilities (excluding the life contingent portion of GMWB contracts) and hedge assets within the GMWB hedge and Macro hedge programs are carried at fair value.

The following table presents our estimates of the potential instantaneous impacts from sudden market stresses related to equity market prices, interest rates, and implied market volatilities. The following sensitivities represent: (1) the net estimated difference between the change in the fair value of GMWB liabilities and the underlying hedge instruments and (2) the estimated change in fair value of the hedge instruments for the macro program, before the impacts of amortization of VOBA and taxes. As noted in the preceding discussion, certain hedge assets are used to hedge liabilities that are not carried at fair value and will not have a liability offset in the U.S. GAAP sensitivity analysis. All sensitivities are measured as of as of September 30, 2018 (Successor Company) and are related to the fair value of liabilities and hedge instruments in place at that date for the Company's variable annuity hedge programs. The impacts presented in the table that follows are estimated individually and measured without consideration of any correlation among market risk factors.

GAAP Sensitivity Analysis (before tax and VOBA) as of September 30, 2018 [1]

	Successor company					
	GMWB			Macro		
Equity Market Return	**-20%**	**-10%**	**10%**	**-20%**	**-10%**	**10%**
Potential Net Fair Value Impact	*$ 3*	*$ 2*	*$ (3)*	*$ 331*	*$ 130*	*$ (105)*
Interest Rates	**-50bps**	**-25bps**	**+25bps**	**-50bps**	**-25bps**	**+25bps**
Potential Net Fair Value Impact	*$ (2)*	*$ —*	*$ (1)*	*$ 27*	*$ 13*	*$ (13)*
Implied Volatilities	**10%**	**2%**	**-10%**	**10%**	**2%**	**-10%**
Potential Net Fair Value Impact	*$ (58)*	*$ (11)*	*$ 47*	*$ 223*	*$ 44*	*$ (211)*

[1] These sensitivities are based on the following key market levels as of as of September 30, 2018: 1) S&P of 2,914; 2) 10yr US swap rate of 3.15%; and 3) S&P 10yr volatility of 22.78%.

The preceding sensitivity analysis is an estimate and should not be used to predict the future financial performance of the Company's variable annuity hedge programs. The actual net changes in the fair value liability and the hedging assets illustrated in the preceding table may vary materially depending on a variety of factors which include but are not limited to:

- The sensitivity analysis is only valid as of the measurement date and assumes instantaneous changes in the capital market factors and no ability to rebalance hedge positions prior to the market changes;
- Changes to the underlying hedging program, policyholder behavior, and variation in underlying fund performance relative to the hedged index, which could materially impact the liability; and
- The impact of elapsed time on liabilities or hedge assets, any non-parallel shifts in capital market factors, or correlated moves across the sensitivities.

The Company holds hedge positions in the macro hedge program to reduce open equity risk exposure, which increased the sensitivity that changes in equity market returns would have on GAAP net income.

Foreign Currency Exchange Risk

Foreign currency exchange risk is the risk of financial loss due to changes in the relative value between currencies.

Sources of Currency Risk

The Company has foreign currency exchange risk in non-U.S. dollar denominated investments, which primarily consist of fixed maturity and equity investments, foreign denominated cash and a yen denominated fixed payout annuity.

Impact

Changes in relative values between currencies can create variability in cash flows and realized or unrealized gains and losses on changes in the fair value of assets and liabilities. Based on the fair values of the Company's non-U.S. dollar denominated securities and derivative instruments as of September 30, 2018 (Successor Company) and 2017 (Predecessor Company), management estimates that a hypothetical 10% unfavorable change in exchange rates would decrease the fair values by an immaterial amount.

Management

The open foreign currency exposure of non-U.S. dollar denominated investments will most commonly be reduced through the sale of the assets or through hedges using currency futures/forwards/swaps. In order to manage the currency risk related to any non-U.S. dollar denominated liability contracts, the Company enters into foreign currency swaps or holds non-U.S. dollar denominated investments.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems, human error, or from external events.

Sources of Operational Risk

Operational risk is inherent in the Company's business and functional areas. Operational risks include legal; cyber and information security; models; third party vendors; technology; operations; business continuity; disaster recovery; internal and external fraud; and compliance. The Company will be exposed to an increased level of operational risk as it separates from the current transition services agreement with The Hartford.

Impact

Operational risk can result in financial loss, disruption of our business, regulatory actions or damage to our reputation.

Management

Responsibility for day-to-day management of operational risk lies within each functional area. ERM provides an enterprise-wide view of the Company's operational risk on an aggregate basis. ERM is responsible for establishing, maintaining and communicating the framework, principles and guidelines of the Company's operational risk management program. Operational risk mitigation strategies include the following:

- Establishing policies and monitoring risk tolerances and exceptions;
- Conducting business risk assessments and implementing action plans where necessary;
- Validating existing crisis management protocols;
- Identifying and monitoring emerging risks; and
- Purchasing insurance coverage.

Cybersecurity Risk

In connection with the Talcott Resolution Sale Transaction, the Company entered into a transition services agreement ("TSA") with The Hartford for a period of up to two years. These transition services include general ledger and cash management, investment accounting and information technology infrastructure services. Pursuant to the TSA , the Company leverages and monitors the controls of The Hartford while it continues to operate on their Information Technology ("IT") environment. The Hartford has implemented an information protection program with established governance routines that promote an adaptive approach for assessing and managing risks. The Hartford has invested to build a 'defense-in-depth' strategy that uses multiple security measures to protect the integrity of the Company's information assets. This 'defense-in-depth' strategy aligns to the National Institute of Standards and Technology (NIST) Cyber Security Framework and provides preventative, detective and responsive measures that collectively protects the company. Various cyber assurance methods, including security metrics, third party security assessments, external penetration testing, red team exercises, and cyber war game exercises are used to test the effectiveness of the overall cybersecurity control environment.

The Hartford, like many other large financial services companies, blocks attempted cyber intrusions on a daily basis. In the event of a cyber intrusion, The Hartford invokes its Cyber Incident Response Program commensurate with the nature of the intrusion. While the actual methods employed differ based on the event, their approach employs internal teams and outside advisors with specialized skills to support the response and recovery efforts and requires elevation of issues, as necessary, to senior management.

From a governance perspective, senior members of our Enterprise Risk Management, Information Protection and Internal Audit functions will provide detailed, regular reports on cybersecurity matters to the Company's Board, including the Audit Committee, which has principal responsibility for oversight of cybersecurity risk, and/or FIRMCo, which oversees controls for the Company's major risk exposures. The topics to be covered by these updates include the Company's activities, policies and procedures to prevent, detect and respond to cybersecurity incidents, as well as lessons learned from cybersecurity incidents and internal and external testing of our protection measures. The Audit Committee will meet at each regular Board meeting and will be briefed on cyber risks at least annually.

Insurance Risk

Insurance risk is the risk of losses from both catastrophic and non-catastrophic nature on the life insurance products the company has sold. Catastrophic insurance risk could be from both natural and man-made catastrophes associated with pandemics, terrorist attacks and other events that could significantly increase mortality exposures. Non-catastrophic insurance risk include the following:

- Mortality - Risk of loss from unexpected trends in insured deaths impacting timing of payouts from life insurance.
- Longevity - Risk of loss from increased life expectancy trends among policyholders receiving long-term benefit payments.

Management

The Company’s procedures for managing these risks include periodic experience exposure reporting, risk modeling, risk transfer, and capital management strategies.

Reinsurance as a Risk Management Strategy

The Company cedes insurance to unaffiliated insurers to enable the Company to manage capital and risk exposure. Such arrangements do not relieve the Company of its primary liability to policyholders.

Impact

Failure of reinsurers to honor their obligations could result in losses to the Company.

Management

Reinsurance is a centralized function across the Company to support a consistent strategy and to ensure that the reinsurance activities are fully integrated into the organization's risk management processes.

The Company uses reinsurance for its life insurance, retirement, and a portion of its fixed annuities business. In addition, the Company uses reinsurance on a portion of contracts with GMWB riders issued prior to the second quarter of 2006 and for a majority of the GMDB riders where the GMDB is higher than a return of premium death benefit or account value benefit.

The components of the gross and net reinsurance recoverables are summarized as follows:

Gross and Net Reinsurance Recoverables

	Successor Company	Predecessor Company
Reinsurance Recoverables	**September 30, 2018**	**December 31, 2017**
Reserve for future policy benefits and other policyholder funds and benefits payable	**$ 29,819**	**$ 20,785**
Less: Allowance for uncollectible reinsurance [1]	—	—
Net reinsurance recoverables	**$ 29,819**	**$ 20,785**

[1] *No allowance for uncollectible reinsurance was required as of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company). Although management has determined that no allowance is required at this time, the Company closely monitors the financial condition, ratings, and current market information of all of its counterparty reinsurers.*

As of September 30, 2018 (Successor Company), the Company has reinsurance recoverables from Commonwealth, Massachusetts Mutual Life Insurance Company ("MassMutual") and Prudential Financial, Inc. ("Prudential") of $9.2 billion, $8.1 billion, and $11.2 billion, respectively. As of December 31, 2017 (Predecessor Company), the Company has reinsurance recoverables from MassMutual and Prudential of $8.3 billion and $11.1 billion, respectively. The Company's obligations to its direct policyholders that have been reinsured to Commonwealth, MassMutual and Prudential are primarily secured by invested assets held in trust.

Financial Risk on Statutory Capital

Statutory surplus amounts and RBC ratios may increase or decrease in any period depending upon a variety of factors and may be compounded in extreme scenarios or if multiple factors occur at the same time. In general, as equity market levels and interest rates decline, the amount and volatility of both our actual or potential obligation, as well as the related statutory surplus and capital margin can be materially negatively affected, sometimes at a greater than linear rate. At times the impact of changes in certain market factors or a combination of multiple factors on RBC ratios can be counterintuitive. Factors include:

- Differences in performance of variable subaccounts relative to indices and/or realized equity and interest rate volatilities may affect RBC ratios.
- Rising equity markets will generally result in an increase in statutory surplus and RBC ratios. However, as a result of a number of factors and market conditions, including the level of hedging costs and other risk transfer activities, reserve requirements for variable annuity death and living benefit guarantees and RBC requirements could increase with rising equity markets, resulting in lower RBC ratios. The Company has reinsured approximately 44% of its risk associated with GMWB and 81% of its risk associated with the aggregate GMDB exposure. These reinsurance agreements reduce the Company's exposure to changes in the statutory reserves and the related capital and RBC ratios associated with changes in the capital markets.
- A decrease in the value of certain fixed-income and equity securities in our investment portfolio, due in part to credit spreads widening, may result in a decrease in statutory surplus and RBC ratios.
- Credit spreads on invested assets may increase sharply for certain sub-sectors of the overall credit market, resulting in statutory separate account asset market value losses. As actual credit spreads are not fully reflected in the current crediting rates, the calculation of statutory reserves for fixed MVA annuities will not substantially offset the change in fair value of the statutory separate account assets resulting in reductions in statutory surplus.
- Decreases in the value of certain derivative instruments that do not get hedge accounting, may reduce statutory surplus and RBC ratios.
- Sustained low interest rates with respect to the fixed annuity business may result in a reduction in statutory surplus and an increase in NAIC required capital.
- Non-market factors, which can also impact the amount and volatility of both our actual potential obligation, as well as the related statutory surplus and capital margin, include actual and estimated policyholder behavior experience as it pertains to lapsation, partial withdrawals, and mortality.

Most of these factors are outside of the Company's control. The Company's financial strength and credit ratings are significantly influenced by the statutory surplus amounts and RBC ratios of our insurance company subsidiaries. In addition, rating agencies may implement changes to their internal models that have the effect of increasing or decreasing the amount of statutory capital we must hold in order to maintain our current ratings.

Investment Portfolio Risk

Investment Portfolio Composition

The following table presents the Company's fixed maturities, AFS, by credit quality. The credit ratings referenced throughout this section are based on availability, and are generally the midpoint of the available ratings among Moody's, S&P, Fitch and Morningstar. If no rating is available from a rating agency, then an internally developed rating is used.

Fixed Maturities by Credit Quality

	Successor Company			Predecessor Company		
	September 30, 2018			December 31, 2017		
	Amortized Cost	Fair Value	Percent of Total Fair Value	Amortized Cost	Fair Value	Percent of Total Fair Value
United States Government/Government agencies	$ 2,158	$ 2,109	15.0 %	$ 2,845	$ 3,058	13.4 %
AAA	1,282	1,275	9.1 %	1,470	1,552	6.8 %
AA	1,468	1,458	10.4 %	2,334	2,465	10.8 %
A	4,297	4,255	30.2 %	6,874	7,718	33.9 %
BBB	4,319	4,298	30.5 %	6,142	6,702	29.4 %
BB & below	676	677	4.8 %	1,249	1,304	5.7 %
Total fixed maturities, AFS	**$ 14,200**	**$ 14,072**	**100%**	**$ 20,914**	**$ 22,799**	**100%**

The fair value of AFS securities decreased, as compared with December 31, 2017 (Predecessor Company), primarily driven by the Commonwealth Annuity Reinsurance Agreement that the Company entered into as well as the continued run-off of the Company's business. Fixed maturities, FVO, are not included in the preceding table. For further discussion on FVO securities, see Note 2 - Fair Value Measurements of Notes to Condensed Consolidated Financial Statements.

The following table presents the Company's AFS securities by type, as well as fixed maturities and equity, FVO.

Securities by Type

	Successor Company					Predecessor Company				
	September 30, 2018					December 31, 2017				
	Cost or Amortized Cost [1]	Gross Unrealized Gains	Gross Unrealized losses	Fair Value	Percent of Total Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized losses	Fair Value	Percent of Total Fair Value
Asset backed securities ("ABS")										
Consumer loans	$ 467	$ 1	$ —	$ 468	3.3%	$ 646	$ 4	$ (10)	$ 640	2.8%
Other	91	—	(1)	90	0.6 %	175	5	(1)	179	0.8 %
Collateralized debt obligations ("CDOs")	768	2	(1)	769	5.5%	886	2	—	888	3.9%
Commercial mortgage-backed securities ("CMBS")										
Agency backed [2]	550	1	(7)	543	3.9%	697	9	(10)	696	3.1%
Bonds	738	1	(7)	730	5.2%	1,116	30	(10)	1,136	5.0%
Interest only ("IOs")	123	3	(1)	125	0.9%	248	6	(2)	252	1.1%
Corporate										
Basic industry	443	1	(7)	439	3.1%	677	74	—	751	3.3%
Capital goods	663	—	(8)	657	4.7%	972	85	(2)	1,055	4.6%
Consumer cyclical	334	—	(3)	334	2.4%	648	56	(1)	703	3.1%
Consumer non-cyclical	1,125	1	(14)	1,117	7.9%	1,774	196	(6)	1,964	8.6%
Energy	846	4	(13)	843	6.0%	1,358	167	(4)	1,521	6.7%
Financial services	1,417	1	(15)	1,407	10.0%	2,349	264	(5)	2,608	11.4%
Tech./comm.	1,161	9	(14)	1,162	8.3%	1,695	278	(3)	1,970	8.6%
Transportation	301	1	(4)	298	2.1%	512	45	—	557	2.4%
Utilities	1,549	1	(31)	1,525	10.8%	2,443	306	(10)	2,739	12.0%
Other	129	—	(1)	128	0.9%	159	12	(1)	170	0.8%
Foreign govt./govt. agencies	373	3	(3)	371	2.6%	379	30	(2)	407	1.8%
Municipal bonds										
Taxable	736	1	(15)	723	5.1%	1,125	142	(1)	1,266	5.5%
Residential mortgage-backed securities ("RMBS")										
Agency	255	—	(2)	253	1.8%	481	12	(1)	492	2.2%
Non-agency	283	—	(2)	281	2.0%	202	1	(1)	202	0.9%
Alt-A	24	—	—	24	0.2%	43	3	—	46	0.2%
Sub-prime	471	1	—	472	3.4%	662	25	—	687	3.0%
U.S. Treasuries	1,353	—	(40)	1,313	9.3%	1,667	206	(3)	1,870	8.2%
Fixed maturities, AFS	**$ 14,200**	**$ 31**	**$ (189)**	**$14,072**	**100%**	**$ 20,914**	**$ 1,958**	**$ (73)**	**$ 22,799**	**100%**
Equity securities										
Financial services						40	8	—	48	31.2%
Other						100	6	—	106	68.8%
Equity securities, AFS [3]						**140**	**14**	**—**	**154**	**100%**
Total AFS securities	**$ 14,200**	**$ 31**	**$ (189)**	**$14,072**		**$ 21,054**	**$ 1,972**	**$ (73)**	**$ 22,953**	
Fixed maturities, FVO				**$ 14**					**$ 32**	
Equity securities, at fair value[3]				**$ 109**						

[1] The cost or amortized cost of assets that support modified coinsurance reinsurance contracts were not adjusted as part of the application of pushdown accounting. As a result, gross unrealized gains (losses) only include subsequent changes in value recorded in AOCI beginning June 1, 2018. Prior changes in value have been recorded in additional paid-in capital.

[2] Includes securities with pools of loans issued by the Small Business Administration which are backed by the full faith and credit of the U.S. government.

[3] Effective January 1, 2018, with the adoption of new accounting standards for financial instruments, equity securities, AFS were reclassified to equity securities, at fair value.

The decline in the fair value of AFS securities as compared to December 31, 2017 (Predecessor Company), was driven by the Commonwealth Annuity Reinsurance Agreement that the Company entered into as well as the continued run-off of the Company's business.

Financial Services

The Company's investment in the financial services sector is predominantly through investment grade banking and insurance institutions. The following table presents the Company's fixed maturity securities in the financial services sector that are included in the preceding Securities by Type table.

	Successor Company			Predecessor Company		
	September 30, 2018			December 31, 2017		
	Amortized Cost [1]	Fair Value	Net Unrealized Gain/(Loss)	Amortized Cost	Fair Value	Net Unrealized Gain/(Loss)
AAA	$ 5	$ 5	$ (1)	$ 8	$ 9	$ 1
AA	96	96	(1)	181	197	16
A	673	669	(5)	1,224	1,368	144
BBB	543	537	(7)	836	915	79
BB & below	100	100	—	140	167	27
Total [2]	**$ 1,417**	**$ 1,407**	**$ (14)**	**$ 2,389**	**$ 2,656**	**$ 267**

[1] The cost or amortized cost of assets that support modified coinsurance reinsurance contracts were not adjusted as part of the application of pushdown accounting. As a result, gross unrealized gains (losses) only include subsequent changes in value recorded in AOCI beginning June 1, 2018. Prior changes in value have been recorded in additional paid-in capital.

[2] Includes equity, AFS securities with an amortized cost and fair value of $40 and $48, respectively, as of December 31, 2017 (Predecessor Company). Effective January 1, 2018, with the adoption of new accounting guidance for financial instruments, equity securities, AFS were reclassified to equity securities, at fair value and are excluded from the table above as of September 30, 2018.

The Company's investment in the financial services sector decreased, as compared to December 31, 2017 (Predecessor Company), primarily due to the sale of corporate bonds in connection with the Commonwealth Annuity Reinsurance Agreement that the Company entered into.

Commercial Real Estate

The following tables, present the Company's exposure to CMBS bonds by current credit quality and vintage year included in the preceding Securities by Type table. Credit protection represents the current weighted average percentage of the outstanding capital structure subordinated to the Company's investment holding that is available to absorb losses before the security incurs the first dollar loss of principal and excludes any equity interest or property value in excess of outstanding debt.

Exposure to CMBS Bonds

	Successor Company											
	September 30, 2018											
	AAA		AA		A		BBB		BB and Below		Total	
Vintage Year [1]	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
2008 & Prior	$ 40	$ 40	$ 24	$ 24	$ —	$ —	$ —	$ —	$ —	$ 1	$ 64	$ 65
2009	—	—	8	8	—	—	—	—	—	—	8	8
2011	13	13	—	—	—	—	—	—	—	—	13	13
2012	16	16	—	—	2	2	4	4	—	—	22	22
2013	8	8	12	12	12	12	1	1	—	—	33	33
2014	11	11	24	24	27	27	—	—	—	—	62	62
2015	67	66	53	53	34	34	6	6	—	—	160	159
2016	85	82	66	65	38	37	26	26	—	—	215	210
2017	25	24	56	55	—	—	24	24	—	—	105	103
2018	5	5	7	6	35	35	9	9	—	—	56	55
Total	**$ 270**	**$ 265**	**$ 250**	**$ 247**	**$ 148**	**$ 147**	**$ 70**	**$ 70**	**$ —**	**$ 1**	**$ 738**	**$ 730**
Credit protection	**31.0%**		**22.2%**		**14.3%**		**11.2%**		**6.0%**		**22.8%**	

	Predecessor Company											
	December 31, 2017											
	AAA		AA		A		BBB		BB and Below		Total	
Vintage Year [1]	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
2008 & Prior	$ 71	$ 80	$ 36	$ 40	$ —	$ —	$ —	$ —	$ 1	$ 1	$ 108	$ 121
2009	—	—	8	8	—	—	—	—	—	—	8	8
2011	14	14	—	—	—	—	—	—	—	—	14	14
2012	21	22	—	—	10	10	13	12	—	—	44	44
2013	16	16	94	96	51	53	3	4	—	—	164	169
2014	16	17	23	23	31	31	5	5	3	4	78	80
2015	95	95	89	87	48	49	22	23	7	7	261	261
2016	98	98	127	124	43	44	34	35	—	—	302	301
2017	$ 20	$ 20	$ 101	$ 101	$ —	$ —	$ 16	$ 17	$ —	$ —	$ 137	$ 138
Total	**$ 351**	**$ 362**	**$ 478**	**$ 479**	**$ 183**	**$ 187**	**$ 93**	**$ 96**	**$ 11**	**$ 12**	**$ 1,116**	**$1,136**
Credit protection	**31.2%**		**20.8%**		**13.8%**		**11.1%**		**7.9%**		**22.0%**	

[1] The vintage year represents the year the pool of loans was originated.

The Company also has exposure to commercial mortgage loans. These loans are collateralized by a variety of commercial properties and are diversified both geographically throughout the United States and by property type. These loans are primarily in the form of whole loans and may include participations. Loan participations are loans where the Company has purchased a portion of an outstanding loan or package of loans and participates on a pro-rata basis in collecting interest and principal pursuant to the terms of the participation agreement. As of September 30, 2018 (Successor Company), there were no loans within the Company’s mortgage loan portfolio that have had extensions or restructurings other than what is allowable under the original terms of the contract.

As of September 30, 2018 (Successor Company), mortgage loans had an amortized cost and carrying value of $2.1 billion, with a valuation allowance of $6. As of December 31, 2017 (Predecessor Company), mortgage loans had an amortized cost and carrying value of $2.9 billion, with no valuation allowance. Amortized cost represents carrying value prior to valuation allowances, if any.

The Company purchased $170 of commercial whole loans with a weighted average loan-to-value (“LTV”) ratio of 66% and a weighted average yield of 4.5% for the period of June 1, 2018 to September 30, 2018 (Successor Company). The Company purchased $61 of commercial whole loans with a weighted average loan-to-value (“LTV”) ratio of 58% and a weighted average yield of 4.1% for the period of January 1, 2018 to May 31, 2018 (Predecessor Company). The Company continues to invest in commercial whole loans within primary markets, such as office, industrial and multi-family, focusing on loans with strong LTV ratios and high quality property collateral. There were no mortgage loans held for sale as of September 30, 2018 (Successor Company) or December 31, 2017 (Predecessor Company).

Valuation Allowances on Mortgage Loans

For the period of June 1, 2018 to September 30, 2018 (Successor Company), the valuation allowances on mortgage loans increased $6, driven by individual property performance. For the period of January 1, 2018 to May 31, 2018 (Predecessor Company), there was no change to the valuation allowance on mortgage loans. For the year ended December 31, 2017 (Predecessor Company), the valuation allowances on mortgage loans decreased $19, largely driven by the foreclosure of a loan. Following the conclusion of the loan's foreclosure process, the property transferred at its carrying value, net of the valuation allowance, to a real-estate owned investment during 2017. The foreclosed property was sold during April of 2018 (Predecessor Company).

Municipal Bonds

The following table presents the Company's exposure to municipal bonds by type and weighted average credit quality included in the preceding Securities by Type table.

	Successor Company			Predecessor Company		
	September 30, 2018			December 31, 2017		
	Amortized Cost	Fair Value	Weighted Average Credit Quality	Amortized Cost	Fair Value	Weighted Average Credit Quality
General Obligation	$ 150	$ 147	A+	$ 198	$ 229	AA-
Revenue						
Transportation	142	138	A+	192	213	A+
Leasing [1]	124	121	AA-	162	185	AA-
Education	70	68	AA+	137	155	AA
Power	56	55	A	126	139	A
Health Care	35	35	AA+	41	45	AA
Sales Tax	24	24	AA	34	40	AA
Housing	24	24	A+	49	53	A+
Water & Sewer	21	21	AA	41	43	AA-
Other	90	90	A	145	164	A
Total Revenue	586	576	A+	927	1,037	A+
Total Municipal	**$ 736**	**$ 723**	**A+**	**$ 1,125**	**$ 1,266**	**A+**

[1] Leasing revenue bonds are generally the obligations of a financing authority established by the municipality that leases facilities back to a municipality. The notes are typically secured by lease payments made by the municipality that is leasing the facilities financed by the issue. Lease payments may be subject to annual appropriation by the municipality or the municipality may be obligated to appropriate general tax revenues to make lease payments.

As of September 30, 2018 (Successor Company) the largest issuer concentrations were the state of California, the Ohio American Municipal Power, Inc., and Alameda County Joint Powers Authority, CA, which each comprised less than 6% of the municipal bond portfolio and were comprised of general obligation and revenue bonds. As of December 31, 2017 (Predecessor Company), the largest issuer concentrations were the State of California, the Oregon School Board Association, and Ohio American Municipal Power, Inc., which each compromised less than 6% of the municipal bond portfolio and were comprised of general obligation and revenue bonds.

Limited Partnerships and Other Alternative Investments

The following table presents the Company's investments in limited partnerships and other alternative investments which include hedge funds, real estate funds and private equity funds. Real estate funds consist of investments primarily in real estate equity funds and joint ventures, including some funds with public market exposure. Private equity funds primarily consist of investments in funds whose assets typically consist of a diversified pool of investments in small to mid-sized non-public businesses with high growth potential as well as limited exposure to public markets.

Limited Partnerships and Other Alternative Investments Investment Income

	Successor Company				Predecessor Company					
	For the three months ended September 30, 2018		June 1, 2018 to September 30, 2018		For the three months ended September 30, 2017		January 1, 2018 to May 31, 2018		For the nine months ended September 30, 2017	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Hedge funds	$ 3	12.9 %	$ 3	10.1 %	$ —	— %	$ 1	2.0 %	$ 2	2.2 %
Real estate funds	7	38.0 %	8	29.6 %	6	14.4 %	2	3.3 %	11	10.8 %
Private equity and other funds	22	12.3 %	24	10.4 %	17	10.7 %	38	13.3 %	31	6.5 %
Total	**$ 32**	**14.8%**	**$ 35**	**12.3%**	**$ 23**	**9.8%**	**$ 41**	**10.4%**	**$ 44**	**6.5%**

Investments in Limited Partnerships and Other Alternative Investments

	Successor Company		Predecessor Company	
	September 30, 2018		December 31, 2017	
	Amount	Percent	Amount	Percent
Hedge funds	$ 81	9.2 %	$ 141	14.1 %
Real estate funds	83	9.5 %	159	15.9 %
Private equity and other funds	713	81.3 %	701	70.0 %
Total	**$ 877**	**100%**	**$ 1,001**	**100%**

Available-for-Sale Securities — Unrealized Loss Aging

Total gross unrealized losses were $189 as of September 30, 2018 (Successor Company), and have increased $116, or 159%, from December 31, 2017 (Predecessor Company), due to higher interest rates. The increase was partially offset by the application of pushdown accounting in connection with the May 31, 2018 sale by the Company's indirect parent, Hartford Holding, Inc. ("HHI"). Refer to Note 1 - Basis of Presentation and Significant Accounting Policies for more information regarding the sale by HHI. As of September 30, 2018 (Successor Company), $189 of the gross unrealized losses were associated with securities depressed less than 20% of cost or amortized cost. There were no securities depressed greater than 20%.

As part of the Company's ongoing security monitoring process, the Company has reviewed its AFS securities in an unrealized loss position and concluded that these securities are temporarily depressed and are expected to recover in value as the securities approach maturity or as market spreads tighten. For these securities in an unrealized loss position where a credit impairment has not been recorded, the Company's best estimate of expected future cash flows are sufficient to recover the amortized cost basis of the security. Furthermore, the Company neither has an intention to sell nor does it expect to be required to sell these securities. For further information regarding the Company's impairment analysis, see Other-Than-Temporary Impairments in the Investment Portfolio Risks and Risk Management section of this MD&A.

The following table present the Company's unrealized loss aging for AFS securities by length of time the security was in a continuous unrealized loss position.

	Successor Company				Predecessor Company			
	September 30, 2018				December 31, 2017			
Consecutive Months	**Items**	**Cost or Amortized Cost [1]**	**Fair Value**	**Unrealized Loss**	**Items**	**Cost or Amortized Cost**	**Fair Value**	**Unrealized Loss**
Three months or less	923	$ 3,740	$ 3,734	$ (45)	498	$ 1,643	$ 1,636	$ (7)
Greater than three to six months	1,405	7,555	7,403	(144)	241	837	827	(10)
Greater than six to nine months	—	—	—	—	89	218	216	(2)
Greater than nine to eleven months	—	—	—	—	47	53	52	(1)
Twelve months or more	—	—	—	—	379	1,495	1,442	(53)
Total	**2,328**	**$ 11,295**	**$ 11,137**	**$ (189)**	**1,254**	**$ 4,246**	**$ 4,173**	**$ (73)**

[1] The cost or amortized cost of assets that support modified coinsurance reinsurance contracts were not adjusted as part of the application of pushdown accounting. As a result, gross unrealized gains (losses) only include subsequent changes in value recorded in AOCI beginning June 1, 2018. Prior changes in value have been recorded in additional paid-in capital.

Other-Than-Temporary Impairments

The following table presents the Company's impairments recognized in earnings by security type.

	Successor Company		Predecessor Company		
	For the three months ended September 30, 2018	**June 1, 2018 to September 30, 2018**	**For the three months ended September 30, 2017**	**January 1, 2018 to May 31, 2018**	**For the nine months ended September 30, 2017**
Credit Impairments					
CMBS	$ —	$ —	$ —	$ —	$ 1
Corporate	—	—	1	—	13
Total Credit Impairments	—	—	1	—	14
Total Impairments	**$ —**	**$ —**	**$ 1**	**$ —**	**$ 14**

For the three months ended September 30, 2018 and the period June 1, 2018 to September 30, 2018 (Successor Company)

For both the three months ended September 30, 2018 and the period of June 1, 2018 to September 30, 2018, there were no impairments recognized in earnings and no non-credit impairments recognized in other comprehensive income.

Future impairments may develop as the result of changes in intent-to-sell specific securities or if actual results underperform current modeling assumptions, which may be the result of, but are not limited to, macroeconomic factors and security-specific performance below current expectations.

For the period of January 1, 2018 to May 31, 2018 (Predecessor Company)

For the period of January 1, 2018 to May 31, 2018, there were no impairments recognized in earnings and no non-credit impairments recognized in other comprehensive income.

Three and nine months ended September 30, 2017 (Predecessor Company)

For the three and nine months ended September 30, 2017, impairments recognized in earnings were comprised of credit impairments of $1 and $14, respectively. The credit impairments were primarily related to one corporate security and was identified through security specific reviews and resulted from changes in the financial condition of the issuer. For the three and nine months ended September 30, 2017, there were no securities that the Company intended to sell or impairments on equity securities.

CAPITAL RESOURCES AND LIQUIDITY

Capital resources and liquidity represent the financial resources of Talcott Resolution Life Insurance Company and its ability to generate strong cash flows, borrow funds at competitive rates and raise new capital to meet operating needs over the next twelve months.

Liquidity Requirements and Sources of Capital

Talcott Resolution Life Insurance Company ("TL") has an intercompany liquidity agreement that allows for short-term advances of funds to its affiliates of up to $1.0 billion for liquidity and other general corporate purposes. The Connecticut Insurance Department ("CTDOI") granted approval for certain affiliated insurance companies that are parties to the agreement to treat receivables from a subsidiary, including Talcott Life and Annuity Insurance Company ("TLA"), as admitted assets for statutory accounting purposes. As of September 30, 2018, there were no amounts outstanding between TL and its' affiliates.

Derivative Commitments

Certain of the Company's derivative agreements contain provisions that are tied to the financial strength ratings, as set by nationally recognized statistical rating agencies, of the individual legal entity that entered into the derivative agreement. If the legal entity's financial strength were to fall below certain ratings, the counterparties to the derivative agreements could demand immediate and ongoing full collateralization and in certain instances demand immediate settlement of all outstanding derivative positions traded under each impacted bilateral agreement. The settlement amount is determined by netting the derivative positions transacted under each agreement. If the termination rights were to be exercised by the counterparties, it could impact the legal entity's ability to conduct hedging activities by increasing the associated costs and decreasing the willingness of counterparties to transact with the legal entity. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a net liability position as of September 30, 2018 is $686. Of this $686, the legal entities have posted collateral of $739, which is inclusive of initial margin requirements in the normal course of business. In addition, the Company has posted collateral of $29 associated with a customized GMWB derivative. Based on derivative market values as of September 30, 2018, a downgrade of one or two levels below the current financial strength ratings by either Moody's or S&P would not require additional assets to be posted as collateral. These collateral amounts could change as derivative market values change, as a result of changes in our hedging activities or to the extent changes in contractual terms are negotiated. The nature of the collateral that we would post, if required, would be primarily in the form of U.S. Treasury bills, U.S. Treasury notes and government agency securities.

Insurance Operations

Total general account contractholder obligations are supported by $20 billion of cash and total general account invested assets, which includes the following fixed maturity securities and short-term investments to meet liquidity needs.

		As of September 30, 2018
Fixed maturities	$	14,086
Short-term investments		1,159
Cash		199
Less: Derivative collateral		1,027
Total	**$**	**14,417**

Capital resources available to fund liquidity upon contractholder surrender or termination are a function of the legal entity in which the liquidity requirement resides. Obligations related to life and annuity insurance products will be generally funded by both TL and Talcott Resolution Life and Annuity Insurance Company ("TLA"); obligations related to retirement and institutional investment products will be generally funded by TL.

Talcott Resolution Life Insurance Company is a member of the Federal Home Loan Bank of Boston ("FHLBB"). Membership allows the Company access to collateralized advances, which may be used to support various spread-based business and enhance liquidity management. FHLBB membership requires the company to own member stock and advances require the purchase of activity stock. The amount of advances that can be taken are dependent on the asset types pledged to secure the advances. The Connecticut Insurance Department ("CTDOI") will permit the Company to pledge up to approximately $900 in qualifying assets to secure FHLBB advances for 2018. The pledge limit is recalculated annually based on statutory admitted assets and capital and surplus. The Company would need to seek the prior approval of the CTDOI in order to exceed these limits. As of September 30, 2018, TL had no advances outstanding under the FHLBB facility.

Contractholder Obligations

		As of September 30, 2018
Total Contractholder obligations	$	154,084
Less: Separate account assets [1]		106,829
General account contractholder obligations	**$**	**47,255**
Composition of General Account Contractholder Obligations		
Contracts without a surrender provision and/or fixed payout dates [2]	$	23,219
Fixed MVA annuities [3]		4,289
Other [4]		19,747
General account contractholder obligations	**$**	**47,255**

[1] *In the event customers elect to surrender separate account assets, the Company will use the proceeds from the sale of the assets to fund the surrender, and the Company's liquidity position will not be impacted. In many instances the Company will receive a percentage of the surrender amount as compensation for early surrender (surrender charge), increasing the Company's liquidity position. In addition, a surrender of variable annuity separate account or general account assets (see the following) will decrease the Company's obligation for payments on guaranteed living and death benefits.*

[2] *Relates to contracts such as payout annuities, institutional notes, term life, group benefit contracts, or death and living benefit reserves, which cannot be surrendered for cash.*

[3] *Relates to annuities that are recorded in the general account under U.S. GAAP as the contractholders are subject to the Company's credit risk, although these annuities are held in a statutory separate account. In the statutory separate account, the Company is required to maintain invested assets with a fair value greater than or equal to the MVA surrender value of the Fixed MVA contract. In the event assets decline in value at a greater rate than the MVA surrender value of the Fixed MVA contract, the Company is required to contribute additional capital to the statutory separate account. The Company will fund these required contributions with operating cash flows or short-term investments. In the event that operating cash flows or short-term investments are not sufficient to fund required contributions, the Company may have to sell other invested assets at a loss, potentially resulting in a decrease in statutory surplus. As the fair value of invested assets in the statutory separate account are at least equal to the MVA surrender value of the Fixed MVA contract, surrender of Fixed MVA annuities will have an insignificant impact on the liquidity requirements of the Company.*

[4] *Surrenders of, or policy loans taken from, as applicable, these general account liabilities, may be funded through operating cash flows of the Company, available short-term investments, or the Company may be required to sell fixed maturity investments to fund the surrender payment. These obligations include the general account option for individual variable annuities and the variable life contracts of the former Individual Life business, the general account option for annuities of the former Retirement Plans business and universal life contracts sold by the former Individual Life business. Sales of fixed maturity investments could result in the recognition of significant realized losses and insufficient proceeds to fully fund the surrender amount. In this circumstance, the Company may need to take other actions, including enforcing certain contract provisions which could restrict surrenders and/or slow or defer payouts. The Company has ceded reinsurance in connection with the sales of its Retirement Plans and Individual Life businesses to MassMutual and Prudential, respectively. The reinsurance transactions do not extinguish the Company's primary liability on the insurance policies issued under these businesses.*

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

There have been no material changes to the Company's off-balance sheet arrangements and aggregate contractual obligations since the filing of the Company's 2017 Form 10-K Annual Report (Predecessor Company).

Dividends

Dividends to the Company from its insurance subsidiaries and dividends from the Company to its parent are restricted by insurance regulation. The payment of dividends by Connecticut-domiciled insurers is limited under the insurance holding company laws of Connecticut. These laws require notice to and approval by the state insurance commissioner for the declaration or payment of any dividend, which, together with other dividends or distributions made within the preceding twelve months, exceeds the greater of (i) 10% of the insurer's policyholder surplus as of December 31 of the preceding year or (ii) net income (or net gain from operations, if such company is a life insurance company) for the twelve-month period ending on the thirty-first day of December last preceding, in each case determined under statutory insurance accounting principles. In addition, if any dividend of a domiciled insurer exceeds the insurer's earned surplus or certain other thresholds as calculated under applicable state insurance law, the dividend requires the prior approval of the domestic regulator. In addition to statutory limitations on paying dividends, the Company also takes other items into consideration when determining dividends from subsidiaries. These considerations include, but are not limited to, expected earnings and capitalization of the subsidiary, regulatory capital requirements and liquidity requirements of the individual operating company. As a result of the sale, Talcott Resolution Life Insurance Company and its affiliates are required to gain pre-approval from the state insurance commissioner for any dividends, regardless of size, through May 31, 2020.

On December 3, 2017, The Hartford entered into a definitive agreement to sell the Company's parent, TLI, to a group of investors led by Cornell Capital LLC, Atlas Merchant Capital LLC, TRB Advisors LP, Global Atlantic Financial Group, Pine Brook and J. Safra Group. Prior to the close on May 31, 2018, the Company paid approximately $619 in dividends to its parent and subsequently to The Hartford. TL, formerly known as Hartford Life Insurance Company, contributed $309 and TLA, formally known as Hartford Life and Annuity Insurance Company, contributed $308 including other intercompany transactions net settled between TL and The Hartford prior to closing.

Cash Flows

	Successor Company	Predecessor Company	
	June 1, 2018 to September 30, 2018	January 1, 2018 to May 31, 2018	For the nine months ended September 30, 2017
Net cash provided by (used for) operating activities	$ (1,136)	$ 603	$ 612
Net cash provided by (used for) investing activities	$ 1,434	$ 463	$ 266
Net cash used for financing activities	$ (346)	$ (1,356)	$ (1,193)
Cash - end of period	$ 199	$ 247	$ 239

For the period of June 1, 2018 to September 30, 2018 (Successor Company)

Net cash used for operating activities was primarily due to an increase in reinsurance recoverables driven by cash paid to fund the Commonwealth Annuity Reinsurance Agreement.

Net cash provided by investing activities was primarily related to net proceeds from short-term investments of $1.4 billion to fund the Commonwealth Annuity Reinsurance Agreement.

Net cash used for financing activities was related to net payments for deposits, transfers and withdrawals for investments and universal life-type contracts of $346.

For the period of January 1, 2018 to May 31, 2018 (Predecessor Company)

Net cash provided by operating activities was primarily driven by cash from income tax refunds received.

Net cash provided by investing activities was primarily related to net proceeds from available-for-sale securities of $2.0 billion, partially offset by net payments for short-term investments of $1.5 billion and net payments for derivatives of $200.

Net cash used for financing activities was primarily due to dividends paid of $517, including capital contributions to the parent company of $619, partially offset by a return of capital from parent of $102. Also contributing to cash used in the period was net payments for deposits, transfers and withdrawals for investments and universal life-type contracts of $425 and a net decrease in securities loaned or sold under agreements to repurchase of $406.

For the nine months ended September 30, 2017 (Predecessor Company)

Net cash provided by operating activities was primarily related to net income for the period and reinsurance recoverables.

Net cash provided by investing activities was primarily related to net net proceeds from available-for-sale securities of $509, partially offset by net payments for derivatives and partnerships of $98 and $82, respectively.

Net cash used for financing activities was primarily related to net payments for deposits, transfers and withdrawals for investments and universal life-type contracts of $914 and capital contributions paid to the parent company of $598.

Operating cash flows in the periods discussed above have been adequate to meet liquidity requirements.

Ratings

Ratings can have an impact the Company’s reinsurance and derivative contracts. There can be no assurance that the Company’s ratings will continue for any given period of time or that they will not be changed. In the event the Company’s ratings are downgraded, reinsurance contracts may be adversely impacted and the Company may be required to post additional collateral on certain derivative contracts.

The following table summarizes Talcott Resolution Life Insurance Company’s significant member companies’ financial ratings from the major independent rating organizations as of October 29, 2018:

Insurance Financial Strength Ratings:	**A.M. Best**	**Standard & Poor’s**	**Moody’s**
Talcott Resolution Life Insurance Company	B++	BBB	Baa3
Talcott Resolution Life and Annuity Insurance Company	B++	BBB	Baa3

These ratings are not a recommendation to buy or hold any of the Company’s securities and they may be revised or revoked at any time at the sole discretion of the rating organization.

The agencies consider many factors in determining the final rating of an insurance company. One consideration is the relative level of statutory capital and surplus (referred to collectively as "statutory capital") necessary to support the business written and is reported in accordance with accounting practices prescribed by the applicable state insurance department.

Statutory Capital

The Company’s aggregate statutory capital, as prepared in accordance with the National Association of Insurance Commissioners’ Accounting Practices and Procedures Manual (“US STAT”), was $3.4 billion and $3.6 billion as of September 30, 2018 (Successor Company) and December 31, 2017 (Predecessor Company), respectively. The statutory capital amounts are based on actual statutory filings with the applicable regulatory authorities.

IMPACT OF NEW ACCOUNTING STANDARDS

For a discussion of accounting standards, see Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Consolidated Financial Statements included in the Company’s 2017 Form 10-K Annual Report (Predecessor Company) and Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements in this Form 10-Q.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information contained in the Financial Risk Management section of Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Company’s 2017 Form 10-K Annual Report (Predecessor Company) is incorporated herein by reference.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company’s principal operating officer and its principal financial officer, based on their evaluation of the Company’s disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) have concluded that the Company’s disclosure controls and procedures are effective for the purposes set forth in the definition thereof in Exchange Act Rule 13a-15(e) as of September 30, 2018.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the Company's current fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company is involved in claims litigation arising in the ordinary course of business with respect to group and individual insurance products, such as life, disability and accidental death and dismemberment insurance policies, and with respect to annuity contracts. The Company accounts for such activity through the establishment of reserves for future policy benefits. Management expects that the ultimate liability, if any, with respect to such ordinary-course claims litigation, after consideration of provisions made for potential losses and costs of defense, will not be material to the consolidated financial condition, results of operations or cash flows of the Company.

The Company is also involved in other kinds of legal actions, some of which assert claims for substantial amounts. Such actions have alleged, for example, bad faith in the handling of insurance claims and improper sales practices in connection with the sale of insurance and investment products. Some of these actions also seek punitive damages. Management expects that the ultimate liability, if any, with respect to such lawsuits, after consideration of provisions made for estimated losses, will not be material to the consolidated financial condition of the Company. Nonetheless, given the large or indeterminate amounts sought in certain of these actions, and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows in particular quarterly or annual periods.

Item 1A. RISK FACTORS

Investing in the Company involves risk. In deciding whether to invest in the securities of the Company, you should carefully consider the risk factors disclosed in Item 1A of Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2017, as updated by Item 1A of Part II of the Company's Form 10-Q for the period ended June 30, 2018, any of which could have a significant or material adverse effect on the business, financial condition, operating results or liquidity of the Company. This information should be considered carefully together with the other information contained in this report and the other reports and materials filed by the Company with the SEC.

Item 2. PROPERTIES

The Company's principal executive offices are located in Windsor, Connecticut. In connection with the sale of Talcott Resolution Life, Inc., a Delaware corporation ("TLI") and the Company, the Company sold its Windsor, Connecticut facility to The Hartford Financial Services Group, Inc. and leases approximately 65,000 square feet of office space. The Company believes its properties and facilities are suitable and adequate for current operations. For further discussion of this transaction, see Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements.

Item 6. EXHIBITS

See Exhibits Index on page 96

TALCOTT RESOLUTION LIFE INSURANCE COMPANY AND SUBSIDIARIES
FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2018
EXHIBITS INDEX

Exhibit No.	
3.01	Restated Certificate of Incorporation of Talcott Resolution Life Insurance Company (the "Company"), effective April 2, 1982, as amended by Amendment No. 1, effective August 3, 1984, as amended by Amendment No. 2 effective December 31, 1996, as amended by Amendment No. 3, effective July 25, 2000, as amended by Amendment No. 4, effective June 1, 2018.
3.02	Amended and Restated By-Laws of Talcott Resolution Life Insurance Company, effective June 1, 2018.
***10.01**	Talcott Resolution Short-Term Incentive Compensation Plan Administrative Rules, effective November 1, 2018.**
***10.02**	Hopmeadow Holdings, LP Phantom Unit Incentive Plan Administrative Rules, effective November 1, 2018.**
12.01	Computation of Ratio of Earnings to Fixed Charges **
31.01	Certification of Peter F. Sannizzaro pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**
31.02	Certification of Robert R. Siracusa pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**
32.01	Certification of Peter F. Sannizzaro pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
32.02	Certification of Robert R. Siracusa pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
101.INS	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	XBRL Taxonomy Extension Schema **
101.CAL	XBRL Taxonomy Extension Calculation Linkbase **
101.DEF	XBRL Taxonomy Extension Definition Linkbase **
101.LAB	XBRL Taxonomy Extension Label Linkbase **
101.PRE	XBRL Taxonomy Extension Presentation Linkbase **

* Management contract, compensatory plan or arrangement.

** Filed with the Securities and Exchange Commission as an Exhibit to this report.

SIGNATURE

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

TALCOTT RESOLUTION LIFE INSURANCE COMPANY

/s/ Michael Hazel

Michael R. Hazel
Vice President and Controller
(Principal Financial Officer and duly authorized signatory)

November 5, 2018

Talcott Resolution Short-Term Incentive Compensation Plan Administrative Rules

1. **Eligibility for Participation**

Only regular, full-time and part-time employees of Talcott Resolution Life Insurance Company ("the Company") are eligible to participate in the Company's Short-Term Incentive Compensation Plan ("the Plan"). Contractors and other vendors are not eligible to participate in the Plan.

Only employees who are in good standing are eligible to participate in the Plan. At Management's discretion, employees who are on a performance management plan on the Scheduled Payout Date or who received a written warning relating to performance, attendance or behavioral issues during the Performance Period may be ineligible to participate in the Plan.

Subject to the provisions for employees who work less than the full Performance Period set forth below, only employees who were employed by the Company during the Performance Period and continue to be employed by the Company on the Scheduled Payout Date are eligible to participate in the Plan.

Employees who received an overpayment and have not repaid that overpayment or entered into a payment plan to repay it, despite being notified of the overpayment by the Company, are not eligible to participate in the Plan.

Employees are not eligible to participate simultaneously in the Plan and any other annual incentive compensation plan of the Company.

2. **Target Funding for the Plan**

Target Funding for the Plan is determined as a percentage of an employee's Eligible Earnings, based on his/her respective tier level for time in role during the Performance Period. The Target Funding percentages by tier generally are set forth in the table below:

Tier	Target % of Eligible Earnings
1 - 3	Individual Custom Target
4	35%
5	28%
6	19%
7	14%
8	8%
9	6.5%
10	4.5%
11 - 12	3.5%

The target pool for the Plan for Tiers 4 through 12 is calculated by determining the sum of Target Funding for all Tier 4 through 12 eligible employees.

3. <u>Determination of Individual Awards</u>

The Company will allocate the Company Pool amongst the functional areas. Individual Awards are determined at the discretion of Management based on available pool funding. An employee's position at the end of the Performance Period determines which pool funding applies to him/her. No employee is guaranteed an Award or an Award in any particular amount. Based on Company and individual performance, employees may receive individual Awards greater than or less than the Target Funding percentage for his/her tier. If minimum performance thresholds for that particular business or functional group are not met or if an individual's performance warrants, individual Awards may be reduced to zero ($0). Individual Award amounts should be in increments of $100.

Definitions	
Award	A cash payment made to an employee pursuant to the Plan.
Company Pool	Company Short-Term Incentive pool funding is based on performance goals established by the Compensation Committee of the Board of Directors of Hopmeadow Holdings GP LLC ("the Committee"). At the end of the year, the Committee will review The Company's success in meeting its performance goals along with other qualitative factors to determine Short-Term Incentive funding for the Company Pool. Once the Company Pool is established, it is allocated among the functional areas based on relative performance against performance goals established by the Committee.
Eligible Earnings	An employee's annual salary as of April 30th of the Performance Period. For employees paid on an hourly basis, annual salary is calculated using their hourly rate and regularly scheduled hours. An employee must have Eligible Earnings during the Performance Period in order to be eligible to receive an Award.
Executive Leadership Team	The Company's President and his/her direct reports.
Management	- With respect to decisions related to the Executive Leadership Team: the Committee. - With respect to decisions related to all other Participants: the President and the Chief Human Resources Officer or their delegates.
Participant	An employee who is eligible to receive an Award under the Short-Term Incentive Compensation Plan.
Performance Period	January 1 through December 31.
Scheduled Payment Date	Cash payments awarded under the Plan are to be paid through normal payroll processes by March 15 following the Performance Period.

Eligibility Provisions For Employees Who Work Less Than The Full Performance Period		
Reason	**Eligibility for Award**	**Funding Award**
New Hire During The Performance Period	**Eligible, with pro-ration based on hire date**	The pro-ration calculation uses days of service during the Performance Period from the most recent hire date. Employees hired on or after October 1st of the Performance Period generally are not eligible for an Award.
Rehires During The Performance Period	**Eligible, with pro-ration based on rehire date**	The pro-ration calculation uses days of service during the Performance Period from the most recent hire date. For employees who voluntarily terminated and subsequently were rehired during the Performance Period, only service from the most recent hire date is included in the pro-ration calculation. For employees who were involuntarily terminated as a result of job elimination and subsequently rehired, all service during the Performance Period is included in the pro-ration calculation.
Salary or Tier Changes for Eligible Employees	**Eligible, with pro-ration based on time in role**	Funding for eligible employees whose salary or tier changes after April 30th will be pro-rated based on their days of service during the Performance Period at each salary or tier level.
Leave of Absence	**Eligible, with pro-ration based on days actively at work during the Performance Period**	The employee is eligible for an Award based on Eligible Earnings and days actively at work during the Performance Period.
Short or Long Term Disability	**Eligible, with pro-ration based on days actively at work during the Performance Period**	The employee is eligible for an Award based on Eligible Earnings and days actively at work during the Performance Period. STD and/or LTD benefits received by the employee are not included in the pro-ration calculation.

Reason	Eligibility for Award	Funding Award
Job Elimination	**Eligible, with pro-ration, based on days actively at work during the Performance Period prior to the termination date**	An employee whose job is eliminated during the Performance Period will be eligible for a prorated Award based on the employment termination date.
Voluntary Termination*	**Not eligible**	If an employee voluntarily terminates employment during the Performance Period or prior to the Scheduled Payment Date, the employee will not be eligible for an Award.
Termination for Performance, Attendance or Behavior*	**Not eligible**	If an employee is terminated for performance, attendance or behavioral reasons during the Performance Period or prior to the Scheduled Payment Date, the employee will not be eligible for an Award.

*Because the Plan is intended to encourage continued employment, if a Participant voluntarily leaves the Company or is terminated for performance, attendance or behavioral related reasons prior to the Scheduled Payment Date, the Participant is not eligible to receive payments under the Plan (except where required by law).

Hopmeadow Holdings, LP Phantom Unit Incentive Plan Administrative Rules

I. Eligibility for Participation

A. Initial Eligibility

All Hartford Fire employees who became Talcott Resolution Life Insurance Company ("the Company") employees on June 1, 2018, as a result of the sale of Hartford Life, Inc. to Hopmeadow Acquisition, Inc. are Participants in the Hopmeadow Holdings, LP Phantom Unit Incentive Plan ("the Plan"). Individuals who become non-Executive Company employees after June 1, 2018, may become Participants in the Plan at the discretion of the Company's President and Chief Human Resources Officer. Individuals who become Executive Company employees after June 1, 2018, may become Participants in the Plan at the discretion of the Company's President and the Compensation Committee of the Board of Directors of Hopmeadow Holdings, GP LLC ("the Committee"). Contractors and other vendors are not eligible to participate in the Plan.

For the purposes of this Plan, an Executive of the Company shall mean a member of the Company's Executive Leadership Team.

B. Continued Eligibility

All employees who become Participants in the Plan shall remain Participants for as long as they remain employed by the Company and the Plan remains in effect. Subject to the exceptions set forth below in Sections I(B)(1) and I(B)(2) below, any rights that an employee may have to benefits under the Plan will terminate on the date their employment with the Company terminates.

1. Termination of Employment Due to Death

If a Participant's employment with the Company terminates due to the Participant's death and the Participant has designated one or more beneficiaries with the Company, for one (1) year after the death of the Participant the designated beneficiary(ies) shall be entitled to receive benefits under the Plan to the same extent as the Participant would have been eligible to receive such benefits if he/she was still alive and actively employed by the Company. Solely for the purposes of Section III(A) below, the deceased Participant's Phantom Units will be treated as outstanding for one year after the death of the Participant.

2. Termination of Employment Due to Disability

If a Participant's employment with the Company terminates due to the Participant's Disability, the Participant shall remain a Participant for one (1) year after the termination of his/her employment and shall be entitled to receive benefits under the Plan to the same extent as he/she would have been eligible to receive such benefits if he/she was still actively employed by the Company. Solely for purposes of Section III(A) below, the disabled Participant's Phantom Units will be treated as outstanding for one year after the termination of employment.

a. Definition of Termination as a Result of Disability

For the purposes of the Plan, a termination as a result of disability shall be defined as a termination of employment due to the exhaustion of job protection under applicable law or Talcott Resolution policies while the Participant is out of work due to a Total Disability as defined by Talcott Resolution's Short Term Disability Plan.

II. Form of Award

A. Each Participant shall be awarded Phantom Units under the Plan. The number of Phantom Units awarded to any individual non-Executive Participant shall be determined by the Company's President and Chief Human Resources Officer at their discretion. The number of Phantom Units awarded to any individual Executive Participant shall be determined by the Company's President and the Committee at their discretion.

1. Phantom Units awarded under the Plan are not equity interests in the Partnership or Company. Rather, they are notional awards and do not entitle a Participant to any actual equity rights in the Partnership or Company.

2. Phantom Units awarded under the Plan entitle Participants to receive cash payments as distributions are made from the Partnership or in the event the Company is sold.

B. After the initial award of Phantom Units to a Participant, the Company's President and Chief Human Resources Officer may award additional Phantom Units to a non-Executive Participant and the Company's President and the Committee may award additional Phantom Units to an Executive Participant at their discretion.

C. Phantom Units do not expire, do not need to be renewed and are not diminished in number by a cash distribution while the Participant remains an employee of Talcott Resolution or falls under one of the continued employment exceptions set forth in Section I(B) above.

III. Cash Distributions Under the Plan

A. The aggregate amount the Plan will distribute under Section III(B) below when distributions are made from the Partnership or the Company is sold will be determined by the Company's President and Chief Human Resources Officer based on the total amount of the distribution or sale proceeds, the employee pool of Phantom Units, the number of outstanding Phantom Units held by directors of the Company, and the outstanding equity interests of the Partnership at the time of a payment.

1. For the purposes of the Plan, a Company Sale means the sale, lease or transfer to a third party, in one or a series of related transactions, of:

a. all or substantially all of the consolidated assets of Hopmeadow Holdings II, LP and its Subsidiaries; or

b. seventy-five (75%) percent or more in percentage interest of the equity interests of Hopmeadow Holdings II, LP, Hopmeadow Holdings, LP, Hopmeadow Acquisition, Inc. or Talcott Resolution Life, Inc.

For the purposes of this Plan, a Company Sale does not include a Qualified Public Offering.

B. The amount of the cash payment that a Participant will receive when distributions are made from the Partnership or the Company is sold will be determined by the Company's President and Chief Human Resources Officer based on the total amount of the distribution or sale proceeds, the amount of Phantom Units held by the Participant, the number of outstanding Phantom Units held by the employees (including any treated as outstanding under Sections 1(B)(1) or 1(B)(2) above) and directors of the Company, and the outstanding equity interests of the Partnership at the time of a payment. Any amounts funded under Section III(A) above and not distributed under the first sentence of this Section III(B), will be distributed to Participants as the Company's President and Chief Human Resources Officer determines in their discretion. The Company's President and Chief Human Resources Officer's determination shall be final and conclusive.

C. Other than as set forth in Section I(B) above, to be eligible to receive a cash distribution under the Plan, a Participant must be employed by the Company on the date the distribution from the Partnership is recorded in the Company's financial records or a sale of the Company closes, as applicable.

D. Cash Distributions to Participants under the Plan shall be made within 60 days of when a distribution from the Partnership is recorded in the Company's financial records or a sale of the Company closes, as applicable.

E. Cash Distributions to Participants under the Plan are subject to applicable tax withholding.

IV. Suspension and Claw-back of Cash Payments

A. At their discretion, the Committee with respect to an Executive of the Company and the Company's President and Chief Human Resources Officer with respect to a non-Executive of the Company, may under the following circumstances suspend or terminate a Participant's eligibility to receive payment of a cash distribution:

1. If, at the time a cash payment to a Participant otherwise would be made, the Participant is under investigation for misconduct deemed by management to be a serious violation of the Company's policies or its Code of Ethics and Business Conduct or is under investigation for the commission of a felony, or has been charged with or indicted for a felony, the Participant's eligibility to receive a cash payment under the Plan may be suspended until the investigation(s) are completed and/or the charge(s) against the Participant is resolved. Based on the results of such an investigation or the resolution of a felony charge or indictment, the Participant's Phantom Unit award may be revoked and the Participant's eligibility to receive the cash payment terminated and the Participant shall have no further rights to any cash payments under the Plan.

B. At their discretion, the Committee with respect to an Executive of the Company and the Company's President and Chief Human Resources Officer with respect to a non-Executive of the Company, may under the following circumstances require a Participant to repay to the Company any cash payments received under the Plan:

1. If the Participant's employment with the Company is terminated for misconduct deemed by management to be a serious violation of the Company's policies or its Code of Ethics and Business Conduct or the Participant is found or pleads guilty or nolo contendere to a felony or any reduced charges through a plea agreement, or enters any plea under the Alford doctrine or its equivalent, Participant may be required to repay the Company for any cash payments received under the Plan after the date the misconduct or the criminal act(s) was committed.

V. Administrator of the Plan

A. Unless otherwise determined by the Committee, the President and Head of Human Resources shall administer the Plan. The President and Head of Human Resources has the authority to delegate some or all of their obligations and responsibilities under the Plan.

VI. Employee at Will Status

A. Participation in the Plan does not constitute an employment contract, nor is it a guarantee of employment for any fixed period of time. Employment with the Company is at-will, which means that both the employee and the Company are free to terminate the employment relationship at any time for any lawful reason, with or without advance notice.

VII. <u>No Impact On Benefits</u>

A. Except as specifically stated under any employee benefit plan, policy or program, no amount payable in respect of any Phantom Unit or otherwise under the Plan shall be treated as compensation for purposes of calculating a Participant's right under any such plan, policy or program.

VIII. <u>Relationship of Administrative Rules and the Plan</u>

A. The operation of the Plan shall at all times be governed by the terms of the Plan and in the event of a conflict between the terms of the Plan and these Administrative Rules, the terms of the Plan shall control.

Exhibit 12.01

TALCOTT RESOLUTION LIFE INSURANCE COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(In millions)

	Successor Company	Predecessor Company				
	June 1, 2018 to September 30, 2018	January 1, 2018 to May 31, 2018	Years Ended December 31,			
		2018	2017	2016	2015	2014
EARNINGS:						
Income before income taxes	$ 124	$ 101	$ 376	$ 356	$ 530	$ 861
Less: Undistributed earnings from limited partnerships and other alternative investments	4	—	—	—	—	—
Add: Total fixed charges, before interest credited to contractholders	—	—	—	—	—	—
Total earnings, before interest credited to contractholders	$ 120	$ 101	$ 376	$ 356	$ 530	$ 861
Interest credited to contractholders [1]	120	253	628	631	682	725
Total earnings	**$ 240**	**$ 354**	**$ 1,004**	**$ 987**	**$ 1,212**	**$ 1,586**
FIXED CHARGES:						
Total fixed charges, before interest credited to contractholders	$ —	$ —	$ —	$ —	$ —	$ —
Interest credited to contractholders [1]	120	253	628	631	682	725
Total fixed charges	**$ 120**	**$ 253**	**$ 628**	**$ 631**	**$ 682**	**$ 725**
RATIOS:						
Total earnings to total fixed charges [2]	2.0	1.4	1.6	1.6	1.8	2.2

[1] Interest credited to contractholders includes interest credited on general account assets and interest credited on consumer notes.
[2] Ratios of less than one-to-one are presented as "NM" or not meaningful.

Exhibit 31.01

TALCOTT RESOLUTION LIFE INSURANCE COMPANY

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ENACTED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter F. Sannizzaro, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Talcott Resolution Life Insurance Company;

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 controls 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 officers 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: November 5, 2018

By: /s/ Peter F. Sannizzaro
Peter F. Sannizzaro
President and Chief Operating Officer

Exhibit 31.02

TALCOTT RESOLUTION LIFE INSURANCE COMPANY

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ENACTED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert R. Siracusa, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Talcott Resolution Life Insurance Company;

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 controls 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 officers 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:	November 5, 2018
By:	/s/ Robert R. Siracusa
	Robert R. Siracusa
	Vice President and Chief Financial Officer

Exhibit 32.01

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2018 of Talcott Resolution Life Insurance Company (the “Company”), filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 U.S.C. section 1350 as enacted by section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Peter F. Sannizzaro

Peter F. Sannizzaro
President and Chief Operating Officer
Date: November 5, 2018

Exhibit 32.02

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2018 of Talcott Resolution Life Insurance Company (the “Company”), filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 U.S.C. section 1350 as enacted by section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert R. Siracusa

Robert R. Siracusa
Vice President and Chief Financial Officer
Date: November 5, 2018