F&G: Capital by permission

F&G Annuities & Life (NYSE: FG) is making its investments harder to sell while new deposits already fall short of payouts on the annuities it retains. Its main Iowa insurer, Fidelity & Guaranty Life Insurance Company (FGLIC), held $66.5 billion of general-account assets against $1.38 billion of statutory capital and surplus at June 30, 2026, plus a $2.17 billion asset valuation reserve, or AVR, that also counts toward regulatory capital. That is a thin cushion for a business moving deeper into private credit and relying heavily on reinsurance to reduce its capital requirements.

Management points to investment-grade ratings, matched cash flows, reinsurance protection and $900 million to $1 billion of annual capital generation from its existing insurance business and distribution operations.

We believe F&G's common equity is worth zero. A withdrawal shock, credit losses or tighter capital treatment could leave its insurers needing cash and capital while restricting the distributions that service the parent's debts. We expect the new capital needed to repair the balance sheet to arrive on terms that wipe out existing common shareholders.

Position disclosure. We hold substantial short positions in F&G's common stock and the parent's notes and stand to profit if their prices fall. We may change or close these positions without notice. This report presents our research and opinions as of publication, not personalized investment advice.

Why we expect shareholders to be wiped out

- **The assets are riskier than the ratings suggest.** F&G is moving deeper into private credit and mortgages that we expect would sell below reported values under stress. At December 2025, before reinsurance, FGLIC's general account held $4.84 billion across 23 structures containing both rated debt and the junior investments that absorb losses first. The city structures' first-loss interests are held for reinsurers, leaving F&G exposed if those reinsurers cannot pay.
- **Capital support depends on regulatory permissions and reinsurers' promises.** Permitted accounting supplied 95% of Cayman Re's September 2026 surplus. Corbeau's December 2025 surplus becomes a $1.25 billion deficit without its permitted accounting. Replacing the disclosed benefits at both captives while preserving their reported surplus requires $2.65 billion in our scenario, exceeding the parent's cash, investments and undrawn credit combined.
- **Withdrawals can break the asset and liability match.** Retained annuity outflows totaled $2.7 billion over the five quarters through September 2026. Retained public securities fell $4.1 billion at cost in the first nine months of 2026. An adviser-led loss of confidence could accelerate departures and force private-asset sales below F&G's marks. Matching interest-rate duration does not establish that F&G can meet accelerated cash withdrawals.
- **The earnings leave little money to repair the balance sheet.** F&G's $736 million third-quarter 2026 common profit included a $652 million pretax gain from revaluing what it owes customers; its own adjusted measure showed $96 million, still supported by surrender fees. Management plans to reinvest most projected capital generation in new business, leaving the parent's allocation largely consumed by interest and shareholder payments. FGLIC nevertheless returned $250 million of capital with Iowa's approval despite a $75 million quarterly statutory loss and no ordinary dividend capacity. Its statutory surplus fell from $1.38 billion in June to $991 million in September.
- **The "non-affiliate" label understates F&G's dependence on Blackstone.** Blackstone selects most retained investments and charges higher fee rates on direct loans than on public investment-grade bonds. A fund it manages holds equity in Fort Greene's parent, while Blackstone employees exercise shareholder authority over Everlake's parent. F&G reported $3.74 billion of gross recoverables from those two reinsurers at September 2026. The financial ties extend to F&G's leadership: BilCar, an affiliate of Executive Chairman William Foley, received $10.8 million in 2025 through participation in Blackstone's fees and direct payments from F&G. CEO Conor Murphy describes this model as having "no inherent conflict of interest."

FGLIC statutory balance sheet

Original filing excerpts | June 30, 2026 | U.S. dollars

Assets: filing page 2

STATEMENT AS OF JUNE 30, 2026 OF THE FIDELITY & GUARANTY LIFE INSURANCE COMPANY

ASSETS

		Current Statement Date			4
		1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	December 31 Prior Year Net Admitted Assets
Rows 1 to 25 omitted. Original columns retained.					
26.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	67,065,185,000	572,783,866	66,492,401,134	65,070,323,367
27.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts	8,438,291,462		8,438,291,462	8,062,773,883
28.	Total (Lines 26 and 27)	75,503,476,462	572,783,866	74,930,692,596	73,133,097,250

Liabilities, surplus and other funds: filing page 3

STATEMENT AS OF JUNE 30, 2026 OF THE FIDELITY & GUARANTY LIFE INSURANCE COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

		1 Current Statement Date	2 December 31 Prior Year
Rows 1 to 24 omitted.			
	24.01 Asset valuation reserve	2,168,341,383	1,755,825,608
	24.02 Reinsurance in unauthorized and certified ($) companies	4,491,203	25,140
	24.03 Funds held under reinsurance treaties with unauthorized and certified ($ 404,229,181) reinsurers	24,456,156,259	24,981,267,941
	24.04 Payable to parent, subsidiaries and affiliates	52,749,545	52,294,687
	24.05 Drafts outstanding		
	24.06 Liability for amounts held under uninsured plans		
	24.07 Funds held under coinsurance	6,388,672,776	5,231,466,914
Rows 24.08 to 28 omitted.			
29.	Common capital stock	3,000,000	3,000,000
30.	Preferred capital stock		
31.	Aggregate write-ins for other than special surplus funds		
32.	Surplus notes	225,000,000	225,000,000
33.	Gross paid in and contributed surplus	2,148,811,290	2,148,811,290
34.	Aggregate write-ins for special surplus funds	1,090,834,557	1,164,672,935
35.	Unassigned funds (surplus)	(2,083,271,051)	(1,806,414,670)
36.	Less treasury stock, at cost:		
	36.1 shares common (value included in Line 29 $)		
	36.2 shares preferred (value included in Line 30 $)		
37.	Surplus (Total Lines 31+32+33+34+35-36) (including $ in Separate Accounts Statement)	1,381,374,796	1,732,069,555
38.	Totals of Lines 29, 30 and 37	1,384,374,796	1,735,069,555
39.	Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3)	74,930,692,596	73,133,097,250

Assets exclude $8.44 billion in separate accounts, which have matching liabilities.

Line 38 is capital and surplus. The $2.17 billion asset valuation reserve is additional.

The two highlighted reinsurance funds-held liabilities total $30.84 billion.

Source: Fidelity & Guaranty Life Insurance Company, NAIC 63274, June 2026 quarterly statement, pp. 2 and 3.

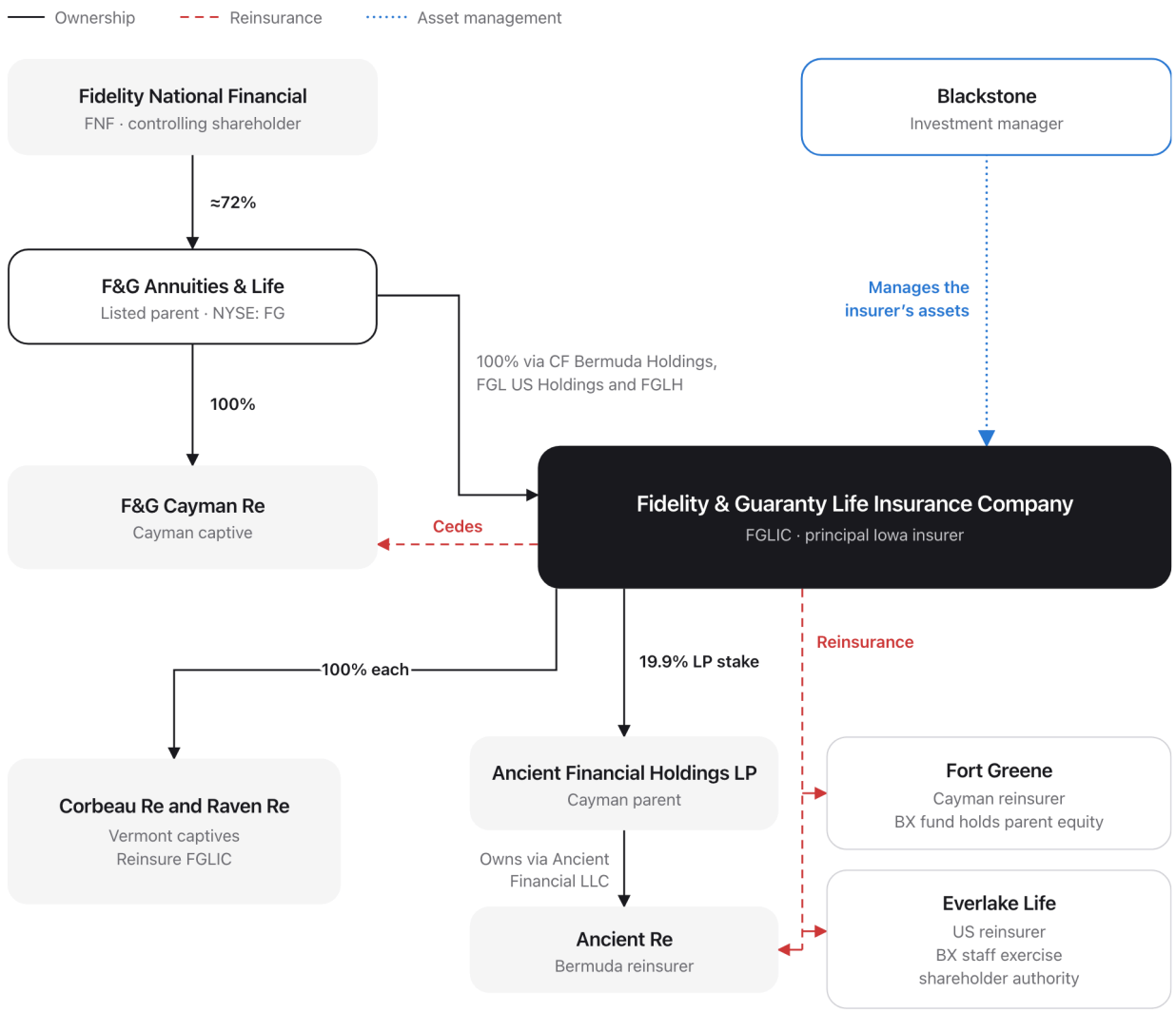
FGLIC June 2026 statutory statement, pages 2–3. Admitted assets excluding separate accounts: $66.492 billion; capital and surplus: $1.384 billion; separate asset valuation reserve: $2.168 billion. The two reinsurance funds-held balances total $30.845 billion. Original rows and columns retained; omitted rows marked and highlighting added.

FGLIC's capital supports both its general-account investments and the guarantees behind its pension separate account. Losses on the same securities can reach the insurer through both portfolios.

How F&G works

F&G earns the spread between investment returns and what it pays policyholders, lenders and operating expenses. Blackstone chooses most retained investments. The main insurer, Fidelity & Guaranty Life Insurance

Company (FGLIC), owes the policyholders even after reinsuring their contracts. The listed parent borrows separately and is about 72% owned by Fidelity National Financial (FNF). Reinsurance can release insurer capital for distributions; investment losses or failed support can reverse that flow and force the parent to put money back. At year-end 2025, FGLIC had ceded $38.0 billion, or 57%, of its gross general-account contract reserves and deposit-type obligations. Nearly 88% of that reserve credit involved non-U.S. reinsurers or statutory affiliates.



Ownership follows FGLIC's 2025 Schedule Y, updated for the March 2026 Ancient sale and September 2026 FNF stake. The Blackstone-managed fund holds equity in Fort Greene's parent; Blackstone staff exercise Everlake shareholder authority. FGLH is Fidelity & Guaranty Life Holdings Inc.

1. Too much investment risk for too little capital

At December 2025, FGLIC held **$4.84 billion across 23 structures in which it owned both rated notes and first-loss interests**: $4.14 billion of notes and $706 million of junior capital. All 143 note positions carried private-letter designations. These are gross holdings before reinsurance.

Eighteen city-named shells account for $4.080 billion: six note classes in each, totaling $3.462 billion, plus $618 million of Topco residuals. FGLIC reported 100% ownership of each residual. Executed lender signatures connect the Sub LLC, Top Sub LLC and Topco entities.

A separate credit agreement connects five further debt-and-residual chains. FGLIC held seven note classes in each and 62.6% of each residual.

The NAIC says an insurer owning every tranche holds "the exact same investment risk" as direct ownership. FGLIC reports holdings in every city note class and 100% of each residual, but does not disclose its share of all debt issued.

FGLIC holdings at December 31, 2025. Book value, dollars in millions.

Structure group	Notes	Residual interests	Combined	Reported residual ownership
18 city structures	3,462.366	617.574	4,079.940	100% each
Five additional named structures	674.985	87.945	762.930	62.59% each
Total	4,137.351	705.519	4,842.870	143 note positions

Quito notes and residual held by FGLIC

December 31, 2025 | Gross statutory holdings | Original filing excerpts

SCHEDULE D PART 1 SECTION 2 | PDF PAGE 368

Omitted: column 3; columns 5 to 7 and 9 onward; header detail; intervening rows

CUSIP Identification	Description	NAIC Desig-nation,	Book/ Adjusted Carrying Value
... rows omitted ...			
74904#-AA-6	QUITO SUB CLASS A 12/2039 - ABS	.. 1.A PL ..	112,584,253
74904#-AB-4	QUITO SUB CLASS B 12/2039 - ABS	.. 1.C PL ..	33,726,218
74904#-AC-2	QUITO SUB CLASS C 12/2039 - ABS	.. 1.F PL ..	13,032,646
74904#-AD-0	QUITO SUB CLASS D 12/2039 - ABS	...2.C PL ..	10,217,154
74904#-AE-8	QUITO SUB CLASS E 12/2039 - ABS	...3.C PL ..	14,746,588
74904#-AF-5	QUITO SUB CLASS F 12/2039 - ABS	...4.C PL ..	8,046,832

SCHEDULE BA PART 1 | PDF PAGE 226

Omitted: columns 3 to 11; remaining unshown columns; header detail; intervening rows

CUSIP Identi-fication	Name or Description	Book/ Adjusted Carrying Value	Percen-tage of Owner-ship
... rows omitted ...			
BXC342-64-5 ..	QUITO TOPCO LP INTEREST	 34,309,683	... 100.000

Original header fragments spliced and abbreviated. BA book value is reported less encumbrances.
Only source excerpts, labels and highlighting; no holdings text recreated.

FGLIC December 2025 holdings, PDF pages 368 (Schedule D) and 226 (Schedule BA). Quito: $192,353,691 of notes plus $34,309,683 residual, or $226,663,374 gross book. Residual ownership: 100%. Headers abridged; omissions marked; highlighting added. BA values are less encumbrances.

Applying the adopted 2026 CLO factors to unchanged December 2025 city holdings increases the modeled gross capital charge by **$119 million**, from $323.5 million to $442.1 million, before company-level adjustments. Both totals include $277.9 million for residuals; the comparison excludes the separate thin-tranche surcharge. On November 6, CEO Conor Murphy said regulatory changes had already produced more than $500 million of capital impact during the year, without breaking out the city holdings.

The NAIC warned of insurers becoming "subordinate to themselves" while retaining bond treatment for debt that independently qualifies. F&G should disclose the city loan pools, complete issued capital structures and rating letters so investors can assess the risk behind its combined holdings.

FGLIC also reports $1.110 billion of first-loss interests among funds-withheld assets, without allocating them by reinsurer. That figure includes the entire $862.7 million category holding all 18 city residuals, so their first losses pass to FGLIC's reinsurers and come back to FGLIC if a reinsurer cannot pay. At least $102 million of the $145 million of lowest-rated city notes sits outside the pool, on FGLIC's own account.

Renovate: losses reached junior notes F&G owns

Renovate shows losses reaching junior claims FGLIC owned. At December 2025, FGLIC held $105.6 million across 12 notes and reported 100% Topco ownership; the Topco had no positive book value. Note 10.O says negative equity on three investments was applied to their most subordinated debt.

A separate June 2026 entry records $1.4 million of losses on three Class D notes. Senior notes received $17.4 million of first-half principal at par. FGLIC owned both the senior claims collecting cash and the junior claims absorbing losses.

$10.4 billion of holdings carry private ratings

FGLIC's general account held **$10.4 billion across 519 positions with private-letter designations** at year-end 2025. These ratings are supplied privately to investors; the statutory schedule reports the grades without the rating letters or assumptions. On November 10, we asked Egan-Jones and KBRA whether they rated Ground Lease Trust SP2015B, discussed below. As of November 11, Egan-Jones had replied that it forwarded the question to compliance but had not answered it; KBRA had not responded. F&G's Summer presentation puts privately rated holdings at about 19% of retained assets. The pension separate account held another $1.13 billion across 162 privately rated positions, including 144 securities also held in the general account.

At September 2026, F&G's consolidated accounts showed 65 structured securities with potential credit exposure, carrying $192 million of fair value and $71 million of credit allowances.

Investment grade in March and 61 cents on the dollar in June

Ground Lease Trust SP2015B (CUSIP 39948PAA5), which another insurer's filing lists as Terra Hospitality Giant LLC, carried 1.G PL at December 2025 after a **$5.791 million impairment**. FGLIC had reduced its $19.969 million face amount to $14.178 million of book and fair value.

The grade remained 1.G PL in March but was 6.PL at the June 15 paydown. FGLIC received $12.09 million, or **60.6 cents per dollar of principal**, and recognized another $2.08 million loss. Essentially no principal remained at June-end.

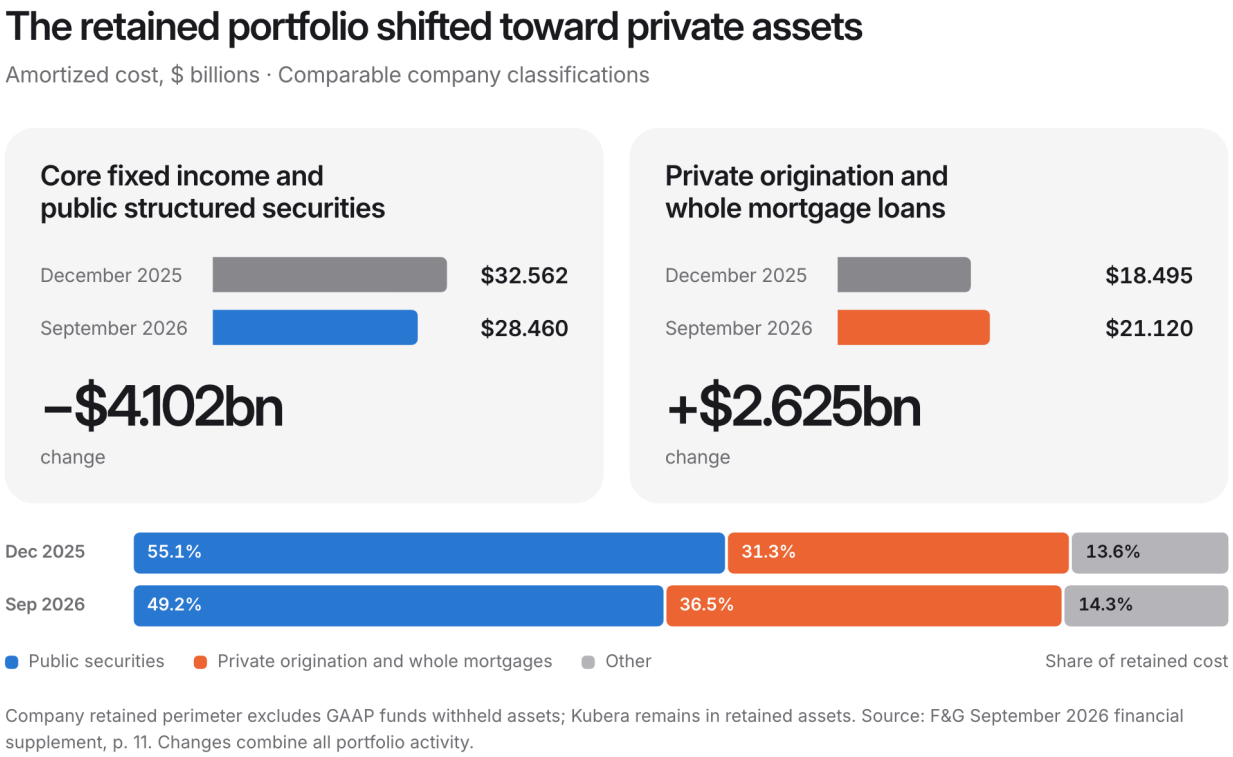
Public securities fell below half of the portfolio

Retained public securities fell **$4.1 billion** at cost in the first nine months of 2026, while private origination and whole mortgages grew **$2.6 billion**. The September supplement shows public securities falling from 55.1% to 49.2% of retained cost and those private categories rising from 31.3% to 36.5%. About $4.7 billion of publicly rated and government bonds sat in the pension separate account at year-end, unavailable as unrestricted retail-annuity liquidity.

Across retained investments, including derivatives and equities, the cost-to-fair-value gap before liability-value offsets widened from $2.729 billion to $5.022 billion. Public corporate and government securities explain $1.218 billion of the $2.293 billion widening.

F&G's watch list screens securities for possible credit losses using prices, ratings and other indicators; structured securities are assessed separately. By September, it contained 154 investment-grade securities with $1.778 billion of amortized cost and $1.112 billion of fair value: a $666 million discount, or 37.5%, with no credit allowance in that table. Of the discount, $663 million related to securities that had been below cost for at least a year. The total watch list grew from 92 securities at year-end to 169.

Nine-month bond sales produced $202 million of gross losses against $29 million of gains on $8.27 billion of proceeds. The separate net recognized fixed-maturity loss was $218 million after specified funds-withheld pass-throughs. In the third quarter alone, $2.17 billion of bond-sale proceeds produced $43 million of net losses, versus $900 million and a $4 million net gain a year earlier.



Retained amortized cost, December 2025 and September 2026. The balances incorporate purchases, repayments, sales and reinsurance changes.

September consolidated Level 3 holdings reached $11.21 billion of asset-backed securities and $3.64 billion of corporate securities. Their marks rely on significant inputs unobservable in active markets. F&G generally receives statements on another $5.15 billion of fund investments one to three months late.

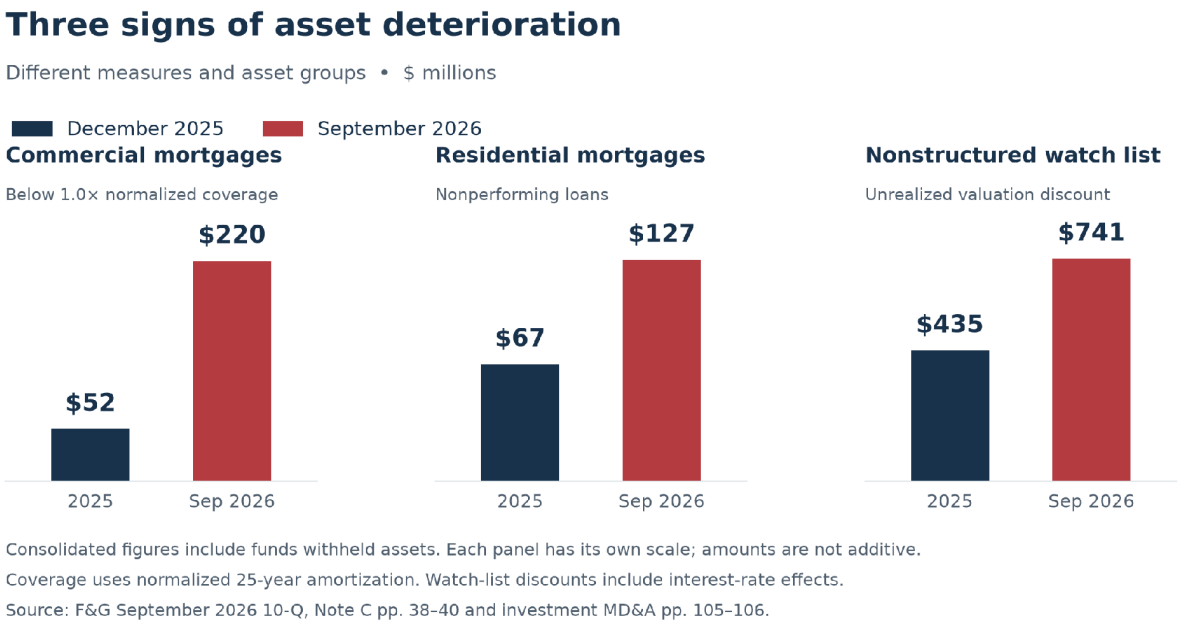
Mortgage coverage weakened as valuation gaps widened

The September investment disclosures show commercial mortgages with normalized debt-service coverage below 1.0 rising from **$52 million at December 2025 to $220 million**. New 2026 loans accounted for $158 million. On the standardized 25-year amortization basis, property income fell short of assumed debt payments.

Average coverage fell from 2.3 to 1.9 times. Office loans rose from $345 million to $524 million. Residential nonperforming loans rose from $67 million to $127 million as the gross book expanded from $4.717 billion to $6.537 billion. Nine-month mortgage provisions reached $34 million, versus $7 million a year earlier.

The combined mortgage carrying-value discount widened from **$442 million to $854 million**: $326 million commercial and $528 million residential. These consolidated figures include funds withheld. The filing separates $9.465 billion of mortgage carrying value outside funds withheld and $781 million inside, without allocating their discounts.

The September retained portfolio held $14.696 billion at cost and $13.552 billion at fair value across CMBS, RMBS, private real-estate origination and commercial and residential mortgages. These assets represented 25.6% of retained fair value and carried a $1.144 billion discount to cost.



F&G September 2026 investment disclosures. December 2025 comparison.

Management's office exposure of 1.8% and software exposure below 5% do not capture leverage or refinancing risk inside the funds F&G finances. Measured against the asset book, those percentages obscure the potential damage to a much thinner capital base. Our December 2025 calculation reaches mandatory control after $3.22 billion of net capital losses, equivalent to 4.9% of FGLIC's general-account assets with capital requirements held fixed. Even that cushion rests on asset marks and reinsurance support we believe overstate the protection available under stress. We consider it misleading to dismiss these exposures as immaterial when losses here could push F&G into regulatory intervention.

Blackstone earns more as F&G takes more private risk

F&G tells investors it has "clean governance with no conflict of interest" and that Blackstone "is not an affiliate." Blackstone selects investments across most of F&G's $56 billion of retained assets under management, earns more on private lending and is connected to two reinsurers holding $3.74 billion of F&G's gross recoverables.

Murphy said: "We pick the neighborhood, Blackstone picks the houses, and we inspect the houses." The investment agreement gives Blackstone discretion within F&G's guidelines and imposes fiduciary duties. F&G bears losses on retained investments; Blackstone earns fees without guaranteeing their returns.

F&G says its credit exposure to Blackstone portfolio companies is only 2% of the retained portfolio. That figure excludes other connections: Fort Greene recoverables rose from $502 million to $1.86 billion, alongside $1.88 billion at Everlake, a combined 58% increase from year-end. A Blackstone-managed fund holds Fort Greene interests, and Blackstone employees exercise Everlake shareholder authority. Everlake's 2025 accounts show $6.98 billion in structures originated, and sometimes managed, by Blackstone Insurance Solutions. F&G increasingly relies on the same network for investment selection and reinsurance.

F&G reinsurance recoverables

Original filing excerpt | Note E, printed page 53 | Figures in USD millions

The following summarizes our reinsurance recoverable (in millions) as of September 30, 2026 and December 31, 2025:

Parent Company/ Principal Reinsurers	Reinsurance Recoverable (a)		Agreement Type	Products Covered	Accounting
	September 30, 2026	December 31, 2025			
Aspida (b)	$ 8,249	$ 8,589	Coinsurance Funds Withheld	Certain MYGA	Deposit
Somerset Reinsurance Ltd. ("Somerset") (c)	6,445	5,071	Coinsurance Funds Withheld	Certain MYGA and deferred annuities	Deposit
			Coinsurance Funds Withheld	Certain FIA	Reinsurance
Everlake Life Insurance Company (“Everlake”)	1,879	1,868	Coinsurance	Certain MYGA (d)	Deposit
Fort Greene Reinsurance SPC Limited ("Fort Greene")	1,861	502	Coinsurance Funds Withheld	Certain FIA	Deposit
Ancient Re	1,642	—	Coinsurance Funds Withheld	Certain FIA and certain MYGA	Deposit
Wilton Reassurance Company ("Wilton Re")	1,011	1,032	Coinsurance	Block of traditional, IUL, and UL (e)	Reinsurance
Other (f)	871	501			
Reinsurance recoverable, gross of allowance	21,958	17,563			
Allowance for expected credit losses	(20)	(18)			
Reinsurance recoverable, net of allowance for expected credit losses	$ 21,938	$ 17,545			

(a) Reinsurance recoverables do not include unearned ceded premiums that would be recovered in the event of early termination of certain traditional life policies.

(b) Includes Aspida Life Re Ltd. and Aspida Re Cayman Ltd. (together, “Aspida”)

(c) The balance represents the total reinsurance recoverable for all reinsurance agreements with Somerset.

(d) Reinsurance recoverable is collateralized by assets placed in a statutory comfort trust by the reinsurer and maintained for our sole benefit.

(e) Also includes certain FGL Insurance life insurance policies that are subject to redundant reserves, reported on a statutory basis, under Regulation XXX and Guideline AXXX.

(f) Represents all other reinsurers, with no single reinsurer having a carrying value in excess of 5% of total reinsurance recoverable.

CALCULATED FROM HIGHLIGHTED ROWS

Everlake + Fort Greene: $3,740m in September 2026; $2,370m in December 2025

September 2026 10-Q, Note E, printed page 53. Fort Greene and Everlake rows highlighted. Original gross and net totals and collateral footnotes retained; the combined amounts beneath the source are a separate calculation.

CFO Mike Bailey said on November 6 that Fort Greene, a reinsurance vehicle funded by outside investors, uses full U.S. statutory reserves, overcollateralization and full risk-based capital without modifications. Fort Greene leaves supporting assets with F&G under funds-withheld coinsurance. F&G’s four-agency table lists no financial-strength rating for Fort Greene, and its filings do not quantify the independently funded capital backing the $1.861 billion claim.

Murphy called the Blackstone model one with “no inherent conflict of interest” on the November 6 call. The signed contract expressly recognizes potential conflicts and divided loyalties involving affiliated brokers. It permits specified cross transactions. The contract leaves F&G to police the conflicts Murphy’s assurance dismisses.

Potential conflicts and the right to revoke authority: section 20(d) and (e)

(d) From time to time, when determined by the Investment Manager to be in the best interest of the Company, the Account may purchase securities from or sell securities to another account (including, without limitation, public or private collective investment vehicles) managed, maintained or trusteed by the Investment Manager or an affiliate at prevailing market levels in accordance with applicable law and utilizing such pricing methodology determined to be fair and equitable to the Company in the Investment Manager's good faith judgment.

(e) Consistent with applicable law, the Company hereby authorizes the Investment Manager to effect securities transactions on behalf of the Account with its affiliated broker-dealers, and understands that such affiliated broker-dealers may retain commissions in connection with effecting any transactions for the Account. The Investment Manager and any affiliated broker-dealers are also hereby authorized, consistent with applicable law, by the Company to execute agency cross transactions on behalf of the Account. Agency cross transactions may facilitate a purchase or sale of a block of securities for the Account at a predetermined price and may avoid unfavorable price movements which might otherwise be suffered if the purchase or sale order were exposed to the market. However, the Investment Manager and its affiliated broker-dealers may receive commissions from, and therefore may have a potentially conflicting division of loyalties and responsibilities regarding, both parties to an agency cross transaction. The Company understands that its authority to the Investment Manager to effect agency cross transactions for the Company is terminable at will without penalty, effective upon receipt by the Investment Manager of written notice from the Company.

Excerpt from original page 12. Later sections omitted. Yellow highlighting added.
FGLIC investment management agreement, October 1, 2024. SEC Exhibit 10.32.

October 2024 investment agreement, sections 20(d) and 20(e). The clauses address other-client transactions and potential divided loyalties involving affiliated brokers. Highlighting added.

The fee schedule pays Blackstone **$14.2 million annually on $1 billion of qualifying new direct-lending assets, versus $0.7 million on public investment-grade securities**. F&G bears retained investment losses. An affiliate of Executive Chairman William Foley received $10.8 million in 2025 tied to those fees: $7.9 million through MVB Management and $2.9 million directly from F&G. The March 2023 letter provides direct payments through March 2033 without an investment-performance hurdle or requirement for new BilCar services.

Other Related Party Transactions

Certain of our subsidiaries are party to investment management agreements *(IMAs)* with Blackstone ISG-I Advisors LLC *(BIS)* pursuant to which BIS is appointed as investment manager of substantially all assets in the general and separate accounts of those entities (the *F&G Accounts*). MVB Management, LLC (MVB Management), an entity that is 50% owned by BilCar, LLC (*BilCar,* which is an affiliate of our Executive Chairman and a director of the Company, William P. Foley, II) receives a participation fee from BIS in connection with assets of F&G and its subsidiaries that are managed by BIS. BIS also receives services from MVB Management. BIS paid MVB Management a participation fee of approximately 15% of certain fees paid to BIS and its affiliates for assets under management *(AUM)* relating to new business AUM *(New AUM)* generated prior to March 31, 2023, and pays MVB Management a fee of approximately 7.5% of certain fees paid to BIS and its affiliates relating to New AUM generated after March 31, 2023, in each case, under the investment management agreements between F&G and BIS. In March 2023, BilCar waived its right to receive any portion of payments made by BIS to MVB Management in respect of such New AUM. Additionally, in March 2023, F&G entered into an agreement with BilCar to pay BilCar the fees that it would have received through MVB Management from BIS over the 10-year period ending March 31, 2033. BilCar received payments totaling $7.9 million from MVB Management in 2025. BilCar received payments totaling $2.9 million from F&G in 2025. F&G is not a party to the agreements between BIS and MVB Management and does not pay, and is not responsible for, any fees paid to MVB Management by BIS thereunder.

F&G 2026 proxy, page 55. BilCar, a Foley affiliate: $7.9m from MVB and $2.9m from F&G in 2025. Cropped and highlighted.

The 2023 amendment links reinsurance selection to those economics. Qualifying third-party flow business can proceed without Blackstone's consent only after a Blackstone-affiliated reinsurer receives a reasonable opportunity and good-faith consideration of a substantially similar combined proposal, including the existing management arrangement.

The first performance-based test for removing Blackstone is March 31, 2029, with additional approval and cure requirements. Blackstone supplies the marks used in that test under F&G's policies. The insurer can terminate on 30 days' notice, but Section 4 of the parent agreement entitles Blackstone to legal damages for a termination that violates that agreement, including incurred costs and lost expected benefits.

Stadium and NFL lending

On the November 6 call, Murphy said the portfolio held "no sports franchises, entertainment venues, or related hospitality properties." FGLIC's 2025 filing lists $19.0 million of stadium and NFL debt, with paydowns in 2026; F&G should clarify whether those positions were exited or excluded from his description. The amount is immaterial to solvency, but management's credibility matters when its broader assurances cover billions of dollars of opaque investments.

Losses in both accounts reach the same capital

FGLIC's June balance sheet held $66.5 billion of general-account assets against $1.38 billion of capital and surplus and $2.17 billion of AVR. Together, those two cushions total $3.55 billion. Credit impairments, forced sales below carrying value and nonadmission of assets can cut that capital. A $1 billion loss retained by FGLIC would consume 28% of that amount; $2 billion would consume 56%. Capital pressure begins before that cushion is exhausted.

Net loss retained by FGLIC	C&S plus AVR consumed	C&S plus AVR remaining
$0.5 billion	14%	$3.05 billion
$1.0 billion	28%	$2.55 billion
$2.0 billion	56%	$1.55 billion

Illustrative recognized losses after taxes, collectible reinsurance recoveries and applicable liability offsets, before new earnings or capital. June 30, 2026 capital and surplus plus AVR: $3.5527 billion. Amounts rounded.

The pension separate account adds another route into that capital. FGLIC's 2025 annual statement reports $8.02 billion of pension assets and says guaranteed payments must come from the general account when investment proceeds fall short. The separate account held $1.13 billion of privately rated investments, including 144 securities also held in the general account. Losses on those securities can weaken both portfolios at once. Any guaranteed shortfall left after separate-account resources and collectible reinsurance falls back on FGLIC.

As of December 31, 2025 and 2024 the Company's Separate Account statements included legally insulated assets of $8,016,960,499 and $6,202,644,138, respectively. The assets legally insulated from the General Account as of December 31, 2025 are attributed to the following products/transactions:

	Separate Account Assets	
Product/Transaction	Legally Insulated Assets	Not Legally Insulated Assets
Group annuities (PRT)	$ 8,016,960,499	$ —
Variable annuities (RILA)	—	45,813,384
Total	$ 8,016,960,499	$ 45,813,384

(3) In accordance with the products/transaction recorded within the Separate Accounts, some Separate Account liabilities are guaranteed by the General Account. (In accordance with the guarantees provided, if the investment proceeds are insufficient to cover the rate of return guaranteed for the product, the policyholder proceeds will be remitted by the General Account.)

FGLIC 2025 annual statement, Note 35, printed page 19.35. Original separate-account asset table and general-account guarantee. Surrounding disclosures omitted; highlighting added.

Reinsurance is therefore central to the loss calculation. FGLIC had ceded $6.3 billion of pension reserves to Cayman at year-end, but still owes the retirees. Cayman's capacity to absorb its share depends on capital supported by permitted accounting. Asset losses can reduce the money available at the same time that scrutiny of those permissions increases the capital F&G must supply.

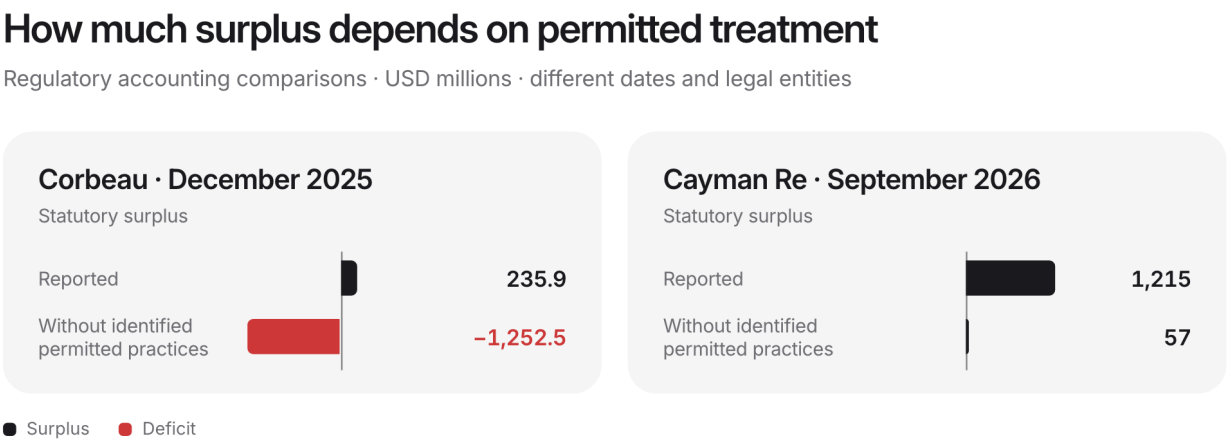
2. How much capital stands behind the investments

At year end the insurer was $266 million above management's capital target

FGLIC ended 2025 with a 433% risk-based capital ratio, leaving $266 million above management's approximately 400% target. September surplus was $991 million, including $169 million of net prescribed and permitted accounting benefits. Regulatory capital also includes the separately recorded asset valuation reserve.

Bank covenant 7.09(c) activates a 300% quarter-end FGLIC floor at qualifying parent debt ratings of BB+ at S&P/Fitch or Ba1 at Moody's, or another specified ratings condition. September senior unsecured ratings were BBB–, BBB– and Baa3, one notch above.

Two reinsurers F&G owns would fail their capital minimums without regulators' permission



Sources: FGLIC audited 2025 statements, Note 3, pp. 44–45; F&G September 2026 10-Q, Note O, pp. 77–78. Amounts are not additive.

Surplus reported by two reinsurers F&G owns, and what remains without their regulators' accounting permissions. Corbeau at December 2025, Cayman at September 2026.

Corbeau: a $1.25 billion deficit without Vermont's permission

FGLIC's Vermont captive, Corbeau, reported $236 million of year-end 2025 surplus. Removing its $1.488 billion permitted accounting benefit leaves a $1.253 billion deficit and capital below the regulatory minimum. September reported surplus was $241 million; F&G repeated the minimum-capital failure without updating the deficit. Corbeau's capital depends on Vermont allowing an excess-of-loss promise to count as an asset.

Corbeau counts $1.489 billion of an excess-of-loss claim on Canada Life's Barbados branch as an admitted asset. The treaty covers up to $2.4 billion through December 31, 2043 to finance reserves F&G considers noneconomic. It fails GAAP's risk-transfer test and receives deposit accounting.

F&G's annual report says the parent "is required to make a capital contribution to Corbeau Re in certain circumstances, including in the event that Corbeau Re's statutory capital and surplus falls below defined levels."

Original audit header and Note 3 · PDF page 44 · printed page 220.43

FIDELITY & GUARANTY LIFE INSURANCE COMPANY

NOTES TO STATUTORY FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 and 2023

(DOLLARS IN THOUSANDS)

NOTE 3: SUBSIDIARIES

Selected original table header

At or for the years ended December 31,	2025	2024	2023

Intervening admitted-asset rows omitted · capital and surplus rows follow

Total capital and surplus:			
FGLICNY	$ 121,975	$ 96,865	$ 86,079
Raven Re	181,530	168,030	139,700
Corbeau Re	235,921	178,219	170,903

Separate excerpt · PDF page 45 · printed page 220.44 · Corbeau paragraphs

Corbeau Re applies two permitted practices to (i) account for the amount equal to the excess of loss amount ("XOL") as an admitted asset on its statutory financial statements and (ii) that the reserves assumed are equal to the reserves ceded by the Company, which include application of IAC 191. The amount of the XOL was $1,488,885, $1,230,234, and $765,187 at December 31, 2025 and 2024, respectively.

Without such permitted statutory accounting practices, Corbeau Re's statutory surplus would be decreased by $1,488,465, $1,230,102 and $765,295 as of December 31, 2025, 2024 and 2023, respectively. Additionally, Corbeau Re's net income would be increased by $365 and $304 and decreased by $108 as of December 31, 2025, 2024 and 2023, respectively.

If Corbeau Re had completed its statutory financial statements in accordance with NAIC SAP, the Company would have reported its investment in Corbeau Re as $0 at December 31, 2025, 2024 and 2023, respectively. Without such permitted accounting practices, Corbeau Re's statutory capital and surplus would have been in a deficit position in 2025, 2024, and 2023 and its risk-based capital would fall below the minimum regulatory requirements.

FGLIC audited 2025 statements, PDF pages 44–45. Cropped pages; omissions marked and highlighting added. Amounts in thousands. Removing $1,488.465m from $235.921m leaves a $1,252.544m deficit. Without the permitted practice, FGLIC would carry its Corbeau investment at zero.

F&G and FNF disagree about whether this captive meets minimum capital without the permissions. F&G's September filing says Corbeau falls below; FNF's says Raven and Corbeau remain above. Both cover September 30, 2026 and December 31, 2025. FNF's June filing said below minimum. September reverses that answer even for the historical December date.

F&G · September 2026 10-Q · Note O · printed page 77

In addition, based on a permitted practice received from the Iowa Insurance Division, FGL Insurance carries one of its limited partnership interests which qualifies for accounting under SSAP No. 48, "*Investments in Joint Ventures, Partnerships and Limited Liability Companies*," on a net asset value per share basis. This is a departure from SSAP No. 48, which requires such investments to be carried based on the investees underlying GAAP equity (prior to any impairment considerations). In addition, the financial statements of Raven Re and Corbeau Re include certain permitted practices approved by the Vermont Department of Financial Regulation. Without such permitted statutory accounting practices, Raven Re's risk-based capital would have been above the minimum regulatory requirements as of September 30, 2026 and December 31, 2025. Without such permitted statutory accounting practices, Corbeau Re's risk-based capital would have fallen below the minimum regulatory requirements as of September 30, 2026 and December 31, 2025.

FNF · September 2026 10-Q · Note M · printed page 53 · separate document

Prescribed and Permitted Statutory Accounting Practices

Certain of F&G's insurance subsidiaries use prescribed or permitted statutory accounting practices that differ from NAIC statutory accounting practices. The aggregate effect of such practices resulted in increases to statutory capital and surplus of $169 million and $249 million at September 30, 2026 and December 31, 2025, respectively. Without such permitted statutory accounting practices, FGL Insurance's risk-based capital would have been above the minimum regulatory requirements as of September 30, 2026 and December 31, 2025. Without such permitted statutory accounting practices, Raven Re's and Corbeau Re's risk-based capital would have been above the minimum regulatory requirements as of September 30, 2026 and December 31, 2025.

Original filing excerpts. Highlighting and source labels added; source text and figures unchanged.

F&G September Note O, page 77 and FNF September Note M, page 53. Cropped filing passages; highlighting added. Both report Corbeau surplus of $241m at September and $236m at December. FNF's 2025 annual report also says below minimum without the practices.

Cayman Re: $57 million of surplus without two permissions

F&G Cayman Re reported $1.215 billion of September surplus, of which only $57 million remained without two permitted practices. Its regulator allows bank letters of credit to count as assets and lower reserves against pension obligations. Together these permissions supply 95% of reported surplus; the filing does not separate their effects.

FGLIC had ceded $6.3 billion of pension separate-account reserves to Cayman at December 2025 while retaining the assets and its obligation to retirees. If Cayman cannot meet its share, FGLIC still owes the pensions.

Cayman holds $225 million of FGLIC surplus notes, transferred January 1, 2025. Payments require Iowa approval and sufficient surplus; the notes rank behind policyholders and other creditors. Cayman's asset is a subordinated claim on the insurer it supports. It disappears on consolidation and provides no outside group capital.

F&G · September 2026 10-Q · Note O · printed page 77

Non-U.S. Company

F&G Cayman Re files financial statements that are prepared in accordance with SAP prescribed or permitted by its regulator, which may vary materially from GAAP. Accordingly, SAP operating results and SAP capital and surplus may differ substantially from amounts reported in the GAAP basis financial statements for comparable items.

F&G Cayman Re has two permitted practices, which have been approved by CIMA. F&G Cayman Re has a permitted practice approved by CIMA to include, as an admitted asset, the value of the letters of credit ("LOCs") acquired to support reinsurance transactions. Also, F&G Cayman Re has a permitted practice, approved by CIMA, for PRT reinsurance transactions to use U.S. statutory book value adjusted for best estimate reserve calculations (consistent with GAAP prior to ASU 2018-12, Financial Services-Insurance (Topic 944), Targeted Improvements to the Accounting for Long-Duration Contracts). These reserve calculations will be subject to annual assumption reviews consistent with other GAAP liability balances. If F&G Cayman Re had not been permitted to calculate PRT assumed reserves using best estimate reserve calculations or include the value of the LOCs as an admitted asset, statutory surplus would be $57 million and $20 million as of September 30, 2026 and December 31, 2025, respectively. Without such permitted statutory accounting practices, F&G Cayman Re's risk-based capital would have fallen below the minimum regulatory requirements as of September 30, 2026 and December 31, 2025.

F&G · Note O · printed page 78 · next filing page

Net income and capital and surplus of our wholly owned Cayman Islands insurance subsidiary under SAP were as follows (in millions):

	Subsidiary (country of domicile)
	F&G Cayman Re (Cayman Islands)
Statutory Net Income (loss):	
For the three months ended September 30, 2026	$ 18
For the three months ended September 30, 2025	(19)
For the nine months ended September 30, 2026	$ 7
For the nine months ended September 30, 2025	—
Statutory Capital and Surplus:	
September 30, 2026	$ 1,215
December 31, 2025	1,134

The prescribed and permitted statutory accounting practices have no impact on our unaudited Condensed Consolidated Financial Statements, which are prepared in accordance with GAAP.

Original filing excerpts. Highlighting and source labels added; source text and figures unchanged.

F&G September 2026 10-Q, Note O, pages 77–78. Cropped disclosure and surplus table; highlighting added. The $57m removes both practices.

Pension sponsors identified in public filings

F&G's pension customers include retirees from Unisys, Newmont, US Foods and Huntington Ingalls. Employer disclosures identify 29 pension sponsors; 27 report transfers totaling approximately $6.1 billion. F&G reports $9.4 billion of cumulative pension transfers through June 2026.

Largest employers identified, by amount transferred to F&G

Employer	Transferred to F&G	When
Unisys	About $1,035m	2023 to 2025
Newmont	$525m	2022
US Foods	$414m	October 2024
Huntington Ingalls Industries	$390m	November 2023
Daimler Truck North America	$358m	November 2025
Ricoh USA	$302m	2021 and 2022
thyssenkrupp North America, Budd plan	$263m	May 2025
Smith & Nephew	$245m	January 2024
Takeda, Baxalta plan	$235m	March 2025
Centrus Energy and USEC	$224m	May 2024

Amounts are from each plan's Form 5500, filed with the Labor Department, or from company filings. Unisys is the sum of four transfers it announced. F&G's total is at June 30, 2026.

Reinsurance can send the bill back to F&G

The assets F&G holds back include $1.1 billion of first-loss interests

Bailey said on November 6 that for most reinsurance partners F&G holds assets equal to statutory reserves plus 3% to 4% overcollateralization. Yet FGLIC's year-end general-account funds-withheld pool included $1.110 billion of first-loss interests, without allocation by reinsurer. First-loss assets sit inside the protection management invokes. F&G has not shown how losses on those assets would affect each treaty's cushion. If support fails, FGLIC still owes the policies.

At December 2025, Fort Greene's withheld balance matched credit and other debits within one dollar. At Kubera, the Bermuda reinsurer with FGLIC's largest year-end reserve credit, the excess after other credit balances was $23 million, or 0.18% of its withheld balance. Schedule S does not report the treaties' contractual collateral margins.

ANNUAL STATEMENT FOR THE YEAR 2025 OF THE FIDELITY & GUARANTY LIFE INSURANCE COMPANY

SCHEDULE S - PART 4

Reinsurance Ceded to Unauthorized Companies

Selected original rows and columns; omissions are marked. USD, no scaling of filed amounts.

Cayman: filed reserve credit and letter of credit

3	4	8	9
Effective Date	Name of Reinsurer	Total (Cols.5+6+7)	Letters of Credit
10/01/2023	F&G Cayman Re Ltd.	390,114,660	401,818,100

Columns 5 to 7 and 10 to 15, plus other rows, omitted from this panel.

Kubera and Fort Greene: filed credit, withheld funds and miscellaneous credit

3	4	8	12	14
Effective Date	Name of Reinsurer	Total (Cols.5+6+7)	Funds Deposited by and Withheld from Reinsurers	Miscellaneous Balances (Credit)
12/31/2018	Kubera Insurance (SAC) LTD. Acting in Respect of Annuity Reinsurance Cell A1	12,514,315,594	12,541,340,293	(4,045,876)
08/01/2025	Fort Greene Reinsurance SPC Limited Segregated Portfolio No. 1	545,472,089	545,472,088	

Columns 5 to 7, 9 to 11, 13 and 15, plus other rows, omitted from this panel.

Source: FGLIC 2025 annual statement, Schedule S Part 4, printed page 46 (PDF page 331).

FGLIC 2025 Schedule S Part 4, printed page 46, PDF page 331. Selected rows and columns; omissions marked and highlighting added. Amounts in dollars.

The May 2026 funding-note memorandum describes quarterly collateral tests for the intended Fort Greene arrangement using statutory carrying values, reserves and overcollateralization requirements. Lower market prices alone need not trigger replenishment. FGLIC can therefore hold collateral worth less on sale than its reported value.

F&G sold its Bermuda reinsurer and kept a $1.6 billion claim on it

F&G sold its Bermuda reinsurer to Ancient Financial Holdings on March 1, 2026. The reinsurer was renamed Ancient Re and removed from F&G's consolidated accounts. F&G took a 19.9% limited-partnership stake in the buyer as part of the price and a $1.642 billion gross reinsurance claim at September. The buyer owns both Ancient Re and its asset manager, Ancient Capital. Blackstone kept the existing indexed-annuity asset

mandate; Ancient manages the new reinsured fixed-rate annuity business. F&G's 10-Q now describes Ancient Re as no longer a related party, while FGLIC's statutory filings call it one. In our view, the transaction strengthens F&G's narrative of independent reinsurance while preserving substantial ownership, credit and asset-management ties. F&G lists no financial-strength rating for Ancient from the four agencies in its table and does not disclose how much independently funded post-sale capital backs the claim.

Before the sale, a $376 million permitted adjustment supplied 81.7% of Ancient's $460 million statutory surplus by removing the fair-value effect of a funds-withheld derivative. Its audited accounts show $84 million of GAAP equity and state that the reinsurer received none of the sale proceeds. The group reported $88 million of net sale proceeds during the first nine months, with the initial cash consideration received by FGLIC.

Ancient Re: the capital before the sale

F&G Life Re Ltd. 2025 audited accounts | Printed pages 33 and 35

F&G Life Re Ltd

Notes to Financial Statements (continued)
(Expressed in USD Thousands)

11. Statutory Requirements (continued)

[Intervening text omitted]

For the years ended December 31, 2025 and 2024, the BMA approved a permitted practice for the Company to use accounting practices different from those prescribed by the BMA. As a result, the Company has elected to remove the effect of the Financial Accounting Standard 133 DIG Issued B36 ("DIG B36"). This permits the Company to not measure the embedded derivative included within its funds withheld coinsurance agreements at fair value. The following table summarizes the impact of this permitted practice.

	December 31, 2025	December 31, 2024
Total GAAP Shareholder's Equity (Deficit)	84,286	122,713
Permitted Practice - Removal of DIG B36 Embedded Derivative	376,015	503,407
Non-Admitted Assets (1)	—	—
Statutory Capital and Surplus	460,301	626,120

(1) Non-admitted assets arose which are not admissible for the statutory capital and surplus.

The sale proceeds went to the seller

14. Subsequent Events (continued)

On March 1, 2026, the Company's parent, FGLIC, completed the expected sale of the Company, to Ancient Financial Holdings, LP ("Ancient"), an unrelated third party. After the sale, the Company was renamed Ancient Re Ltd. ("Ancient Re") and will not be considered a related party to FGLIC. The sale was a transaction between FGLIC and Ancient. The Company did not participate in the transaction and did not receive any proceeds from the sale.

[Remainder of page omitted]

Original source excerpts. Highlighting added. Figures expressed in USD thousands.

F&G Life Re Ltd. 2025 audited accounts, printed pages 33 and 35. The pre-sale SFS capital reconciliation and sale-proceeds disclosure. Original excerpts retain dates, headings and units; omissions marked and highlighting added.

Iowa can turn regulatory concern into a capital demand

Iowa Insurance Commissioner Doug Ommen publicly questioned Cayman's transparency in his April Financial Times interview: **"We do have concerns about it. It's just not as transparent."** On October 26, the NAIC's Financial Condition Committee directed work on capital requirements approximating domestic recapture for

reinsurance ceded to non-reciprocal jurisdictions. Its memorandum identified "a serious and urgent solvency concern that requires immediate, direct action." Its sector analysis found comparatively riskier assets supporting generous guarantees at approximately 70% of life insurers ceding to those jurisdictions. The company-level findings remain confidential. In our view, F&G's reliance on Cayman capital relief puts it squarely in the path of this regulatory tightening: $6.3 billion of pension separate-account reserves ceded at year-end 2025, with 95% of Cayman Re's September 2026 surplus dependent on permitted accounting.

Iowa has powers it can use at FGLIC now. After a hazardous-condition determination, it can order additional capital and surplus, restrict dividends and limit investments. It can also require actuarial corrections and corresponding reserves. The Cayman Islands Monetary Authority's approval of Cayman Re's accounting does not prevent Iowa from protecting the Iowa insurer.

A regulator can also take a permission back. After PHL Variable entered rehabilitation in 2024, Connecticut discontinued the permitted practices at PHL and its captives, including one that counted an excess-of-loss agreement as an asset. The shortfall grew from $900 million to $2.1 billion, and the rehabilitator named the lost permissions as one of three main causes.

If Iowa acts on these concerns, it should require F&G to support its captives' surplus without these accounting permissions before approving another capital withdrawal. Replacing the disclosed Cayman and Corbeau benefits while holding their reported standalone surplus constant requires $2.65 billion under our scenario. That is a funding requirement before additional investment losses, using the two entities' separately disclosed reporting dates.

Scope of accounting benefit replaced	Disclosed measurement date	Capital replacing the benefit, $m
Cayman alone	September 2026	1,158
Corbeau added	December 2025	1,488
Cayman plus Corbeau	Separately dated figures above	2,646

Cayman's amount is its $1.215 billion reported surplus less $57 million without the two practices. Corbeau's audited net benefit is $1.488 billion. The Cayman letter of credit and Corbeau XOL claim are already reflected in those adjustments.

The replacement scenario would force a capital raise before any further markdown of private assets. The parent's available funding and contractual commitments are set out in Part 5.

Rule changes already on the calendar

On November 15 the NAIC's life capital working group is due to consider exposing proposal 2026-17-L, which would add a capital charge, drafted at 4.81%, on reinsurance ceded outside reciprocal jurisdictions. The Cayman Islands is outside them. Draft minutes in the meeting materials record Iowa's representative saying that "permitted-practice assets, letters of credit, and similar items should not be recognized."

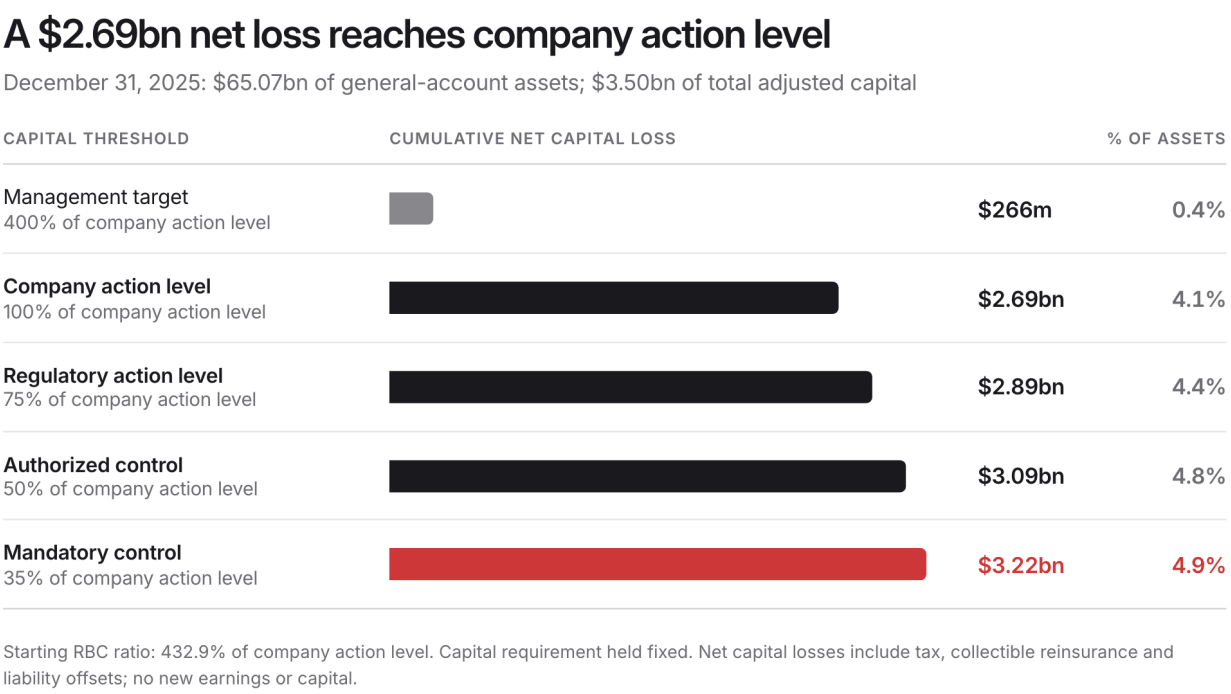
Bailey says F&G cedes 80% of pension risk transfer business to Cayman because U.S. rules leave what he called "redundant reserve." Recapture under VM-22, the NAIC's new reserve standard for annuities, would put the capital requirement back at the domestic insurer.

The 2026 Valuation Manual provides a three-year implementation period and mandatory prospective application from 2029. An NAIC exposure draft covers moving existing contracts onto it by 2031 or 2032.

Debt that fails the NAIC bond definition can move to Schedule BA's lower-of-cost-or-fair-value treatment. We believe many of F&G's private-asset marks, including reported "fair values," remain well above prices buyers would pay. Reclassification would put those marks under renewed scrutiny, creating a catalyst for writedowns that shrink admitted assets and statutory surplus, alongside higher capital charges.

FGLIC's December 2025 capital figures put company action level just $2.69 billion of net capital losses away, equivalent to 4.1% of its general-account assets. Another $404 million reaches authorized control, where Iowa can take control of the insurer. The mandatory-control threshold is $3.22 billion of net capital losses, or 4.9%

of assets. Higher capital charges bring these thresholds closer. Iowa can seek court-ordered rehabilitation earlier if continued business is financially hazardous.



FGLIC 2025 annual statutory statement, printed page 22, lines 21, 30 and 31. Total adjusted capital includes AVR. Iowa Code 521E.1 and 521E.3–6. Negative-trend tests can require action earlier; mandatory control permits up to 90 days' deferral where recovery is reasonably expected.

3. Withdrawals can force the asset losses into the open

Retained annuity payouts have exceeded deposits for five straight quarters

Five consecutive quarters of retained annuity outflows have taken $2.7 billion of funding out of F&G's investment book. More than a quarter of retained annuity account value carries surrender charges below 6%.

F&G's September surrender schedule puts **$2.524 billion beyond surrender charges** and **$8.955 billion, or 26.8%, below a 6% charge**, within $33.382 billion of retained fixed-rate and indexed annuity account value. The contracts also permit limited charge-free withdrawals, typically after the first year; for fixed indexed annuities, usually 10% of the prior-year account value.

F&G Annuities & Life, Inc.
Financial Supplement - September 30, 2026

Annuity Liability Characteristics

Surrender Charge Percentages:	September 30, 2026 Fixed Rate Annuities Account Value	Indexed Annuities Account Value
No surrender charge	$ 357	$ 2,167
0.0% < 2.0%	26	499
2.0% < 4.0%	94	1,800
4.0% < 6.0%	807	3,205
6.0% < 8.0%	2,154	5,372
8.0% < 10.0%	2,051	8,315
10.0% or greater	—	6,535
	$ 5,489	$ 27,893

Original page 15. Blank horizontal space omitted; highlighting added.

F&G September 2026 supplement, page 15. Highlighted balances total $8.955bn with surrender charges below 6%. The $33.382bn account base is net of reinsurance and excludes pension obligations and funding agreements. Blank space omitted; highlighting added.

The retained account rollforward shows $2.066 billion of deposits against $3.954 billion of withdrawals, deaths and other benefits over nine months, a $1.888 billion funding outflow. Both fell year over year, but incoming deposits contracted faster. F&G ceded 53% of third-quarter sales to outside reinsurers, against 34% a year earlier, and nine-month fixed-rate annuity sales fell about 90%. Less new money is reaching the business F&G retains.

Murphy says asset and liability cash flows are well matched. We expect withdrawals to accelerate faster than F&G can collect or sell its private assets, and forced sales to clear well below reported marks. The shift out of public securities makes that mismatch more dangerous.

F&G reports 4.5 years of asset duration against 4.8 years for liabilities. That measures interest-rate sensitivity, not cash available when customers leave: floating-rate loans and reinvesting vehicles can keep principal committed for years. F&G should disclose the city vehicles' reinvestment end dates and redemption rights so investors can test accelerated withdrawals.

We expect easier comparisons to weaken the customer inertia insurers have relied on. Large language models let advisers quickly compare the present value of staying with surrender proceeds after penalties, market-value adjustments and lost benefits. An adviser-led loss of confidence is the most destructive threat to F&G's matching assumptions: one adviser can reassess many clients at once. We expect departures on a scale management's historical experience would treat as exceptional. F&G's own risk disclosures connect ratings deterioration with lost distribution and increased surrenders.

PHL's court-supervised rehabilitation restricted policy payments and transactions. We expect the risk of losing access to retirement money to outweigh modest exit costs for more customers as F&G's financial arrangements receive attention.

The result would be a cycle of withdrawals, forced sales and further losses of confidence. Discounted asset sales consume common equity and reduce the protection behind the claims of remaining policyholders and funding-agreement creditors.

A $736 million profit that F&G's own measure puts at $96 million

F&G reported $736 million of third-quarter profit for common shareholders. Its own adjusted measure shows $96 million. The adjusted figure removes a $652 million pretax gain from revaluing what F&G owes its customers, including $297 million from the annual actuarial review and other refinements.

Bailey linked the review to faster departures and said F&G had "trued up our surrender assumptions." Higher expected surrenders reduce the recorded cost of the index credits it owes on indexed annuities, considered alone. F&G books that benefit immediately; actual departures drain cash and remove future income.

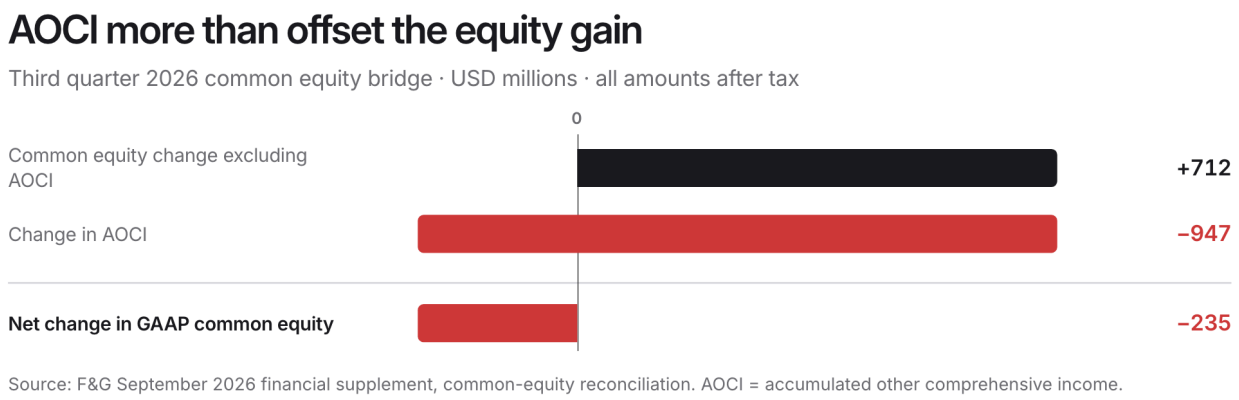
Despite the headline profit, GAAP common equity fell $235 million to $4.124 billion. Equity excluding accumulated other comprehensive income rose $712 million, overwhelmed by a $947 million deterioration in AOCI, which includes investment marks and specified insurance-liability effects.

We exclude surrender fees to assess continuing earnings: exit charges boost today's profit as customers leave, eroding the annuity earnings base and potentially forcing asset sales below book value. Removing surrender-charge income at the same 21% marginal tax rate cuts F&G's quarterly adjusted common earnings by 51%, against 5% at Lincoln, with associated costs unchanged. The nine-month reductions are 48% and 5%.

Earnings sensitivity to surrender fees

Third quarter 2026, $ millions	F&G	Lincoln
Reported adjusted common earnings	96	339
Surrender-charge income, pretax	62	23
Common earnings after fee removal	47	321
Reduction	51%	5%

Same 21% marginal tax assumption; associated costs held unchanged. Lincoln includes annuity, life and retirement fees. Its reported earnings include a $95 million after-tax assumption-review charge; excluding that charge reduces its fee sensitivity to 4%.



Q3 2026 common-equity reconciliation: +$712m excluding AOCI, offset by a $947m AOCI decline, leaves a $235m fall in GAAP common equity.

Reported equity already includes substantial liability gains

September equity already includes substantial gains from revaluing insurance liabilities. Those identified benefits cannot be credited again against losses already reflected in the same balance sheet. Further asset stresses must also recognize any new liability offsets.

F&G carries $3.974 billion of deferred acquisition costs and $1.102 billion of deferred sales inducements. Faster departures bring amortization forward while removing future policy income. Its deferred-tax valuation allowance rose from $38 million at year-end to $67 million in September, leaving $124 million of net deferred-tax assets. The stress table shows the capital consequences if its assumed tax relief is unavailable.

Four stresses can push FGLIC into regulatory control

The asset cuts below produce $3.21 billion of losses before tax while leaving $23.48 billion of retained investments unchanged. With a full 21% tax offset and all those losses recognized at FGLIC, the modeled capital ratio falls from 433% to 119% of company action level. Adding the specified reinsurance shortfall, withdrawal sales and higher capital requirement takes it to 25%, below the 35% mandatory-control threshold.

The portfolio is F&G's September 2026 retained investment book; the capital reference is FGLIC's December 2025 total adjusted capital and requirement. Software and office dollar allocations are explicit assumptions. The matrix varies the share of portfolio losses attributed to and recognized in FGLIC capital after remaining liability offsets and statutory treatment.

Asset stress assumptions

September 2026 retained investments · USD millions · assumed cuts from amortized cost

EXPOSURE	BALANCE	HAIRCUT	PRETAX LOSS
Software[1]	2,000	15%	300
Other private corporate lending	4,316	5%	216
Office[1]	1,000	25%	250
Other commercial property	6,477	10%	648
Residential mortgages and RMBS	7,219	5%	361
Public CLO notes	3,571	5%	179
Other public ABS	1,093	5%	55
Private infrastructure	2,240	5%	112
Private consumer finance	1,078	10%	108
Private commercial finance	577	10%	58
Other private origination	741	15%	111
Alternative funds and equity	4,071	20%	814
Total modeled asset loss			**3,211**

Unchanged investments: $23,481m. Full 21% tax offset reduces the modeled loss to $2,536m.

[1] Software and office dollar balances are assumptions, carved out of the reported categories. Software is included within private corporate lending; office is within CMBS, private real estate and CML. Residual interests and city structures remain inside their asset categories; no underlying exposure is added again.

Source: F&G September 2026 financial supplement, page 11. Haircuts and sector allocations are research assumptions.

Additional assumptions in the combined case

Additional stress	Assumption	Modeled effect
Corbeau reinsurance	Full settlement at December 2025 balances; recover 50% of the $1.489bn XOL asset.	$744m loss before tax
Surrender funding	After other cash sources and contractual offsets, a $3bn cash gap forces sales at an additional 5% discount to already-stressed asset values.	$158m loss before tax
Regulatory capital	Company action capital required rises 25%, net of covariance, runoff and other offsets.	$202m more required capital

Individual stresses and the combined outcome

Illustrative RBC as % of company action level · December 2025 FGLIC capital base · columns vary the share of after-tax portfolio losses recognized in FGLIC capital

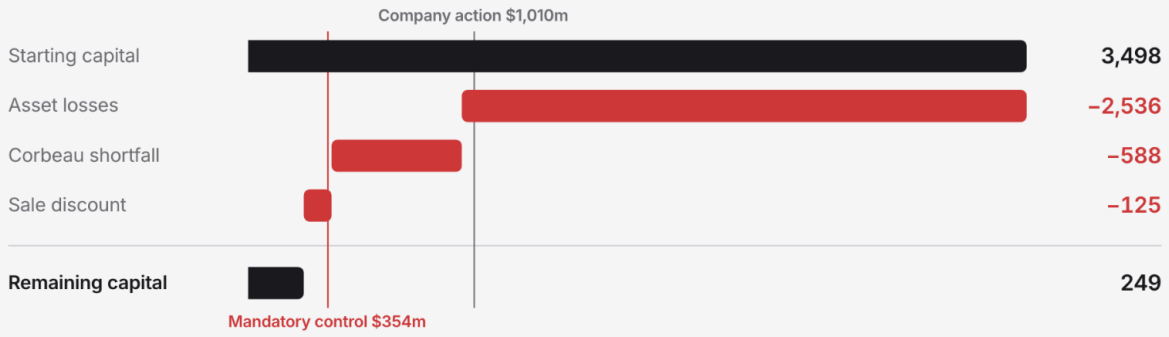
	50% RECOGNITION	75% RECOGNITION	100% RECOGNITION
No stress	433%	433%	433%
Assets only	276%	198%	119%
Corbeau settlement only	360%	360%	360%
Withdrawal sales only	417%	417%	417%
Capital requirement +25% only	346%	346%	346%
Assets + Corbeau	203%	125%	46%
Add withdrawal sales	188%	109%	31%
All four stresses	150%	87%	25%

At or above the 400% target · Below target · Below company action, 100% · Below authorized control, 50% · Below mandatory control, 35%

Thresholds on CAL basis: company action 100%, regulatory action 75%, authorized control 50%, mandatory 35%. Full 21% tax offset in every cell. Corbeau and additional sale losses are fully recognized in each column. With no usable tax offset, the combined case at 75% asset recognition falls to 19% of CAL.

Combined capital bridge at 100% asset recognition

USD millions. With the 25% increase: company action capital $1,010m; mandatory-control capital $354m.



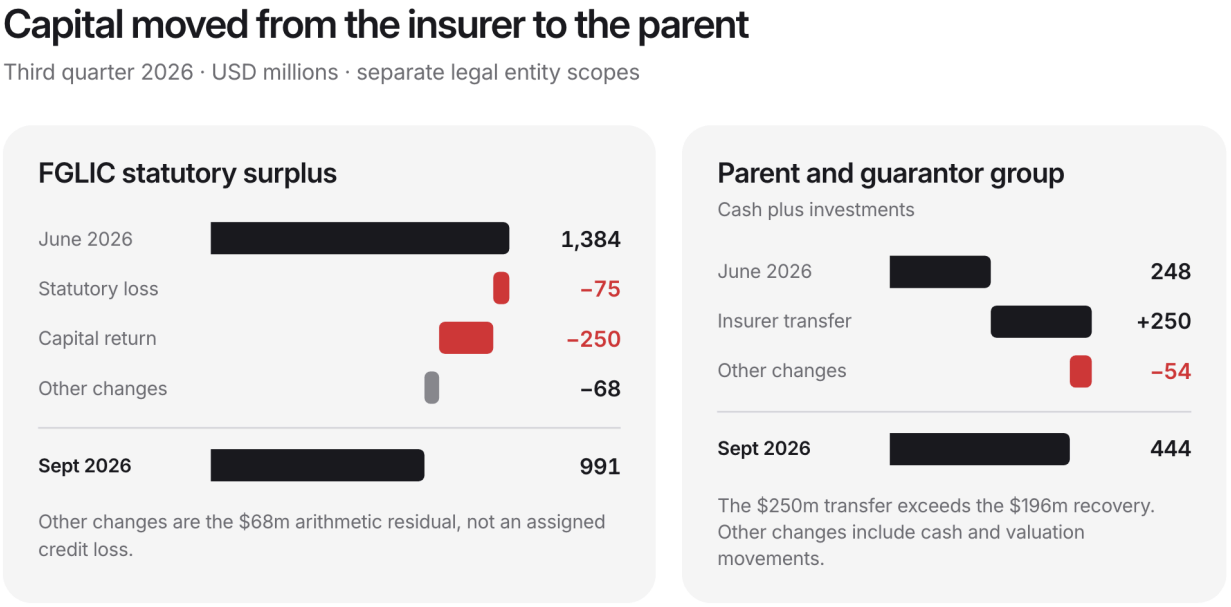
The +25% requirement raises the threshold lines; it is not deducted from capital as another loss.

Author calculations. FGLIC 2025 statutory annual, printed page 22; Corbeau settlement balances in Note 10N and Schedule S. Every column assumes full recognition of the Corbeau and sale losses, a fully usable 21% tax offset, and no new earnings or capital. Capital requirements rise in the denominator; neither withdrawal principal nor the $2.65bn permission-replacement scenario is added as a loss.

At 75% asset-loss recognition, the combined ratio is 87%, below company action level. Without usable tax relief, that case falls to 19%. Additional reserve strain, letter-of-credit replacement demands and derivative collateral calls remain outside the calculation.

4. F&G took $250 million out of an insurer that was losing money

Where the $250 million went



Sources: F&G June 2026 10-Q, Notes O and guarantor information; September 2026 10-Q, pp. 76–78 and 112. Rounded values.

FGLIC's statutory surplus and the parent borrowing group's cash and investments, Q3 2026. The $68m and $54m residuals capture other movements in the respective filing reconciliations.

FGLIC lost $75 million in the third quarter and returned $250 million to its owners. The parent borrowing group's cash and investments rose $196 million to $444 million; without that transfer, they would have fallen $54 million.

FGLIC surplus and the cash transfer. USD millions, rounded

Movement	Third quarter 2026	Nine months 2026
Opening statutory surplus	1,384	1,735
Statutory net loss	(75)	(159)
Approved cash return of capital	(250)	(250)
Other changes, residual	(68)	(335)
Closing statutory surplus	991	991

FGLIC surplus: June Note O and September Note O, pages 76–78.

The nine-month residual includes a $413 million addition to the asset valuation reserve, or AVR, in the first half. The AVR is a reserve against investment losses, and it counts toward the regulatory capital ratio.

The insurer had no ordinary dividend capacity

FGLIC had zero ordinary dividend capacity for 2026. Iowa separately approved the capital return. We asked the office of Iowa Insurance Commissioner Doug Ommen how it assesses F&G's capital and reliance on captive support, including permitted practices. The Division has engaged with our inquiry but had provided no substantive answers as of November 11, 2026. Meanwhile, F&G paid $235 million to shareholders in nine months: $112 million in dividends and $123 million in treasury-stock purchases. Its November 5 authorization permits another $100 million of discretionary repurchases.

F&G · September 2026 10-Q · Note O · printed page 76

Our principal insurance subsidiaries' audited statutory financial statements are based on a December 31 year end. Statutory net income for the three and nine months ended September 30, 2026 and 2025, and statutory capital and surplus as of September 30, 2026 and December 31, 2025, of our wholly owned U.S. regulated insurance subsidiaries, were as follows (in millions):

	Subsidiary (state of domicile) [a]			
	FGL Insurance (IA)	FGL NY Insurance (NY)	Raven Re (VT)	Corbeau Re (VT)
Statutory Net income (loss):				
For the three months ended September 30, 2026	$ (75)	$ 3	$ 7	$ (19)
For the three months ended September 30, 2025	(13)	1	8	(70)
For the nine months ended September 30, 2026	$ (159)	$ 7	$ 22	$ (80)
For the nine months ended September 30, 2025	(216)	7	28	(168)
Statutory Capital and Surplus:				
September 30, 2026	$ 991	$ 127	$ 178	$ 241
December 31, 2025	1,735	122	182	236

(a) FGL NY Insurance, Raven Re and Corbeau Re are subsidiaries of FGL Insurance, and the columns should not be added together.

Dividends and return of capital

The insurance laws of Iowa regulate the amount of dividends that FGL Insurance may pay in any year. For the nine months ended September 30, 2026, FGL Insurance did not pay any ordinary dividends to its parent, Fidelity & Guaranty Life Holdings, Inc. ("FGLH"), and FGL Insurance's maximum ordinary dividend capacity for 2026 is $0. During the third quarter of 2026, upon approval by the Iowa Insurance Division, FGL Insurance paid $250 million in cash to FGLH as a return of capital, approximately $249 million of which was ultimately received by FGAL.

Original filing excerpts. Highlighting and source labels added; source text and figures unchanged.

September 2026 10-Q, Note O, printed page 76. The table and paragraph show the $75m statutory loss, $991m surplus, zero ordinary dividend capacity and approved $250m capital return. Source labels and highlighting added; amounts are millions.

Iowa approved the return under rules requiring financial statements and disclosure of its effect on surplus. We believe it should stop further distributions under this capital structure. Next year's threshold will depend on year-end surplus and operating results, while counting distributions over the preceding twelve months.

5. Who can fund the repair

The parent owes $159 million of interest a year

The parent borrowing group held $444 million of cash and investments at September. Another $950 million was undrawn debt: $750 million from banks and $200 million from FNF. Spending all $444 million and drawing both facilities to fund the $2.65 billion permission-replacement scenario would still leave $1.25 billion to raise and increase parent debt by $950 million.

Annual coupons implied by September debt total $159 million, including $27 million on $375 million of junior notes. Interest on the junior notes can be deferred for up to five consecutive years absent continuing default, but compounds; dividends and buybacks generally become restricted, subject to exceptions.

The $900 million to $1 billion of annual capital generation management cites is largely spoken for. Its allocation puts $600 million to $700 million back into new business and assigns about $300 million to the parent. Under the current capital structure, annual debt coupons and preferred dividends absorb $176 million of that budget, leaving roughly $125 million before other parent cash flows or capital repair. At the current share count, the $0.26 quarterly common dividend alone costs about $136 million a year, absorbing more than that remaining allocation. The preferred converts to common shares in January 2027, eliminating its dividend while increasing the common share count.

We expect weaker insurer capital to constrain remittances and force the parent to choose among dividend cuts, more debt and dilution.

The parent has pledged its own money behind the reinsurance

F&G must reimburse drawings on the $150 million Nomura letter of credit supporting Raven Re, another reinsurer it owns in Vermont, if Raven fails to pay. The facility expires October 1, 2027, subject to earlier termination. The $150 million Raven-related trust recorded by FGLIC is part of the same financing, not additional independent protection.

Cayman's first executed keepwell caps payments at $700 million. Its ratings-purpose agreement runs until covered obligations are satisfied, without a monetary cap in that duration provision. Both have short funding deadlines, no third-party enforcement rights and no double recovery.

Kubera's executed 2021 agreement allows trust withdrawals to consume a note funded by F&G after applicable XOL payments and issuer equity. Those withdrawals reduce the parent's remaining asset.

FNF's $200 million facility is already included in available borrowing and ends early if the bank facility terminates. Any additional support would require a new commitment. As controlling shareholder, FNF could negotiate terms that leave public shareholders with little value.

F&G is exploring strategic alternatives for Peak Altitude, its distribution businesses. Sale proceeds equal to the approximately $700 million invested would cover only 26% of the capital replacement scenario. Management includes Peak in its annual capital-generation estimate, so a sale would also surrender part of that income.

We assign no rescue value to FNF's ownership or Blackstone's fee income. A Blackstone equity investment would create the cross-ownership management now emphasizes it avoids. A rescue needs new capital at the insurer; refinancing the parent alone leaves that need unmet.

6. What shareholders and creditors stand to recover

The path to zero common equity

Our downside case is a recapitalization that keeps F&G's insurers operating while transferring their value away from current shareholders. Regulatory capital requirements and support obligations force F&G to seek financing before common book equity reaches zero.

September common book equity was $4.124 billion against $52.842 billion of retained investments. Further retained losses of 1% and 5% would consume $528 million and $2.642 billion, respectively.

Additional net retained loss	Loss before offsets	Common book equity before offsets	Book equity per existing share
1%	$528m	$3,596m	$27.46
3%	$1,585m	$2,539m	$19.39
5%	$2,642m	$1,482m	$11.32
About 7.8%	$4,124m	Approximately zero	Approximately zero

Additional retained asset losses after contractual protection, before tax benefits, liability-value offsets, financing costs and dilution. The starting equity already incorporates September's recorded marks.

At the November 11 closing price of $24.80, F&G traded at 79% of reported common book equity. The stress table shows how quickly additional retained losses consume that book value; recapitalization terms determine what remains for existing shareholders.

Ambac cancelled its old common stock in its 2013 restructuring while its insurance subsidiary stayed out of the bankruptcy. The insurer passed to new shareholders.

F&G already commands a premium on reported adjusted earnings. At the November 11 closing prices, its shares traded at 7.8 times trailing adjusted common earnings, compared with 5.0 times at Jackson and 5.3 times at Lincoln. In our view, that premium gives shareholders little compensation for the capital and asset risks documented here.

Valuation against Jackson and Lincoln

November 11, 2026 close	F&G	Jackson	Lincoln
Share price	$24.80	$139.44	$42.56
Trailing adjusted common earnings, $ millions	414	1,846	1,537
Market value / trailing adjusted common earnings	7.8x	5.0x	5.3x

Trailing earnings equal fourth-quarter 2025 plus the first nine months of 2026. Market value uses each issuer's latest reported common shares outstanding. Reported adjusted earnings definitions and product mixes differ. Sources: F&G quarterly series, Jackson year-end results, Lincoln year-end results; September filings linked above.

The parent's notes rank behind every claim on the insurers

We expect holders of the parent's unsecured notes to take losses if insurer capital demands restrict the cash available for debt service. Noteholders have no pledged collateral and no direct claim on the insurers' assets. Repayment depends on cash the parent can obtain from subsidiary distributions, investment income, asset disposals and financing. The senior ratings sit one notch above high yield.

The market asks little for that risk. On November 6 the parent's notes due 2029 yielded 6.35% in an iShares bond fund's holdings. The insurer's own funding notes due 2029, which rank beside policyholders, yielded 5.63%. F&G's fair-value table puts the parent's notes at 95% of their carrying amount, down from 102% in December.

No insurer owes or guarantees the notes. F&G's $2.27 billion of notes are owed by the parent, and the senior notes are guaranteed by holding companies whose accounts exclude the insurers. F&G's filing calls the parent "a holding company with no operations of its own." At September the group held $444 million of cash and investments against notes carried at $2.24 billion. Apart from its ownership of the insurers, its largest asset was $1.67 billion of goodwill, and on its own it lost $97 million in nine months.

The parent's $1.895 billion of senior notes have only $375 million of junior debt beneath them. FNF's $250 million of preferred stock is expected to convert into common shares on January 15, 2027, adding no cash. If asset recoveries cannot cover senior obligations, equity and junior debt are wiped out and senior creditors share the remaining loss.

Guarantor Financial Information

Our 7.40% F&G Senior Notes, 6.50% F&G Senior Notes, 6.250% F&G Senior Notes and 7.95% F&G Senior Notes are fully and unconditionally guaranteed on a senior, unsecured, unsubordinated basis, jointly and severally, by each of our existing and future direct and indirect subsidiaries that are guarantors of our obligations under the credit agreement (collectively, the "obligor group"). Refer to Note L - *Notes Payable* of the unaudited Condensed Consolidated Financial Statements in Part I - Item 1 of this Quarterly Report on Form 10-Q for further information regarding these borrowings.

Set forth below is summarized unaudited financial information of the obligor group, as presented on a combined basis (in millions). Intercompany transactions and balances within the obligor group have been eliminated. In addition, financial information of any non-guarantor subsidiaries, which would normally be consolidated by either F&G or the guarantors under GAAP, has been excluded from such presentation.

	Nine months ended September 30, 2026	Year ended December 31, 2025
Summarized Statement of Operations:		
Total revenues	$ 12	$ 23
Total expenses	128	178
Income tax benefit	(19)	(31)
Net loss	$ (97)	$ (124)

Summarized Balance Sheet:	September 30, 2026	December 31, 2025
Investments	$ 104	$ 393
Cash and cash equivalents	340	127
Goodwill	1,674	1,725
Due from non-guarantor affiliates	73	53
Other assets	38	38
Total assets	$ 2,229	$ 2,336
Notes payable	$ 2,240	$ 2,237
Other liabilities	137	152
Total liabilities	$ 2,377	$ 2,389

Original filing excerpt. Highlighting and source label added; source text and figures unchanged.

F&G September 2026 10-Q, Guarantor Financial Information, printed page 112. The companies that owe and guarantee the senior notes: nine-month net loss, investments, cash, goodwill, notes payable and total liabilities highlighted. Source label and highlighting added; amounts are millions.

Debt service depends on subsidiary cash and capital transactions. From 2022 through 2025, the parent received $59 million of subsidiary cash dividends while contributing $1.88 billion and issuing $2.27 billion of notes. In 2026, FGLIC returned $250 million of capital, of which approximately $249 million reached the listed parent. Cash can also arrive through CF Bermuda and directly from Cayman Re, subject to capital and distribution constraints. Those channels tie debt service to the insurance capital under pressure.

Debt maturities compete with insurer capital needs. The parent owes $159 million of annual interest, faces a November 2027 bank-facility expiry and must repay $500 million of notes in January 2028 and $550 million in June 2029. There were no new borrowing proceeds in the first nine months of 2026. Future debt service and insurer support draw on subsidiary transfers, existing liquidity, asset sales and any new financing.

Moody's investment grade rating rests on FNF. F&G's September ratings table lists senior unsecured debt at BBB− from S&P and Fitch and Baa3 from Moody's, each the lowest investment grade. Moody's says the insurer's rating "reflects its Baa1 standalone credit profile and one notch of support from" FNF, and it rates the parent three notches below the insurer. On October 26 it changed its outlook to negative, citing "increased uncertainty about the extent to which FNF will continue to provide support." Remove that notch and the same arithmetic puts the parent's notes at Ba1, a high yield rating.

FNF owes the noteholders nothing. FNF guarantees none of the notes. It distributed about 12% of F&G's shares to its own shareholders on December 31, 2025. F&G's annual report says FNF "is not obligated to, may choose not to, or may not be able to provide financing or make capital contributions to us now or in the future."

F&G runs its capital at the agencies' downgrade lines. Moody's list of what would bring a downgrade includes "more aggressive capital actions or the NAIC RBC ratio (company action level) declining below 400%." Management's target for that ratio is "approximately 400%." Fitch's list, published in October 2025, includes "Financial leverage in excess of 25%." Management's leverage target is "approximately 25%." Ten days after Moody's release, F&G authorized another $100 million of share buybacks.

Downgrades raise the parent's interest bill. The 2029 notes' terms increase their coupon by 0.25 percentage points if S&P cuts the notes to BB+ and another 0.25 points if Fitch does so. Each step adds about $1.4 million of annual interest on $550 million outstanding. Further downgrades raise the coupon again, up to a combined two-percentage-point increase.

The same cut arms the bank covenant. Once any agency rates the parent's senior debt below investment grade, the bank agreement requires the Iowa insurer's capital ratio to stay at or above 300% at every quarter end. On year-end figures a $1.07 billion fall in the insurer's capital reaches that floor. A miss lets the lenders cancel the $750 million line, and FNF's $200 million line ends when the bank line does.

Holders of an insurance parent's notes have been paid in stock before. Conseco's parent filed for bankruptcy in December 2002, seven weeks after its Texas insurers agreed to pay it no dividends without the regulator's approval. Its insurers stayed out of the bankruptcy. Holders of the parent's senior notes were paid in new stock.

F&G's prospectus says Iowa would likely seek the parent's assets for policyholders. In an Iowa proceeding over the insurer, the prospectus for the notes says, "insurance regulatory authorities would likely seek to use our assets to pay the claims of policyholders of FGL Insurance. This would adversely affect our ability to make payments due under the notes." Iowa's liquidation order puts policyholders and funding agreements second and the insurer's owner ninth, behind FGLIC's $225 million of surplus notes. Secured lenders such as the Federal Home Loan Bank take their collateral before any of them.

Insurer and parent creditors have separate claims

Claims inside FGLIC	Claims at the listed parent
Secured creditors take their collateral. Protected pension-account assets back that account's obligations.	Parent creditors rely on parent assets, designated noninsurance guarantees and cash reaching the parent.
General estate: administration claims come first; policyholders and qualifying funding agreements rank in Class 2. A pension-account shortfall also enters Class 2.	Senior notes and bank claims rank ahead of subordinated junior notes. No insurer guarantees the parent notes.
After intervening creditor classes, surplus notes rank in Class 8 and ownership in Class 9. Only residual insurer value reaches its owner.	Common shareholders receive the residual after parent creditors and FNF's preferred stock, which is expected to convert into common shares on January 15, 2027.

Iowa liquidation priorities; F&G parent guarantees and debt. FGLIC ownership connects two legal estates. Insurer assets first support insurer claims; parent creditors depend on cash or residual value reaching the parent. Funding agreements share Class 2 rank but receive no guaranty-association coverage.

Funding-note holders rank beside policyholders with no lien on the investments

Funding-note investors lend through a trust that buys funding agreements from FGLIC. Each series is secured by its agreements, but investors have no direct lien on FGLIC's investments. Their underlying claims rank beside policyholders in Iowa Class 2, behind prior claims and secured collateral rights. They receive no insurance guaranty-association coverage.

DESCRIPTION OF CERTAIN TERMS AND CONDITIONS OF THE FUNDING AGREEMENTS

This section provides an overview of certain terms and conditions of the Funding Agreements. This overview is not complete and investors should read the detailed provisions of the Funding Agreements. Capitalized terms used in this overview have the same meanings as those used in the Funding Agreements unless the context otherwise requires.

[Intervening text omitted]

The Issuer will purchase one or more Funding Agreements that are supported solely by the general account of F&G, and not by any separate account (each, a "**Funding Agreement**"). Under the terms of a Funding Agreement, F&G will deposit the proceeds received from the Issuer for the purchase of the agreement into its general investment account, or the general account.

Amounts held in the general account are pooled and invested by F&G in accordance with applicable insurance laws. In the aggregate, general account assets support F&G's obligations under all of its general account insurance contracts, and are not segregated for the exclusive benefit of any particular policy or obligation. General account assets are also available to F&G for the conduct of routine business activities, such as the payment of dividends and business expenses.

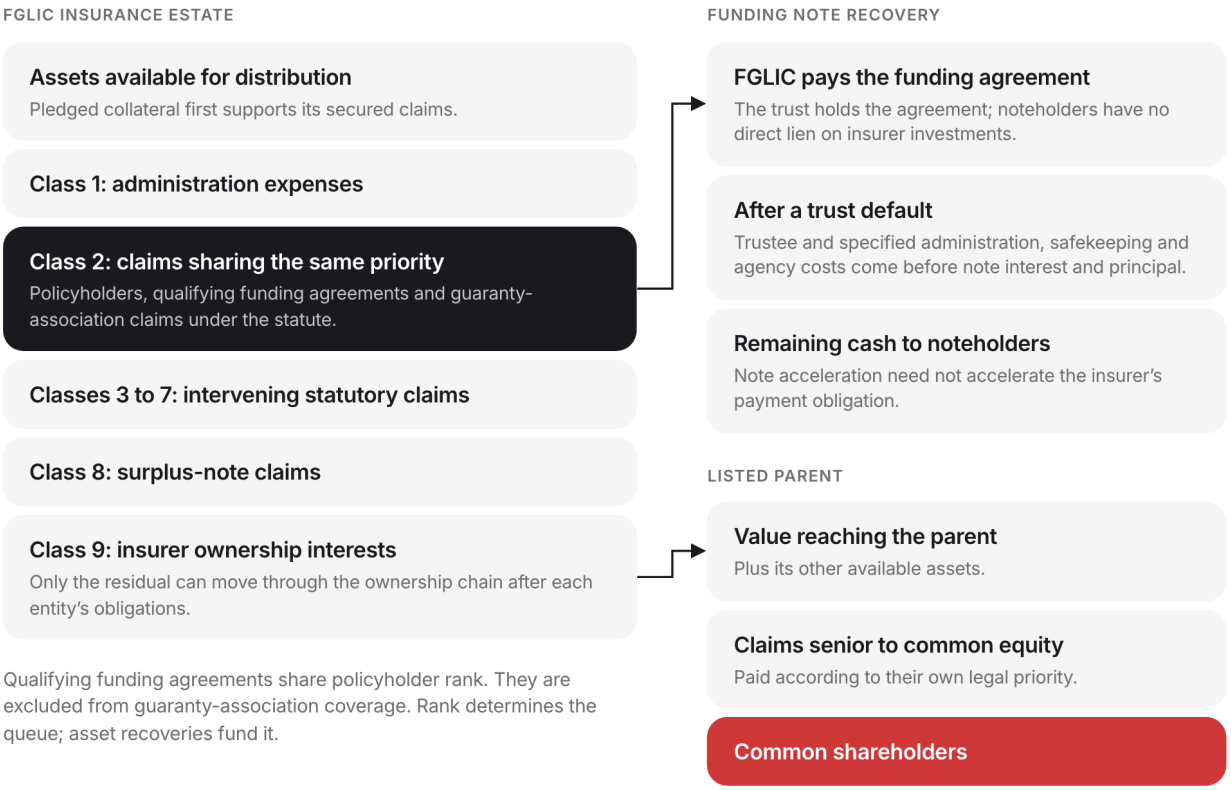
Original May 2026 offering memorandum, printed pages 157 and 158. Highlighting added.
F&G in these source paragraphs means Fidelity & Guaranty Life Insurance Company.

May 2026 offering memorandum, printed page 158. The disclosure describes pooled general-account assets and their availability for dividends and business expenses. Highlighting added; intervening text omitted as marked.

At September, $5.670 billion of investments secured $3.582 billion of FHLB obligations. FHLB liabilities rose $684 million from December; funding-note liabilities fell $47 million to $3.288 billion. The pledged assets were unavailable for general purposes under the collateral arrangement.

Claims ahead of F&G common shareholders

The insurer and the listed parent have separate creditors. Funding-note investors must also collect through a separate trust.



Simplified order under Iowa Code 507C.42 and 508.31A; secured claims under 507C.41. Trust terms: May 2026 offering memorandum. Actual distributions depend on collateral, claims, setoff and court administration.

Simplified insurer, trust and parent recovery paths. Iowa's liquidation order and funding-agreement statute determine insurer rank; the offering memorandum determines the trust's payment mechanics. Pledged collateral and statutory exceptions affect the distributable estate.

Specified trust expenses precede note payments after default. Notes can accelerate while funding agreements remain payable later. Each series relies on its own collateral, with no automatic cover from another series, FNF or the listed parent.

The proposed Fort Greene arrangement leaves FGLIC responsible and requires quarterly collateral replenishment. The memorandum warns that a reinsurer default could reduce assets available for funding agreements.

Apollo CEO Marc Rowan, whose group owns competing Athene, asked on November 3: "Why would we want a third party taking undue risks where the industry itself pays the bill?" He criticized fee growth achieved through lower insurance capital requirements.

F&G's funding-note investors share policyholders' liquidation rank after shareholders have received distributions and managers have collected fees. Iowa should require stressed asset, cash-flow and collateral calculations before approving another capital withdrawal.

A covered F&G policyholder shortfall would pass costs to other insurers through guaranty-association assessments. Iowa allows premium-tax offsets of 20% annually for five years, potentially reducing state revenue. Funding notes receive no direct guaranty coverage but share the insurance estate.

The FHLB holds $5.7 billion of collateral ahead of them

Funding liabilities before reinsurance, $m	December 2025	September 2026
Funding-agreement-backed notes	3,335	3,288
FHLB funding agreements	2,898	3,582
Combined	6,233	6,870
Investments pledged to FHLB, fair value	4,621	5,670

What to watch

November 15, 2026. FGLIC's September statutory statement is due. It will show the insurer's capital and its asset valuation reserve at September.

December 31, 2026. The new CLO capital factors apply at year end. FGLIC's year-end surplus and 2026 operating result set its 2027 distribution threshold.

January 15, 2027. The preferred stock FNF holds converts into common shares.

Any quarter. A further capital return from FGLIC needs Iowa's approval. F&G authorized another $100 million of buybacks on November 5.

Ratings. F&G's September senior-debt ratings sit at the lowest investment grade, and Moody's outlook is negative. A qualifying parent debt downgrade activates the bank agreement's quarterly 300% capital test. A cut of the 2029 notes to BB+ by S&P or Fitch also increases their coupon.

FNF. FNF reduced its stake by distributing F&G shares to its own shareholders at the end of 2025. A further reduction would test the support Moody's counts.

NAIC. On November 15 the life capital working group considers exposing a charge, drafted at 4.81%, on reinsurance ceded outside reciprocal jurisdictions.

October 1, 2027. Raven's $150 million Nomura letter of credit terminates.

November 22, 2027. The $750 million bank facility matures.

2028 and 2029. $500 million and $550 million of senior notes mature.

Questions for F&G and Iowa

1. Will F&G publish the city vehicles' rating agencies, private letters, loan tapes and complete issued capital structures? How does capital on its combined holdings, after reinsurance, compare with holding the underlying assets directly?
2. What does BilCar do for the payments F&G has agreed to make through March 2033?
3. F&G's filing says Corbeau falls below its minimum capital without Vermont's permission. FNF's filing for the same dates says it stays above. Which is correct, and what was Corbeau's deficit at September 30?
4. How much independently funded capital stands behind Fort Greene's $1.861 billion and Ancient Re's $1.642 billion of obligations to F&G?
5. How much loss can the $1.110 billion of first-loss interests among the assets F&G holds for its reinsurers absorb before the 3% to 4% cushion management cites is gone?
6. How much of the third quarter's $652 million liability benefit came from assuming that more customers will surrender their policies?
7. How much of management's $900 million to $1 billion annual capital-generation estimate can reach the parent after funding replacement business and required capital? How much would remain after a sale of Peak Altitude?
8. Why did F&G's Iowa insurer return $250 million of capital in a quarter in which it lost $75 million and had no capacity to pay an ordinary dividend?

9. Will Iowa require F&G to back its captives' reported surplus with capital that needs no accounting permission before it approves another withdrawal from the insurer?
10. FGLIC needed Iowa's approval to send its parent $250 million this year. If Iowa declines the next request, what pays the parent's $159 million of annual interest and the $500 million and $550 million of notes due in 2028 and 2029?

Supporting evidence and calculations

City borrowers and repayment dates

Public loan agreements identify SOLV Energy's borrower subsidiary and BioCryst as shared borrowers of the city vehicles. SOLV's January 2025 schedule assigns $1.462 million of incremental loan commitments across 18 city lenders; BioCryst's January 2026 agreement omits the individual commitments. These agreements identify borrowers, not the complete loan pools or all capital issued by the vehicles.

All 108 city note positions list December 15, 2039 maturities. Yet BioCryst's January 2026 loan agreement, signed by city lenders, matures in January 2031. F&G should disclose when underlying repayments reach the insurer and how long a manager can reinvest them inside these structures.

City capital-factor calculation

Capital factors applied to unchanged December 2025 holdings and grades, before company-level adjustments. USD millions. Residual factor: 45%. Thin-tranche surcharge excluded.

December 2025 holdings held constant	2025 gross factor amount	2026 gross factor amount	Increase
Notes: $3,462.366m book	$45.619m	$164.228m	$118.609m
Residuals: $617.574m book	$277.908m	$277.908m	$0
Combined: $4,079.940m book	$323.528m	$442.136m	$118.609m
Gross amount as a share of book value	7.93%	10.84%	2.91 percentage points

Tree structures and the New York transfer

F&G's exposure extends across both insurers. Iowa and New York directly held $159.680 million of notes across BXDR II, Alder, Beech, Cottonwood, Dogwood, Elderberry, Fir and Greywood at December 2025. New York held classes A1, A2, B and C; Iowa held those classes plus $34.023 million of D, E and F notes. Splitting the holdings between subsidiaries leaves the junior exposure inside F&G. The two insurers recorded another $176.630 million of gross acquisitions during the first half of 2026. Their March and June schedules identify private letter ratings for securities carrying insurer-assigned designations at year-end.

Iowa's 2025 Schedule BA also records $7.625 million of "BXDR II Topco LP Interest" transferred to "NY Sch D," New York's bond schedule, on December 19, 2025. Both insurers' cash-flow disclosures reconcile to that amount. F&G should disclose the replacement securities and the capital calculation before and after this restructuring.

PineBridge's ratings sit above ccc+ loans

F&G's New York insurer owns investment-grade PineBridge III notes backed by a loan portfolio KBRA assessed at ccc+. At December 2025, it held $9.995 million of Class A and B notes and $2.800 million of residual equity in the same feeder. The $12.796 million combined position equaled 10.5% of New York's statutory surplus. F&G supplies part of the first-loss capital protecting its own rated notes.

KBRA's June 5, 2026 upgrade cited stable performance, credit enhancement and revised methodology weightings. Its ccc+ assessment of the underlying loans was unchanged. KBRA warned that the loans have little or no trading market and sale proceeds can differ materially from assigned values.

Schedule D: Class A and Class B notes

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1	2	3	4	8
CUSIP Identification	Description	Re-stricted Asset Code	NAIC Desig-nation, NAIC Desig-nation Modifier and SVO Admin-istrative Symbol	Book/ Adjusted Carrying Value
[intervening rows omitted]				
72305*-AA-9	PineBridge III, A SOFR 3.25 - ABS	.....	.. 1.G FE ..	6,870,054
72305*-AB-7	PINEBRIDGE PRIVATE CREDIT III PARALLEL RFF, L.P. -	.....	.. 2.C FE ..	3,125,374

Schedule BA: residual in the same feeder

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1	2	12
CUSIP Identi-fication	Name or Description	Book/ Adjusted Carrying Value Less Encum-brances
[intervening rows omitted]		
000000-00-0 .	PineBridge Private Credit III Parallell RFF, L.P.	2,800,457

F&G New York's 2025 annual statement, Schedule D and Schedule BA, original PDF pages 61 and 23. The highlighted rows show $9.995 million of notes and $2.800 million of residual equity. Selected columns and rows are spliced; intervening content is omitted. Highlighting added.

Named public-bond disposals

Three first-half sales of NAIC 1 bonds crystallized $6.124 million of losses. FGLIC sold Apple, UBS and Pfizer to Barclays and Citadel for $49.716 million against $55.841 million of carrying value.

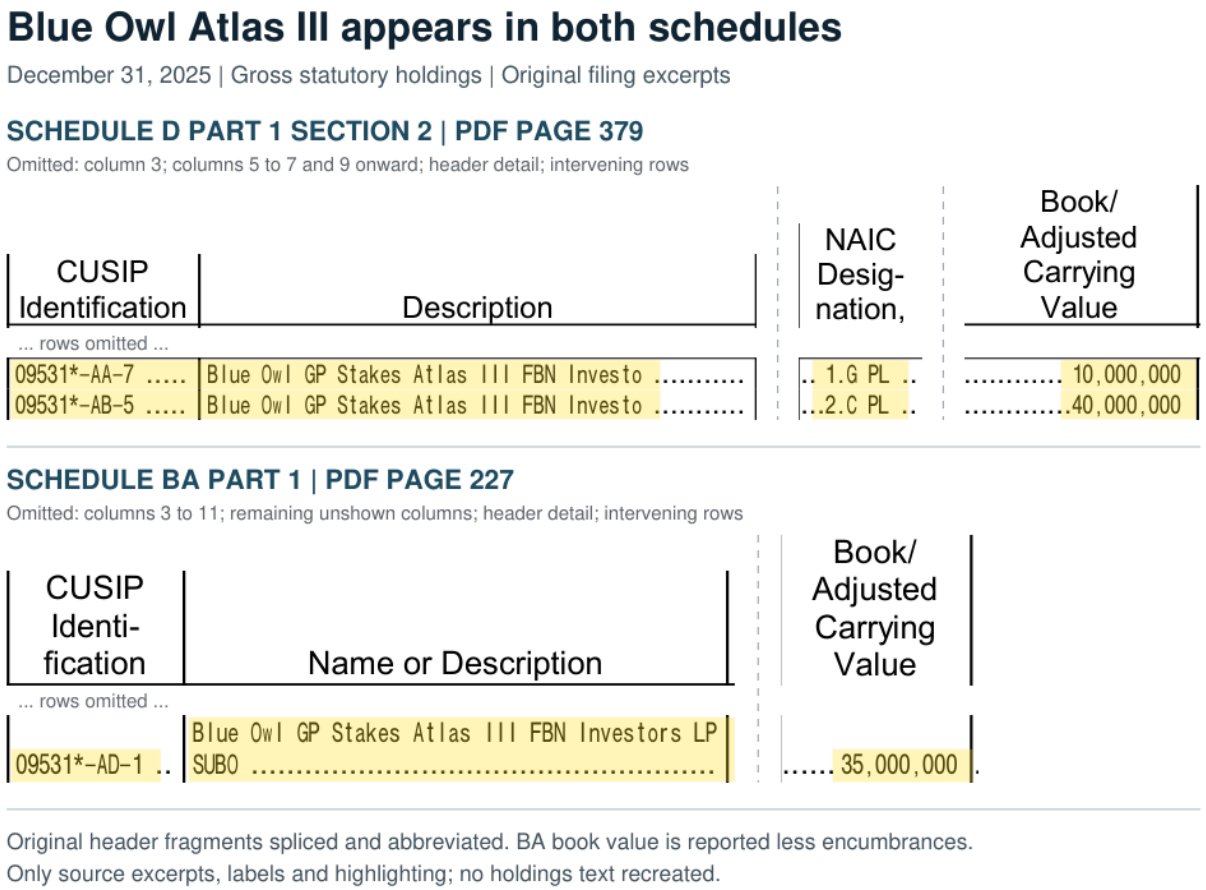
Selected actual sales	Date in 2026	Proceeds, $m	Book value, $m	Realized loss, $m
Apple · 037833AL4	May 5	19.158	20.352	1.195
UBS · 902613AE8	May 5	26.019	29.645	3.625
Pfizer · 717081EC3	May 20	4.540	5.844	1.304

FGLIC June 2026 Schedule D Part 4, pages 580, 589 and 588.

Single positions that dominate their categories

Blue Owl Atlas III

The formal equity-backed category contained $68.938 million at December 2025: $50 million of Blue Owl Atlas III notes and $18.938 million of Coller positions. Atlas's notes carried 1.G PL and 2.C PL. A separate **$35 million Atlas residual brings FGLIC's combined holding to $85 million**.



FGLIC December 2025 holdings, PDF pages 379 (Schedule D) and 227 (Schedule BA). Atlas III: $50m notes plus $35m residual, totaling $85m gross book. Headers abridged; omissions marked; highlighting added. BA values are less encumbrances.

Breck and Treaty Oak

FGLIC placed **$375 million in Breck SPV preferred stock** on December 30, 2025: 63.2% of its $593.377 million preferred-stock book. Reported fair value was $378.338 million. The related-party disclosures describe redeemable preferred stock, a nonvoting interest above 10% and a written agreement.

Treaty Oak is a trust FGLIC owns whose only assets are residential mortgages. FGLIC carries its stake as $4.4 billion of common stock, two and a half times its own year-end surplus.

Treaty Oak Mortgage Trust carried $4.401441 billion in general-account common stock. The subsidiary disclosure reports 100% ownership and $4.708359 billion of value; the separate-account note assigns $306.918 million to an insulated account.

Treaty Oak statutory ownership bridge at December 2025	USD millions
Subsidiary value	4,708.359
Less separate-account beneficial interest	(306.918)
General-account common-stock holding	4,401.441

The audit identifies residential mortgages as Treaty Oak's only assets. Loans carrying $1.670460 billion, with $1.571968 billion fair value, were pledged against FHLB funding-agreement liabilities at December 2025.

Original audit header · PDF page 45 · printed page 220.44

FIDELITY & GUARANTY LIFE INSURANCE COMPANY

NOTES TO STATUTORY FINANCIAL STATEMENTS

DECEMBER 31, 2025, 2024 and 2023

(DOLLARS IN THOUSANDS)

Intervening paragraphs omitted · original Treaty Oak disclosure and table

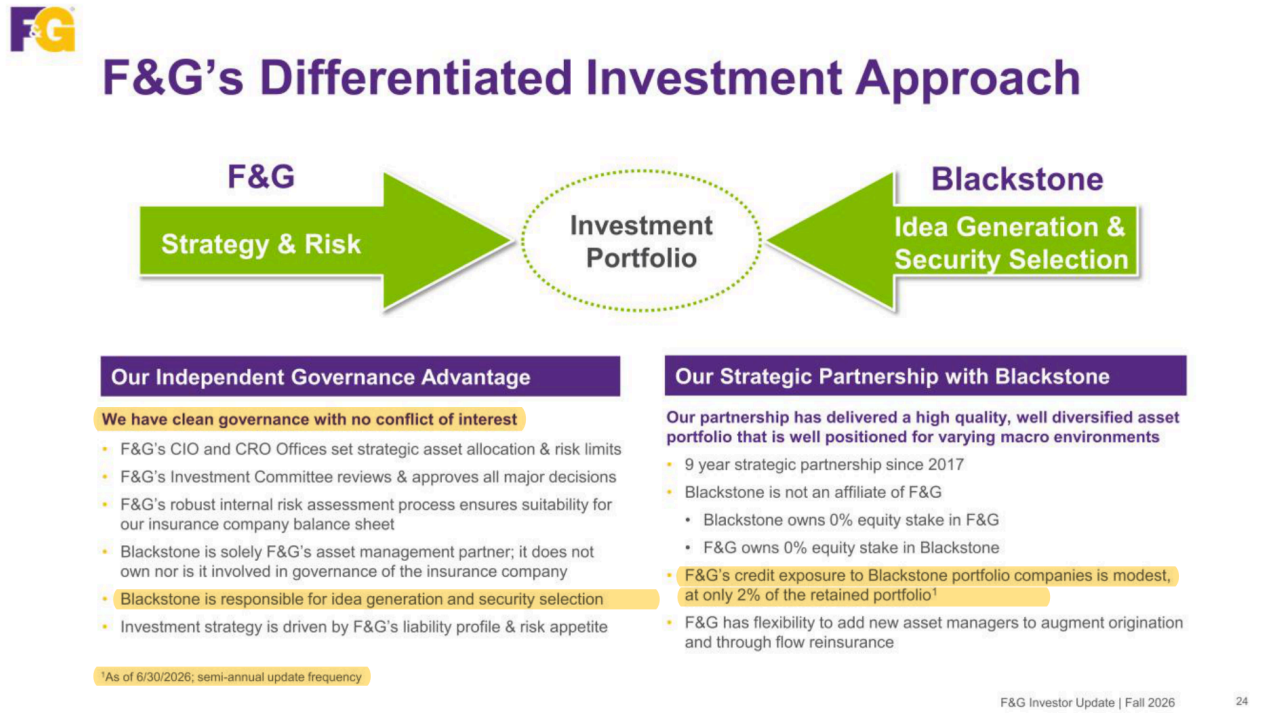
Treaty Oak Mortgage Trust, a wholly-owned non-insurance subsidiary, holds the Company's residential mortgage loans ("RMLs") in trust. There is no other type of asset held in the trust. The Company pledged RMLs held in the trust with the FHLB to be used as collateral to secure the FHLB funding agreement liabilities. The carrying value of the pledged RMLs as of December 31, 2025, 2024, 2023 was $1,670,460, $1,193,138, and $758,870, respectively, and the fair value of the pledged RMLs as of December 31, 2025, 2024, 2023 was $1,571,968, $1,052,060, and $668,414, respectively.

The GAAP financial information of Treaty Oak Mortgage Trust is summarized as follows:

At or for the years ended December 31,	2025	2024	2023
Assets	$ 4,724,518	$ 3,033,388	$ 2,827,287
Equity	4,708,359	3,291,500	2,817,106
Net income (loss)	183,739	136,411	92,311

FGLIC audited 2025 statutory accounts, Note 3, PDF page 45. Treaty Oak mortgage backing and pledged loans. Amounts in thousands. Intervening text omitted as marked; highlighting added.

Blackstone presentation and connection inventory



F&G Investor Update, Fall 2026, slide 24. F&G claims no conflict of interest, says Blackstone is not an affiliate, and puts credit exposure to Blackstone portfolio companies at 2% of the retained portfolio as of June 30, 2026. Highlighting added.

Economic connection	Disclosed scale	What the amount measures
Asset selection	Most of $56bn retained AUM	Management mandate; November 6 call
Blackstone Wave Asset Holdco	$605m at September 2026	Consolidated investment carrying value; fund SPV
18 structures with a Blackstone subsidiary as GP	$4.080bn at December 2025	$3.462bn notes plus $618m residuals; gross FGLIC holdings
Fort Greene and Everlake	$3.740bn at September 2026	Gross reinsurance recoverables; 17.0% of the total

The chairman's affiliate receives payments tied to Blackstone's fees

BilCar owns half of MVB Management, which receives about 15% of certain Blackstone fees on older F&G business and 7.5% on business generated after March 31, 2023.

The March 2023 payment agreement permits assignment to Foley family members and their estate-planning vehicles. F&G's audit committee approved it on March 10, 2023.

Audit chair Douglas Ammerman and member John Rood had been appointed in November 2022. Both also sit on FNF's board, chaired by Foley. The 2026 proxy discloses their minority stakes in the Foley-led owners of the Vegas Golden Knights and AFC Bournemouth; the board nevertheless classified them as independent.

Former F&G chief executive Christopher Blunt ran Blackstone Insurance Solutions in 2018. He remains an F&G director and heads its Peak Altitude distribution subsidiary. Conor Murphy succeeded him as F&G's CEO on June 30, 2026.

The first test for removing Blackstone on performance comes in March 2029

The 2023 amendment makes performance-based removal of Blackstone depend on portfolio underperformance, a separate asset-class failure, CEO approval, a two-thirds vote of specified unaffiliated directors and a cure period. The first five-year rolling measurement date is March 31, 2029.

Commercial mortgages are excluded from the overall test; their separate benchmark compares origination yields with comparable loans. Some categories lacked benchmarks or required agreement. The contract permitted exclusions covering up to 7% of March 2023 subject assets. F&G can suffer losses without meeting the removal conditions.

The submanager agreement also continues specified fees on unliquidated assets after a Blackstone sub-manager is terminated, until the applicable investment-management agreement ends.

Blackstone's reach into assets and reinsurance

The Iowa agreement gives Blackstone investment discretion. Prior written approval is required only for securities lending and repos, derivatives, and investments Iowa law does not explicitly authorize. For ordinary bonds and loans, F&G relies on its own additional review.

1. Discretion within fiduciary duties: section 1

1. Appointment of Investment Manager. On the terms and subject to the conditions set forth herein, the Company hereby appoints the Investment Manager as investment manager of the Account with discretionary authority to manage the investment and reinvestment of the funds and assets of the Account in accordance with the terms hereof, such discretion to be exercised at all times and in all circumstances in accordance with the Investment Manager's fiduciary duties to the Company (subject to the limitations of liability set forth in Section 2(c) and Schedule 3 hereto), and the Investment Manager accepts such appointment. In the course of providing the services contemplated by this Agreement, the Investment Manager shall act as a fiduciary and shall discharge its fiduciary duties and exercise each of its powers under this Agreement with the care, skill and diligence that a registered investment adviser under the Investment Advisors Act of 1940, as amended, acting in a like capacity and familiar with insurance company matters, would use in the conduct of a like enterprise with like aims, taking into consideration the facts and circumstances then prevailing, and such fiduciary duties shall specifically include a duty (a) to act with good faith; (b) of loyalty to Company; (c) to provide full and fair disclosure of all material facts; (d) to employ reasonable care to avoid misleading Company; and (e) to act in a manner consistent with the Investment Guidelines for the Account as agreed to between Investment Manager and Company.

2. Express prior approval categories: Schedule 1, section D

D. **Certain Investments:** Notwithstanding anything to the contrary in the Iowa Code, the following types of investment shall require prior written approval from the Company:

i. Securities lending, repurchase, reverse repurchase, and dollar roll transactions (as contemplated by Iowa Code §511.8 Sec 14)

ii. Derivative transactions (as contemplated by Iowa Code §511.8 Sec 16)

iii. Additional investments not explicitly authorized under the Iowa Code (as contemplated by Iowa Code §511.8 Sec 20)

Excerpts from original pages 1 and 16. Intervening text omitted. Yellow highlighting added.
FGLIC investment management agreement, October 1, 2024. SEC Exhibit 10.32.

October 2024 investment agreement, section 1 and Schedule 1D. Selected original excerpts preserve the fiduciary duty and all three listed approval categories. Page labels and omissions are marked; highlighting added.

The parent's exclusive mandate extends to specified acquired and reinsured assets, modified coinsurance and funds withheld.

Additional investment channel	December 2025 FGLIC book value	Economic exposure
Renovate notes	$105.640m	Blackstone ABF general partner; losses can reach subordinated notes
BMAC-R notes and residual	$140.000m	Private feeder/master investment; $115.5m notes and $24.5m residual
BREP IX and BREP VIII facilities	$223.694m	B9 Navigation maps to BREP IX NAV financing; credit depends on property-fund value and contractual collateral
Strategic Partners VIII and IX financing	$253.735m	Financing to private-equity secondaries funds

Additional Blackstone exposure and reinsurance details

Everlake distributed $275 million to its parent in 2025 and $1.125 billion over three years.

AM Best's June 2026 assessment excludes Everlake's Cayman retrocessionaires, Everlake Reinsurance and Herald Reinsurance, from the directly rated group.

BMACX, a registered Blackstone fund separate from the private BMAC-R vehicle FGLIC owns, held a Fort Greene investment costing $69.857 million at June 30, including $58.832 million of preferred capital paying 10% to 11%. The approximately $1 billion announced at launch consisted of anticipated commitments.

F&G's reinsurance denial conflicts with its own Talcott treaty

F&G's September filing says it has not reinsured policies with foreign companies controlled by firms outside the insurance business. The same note describes a July 1 treaty with Talcott covering annuity policies and withdrawal benefits. Talcott's Bermuda ownership traces to entities controlled by Sixth Street, an investment firm. Ares identifies itself as a Bermuda shareholder controller of Aspida Re.

F&G should identify the cessions and control definition that reconcile its September denial with the July Talcott treaty and Sixth Street's ownership.

F&G Form 10 Q | September 30, 2026 | Note E, printed page 52

Amounts payable or recoverable for reinsurance on paid and unpaid claims are not subject to periodic or maximum limits. No policies issued by F&G have been reinsured with any foreign company, which is controlled, either directly or indirectly, by a party not primarily engaged in the business of insurance. F&G has not entered into any reinsurance agreements in which the reinsurer may unilaterally cancel any reinsurance for reasons other than non-payment of premiums or other similar credit issues.

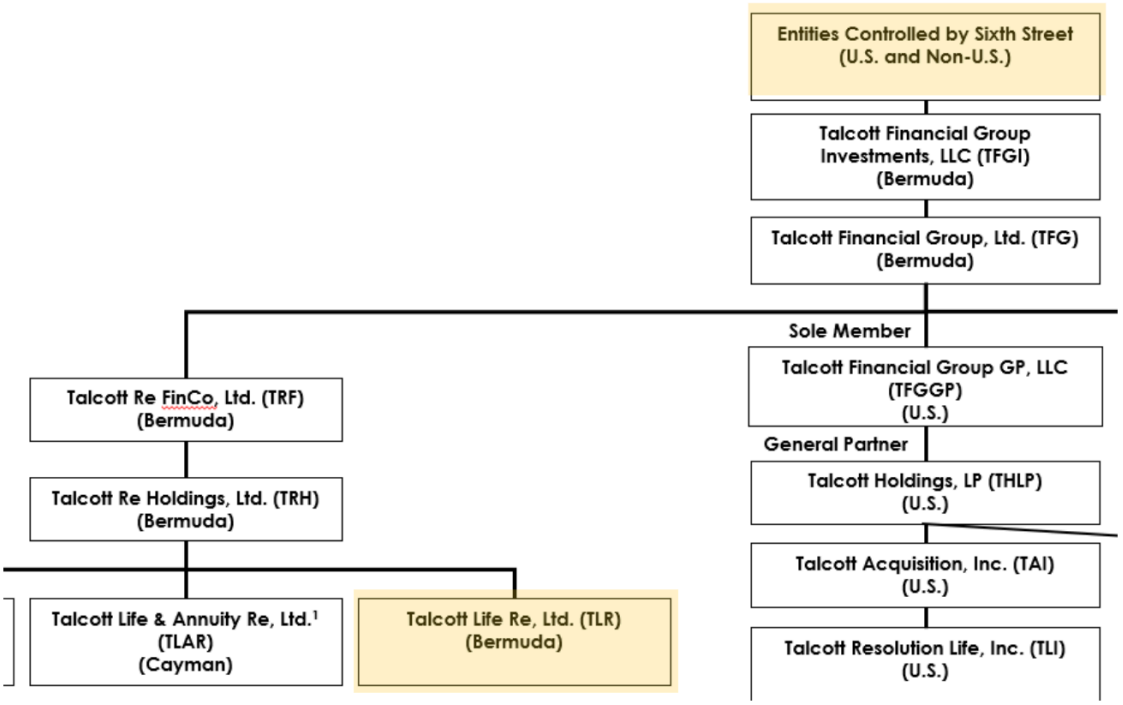
Reinsurance Transactions

The following summarizes significant changes to third-party reinsurance agreements for the period ended September 30, 2026:

Talcott Life Re. Ltd. ("Talcott"): Effective July 1, 2026, F&G entered into a reinsurance agreement with Talcott, an unaffiliated reinsurer, to cede the base contract benefits and GMWB riders attached under certain future flow FIA policies on a coinsurance quota share basis.

Talcott Life Re | 2025 Financial Condition Report | printed page 2

TALCOTT LIFE RE, LTD
FINANCIAL CONDITION REPORT DECEMBER 31, 2025



Original chart excerpt: right and lower branches are cropped. F&G paragraph appears directly above the Talcott treaty disclosure in the original filing.

F&G September 2026 10-Q, Note E and Talcott Life Re 2025 Financial Condition Report. Disclosure and ownership excerpts, with highlighting added; right and lower ownership-chart branches are cropped.

Stadium and NFL source holdings

FGLIC Schedule D | December 31, 2025 | Original debt holdings in dollars

ANNUAL STATEMENT FOR THE YEAR 2025 OF THE FIDELITY & GUARANTY LIFE INSURANCE COMPANY

CUSIP Identification	Description	...	NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol	...	Fair Value	Book/ Adjusted Carrying Value
Physical PDF page 243 | rows omitted above and below						
85234#-AB-1	STADIUM FUNDING TRUST	...	...2.C PL ..	...	10,183,114	11,286,493
Physical PDF page 316 | rows omitted above and below						
34501@-AC-5	NFL PARTICIPATING 5.68% 10/05/2035 - ABS	...	.. 1.F FE ..	...	 2,825,923	 2,787,456
34501@-AD-3	NFL PARTICIPATING 5.89% 10/05/2043 - ABS		.. 1.F FE ..		 1,333,519	 1,393,728
Physical PDF page 382 | rows omitted above and below						
27004@-AA-5	EAGLES STADIUM OPERATOR, LLC. - ABS	...	.. 1.G PL ..	...	3,483,742	 3,559,711

Columns 3, 5, 6 and 9 onward omitted. Original column headings and source rows unchanged.

FGLIC 2025 annual investment statement, Schedule D Part 1 Sections 1 and 2, PDF pages 243, 316 and 382. The four debt positions carried $19.027m at December 31, 2025. Date and column headings retained; highlighting added.

AM Best's rating assessment

AM Best affirmed FGLIC's A financial-strength rating in March 2026. The same assessment identified reinsurance leverage, captive financing and surplus notes as weaknesses.

Corbeau settlement and recovery sensitivity

Assumed full settlement of Corbeau at December 2025 statutory balances. USD millions

Recovery of admitted XOL asset	XOL cash recovered	Net funding gap on full settlement	Loss on FGLIC reported statutory basis before tax and AVR effects
100%	1,488.885	None; 235.921 distributed	0
50%	744.442	508.521	744.442
0%	0	1,252.964	1,488.885

In a full settlement with zero XOL recovery, FGLIC loses its $235.921 million investment and must supply another $1,252.964 million: a total $1,488.885 million loss before tax and AVR effects. The settlement reinstates $1,849.946 million of reserves, extinguishes $361.816 million of funds withheld, realizes $238.146 million of other assets and settles $2.980 million of other liabilities. The audit's $1,252.544 million deficit reflects the same exposure with a $0.420 million smaller accounting adjustment.

Cayman collateral facility

The December 2025 collateral schedule records a $401.818 million Deutsche Bank letter of credit against $390.115 million of reinsurance credit. The facility had a $610 million limit.

Surrender assumptions and amortization

The weighted surrender input for direct indexed-annuity and universal-life embedded derivatives rose from 6.36% in June to 7.35%; the market-risk-benefit input rose from 5.18% to 6.19%. The filing attributes $259 million of the quarter's reduction in benefits and policy-reserve expense to assumption updates. Bailey also said the review added approximately $6 million after tax to quarterly amortization, with elevated expense expected through 2027 and diminishing to neutral during 2028.

Liability offsets already recorded

Higher discount rates reduced F&G's life-contingent pension risk transfer reserve from $8.112 billion at year end to $7.875 billion in September even as the balance at the original discount rate rose $407 million. The adjustment to current rates supplied an additional $644 million reduction. The weighted current rate increased from 4.98% to 6.32%; F&G reports no significant change to PRT assumptions in the annual review.

Life-contingent PRT reserve, $m	December 2025	September 2026
Reserve at original discount rate	8,268	8,675
Current discount-rate adjustment	(156)	(800)
Reported reserve	8,112	7,875
Weighted current discount rate	4.98%	6.32%

The market-risk-benefit liability after reinsurance fell from $738 million in June to $563 million in September, with a $167 million income-statement gain. Direct market movements reduced the liability by $245 million; direct assumption changes and other effects reduced it by $53 million. These gains already offset part of the asset deterioration in reported equity.

Distribution capacity calculation

FGLIC's $1.735 billion year-end capital and surplus fell below $2.149 billion of paid-in and contributed surplus, leaving zero ordinary dividend capacity for 2026. With negative 2025 net operating gain, the extraordinary-distribution threshold was 10% of surplus, approximately $173.5 million. The approved $250 million return already exceeded it.

Parent covenant sensitivity

September equity of $4.458 billion included negative $2.605 billion AOCI, which the bank covenant excludes, leaving $7.063 billion of defined net worth. Using $2.240 billion of notes as a debt proxy gives 24.1% leverage, or 29.7% after a $750 million draw. Another $1.510 billion loss of defined net worth then reaches 35%. The bank also imposes a separate minimum-net-worth covenant.

Consolidated operating cash flows

Nine-month operating cash fell to $3.212 billion from $3.513 billion. Contractholder deposits less withdrawals, reported under financing, moved from positive $2.345 billion to negative $707 million as deposits fell faster. Net pension-risk-transfer receipts fell from $900 million to $100 million, partly offset by other operations.

Consolidated cash and derivative collateral

Consolidated cash fell $543 million in the third quarter: $982 million from operations, less $1.346 billion invested and $179 million used in financing. Received derivative collateral, which carries a matching payable, fell from $851 million to $586 million. Cash excluding it fell $278 million.

Illustrative rescue economics

At an assumed 12% annual hurdle, a $2.642 billion injection to fund the 5% retained-asset stress requires $317 million a year. F&G's entire $182 million annual BIS fee stream covers only 57% of that amount before costs and tax.

Recovery of prior distributions

Iowa can permit recovery of controlling-affiliate distributions from the five years before a rehabilitation or liquidation petition, subject to defenses and a shortfall cap.

Reinsurance scale and counterparty concentration

FGLIC, December 2025, $ millions	Ceded	Gross
General-account contract reserves	37,958.7	60,099.8
Deposit-type obligations	73.8	6,428.8
Combined	38,032.6	66,528.7
Ceded / gross	57.2%	

Reserve credit, December 2025	USD millions
Non-U.S. reinsurers, including foreign affiliates	31,501.3
U.S. affiliates: Corbeau and Raven	1,915.4
Non-U.S. or affiliated, overlap removed	33,416.8
Total reserve credit	38,032.6
Non-U.S. or affiliated share	87.9%

Source: Schedule S Part 7, printed page 49, rows 9 and 10; Part 3 Section 1, printed pages 44, 44.1 and 44.3, reserve-credit column 9. Separate-account modified coinsurance is excluded. Counterparty classifications are at December 2025, before the Ancient sale.