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

FORM 10-K/A

Amendment No. 1

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021

OR

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

FOR THE TRANSITION PERIOD FROM __________ TO __________

Commission File Number: 001-35538

The Carlyle Group Inc.

(Exact name of registrant as specified in its charter)

Delaware	**45-2832612**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1001 Pennsylvania Avenue, NW
Washington, DC, 20004-2505
(Address of principal executive offices) (Zip Code)

(202) 729-5626
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	CG	The Nasdaq Global Select Market
4.625% Subordinated Notes due 2061 of Carlyle Finance L.L.C.	CGABL	The Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the common stock of the Registrant held by non-affiliates as of June 30, 2021 was $10,579,992,942.

The number of the Registrant's shares of common stock outstanding as of February 7, 2022 was 356,317,541.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement relating to its 2022 annual meeting of the shareholders (the "2022 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2022 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

EXPLANATORY NOTE

The Carlyle Group Inc., a Delaware corporation, together with its subsidiaries, where applicable, the “Company”, which may also be referred to as “we”, “us” or “our”, is filing this Amendment No. 1 (the “Amendment”) to our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, which was filed on February 10, 2022 (the “Form 10-K”), to provide financial statements for FGH Parent, L.P. (“FGH Parent”, the successor partnership to Fortitude Group Holdings, LLC), pursuant to Rule 3-09 of Regulation S-X as of and for the years ended December 31, 2021, 2020 and 2019. FGH Parent, along with its predecessor, was significant under Rule 3-09 for the years ended December 31, 2020 and 2019, but not for the year ended December 31, 2021. As a result, under Rule 3-09, we have included in this Amendment unaudited financial statements for 2021 and audited financial statements for 2020 and 2019. In accordance with Rule 3-09(b), these financial statements of FGH Parent are being filed as an amendment to the Form 10-K as Exhibit 99.1 included in Part IV, Item 15 of this filing.

Except as otherwise expressly noted, this Amendment does not modify or update in any way (i) the consolidated financial position, the results of operations or cash flows of the Company, or (ii) the disclosures in or exhibits to the Form 10-K; nor does it reflect events occurring after the filing of the Form 10-K. Among other things, forward-looking statements made in the Form 10-K have not been revised to reflect events that occurred or facts that became known to us after the filing of the Form 10-K, and such forward-looking statements should be read in their historical context. Furthermore, this Amendment should be read in conjunction with the Form 10-K and any subsequent filings with the Securities and Exchange Commission.

PART IV.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report

1. Financial Statements

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3. Exhibits

A list of exhibits required to be filed or furnished as part of this Amendment is set forth in the Exhibit Index below.

(c) Separate financial statements of subsidiaries not consolidated and fifty percent or less owned persons

The unaudited financial statements for the year ended December 31, 2021 and audited financial statements for the years ended December 31, 2020 and 2019 of FGH Parent, L.P. included in Exhibit 99.1 are filed as part of Item 15 of Amendment No. 1 to the Company's Annual Report filed on March 2, 2022 and should be read in conjunction with the Company's consolidated financial statements.

Exhibit Index

Exhibit No.	Description
3.1	Certificate of Conversion of The Carlyle Group L.P. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on January 2, 2020).
3.2	Certificate of Incorporation of The Carlyle Group Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the SEC on January 2, 2020).
3.3	Bylaws of The Carlyle Group Inc. (incorporated by reference to Exhibit 3.3 to the Registrant's Current Report on Form 8-K filed with the SEC on January 2, 2020).
4.1	Indenture dated as of March 28, 2013 among Carlyle Holdings II Finance L.L.C., The Carlyle Group L.P., Carlyle Holdings I L.P., Carlyle Holdings III L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on March 28, 2013).
4.2	First Supplemental Indenture dated as of March 28, 2013 among Carlyle Holdings II Finance L.L.C., The Carlyle Group L.P., Carlyle Holdings I L.P., Carlyle Holdings II L.P., Carlyle Holdings III L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on March 28, 2013).
4.3	Form of 5.625% Senior Note due 2043 (incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the SEC on March 28, 2013).
4.4	Second Supplemental Indenture dated as of March 10, 2014 among Carlyle Holdings II Finance L.L.C., The Carlyle Group L.P., Carlyle Holdings I L.P., Carlyle Holdings II L.P., Carlyle Holdings III L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K filed with the SEC on March 10, 2014).

Exhibit No.	Description
4.5	Third Supplemental Indenture dated as of January 1, 2020 among Carlyle Holdings II Finance L.L.C., The Carlyle Group Inc., Carlyle Holdings I L.P., Carlyle Holdings II L.P., Carlyle Holdings II L.L.C., Carlyle Holdings III L.P., CG Subsidiary Holdings L.L.C. and The Bank of New York Mellon Trust Company, N.A., as trustee (Incorporated by reference to Exhibit 4.9 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 12, 2020).
4.6	Indenture dated as of September 14, 2018 among Carlyle Finance L.L.C., The Carlyle Group L.P., Carlyle Holdings I L.P., Carlyle Holdings II L.P., Carlyle Holdings III L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on September 14, 2018).
4.7	First Supplemental Indenture dated as of September 14, 2018 among Carlyle Finance L.L.C., The Carlyle Group L.P., Carlyle Holdings I L.P., Carlyle Holdings II L.P., Carlyle Holdings III L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on September 14, 2018).
4.8	Second Supplemental Indenture dated as of January 1, 2020 among Carlyle Finance L.L.C., The Carlyle Group Inc., Carlyle Holdings I L.P., Carlyle Holdings II L.P., Carlyle Holdings II L.L.C., Carlyle Holdings III L.P., CG Subsidiary Holdings L.L.C. and The Bank of New York Mellon Trust Company, N.A., as trustee (Incorporated by reference to Exhibit 4.12 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 12, 2020).
4.9	Form of 5.650% Senior Note due 2048 (included in Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on September 14, 2018).
4.10	Indenture dated as of September 19, 2019 among Carlyle Finance Subsidiary L.L.C., The Carlyle Group L.P., Carlyle Holdings I L.P., Carlyle Holdings II L.P., Carlyle Holdings III L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on September 19, 2019).
4.11	First Supplemental Indenture dated as of September 19, 2019 among Carlyle Finance Subsidiary L.L.C., The Carlyle Group L.P., Carlyle Holdings I L.P., Carlyle Holdings II L.P., Carlyle Holdings III L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on September 19, 2019).
4.12	Form of 3.500% Senior Notes due 2029 (included in Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the SEC on September 19, 2019).
4.13	Second Supplemental Indenture dated as of January 1, 2020 among Carlyle Finance Subsidiary L.L.C., The Carlyle Group Inc., Carlyle Holdings I L.P., Carlyle Holdings II L.P., Carlyle Holdings II L.L.C., Carlyle Holdings III L.P., CG Subsidiary Holdings L.L.C. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.17 to the Registrant’s Annual Report on Form 10-K filed with the SEC on February 12, 2020).
4.14*	Description of Securities.
4.15	Subordinated Indenture dated as of May 11, 2021 among Carlyle Finance L.L.C., the Guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the SEC on May 11, 2021).
4.16	First Supplemental Indenture dated as of May 11, 2021 among Carlyle Finance L.L.C., the Guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on May 11, 2021).
4.17	Form of 4.625% Subordinated Note due 2061 (included in Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the SEC on May 11, 2021).
4.18	Second Supplemental Indenture dated as of June 8, 2021 among Carlyle Finance L.L.C., the Guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the SEC on June 8, 2021).

Exhibit No.	Description
10.1	Tax Receivable Agreement, dated as of May 2, 2012, by and among The Carlyle Group L.P., Carlyle Holdings I GP Inc., Carlyle Holdings I L.P. and each of the limited partners of the Carlyle Holdings Partnerships party thereto (incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed with the SEC on May 8, 2012).
10.2	Amendment to Tax Receivable Agreement, dated as of January 1, 2020, by and among the Corporation, Carlyle Holdings I GP Inc., Carlyle Holdings I L.P. and each of the limited partners of the Carlyle Holdings Partnerships party thereto (incorporated by reference to Exhibit 99.2 to the Registrant’s Current Report on Form 8-K filed with the SEC on January 2, 2020).
10.3	Amended and Restated Registration Rights Agreement with Senior Carlyle Professionals, dated as of January 1, 2020, by and among the Corporation, TCG Carlyle Global Partners L.L.C. and the Covered Persons (defined therein) party thereto (incorporated by reference to Exhibit 99.3 to the Registrant’s Current Report on Form 8-K filed with the SEC on January 2, 2020).
10.4	Registration Rights Agreement by and among the Partnership, MDC/TCP Investments (Cayman) I, Ltd., MDC/TCP Investments (Cayman) II, Ltd., MDC/TCP Investments (Cayman) III, Ltd., MDC/TCP Investments (Cayman) IV, Ltd., MDC/TCP Investments (Cayman) V, Ltd., MDC/TCP Investments (Cayman) VI, Ltd. and Five Overseas Investment L.L.C, dated as of May 8, 2012 (incorporated by reference to Exhibit 10.7 to the Registrant’s Current Report on Form 8-K filed with the SEC on May 8, 2012).
10.5	The Carlyle Group Inc. Amended and Restated 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to The Carlyle Group Inc. Current Report on Form 8-K filed on June 1, 2021).
10.6+	Noncompetition Agreement with William E. Conway, Jr. (incorporated by reference to Exhibit 10.10 to the Registrant’s Registration Statement on Form S-1/A filed with the SEC on March 15, 2012).
10.7+	Noncompetition Agreement with Daniel A. D’Aniello (incorporated by reference to Exhibit 10.11 to the Registrant’s Registration Statement on Form S-1/A filed with the SEC on March 15, 2012).
10.8+	Noncompetition Agreement with David M. Rubenstein (incorporated by reference to Exhibit 10.12 to the Registrant’s Registration Statement on Form S-1/A filed with the SEC on March 15, 2012).
10.9+	Stockholder Agreement by and between the Corporation and William E. Conway, Jr., dated as of January 1, 2020 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on January 2, 2020).
10.10+	Stockholder Agreement by and between the Corporation and Daniel A. D'Aniello, dated as of January 1, 2020 (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on January 2, 2020).
10.11+	Stockholder Agreement by and between the Corporation and David M. Rubenstein, dated as of January 1, 2020 (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the SEC on January 2, 2020).
10.12	Note And Unit Subscription Agreement, dated as of December 16, 2010, by and among TC Group, L.L.C., TC Group Cayman, L.P., TC Group Investment Holdings, L.P., TC Group Cayman Investment Holdings, L.P., TCG Holdings, L.L.C., TCG Holdings Cayman, L.P., TCG Holdings II, L.P., TCG Holdings Cayman II, L.P., Fortieth Investment Company L.L.C., MDC/TCP Investments (Cayman) I, Ltd., MDC/TCP Investments (Cayman) II, Ltd., MDC/TCP Investments (Cayman) III, Ltd., MDC/TCP Investments (Cayman) IV, Ltd., MDC/TCP Investments (Cayman) V, Ltd., MDC/TCP Investments (Cayman) VI, Ltd., and Five Overseas Investment L.L.C. (incorporated by reference to Exhibit 10.14 to the Registrant’s Registration Statement on Form S-1/A filed with the SEC on February 14, 2012).
10.13	Amended and Restated Office Lease by and between Teachers Insurance and Annuity Association of America and Carlyle Investment Management L.L.C., dated as of June 14, 2019 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 1, 2018).
10.14	Non-Exclusive Aircraft Lease Agreement dated as of December 11, 2018 by and between KZ Partners, Inc. as Lessor and Carlyle Investment Management L.L.C. as Lessee (incorporated by reference to Exhibit 10.19 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 13, 2019).

Exhibit No.	Description
10.15	Form of Amended and Restated Limited Partnership Agreement of Fund General Partner (Delaware) (incorporated by reference to Exhibit 10.21 to the Registrant's Registration Statement on Form S-1/A filed with the SEC on February 14, 2012).
10.16	Form of Amended and Restated Limited Partnership Agreement of Fund General Partner (Cayman Islands) (incorporated by reference to Exhibit 10.22 to the Registrant's Registration Statement on Form S-1/A filed with the SEC on February 14, 2012).
10.17	Amended and Restated Credit Agreement, dated as of February 11, 2019, among TC Group Investment Holdings, L.P., TC Group Investment Holdings, L.P., TC Group Cayman Investment Holdings, L.P., TC Group Cayman, L.P., and Carlyle Investment Management L.L.C., as Borrowers, TC Group, L.L.C., Carlyle Holdings I L.P., Carlyle Holdings II L.P. and Carlyle Holdings III L.P. as Guarantors, the Lenders party hereto, and Citibank, N.A., as Administrative Agent, and Citibank N.A., JPMorgan Chase Bank, N.A. and Credit Suisse Funding LLC as Joint Lead Arrangers and Bookrunners and JPMorgan Chase Bank, N.A. and Credit Suisse Loan Funding LLC as Syndication Agents (incorporated by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 13, 2019).
10.18+	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.23 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 12, 2020).
10.19+	Employment Agreement of Kewsong Lee, dated as of October 23, 2017 (incorporated by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 15, 2018).
10.19.1+	Amendment to Employment Agreement of Kewsong Lee, dated as of January 1, 2020 (incorporated by reference to Exhibit 99.6 to the Registrant's Current Report on Form 8-K filed with the SEC on January 2, 2020).
10.20+	Form of Global Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.25 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 11, 2021).
10.21+	Form of Global Restricted Stock Unit Agreement for Performance RSUs for Other Executive Officers (incorporated by reference to Exhibit 10.26 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on April 29, 2021).
10.22+	Form of Global Restricted Stock Unit Agreement for Performance RSUs for Co-Chief Executive Officers Granted in February 2018 (note that references in award agreement to Deferred Restricted Common Units refer to Restricted Stock Units post-Conversion) (incorporated herein by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 1, 2019).
10.23+	Form of Global Restricted Stock Unit Agreement for Outperformance RSUs for Co-Chief Executive Officers Granted in February 2019 (note that references in award agreement to Deferred Restricted Common Units refer to Restricted Stock Units post-Conversion) (incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 1, 2019).
10.24+	Form of Global Restricted Stock Unit Agreement for Outperformance RSUs for Co-Chief Executive Officers Granted in February 2020 (incorporated herein by reference to Exhibit 10.12 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on April 30, 2020).
10.25+	Operating Executive Consulting Agreement by and between Carlyle Investment Management L.L.C. and James H. Hance, dated as of November 1, 2012 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on November 13, 2012).
10.26+	Key Executive Incentive Program (incorporated by reference to Exhibit 10.30 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 26, 2015).
10.27	Form of Global Restricted Stock Unit Agreement for Strategic Equity Time-Vesting RSUs for Other Executive Officers (incorporated by reference to Exhibit 10.32 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on April 29, 2021)
10.28	Form of Global Restricted Stock Unit Agreement for Strategic Equity Performance-Vesting RSUs for Executive Officers (incorporated by reference to Exhibit 10.33 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on April 29, 2021)
21.1†	Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 10, 2022).

Exhibit No.	Description
22†	Senior and Subordinated Notes, Issuers and Guarantors (incorporated by reference to Exhibit 22 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 10, 2022).
23.1†	Consent of Ernst & Young LLP (incorporated by reference to Exhibit 23.1 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 10, 2022).
23.2*	Consent of PricewaterhouseCoopers LLP.
24.1†	Power of Attorney (incorporated by reference to the signature page of the Registrant's Annual Report on Form 10-K filed with the SEC on February 10, 2022).
31.1†	Certification of the Chief Executive Officer pursuant to Rule 13a – 14(a) (incorporated by reference to Exhibit 31.1 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 10, 2022).
31.2†	Certification of the Chief Financial Officer pursuant to Rule 13a – 14(a) (incorporated by reference to Exhibit 31.2 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 10, 2022).
31.3*	Certification of the Chief Executive Officer pursuant to Rule 13a - 14(a).
31.4*	Certification of the Chief Financial Officer pursuant to Rule 13a - 14(a).
32.1†	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (incorporated by reference to Exhibit 32.1 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 10, 2022).
32.2†	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (incorporated by reference to Exhibit 32.2 to the Registrant's Annual Report on Form 10-K filed with the SEC on February 10, 2022).
32.3*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.4*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1*	Consolidated Financial Statements of FGH Parent, L.P. as of and for the Year Ended December 31, 2021.
104*	The cover page from The Carlyle Group Inc.'s Amendment No. 1 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2021, formatted in Inline XBRL.

* Filed herewith

\+ Management contract or compensatory plan or arrangement in which directors and/or executive officers are eligible to participate.

† Previously filed or furnished, as applicable, with our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, originally filed with the SEC on February 10, 2022, which is being amended hereby.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 2, 2022

The Carlyle Group Inc.

By: /s/ Curtis L. Buser
Name: Curtis L. Buser
Title: Chief Financial Officer

Exhibit 4.14

DESCRIPTION OF SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934

The following description of registered securities of The Carlyle Group Inc. is intended as a summary only and therefore is not a complete description. As used in this "Description of Securities," the terms "Company," "we," "our" and "us" refer to The Carlyle Group Inc., a Delaware corporation, and do not, unless the context otherwise indicates, include our subsidiaries.

DESCRIPTION OF CAPITAL STOCK

The following description summarizes important terms of our capital stock. This summary does not purport to be complete and is qualified in its entirety by the provisions of our certificate of incorporation and bylaws, copies of which have been filed by us with the Securities and Exchange Commission and are incorporated herein by reference, and applicable provisions of Delaware law.

Our purpose is to engage directly or indirectly in any business activity that is approved by our board of directors in its sole discretion and that lawfully may be conducted by a corporation organized pursuant to the Delaware General Corporation Law (the "DGCL"). Our authorized capital stock consists of 100,000,000,000 shares of common stock, par value $0.01 per share, and 1,000,000,000 shares of preferred stock, par value $0.01 per share. Unless our board of directors determines otherwise, we will issue all shares of our capital stock in uncertificated form.

Common Stock

Except as otherwise required by law or as expressly provided in our certificate of incorporation, holders of shares of our common stock are entitled to one vote for each share held of record on all matters on which stockholders are entitled to vote generally, including the election or removal of directors. The holders of our common stock do not have cumulative voting rights in the election of directors.

Holders of shares of our common stock are entitled to receive dividends when, as and if declared by our board of directors out of funds legally available therefor, subject to applicable law and any contractual restrictions on the payment of dividends and to the rights of the holders of one or more outstanding series of our preferred stock.

Upon our liquidation, dissolution or winding up and after payment in full of all amounts required to be paid to creditors, and subject to the rights of the holders of one or more outstanding series of preferred stock having liquidation preferences senior to or on parity with our common stock, the holders of shares of our common stock will be entitled to receive a pro rata portion of our remaining assets available for distribution.

The common stock will not be subject to further calls or assessments by us. Holders of shares of our common stock do not have preemptive, subscription, redemption or conversion rights. There will be no redemption or sinking fund provisions applicable to the common stock. The rights, powers, preferences and privileges of holders of our common stock will be subject to those of the holders of any shares of our preferred stock or any other series or class of stock we may authorize and issue in the future.

Preferred Stock

Our certificate of incorporation authorizes our board of directors to establish one or more series of preferred stock out of our authorized and unissued shares of preferred stock. Unless required by law or by any stock exchange, and subject to the terms of our certificate of incorporation, any shares of preferred stock may be so designated and the rights, powers and preferences thereof may be fixed as described below by our board of directors, and such shares will be available for issuance, without further action by holders of our common stock. Our board of directors

is able to determine, with respect to any series of preferred stock, the powers (including voting powers), preferences and relative, participating, optional and other special rights, and the qualifications, limitations or restrictions thereof, including, without limitation:

- the designation of the series;
- the number of shares of the series, which our board of directors may, except where otherwise provided in any preferred stock designation, increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares then outstanding);
- whether dividends, if any, will be cumulative or non-cumulative and the dividend rate of the series;
- the dates at which dividends, if any, will be payable on shares of such series;
- the redemption rights and price or prices, if any, for shares of the series;
- the terms and amounts of any sinking fund provided for the purchase or redemption of shares of the series;
- the amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding-up of our affairs or other event;
- whether the shares of the series will be convertible into shares of any other class or series, or any other security, of us or any other entity, and, if so, the specification of the other class or series or other security, the conversion price or prices or rate or rates, any rate adjustments, the date or dates as of which the shares will be convertible and all other terms and conditions upon which the conversion may be made;
- restrictions on the issuance of shares of the same series or of any other class or series of our capital stock; and
- the voting powers, if any, of the holders of the series.

We could issue a series of preferred stock that could, depending on the terms of the series, impede or discourage an acquisition attempt or other transaction that some, or a majority, of the holders of our common stock might believe to be in their best interests or in which the holders of our common stock might receive a premium over the market price of the shares of our common stock. Additionally, the issuance of preferred stock may adversely affect the rights of holders of our common stock by restricting dividends on the common stock, diluting the voting power of the common stock or subordinating the rights of the common stock to distributions upon a liquidation, dissolution or winding up or other event. As a result of these or other factors, the issuance of preferred stock could have an adverse impact on the market price of our common stock.

Dividends

The DGCL permits a corporation to declare and pay dividends out of “surplus” or, if there is no “surplus,” out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. “Surplus” is defined as the excess of the net assets of the corporation over the amount determined to be the capital of the corporation by its board of directors. The capital of the corporation is typically calculated to be (and cannot be less than) the aggregate par value of all issued shares of capital stock. Net assets equals the fair value of the total assets minus total liabilities. The DGCL also provides that dividends may not be paid out of net profits if, after the payment of the dividend, the remaining capital would be less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets. In either case, the corporation must also have

sufficient lawfully available funds to pay the dividend. Declaration and payment of any dividend will be subject to the discretion of our board of directors.

Annual Stockholder Meetings

Our certificate of incorporation and bylaws provide that annual stockholder meetings will be held at a date, time and place, if any, as exclusively selected by our board of directors. To the extent permitted under applicable law and determined by our board of directors, we may conduct meetings solely by means of remote communications, including by webcast.

Anti-Takeover Effects of Our Certificate of Incorporation and Bylaws and Certain Provisions of Delaware Law

Our certificate of incorporation, bylaws, and the DGCL contain provisions that are summarized in the following paragraphs and that are intended to enhance the likelihood of continuity and stability in the composition of our board of directors. These provisions are intended to avoid costly takeover battles, reduce our vulnerability to a hostile or abusive change of control and enhance the ability of our board of directors to maximize stockholder value in connection with any unsolicited offer to acquire us. However, these provisions may have an anti-takeover effect and may delay, deter or prevent a merger or acquisition of us by means of a tender offer, a proxy contest or other takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the prevailing market price for the shares of common stock held by stockholders.

Authorized but Unissued Capital Stock

Delaware law does not require stockholder approval for any issuance of shares that are authorized and available for issuance. However, the listing requirements of Nasdaq, which would apply so long as the shares of common stock remain listed on Nasdaq, require stockholder approval of certain issuances equal to or exceeding 20% of the then outstanding voting power or the then outstanding number of shares of common stock. These additional shares may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions.

Our board of directors may generally issue shares of one or more series of preferred stock on terms designed to discourage, delay or prevent a change of control of us or the removal of our management. Moreover, our authorized but unissued shares of preferred stock will be available for future issuances in one or more series without stockholder approval and could be utilized for a variety of corporate purposes, including future offerings to raise additional capital, to facilitate acquisitions and employee benefit plans.

One of the effects of the existence of authorized and unissued and unreserved common stock or preferred stock may be to enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive our stockholders of opportunities to sell their shares of common stock at prices higher than prevailing market prices.

Classified Board of Directors

Our certificate of incorporation provides that, subject to the right of holders of any series of preferred stock, our board of directors will be divided into three classes of directors, as nearly equal in number as possible, and with the directors serving staggered three-year terms, with only one class of directors being elected at each annual meeting of stockholders. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of our board of directors. Our certificate of incorporation provides that, subject to any rights of holders of preferred stock to elect additional directors under specified circumstances, the number of directors will be fixed from time to time exclusively pursuant to a resolution adopted by our board of directors.

Business Combinations

We are subject to Section 203 of the DGCL. In general, Section 203 prohibits a publicly-held Delaware corporation from engaging, under certain circumstances, in a "business combination" with an "interested stockholder" for a period of three years following the time that the stockholder became an interested stockholder, unless:

- prior to such time, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding (but not for purposes of determining the number of shares owned by the interested stockholder) (1) shares owned by persons who are directors and also officers and (2) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- at or subsequent to such time, the business combination is approved by the board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder (other than on other than a pro rata basis with other stockholders). Subject to certain exceptions, an "interested stockholder" is a person who, together with that person's affiliates and associates, owns or if such person is an affiliate or associate of the corporation, within three years prior to the determination of interested stockholder status, did own 15% or more of a corporation's outstanding voting stock.

Under certain circumstances, Section 203 makes it more difficult for a person who would be an "interested stockholder" to effect various business combinations with a corporation for a three-year period. Accordingly, Section 203 could have an anti-takeover effect with respect to certain transactions our board of directors does not approve in advance. The provisions of Section 203 may encourage companies interested in acquiring us to negotiate in advance with our board of directors to avoid the restrictions on business combinations that would apply if the stockholder became an interested stockholder. However, Section 203 also could discourage attempts that might result in a premium over the market price for the shares of common stock held by stockholders. These provisions also may have the effect of preventing changes in our board of directors and may make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

Removal of Directors; Vacancies and Newly Created Directorships

Under the DGCL, unless otherwise provided in our certificate of incorporation, directors serving on a classified board may be removed by the stockholders only for cause. Our certificate of incorporation provides that, subject to the rights granted to one or more series of preferred stock then outstanding, the directors divided into classes may be removed only for cause upon the affirmative vote of a majority in voting power of all outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class. If, at the same meeting at which a director is so removed, the stockholders holding a majority in voting power of all outstanding shares of stock entitled to vote generally in the election of directors nominate a replacement director, such nomination shall not be subject to the nomination procedures that otherwise apply and stockholders holding a majority in voting power of all outstanding shares of stock entitled to vote on the election of such director may vote to elect a replacement director. Subject to the foregoing, our certificate of incorporation also provides that, subject to the rights granted to one or more series of preferred stock then outstanding, any newly-created directorship on the board of directors that results from an increase in the number of directors and any vacancies on our board of

directors will be filled only by the affirmative vote of a majority of the remaining directors, even if less than a quorum, or by a sole remaining director.

Loss of Voting Rights

If at any time any person or group (other than our former general partner and its affiliates, a direct or indirect transferee of our former general partner or its affiliates (provided that, with respect to any indirect transferee, our board of directors shall have provided such transferee with written notification that this limitation shall not apply) or a person or group that has acquired such stock with the prior approval of our board of directors or our former general partner) beneficially owns 20% or more of any class of our stock then outstanding, that person or group will lose voting rights on all of its shares our stock and such shares of stock may not be voted on any matter as to which the holders of such shares of stock may be entitled to vote and will not be considered to be outstanding when sending notices of a meeting of stockholders, calculating required votes, determining the presence of a quorum or for other similar purposes, in each case, as applicable and to the extent the holders of such shares of stock are entitled to any vote.

No Cumulative Voting

Under Delaware law, the right to vote cumulatively does not exist unless the certificate of incorporation specifically authorizes cumulative voting. Our certificate of incorporation does not authorize cumulative voting.

Therefore, stockholders holding a majority in voting power of the shares of our stock entitled to vote generally in the election of directors will be able to elect all of our directors up for election at each annual meeting.

Special Stockholder Meetings

Our certificate of incorporation provides that special meetings of our stockholders may be called at any time only by or at the direction of our board of directors or stockholders representing 50% or more of the voting power of the outstanding stock of the class or classes for which a meeting is proposed. The DGCL and our bylaws prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting. These provisions may have the effect of deterring, delaying or discouraging hostile takeovers, or changes in control or management of the Company.

Director Nominations and Stockholder Proposals

Our certificate of incorporation establishes advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of our board of directors or a committee of our board of directors or with respect to any directors elected by the holders of one or more series of our preferred stock. In order for any matter to be properly brought before a meeting, a stockholder will have to comply with advance notice requirements and provide us with certain information. Generally, to be timely, a stockholder’s notice must be received at our principal office no later than the close of business on the 90th day, nor earlier than the closer of business on the than 120th day, prior to the first anniversary date of the immediately preceding annual meeting of stockholders. Our certificate of incorporation also specifies requirements as to the form and content of a stockholder’s notice. Our certificate of incorporation allows our board of directors to adopt rules and regulations for the conduct of meetings of stockholders which may have the effect of precluding the conduct of certain business at a meeting if the rules and regulations are not followed. These provisions may also defer, delay or discourage a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to influence or obtain control of the Company.

Stockholder Action by Written Consent

Pursuant to Section 228 of the DGCL, any action required to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice, and without a vote if a consent or consents in writing, setting forth the action so taken, is or are signed by the holders of outstanding stock having not less than the

minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of our stock entitled to vote thereon were present and voted, unless our certificate of incorporation provides otherwise. Our certificate of incorporation does not permit our common stockholders to act by consent in writing, unless such action is consented to by our board of directors in writing or by electronic transmission.

The combination of the classification of our board of directors, the lack of cumulative voting and the loss of voting rights by any person or group that beneficially owns 20% or more of any class of our stock then outstanding (subject to certain exceptions) will make it more difficult for our existing stockholders to replace our board of directors as well as for another party to obtain control of us by replacing our board of directors. Because our board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management.

These provisions may have the effect of deterring hostile takeovers or delaying or preventing changes in control of us or our management, such as a merger, reorganization or tender offer. These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and its policies and to discourage certain types of transactions that may involve an actual or threatened acquisition of the Company. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions are also intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts. Such provisions may also have the effect of preventing changes in management.

Dissenters' Rights of Appraisal and Payment

Under the DGCL, with certain exceptions, our stockholders will have appraisal rights in connection with a merger or consolidation in which we are a constituent entity. Subject to certain exceptions, pursuant to the DGCL, stockholders who properly demand and perfect appraisal rights in connection with such merger or consolidation will have the right to receive payment of the fair value of their shares as determined by the Delaware Court of Chancery, plus interest, if any, on the amount determined to be the fair value, from the effective time of the merger or consolidation through the date of payment of the judgment.

Stockholders' Derivative Actions

Under the DGCL, any of our stockholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, in certain circumstances. Among other things, either the stockholder bringing any such action must be a holder of our shares at the time of the transaction to which the action relates or such stockholder's stock must have thereafter devolved by operation of law, and such stockholder must continuously hold shares through the resolution of such action. To bring such an action, the stockholder must otherwise comply with Delaware law regarding derivative actions.

Exclusive Forum

Our certificate of incorporation provides that, unless we consent otherwise in writing, any (1) derivative action or proceeding brought on behalf of our Company, (2) action asserting a claim of breach of a fiduciary duty owed by any director, officer, stockholder or employee of our Company to our Company or our Company's stockholders, (3) action asserting a claim arising pursuant to any provision of the DGCL, our certificate of incorporation or our bylaws (as either may be amended or restated) or (4) action asserting a claim governed by the internal affairs doctrine, shall, to the fullest extent permitted by law, be exclusively brought in the Court of Chancery of the State of Delaware or, if such court does not have subject matter jurisdiction thereof, any other court located in the State of Delaware with subject matter jurisdiction. Any person who acquires an interest in any shares of capital stock of our company shall be deemed to have notice of and consented to the forum provisions in our certificate of incorporation. However, it is possible that a court could find our forum selection provisions to be inapplicable or unenforceable.

Conflicts of Interest

Delaware law permits corporations to adopt provisions renouncing any interest or expectancy in certain opportunities that are presented to the corporation or its officers, directors or stockholders. Our certificate of incorporation, to the maximum extent permitted from time to time by Delaware law, renounces any interest or expectancy that we have in any business ventures of (a) our former general partner, (b) any person who is or was a “tax matters partner” (as defined in the U.S. Internal Revenue Code of 1986, as amended, the “Code” as in effect prior to 2018) or “partnership representative” (as defined in the Code), as applicable, officer or director of Carlyle or our former general partner, (c) any officer or director of Carlyle or our former general partner who is or was serving at the request of Carlyle or our former general partner as an officer, director, employee, member, partner, “tax matters partner” (as defined in the Code as in effect prior to 2018) or “partnership representative” (as defined in the Code), as applicable, agent, fiduciary or trustee of another person (subject to certain limitations), (d) any person who controls our former general partner, and (e) certain other persons designated by the Corporation (collectively, the “Indemnitees”), except with respect to any corporate opportunity expressly offered to any Indemnitee solely through their service to us or our subsidiaries. Our certificate of incorporation provides that each Indemnitee has the right to engage in businesses of every type and description, including business interests and activities in direct competition with our business and activities. Our certificate of incorporation also waives and renounces any interest or expectancy that we may have in, or right to be offered an opportunity to participate in, business opportunities that are from time to time presented to the Indemnitees. Our certificate of incorporation also provides that the Indemnitees shall not be liable to us, any of our stockholders or any other person who acquires an interest in any shares of capital stock of our company by reason that such Indemnitee(s) pursues or acquires a business opportunity for itself, directs such opportunity to another person, does not communicate such opportunity or information to us or our subsidiaries or, to the fullest extent permitted by applicable law, uses information in the possession of us or our subsidiaries to acquire or operate a business opportunity.

Limitations on Liability and Indemnification of Officers and Directors

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors’ fiduciary duties, subject to certain exceptions. Our certificate of incorporation includes a provision that eliminates the personal liability of directors for monetary damages to the corporation or its stockholders for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. The effect of these provisions is to eliminate the rights of us and our stockholders, directly or through stockholders’ derivative suits on our behalf, to recover monetary damages from a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior. However, exculpation does not apply to any director if the director has breached such director’s duty of loyalty, acted in bad faith, knowingly or intentionally violated the law, authorized illegal dividends, redemptions or repurchases or derived an improper benefit from his or her actions as a director.

Our certificate of incorporation generally provides that we must indemnify and advance expenses to our directors and officers to the fullest extent authorized by the DGCL in actions, suits or proceedings not commenced by them. There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification by us pursuant to our certificate of incorporation is sought. We also are expressly authorized to carry directors’ and officers’ liability insurance providing indemnification for our directors, officers and certain employees for some liabilities. We believe that these indemnification and advancement provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability, indemnification and advancement provisions in our certificate of incorporation may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

Transfer Agent and Registrar

The transfer agent and registrar for common stock is American Stock Transfer & Trust Company, LLC. The transfer agent and registrar's address is 6201 15th Avenue, Brooklyn, New York 11219, and its telephone number is (718) 921-8300 or (800) 937-5449.

Listing

Our common stock is listed on The Nasdaq Global Select Market under the symbol "CG."

DESCRIPTION OF DEBT SECURITIES

The following description of our registered debt securities is a summary. This summary does not purport to be complete and is qualified in its entirety by reference to the Base Indenture and Supplemental Indentures (each as hereinafter defined and, collectively, the "Indentures"). Copies of the Base Indenture and Supplemental Indentures have been filed with the Securities and Exchange Commission (the "SEC") as exhibits 4.15, 4.16, and 4.18, respectively, to our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and are incorporated by reference herein.

General

The Company, Carlyle Holdings I L.P., Carlyle Holdings II L.L.C., CG Subsidiary Holdings L.L.C. and Carlyle Holdings III L.P., each indirect subsidiaries of the Company (together with the Company, the "Initial Guarantors"), and Carlyle Finance L.L.C., an indirect subsidiary of the Company (the "Issuer," and together with the Guarantors (as defined below), the "Credit Parties"), entered into a subordinated indenture, dated May 11, 2021 (the "Base Indenture"), as supplemented by the first supplemental indenture, dated May 11, 2021 (the "First Supplemental Indenture"), and the second supplemental indenture, dated June 8, 2021 (the "Second Supplemental Indenture" and, together with the Base Indenture and the First Supplemental Indenture, the "Indenture"), with The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), relating to the issuance by the Issuer of $500,000,000 aggregate principal amount of 4.625% Subordinated Notes due 2061 (the "Notes"). The Notes have been registered under the Securities Act of 1933, as amended, by a shelf registration statement on Form S-3ASR (Registration No. 333-236397), as amended by the post-effective amendment no. 1 thereto (as amended, the "Registration Statement"). The Notes are issued in book-entry form in denominations of $25 and multiples of $25 in excess thereof. As of February 25, 2022, $500,000,000 aggregate principal amount of the Notes was outstanding.

Maturity

The Notes will mature on May 15, 2061.

Principal and Interest

Subject to applicable law and subject to any optional deferral period, as described below, interest on the Notes accrue at an annual rate equal to 4.625%, and are payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing August 15, 2021, each of which we refer to as an interest payment date, to the record holders at the close of business on the immediately preceding February 1, May 1, August 1 and November 1, as applicable (whether or not a business day), subject to certain exceptions.

Interest payments will include accrued interest from, and including, May 11, 2021, or, if interest has already been paid, from the last date in respect of which interest has been paid or duly provided for to, but excluding, the next succeeding interest payment date, the maturity date or the redemption date, as the case may be. The amount of interest payable for any interest payment period is computed on the basis of a 360-day year comprised of twelve 30-day months. If any date on which interest is payable on the Notes is not a business day, then

payment of the interest payable on such date will be made on the next succeeding day that is a business day (and without any interest or other payment in respect of any such delay).

Amounts due on the stated maturity date or earlier redemption or repurchase date of the Notes will be payable at the corporate trust office of the Trustee, initially at 500 Ross Street, 12th Floor, Pittsburgh, Pennsylvania 15262, Attention: Corporate Trust Administration. The Issuer will make payments of principal, premium, if any, redemption or repurchase price and interest in respect of the Notes in book-entry form to DTC in immediately available funds, while disbursement of such payments to owners of beneficial interests in Notes in book-entry form will be made in accordance with the procedures of DTC and its participants in effect from time to time. The Trustee will initially act as paying agent for payments with respect to the Notes. The Issuer may at any time designate additional paying agents or rescind the designation of any paying agent or approve a change in the office through which any paying agent acts, except that the Issuer will be required to maintain a paying agent in each place of payment for the Notes. All moneys paid by the Issuer to a paying agent for the payment of principal, interest, premium, if any, or the repurchase or redemption price on Notes which remain unclaimed at the end of two years after such principal, interest, premium or redemption or repurchase price has become due and payable will be repaid to the Issuer upon written request, and the holder of such Notes thereafter may look only to the Issuer for payment thereof.

Neither the Issuer nor the Trustee will impose any service charge for any transfer or exchange of a Note. However, the Issuer may require you to pay any taxes or other governmental charges in connection with a transfer or exchange of Notes.

The Issuer is not required to transfer or exchange any Notes selected for redemption for a period of 15 days before mailing of a notice of redemption of the Notes to be redeemed.

Interest not paid on any interest payment date will accrue and compound quarterly at a rate per year equal to the rate of interest on the Notes until paid. References to “interest” include interest accruing on the Notes, interest on deferred interest payments and other unpaid amounts and compounded interest, as applicable and in each case to the extent permitted by applicable law.

If any interest payment date, stated maturity date or earlier redemption or repurchase date falls on a day that is not a business day in The City of New York, the Issuer will make the required payment of principal, premium, if any, redemption or repurchase price and/or interest on the next business day as if it were made on the date payment was due, and no interest will accrue on the amount so payable for the period from and after that interest payment date, stated maturity date or earlier redemption or repurchase date, as the case may be, to the next business day.

As used in the Indenture, the term “business day” means any day, other than a Saturday or Sunday, that is not a day on which banking institutions or trust companies are authorized or obligated by law, regulation or executive order to close in the place where the principal of and premium, if any, and interest on, or any repurchase or redemption price of, the Notes are payable.

Option to Defer Interest Payments

So long as no Event of Default (as defined below) with respect to the Notes has occurred and is continuing, the Issuer may, on one or more occasions, defer interest payments on the Notes for one or more optional deferral periods of up to five consecutive years without giving rise to an Event of Default under the terms of the Notes. A deferral of interest payments cannot extend, however, beyond the maturity date or the earlier acceleration, repurchase or redemption of the Notes. During an optional deferral period, interest will continue to accrue on the Notes, and deferred interest payments will accrue additional interest at the then applicable interest rate on the Notes, compounded quarterly as of each interest payment date to the extent permitted by applicable law. During an optional deferral period, the Issuer will be prohibited from paying current interest on the Notes until all accrued and unpaid deferred interest plus any accrued interest thereon has been paid. No interest otherwise due during an optional deferral period will be due and payable on the Notes until the end of such optional deferral period except upon an acceleration, repurchase or redemption of the Notes during such deferral period.

At the end of five years following the commencement of an optional deferral period, the Issuer must pay all accrued and unpaid deferred interest, including compounded interest if it has not been paid before that time. If, at the end of any optional deferral period, the Issuer has paid all deferred interest due on the Notes, including compounded interest, the Issuer can again defer interest payments on the Notes as described above.

The Issuer will provide to the Trustee and the holders of Notes written notice of any deferral of interest or continuation of deferral of interest at least two and not more than 60 business days prior to the applicable interest payment date. The Issuer has no present intention of exercising its right to defer payments of interest.

Payment Restrictions During a Deferral Period

After the commencement of an optional deferral period, until all accrued and unpaid interest on the Notes has been paid, the Issuer and the Guarantors will not:

- declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Issuer's or the Guarantors' equity interests (which includes common and preferred stock);
- make any payment of principal, interest or premium on or repay, repurchase or redeem any Indebtedness Ranking on a Parity with the Notes (as defined below) or Indebtedness Ranking Junior to the Notes (as defined below); or
- make any guarantee payments with respect to any guarantee by the Issuer or any Guarantor of any securities of any of their respective subsidiaries if such guarantee ranks pari passu with or junior in right of payment to the Notes.

None of the foregoing, however, shall restrict:

- distributions or other payments to The Carlyle Group Inc. or any direct or indirect wholly owned subsidiary of The Carlyle Group Inc.;
- dividends or distributions in shares of, or options, warrants or rights to subscribe for or purchase shares of, the Issuer's or the Guarantors' equity interests where the dividend equity interests or equity interests issuable upon exercise of such options, warrants or other rights is the same equity interests as that on which the dividend or distribution is being paid or ranks equally with or junior to such equity interests;
- any declaration of a dividend in connection with the implementation of a stockholder's rights plan, or the issuance of equity interests under any such plan in the future, or the redemption or repurchase of any such rights pursuant thereto;
- as a result of a reclassification of any series or class of the Issuer's or the Guarantors' equity interests or the exchange or conversion of one class or series of the Issuer's or the Guarantors' equity interests for or into another class or series of the Issuer's or the Guarantors' equity interests;
- the purchase of fractional interests in shares of the Issuer's or the Guarantors' equity interests pursuant to an acquisition or the conversion or exchange provisions of such equity interests or the security being converted or exchanged;
- purchases or acquisitions, including the net settlement, of shares of the Issuer's or the Guarantors' equity interests in connection with any employment contract, benefit plan, equity incentive plan or other similar arrangement with or for the benefit of directors, officers, agents, consultants or employees or satisfaction of the Issuer's and the Guarantors'

obligations under any dividend reinvestment plan or director, officer, agent, consultant or employee stock purchase plans;

- any exchange, redemption or conversion of any class or series of the Issuer's or the Guarantors' equity interests, or the equity interests of one of their respective subsidiaries, for any other class or series of the Issuer's or the Guarantors' equity interests, or of any class or series of their respective Indebtedness (as defined below) for any class or series of equity interests;

- any exchange, redemption, repayment, repurchase or conversion of any of the Issuer's or any Guarantor's Indebtedness Ranking on a Parity with the Notes or Indebtedness Ranking Junior to the Notes for any of the Issuer's or any Guarantor's Indebtedness Ranking on a Parity with the Notes or Indebtedness Ranking Junior to the Notes, including any such indebtedness convertible into equity interests;

- purchases or acquisitions of, or payments in respect of, shares of the Issuer's or the Guarantors' equity interests in connection with satisfaction of the Issuer's or the Guarantors' obligations under any contract or security entered into before and not entered into in anticipation of the commencement of the optional deferral period in compliance with the terms of the Indenture, including the Deferred Payments;

- payment of current or deferred interest on the Issuer's or any Guarantor's Indebtedness Ranking on a Parity with the Notes or Indebtedness Ranking Junior to the Notes made pro rata to the amounts due on such Indebtedness Ranking on a Parity with the Notes or Indebtedness Ranking Junior to the Notes and the Notes and (ii) payment of principal or current or deferred interest on the Issuer's or any Guarantor's Indebtedness Ranking on a Parity with the Notes or Indebtedness Ranking Junior to the Notes that, if not made, would cause a breach of the terms of the instrument governing such Indebtedness Ranking on a Parity with the Notes or Indebtedness Ranking Junior to the Notes;

- the payment of any dividend or distribution on the Issuer's or the Guarantors' equity interests within 30 days after the date of declaration of such dividend or distribution, if the dividend or distribution would have been permitted under the Indenture on the date of declaration; and

- the redemption of securities ranking on a parity with the Notes or securities ranking junior to the Notes, within 60 days after the date on which notice of redemption was given, if at the time the notice was given, such redemption would have been permitted under the Indenture.

Notwithstanding the foregoing, the terms of the Notes will not restrict in any manner the ability of any of our subsidiaries to pay dividends or make any distributions to us or to any of our other subsidiaries.

"Deferred Payments" means payments by The Carlyle Group Inc. and/or its subsidiaries to former holders of partnership units of Carlyle Holdings required by the terms of the Conversion, in an amount not to exceed $225.0 million.

Note Guarantees

The obligations of the Issuer pursuant to the Notes and the Indenture, including any redemption obligation resulting from a Tax Redemption Event (as defined below) or a "rating agency event," will be fully and unconditionally guaranteed (the "Note Guarantees"), jointly and severally, on a subordinated basis, by each of the Initial Guarantors and any Additional Guarantors as defined below (Additional Guarantors, if any, together with the Initial Guarantors, the "Guarantors").

Any New Carlyle Entity as defined below (other than a Non-Guarantor Entity) must provide a Note Guarantee, whereupon such New Carlyle Entity shall be an "Additional Guarantor."

Other than the Issuer, Carlyle Holdings, CG Subsidiary Holdings L.L.C. and any Additional Guarantor, none of the subsidiaries of The Carlyle Group Inc. will guarantee or have any obligation in respect of the Notes. The Issuer is a finance subsidiary with no operations or assets other than in such capacity, and Carlyle Holdings are holding partnerships or companies that hold equity interests in operating entities. The Carlyle Group Inc. is a holding company with no operations or assets other than in such capacity. The Issuer and the Initial Guarantors depend upon funds from the Initial Guarantors' respective subsidiaries to meet their obligations in respect of the Notes or the Note Guarantees, as applicable. Accordingly, the credit character of the Notes is comparable to debt issued by a holding company.

Each Note Guarantee will be a general unsecured obligation of the relevant Guarantor and will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of state law or Quebec law. By virtue of this limitation, a Guarantor's obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Notes or a Guarantor may have effectively no obligation under its Note Guarantee.

The Note Guarantee of a Guarantor will terminate if:

- such Guarantor is not The Carlyle Group Inc. and is sold or disposed of (whether by merger, consolidation or the sale of all or substantially all of its assets) to an entity that is not required to become a Guarantor, if such sale or disposition is otherwise in compliance with the Indenture, including the covenant described below under "—Consolidation, Merger, Sale of Assets and Other Transactions,"

- such Guarantor is designated a Non-Guarantor Entity in accordance with the Indenture, or

- the Issuer effects a defeasance or discharge of the Notes, as provided below under "—Defeasance and Covenant Defeasance."

"New Carlyle Entity" means any subsidiary (other than a directly or indirectly wholly owned subsidiary) of The Carlyle Group Inc. other than (i) a then-existing Guarantor, (ii) any Person in which The Carlyle Group Inc. directly or indirectly owns its interest through one or more then-existing Guarantors or (iii) any Person through which The Carlyle Group Inc. directly or indirectly owns its interests in one or more then-existing Guarantors.

"Non-Guarantor Entity" means any Person designated by the Issuer as such in accordance with the Indenture. The Indenture will provide that the Issuer may designate any Person as a Non-Guarantor Entity if (1) such Person is directly or indirectly wholly owned by one or more Credit Parties or (2) such Person, together with all then-existing Non-Guarantor Entities designated pursuant to this clause (2) on a combined and consolidated basis and taken as a whole, would not constitute a "significant subsidiary" (as such term is defined in Rule 1-02(w) of Regulation S-X under the Securities Act or any successor provision) of The Carlyle Group Inc. (the foregoing, the "Non-Guarantor Limitation"). The Issuer may also, from time to time, remove the designation of any Person as a Non-Guarantor Entity and must remove the designation as to one or more Non-Guarantor Entities designated pursuant to clause (2) of the immediately preceding sentence to the extent as of the end of any fiscal quarter such Non-Guarantor Entities exceed the Non-Guarantor Limitation. Any such designation or removal by the Issuer shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Secretary or an Assistant Secretary of the Issuer to have been duly adopted by the Issuer's sole member giving effect to such designation or removal, and in the case of a designation, a certificate of the chief financial officer, chief accounting officer or other senior executive officer of The Carlyle Group Inc. certifying that such designation complied with the foregoing provisions.

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity, including a government or political subdivision or an agency or instrumentality thereof.

The Notes and Note Guarantees are obligations of the Credit Parties and are not obligations of the subsidiaries of the Credit Parties, other than a subsidiary that is itself one of the Credit Parties. The Credit Parties do not conduct material independent operations and substantially all of their operations are conducted through subsidiaries of the Guarantors. The Issuer’s cash flow and ability to service debt, including the Notes, depend upon receiving loans, advances and other payments from the Guarantors and their subsidiaries. The Guarantors will depend on the distribution of earnings, loans or other payments by their subsidiaries to make such payments to the Issuer. These subsidiaries are separate and distinct legal entities and they have no obligation to pay any amounts due on the Notes or to provide the Credit Parties with funds to satisfy any payment obligations with respect to the Notes. In addition, any payment of dividends, distributions, loans or advances by subsidiaries of the Guarantors could be subject to statutory or contractual restrictions. Payments due to the Guarantors by their respective subsidiaries will also be contingent upon the earnings and business considerations of such subsidiaries. The Guarantors’ right to receive any assets of any of their respective subsidiaries, as a common equity holder of such subsidiaries, upon their liquidation or reorganization, and therefore the right of the holders of the Notes to participate in those assets, would be structurally subordinated to the claims of that subsidiary’s creditors, including trade creditors, policyholder liabilities and other payables, and claims of preferred equity-holders, if any. In addition, certain direct and indirect wholly-owned subsidiaries of the Initial Guarantors are obligors under our senior credit facility and certain CLO term loans, but will not be Guarantors of the Notes. Moreover, the Notes are unsecured. Thus, even if any of the Credit Parties were a creditor of any Credit Party’s subsidiary, its rights as a creditor would be effectively subordinated to such subsidiary’s secured indebtedness to the extent of the value of the collateral securing such indebtedness and would be subordinated to such subsidiary’s indebtedness that is senior to that held by the Credit Parties.

Subordination of the Notes and the Note Guarantees

The payment of the principal of, premium, if any, and interest on the Notes and the payment of any Note Guarantee will:

- be subordinate and rank junior in right of payment to all existing and future Senior Indebtedness (as defined below) of the Issuer or the relevant Guarantor;
- rank equal in right of payment with all existing and future Indebtedness Ranking on a Parity with the Notes (as defined below) of the Issuer or the relevant Guarantor;
- be effectively subordinated to all existing and future secured Indebtedness of the Issuer or the relevant Guarantor, to the extent of the value of the assets securing such Indebtedness; and
- be structurally subordinated in right of payment to all existing and future Indebtedness, liabilities and other obligations (including policyholder liabilities and other payables) of each subsidiary of the Issuer or the relevant Guarantor that is not itself the Issuer or a Guarantor.

The Indenture will not contain any limitations on the amount of additional Indebtedness that the Issuer or any of the Guarantors or their respective subsidiaries may incur, including Senior Indebtedness.

Upon any payment or distribution of assets to creditors upon any receivership, liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors, marshaling of assets or any bankruptcy, insolvency, or similar proceedings, the holders of Senior Indebtedness of the Issuer or the relevant Guarantor will first be entitled to receive payment in full in cash or other satisfactory consideration of all amounts due or to become due, including interest accruing after the filing of a bankruptcy or insolvency proceeding on or in respect of such Senior Indebtedness before the holders of the Notes will be entitled to receive or retain any payment in respect of the Notes or the relevant Note Guarantee.

In the event of the acceleration of the maturity of the Notes, the holders of all Senior Indebtedness of the Issuer or the relevant Guarantor outstanding at the time of such acceleration will first be entitled to receive payment in full in cash or other satisfactory consideration of all such Senior Indebtedness before the holders of the Notes will be entitled to receive or retain any payment in respect of the Notes or the relevant Note Guarantee.

In the event and during the continuation of any default in any payment with respect to any Senior Indebtedness, or in the event that the maturity of any Senior Indebtedness has been or would be permitted upon notice or the passage of time to be accelerated because of a default, then, unless and until such default shall have been cured or waived or shall have ceased to exist and such acceleration shall have been rescinded or annulled, no payments on account of principal or premium, if any, or interest in respect of the Notes may be made, in each case unless and until all amounts due or to become due on such Senior Indebtedness are paid in full in cash or other satisfactory consideration.

As of February 25, 2022, the Issuer and the Guarantors had in the aggregate $1,375.0 million in outstanding Senior Indebtedness, no Indebtedness Ranking on a Parity with the Notes, and no Indebtedness Ranking Junior to the Notes.

“Senior Indebtedness” shall mean all Indebtedness, whether outstanding on the date of the first issuance of the Notes or thereafter created, assumed or incurred, except Indebtedness Ranking on a Parity with the Notes or Indebtedness Ranking Junior to the Notes, and any deferrals, renewals or extensions of such Senior Indebtedness. Senior Indebtedness does not include obligations to trade creditors created or assumed by us in the ordinary course of business, which will rank *pari passu* with the Notes in right of payment upon liquidation.

“Indebtedness Ranking on a Parity with the Notes” shall mean Indebtedness, whether outstanding on the date of first issuance of the Notes or thereafter created, assumed or incurred, which specifically by its terms ranks equally with and not prior to the Notes in right of payment upon the Issuer’s or any Guarantor’s dissolution, winding-up, liquidation, reorganization or similar events. The securing of any Indebtedness in compliance with the Indenture, otherwise constituting Indebtedness Ranking on a Parity with the Notes, shall not be deemed to prevent such Indebtedness from constituting Indebtedness Ranking on a Parity with the Notes.

“Indebtedness Ranking Junior to the Notes” shall mean any Indebtedness, whether outstanding on the date of the first issuance of the Notes or thereafter created, assumed or incurred, which specifically by its terms ranks junior to and not equally with or prior to the Notes (and any Indebtedness Ranking on a Parity with the Notes) in right of payment upon the Issuer’s or any Guarantor’s dissolution, winding-up, liquidation, reorganization, or similar events. The securing of any Indebtedness in compliance with the Indenture, otherwise constituting Indebtedness Ranking Junior to the Notes, shall not be deemed to prevent such Indebtedness from constituting Indebtedness Ranking Junior to the Notes.

“Indebtedness” shall mean (a) any obligation of, or any obligation guaranteed by, the Issuer or any Guarantor for which such Person is responsible or liable as obligor or otherwise including principal, premium and interest (whether accruing before or after filing of any petition in bankruptcy or any similar proceedings by or against us and whether or not allowed as a claim in bankruptcy or similar proceedings) for (i) indebtedness for money borrowed, (ii) indebtedness evidenced by securities, bonds, debentures, Notes or other similar written instruments, (iii) any deferred obligation for the payment of the purchase price or conditional sale obligation of property or assets acquired other than in the ordinary course of business, (iv) all obligations for the reimbursement of any letter of credit, banker’s acceptance, security purchase facility or similar credit transaction, (v) all obligations under “keep-well” agreements required by insurance regulators or (vi) any obligation referred to in (i) through (v) above of other persons secured by any lien on any property or asset of the Credit Parties (to the extent of the value of such property or asset subject to such lien) and (b) all indebtedness for obligations to make payment in respect of derivative products such as interest and foreign exchange rate contracts, commodity contracts (including future or options contracts), swap agreements, cap agreements, repurchase and reverse repurchase agreements and similar arrangements, whether outstanding on the first issuance of the Notes or thereafter created, assumed or incurred.

Limitations on Liens

The Indenture provides that the Credit Parties will not, and will not cause or permit any of their respective subsidiaries to, create, assume, incur or guarantee any Indebtedness Ranking on a Parity with the Notes or Indebtedness Ranking Junior to the Notes, in each case, that is secured by a pledge, mortgage, lien or other encumbrance (other than Permitted Liens) on any voting stock or profit participating equity interests of their respective subsidiaries (to the extent of their ownership of such voting stock or profit participating equity interests) or any entity that succeeds (whether by merger, consolidation, sale of assets or otherwise) to all or any substantial part of the business of any of such subsidiaries, without providing that the Notes (together with, if the Credit Parties shall so determine, any other indebtedness of or guarantee by, the Credit Parties ranking equally in right of payment with the Notes and existing as of the closing of the offering of the Notes or thereafter created) will be secured equally and ratably with or prior to all such other indebtedness secured by such pledge, mortgage, lien or other encumbrance on the voting stock or profit participating equity interests of any such entities for so long as such other indebtedness is so secured.

"Permitted Liens" means (a) liens on voting stock or profit participating equity interests of any subsidiary existing at the time such entity becomes a direct or indirect subsidiary of The Carlyle Group Inc. or is merged into a direct or indirect subsidiary of The Carlyle Group Inc. (provided such liens are not created or incurred in connection with such transaction and do not extend to any other subsidiary), (b) statutory liens, liens for taxes or assessments or governmental liens not yet due or delinquent or which can be paid without penalty or are being contested in good faith and (c) other liens of a similar nature as those described above. This covenant will not limit the ability of the Credit Parties or their subsidiaries to incur indebtedness or other obligations secured by liens on assets other than the voting stock or profit participating equity interests of the Credit Parties and their respective subsidiaries.

Consolidation, Merger, Sale of Assets and Other Transactions

None of the Credit Parties shall be party to a Substantially All Merger or participate in a Substantially All Sale, unless:

- the Credit Party is the surviving Person, or the Person formed by or surviving such Substantially All Merger or to which such Substantially All Sale has been made (the "Successor Party") is organized under the laws of the United States or any state thereof or, other than with respect to the Issuer, Belgium, Bermuda, Canada, Cayman Islands, France, Germany, Gibraltar, Ireland, Italy, Luxembourg, the Netherlands, Switzerland, the United Kingdom or British Crown Dependencies, a member country of the Organisation for Economic Co-operation and Development, or any political subdivision of any of the foregoing (collectively, the "Permitted Jurisdictions"), and has expressly assumed by supplemental indenture all of the obligations of such Credit Party under the Indenture;

- immediately after giving effect to such transaction, no default or Event of Default has occurred and is continuing; and

- the Issuer delivers to the Trustee an officers' certificate and an opinion of counsel, each stating that such transaction and any supplemental indenture comply with the Indenture and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with.

For as long as any Notes remain outstanding, all equity and voting interests of the Issuer must be owned directly or indirectly by one or more Guarantors and each of the Credit Parties must be organized under the laws of a Permitted Jurisdiction.

"Credit Group" means the Credit Parties and the Credit Parties' direct and indirect subsidiaries (to the extent of their economic ownership interest in such subsidiaries) taken as a whole.

"Substantially All Merger" means a merger or consolidation of one or more Credit Parties with or into another Person that would, in one or a series of related transactions, result in the transfer or other disposition,

directly or indirectly, of all or substantially all of the properties and assets of the Credit Group to a Person that is not within the Credit Group immediately prior to such transaction.

"Substantially All Sale" means a sale, assignment, transfer, lease or conveyance to any other Person in one or a series of related transactions, directly or indirectly, of all or substantially all of the properties and assets of the Credit Group to a Person that is not within the Credit Group immediately prior to such transaction.

Any Person that becomes a Successor Party pursuant to this covenant will be substituted for the applicable Credit Party in the Indenture, with the same effect as if it had been an original party to the Indenture. As a result, the Successor Party may exercise the rights and powers of the applicable Credit Party under the Indenture, and, except in the case of a lease, the prior Credit Party will be released from all of its liabilities and obligations under the Indenture and under the Notes and the Note Guarantees.

Any substitution of a Successor Party for the applicable Credit Party might be deemed for U.S. federal income tax purposes to be an exchange of the Notes for "new" Notes, resulting in recognition of gain or loss for such purposes and possibly certain other adverse tax consequences to beneficial owners of the Notes. Holders should consult their own tax advisors regarding the tax consequences of any such substitution.

Optional Redemption of the Notes

We may redeem the Notes in increments of $25 principal amount:

- in whole at any time or in part from time to time on or after May 15, 2026, at a redemption price equal to their principal amount plus accrued and unpaid interest (including compounded interest, if any) to, but excluding, the date of redemption; provided that if the Notes are not redeemed in whole, at least $25 million aggregate principal amount of the Notes must remain outstanding after giving effect to such redemption; provided, however, that pursuant to the Second Supplemental Indenture, we will covenant not to exercise this optional redemption prior to June 15, 2026 with respect to any of the Notes;

- as provided below under "—Tax Redemption;" or

- in whole, but not in part, at any time prior to May 15, 2026, within 90 days of the occurrence of a "rating agency event," at a redemption price equal to 102% of their principal amount plus any accrued and unpaid interest (including compounded interest, if any) to but excluding the date of redemption.

"Rating agency event" means that any nationally recognized statistical rating organization within the meaning of Section 3(a)(62) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that then publishes a rating for us (a "rating agency") amends, clarifies or changes the criteria it uses to assign equity credit to securities such as the Notes, which amendment, clarification or change results in (a) the shortening of the length of time the Notes are assigned a particular level of equity credit by that rating agency as compared to the length of time that the Notes would have been assigned that level of equity credit by that rating agency or its predecessor on the initial issuance of the Notes; or (b) the lowering of the equity credit (including up to a lesser amount) assigned to the Notes by that rating agency compared to the equity credit assigned by that rating agency or its predecessor on the initial issuance of the Notes.

If less than all of the Notes are to be redeemed, the principal amount of such Notes held by each beneficial owner of such Notes to be redeemed will be selected in accordance with the procedures of the depository. The Notes and portions of Notes will be selected in amounts of $25 and multiples of $25 in excess of $25. If the Notes are held in definitive form, the Trustee will so select by lot.

Notice of redemption will be mailed to each holder of Notes to be redeemed not less than 15 nor more than 60 days prior to the date set for such redemption. This notice will include the following information: the redemption date; the redemption price (or the method of calculating such price); if less than all of the outstanding Notes are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Notes

to be redeemed; that on the redemption date the redemption price will become due and payable and that interest will cease to accrue; the place or places where such Notes are to be surrendered for payment of the redemption price; and the CUSIP number of the Notes to be redeemed. Any notice of any redemption may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of a securities offering or other corporate transaction. In the case of any partial redemption, selection of the Notes for redemption will be selected for redemption by DTC in accordance with its operating procedures. A new note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original note.

By no later than 11:00 a.m. (New York City time) on the redemption date, the Issuer will deposit or cause to be deposited with the Trustee or with another paying agent (or, if any of the Credit Parties is acting as the Issuer's paying agent with respect to the Notes, such Credit Party will segregate and hold in trust as provided in the Indenture) an amount of money sufficient to pay the aggregate redemption price of, and (except if the redemption date shall be an interest payment date) accrued interest on, all of the Notes or the part thereof to be redeemed on that date. On the redemption date, the redemption price will become due and payable upon all of the Notes to be redeemed, and interest, if any, on the Notes to be redeemed will cease to accrue from and after that date. Upon surrender of any such Notes for redemption, the Issuer will pay those Notes surrendered at the redemption price together, if applicable, with accrued interest to the redemption date.

Any debt securities to be redeemed only in part must be surrendered at the office or agency established by the Issuer for such purpose, and the Issuer will execute, and the Trustee will authenticate and deliver to a holder without service charge, new Notes of the same series and of like tenor, of any authorized denomination as requested by that holder, in a principal amount equal to and in exchange for the unredeemed portion of the principal of the Notes that holder surrenders.

On and after the date of redemption, interest will cease to accrue on the Notes or any portion of the Notes called for redemption, unless we default in the payment of the redemption amount.

Tax Redemption

If a Tax Redemption Event occurs prior to the maturity date of the Notes, the Issuer may redeem the Notes, in whole but not in part, within 120 days of the occurrence of the Tax Redemption Event, on notice given not more than 60 days nor less than 15 days prior to such date of redemption, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest to, but excluding, the redemption date.

"Tax Redemption Event" means that the Issuer will have received an opinion of counsel of recognized standing with respect to U.S. federal income tax matters or an opinion of a "Big Four" accounting firm (or successor thereto) that, in each case, is experienced in such matters to the effect that, as a result of any:

- amendment to, clarification of, or change in (including any promulgation, enactment, execution or modification of) the laws or regulations of the United States or any political subdivision or taxing authority of or in the United States that is enacted or becomes effective after the initial issuance of the Notes;

- (x) proposed amendment to, clarification of, or change in those laws or regulations that is announced after the initial issuance of the Notes or (y) material development occurring after the initial issuance of the Notes with respect to any proposed amendment to, clarification of, or change in those laws or regulations (whether or not such proposed change was announced before the initial issuance of the Notes);

- official administrative pronouncement (including a private letter ruling, notice, technical advice memorandum or similar pronouncement) or judicial decision or administrative action or other official pronouncement, ruling, regulatory procedure, notice or announcement (including any notice

or announcement of intent to issue or adopt any pronouncement, ruling, regulatory procedure or regulation) interpreting, clarifying or applying those laws or regulations enumerated in the preceding bullet points, by any court, governmental agency or regulatory authority that is announced after the initial issuance of the Notes; or

- threatened challenge asserted in connection with an audit of us, or a threatened challenge asserted in writing against any taxpayer that has raised capital through the issuance of securities that are substantially similar to the Notes, which challenge is asserted against us or becomes publicly known on or after the initial issuance of the Notes;

there is more than an insubstantial increase in the risk that interest accruable or payable by the Issuer on the Notes is not, or within 365 days of the date of the opinion will not be, deductible by the Issuer in whole or in part, for U.S. federal income tax purposes.

Events of Default, Notice and Waiver

The following shall constitute "Events of Default" under the Indenture with respect to the Notes:

- the Issuer's failure to pay any interest, including compounded interest, on the Notes when due and payable after taking into account any optional deferral period as set forth in the Indenture, continued for 30 days;

- the Issuer's failure to pay principal (or premium, if any) on any Notes when due, regardless of whether such payment became due because of maturity, redemption, acceleration or otherwise;

- any Credit Party's failure to observe or perform any other covenants or agreements with respect to the Notes for 90 days after the Issuer receives notice of such failure from the Trustee or 90 days after the Issuer and the Trustee receive notice of such failure from the holders of at least 25% in aggregate principal amount of the outstanding Notes;

- certain events of bankruptcy, insolvency or reorganization of the Issuer or of any Guarantor (other than an Insignificant Guarantor); and

- a Note Guarantee of any Guarantor (other than an Insignificant Guarantor) ceases to be in full force and effect or is declared to be null and void and unenforceable or such Note Guarantee is found to be invalid or a Guarantor (other than an Insignificant Guarantor) denies its liability under its Note Guarantee (other than by reason of release of such Guarantor in accordance with the terms of the Indenture).

A default also includes, for example, a failure to pay interest when due if the Issuer does not give a timely written notice of its election to commence or continue a deferral period. If the Issuer does not give a timely written notice of its election to commence or continue a deferral period and fails to pay interest when due, any holder of Notes may seek to enforce its obligation to make the missed interest payment, including through legal process. However, there is no right of acceleration except upon the occurrence of an Event of Default as described above.

If the Issuer gives a timely written notice of its election to commence or continue a deferral period on any interest payment date (and, if such notice continues a deferral period, the deferral period has not continued for five years), then no default arises from the Issuer's non-payment of interest on such interest payment date.

"Insignificant Guarantor" means a Guarantor (or a group of Guarantors taken together) that would not, on a combined and consolidated basis and taken as a whole together with all then-existing Non-Guarantor Entities designated pursuant to clause (ii) of the definition of Non-Guarantor Entity, as set forth above under the caption "—Note Guarantees," constitute a "significant subsidiary" (as such term is defined in Rule 1-02(w) of Regulation S-X under the Securities Act or any successor provision) of The Carlyle Group Inc.

If an Event of Default with respect to the Notes shall occur and be continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Notes may declare, by notice as provided in the Indenture, the principal amount of all outstanding Notes to be due and payable immediately; provided that, in the case of an Event of Default involving certain events of bankruptcy, insolvency or reorganization with respect to the Issuer, acceleration is automatic; and, provided further, that after such acceleration, but before a judgment or decree based on acceleration, the holders of a majority in aggregate principal amount of the outstanding Notes may, under certain circumstances, rescind and annul such acceleration if all Events of Default, other than the nonpayment of accelerated principal, have been cured or waived.

Any past default under the Indenture with respect to the Notes, and any Event of Default arising therefrom, may be waived by the holders of a majority in principal amount of all outstanding Notes, except in the case of (i) a default in the payment of the principal of (or premium, if any) or interest on any note, or the redemption price in connection with any redemption of Notes, or (ii) default in respect of a covenant or provision which may not be amended or modified without the consent of the holder of each note affected.

The Trustee is required within 90 days after the occurrence of a default (of which a responsible trust officer of the Trustee has received written notice and is continuing), with respect to the Notes (without regard to any grace period or notice requirements), to give to the holders notice of such default; provided that except in the case of a default in the payment of principal of (or premium, if any) or interest on any note, or the redemption price in connection with any redemption of Notes, the Trustee may withhold notice if and so long as a committee of responsible trust officers of the Trustee in good faith determines that withholding notice is in the interests of the holders.

The Trustee shall not be deemed to have notice of any default or Event of Default unless written notice of such default or Event of Default, as the case may be, has been received by a responsible officer of the Trustee at the corporate trust office of the Trustee, and such notice references the Notes and the Indenture.

The Trustee, subject to its duties during a default to act with the required standard of care, may require indemnification by the holders, reasonably satisfactory to the Trustee, with respect to which a default has occurred before proceeding to exercise any right or power under the Indenture at the request of the holders. Subject to such right of indemnification and to certain other limitations, the holders of a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to the Notes, provided that such direction shall not be in conflict with any rule of law or with the Indenture and the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

No holder of Notes may institute any action against the Credit Parties under the Indenture (except actions for payment of overdue principal of (and premium, if any) or interest on such Notes in accordance with its terms) unless (i) the holder has given to a responsible trust officer of the Trustee written notice of an Event of Default and of the continuance thereof with respect to the Notes specifying an Event of Default, as required under the Indenture, (ii) the holders of at least 25% in aggregate principal amount of outstanding Notes under the Indenture shall have requested the Trustee to institute such action and offered to the Trustee indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; (iii) the Trustee shall not have instituted such action within 60 days of such request and (iv) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the holders of a majority in principal amount of the Notes.

The Issuer is required to furnish the Trustee annually a statement by certain of its officers to the effect that, to the best of their knowledge, the Issuer is not in default in the fulfillment of any of its obligations under the Indenture or, if there has been a default in the fulfillment of any such obligation, specifying each such default.

Agreement by Holders to Treat Notes as Indebtedness for Tax Purposes

Each holder and beneficial owner of the Notes will, by accepting the Notes or a beneficial interest therein, agree and shall be deemed to have agreed that the holder or beneficial owner intends that the Notes constitute indebtedness, and will treat the Notes as indebtedness, for all U.S. federal, state and local tax purposes.

Defeasance and Covenant Defeasance

Except as prohibited by the Indenture, if the Issuer deposits with the Trustee sufficient money or United States government obligations, or both, to pay the principal of, premium, if any, and interest on, the Notes on the scheduled due dates therefor, then at the Issuer's option the Issuer may be discharged from certain of its obligations with respect to the Notes or elect that its failure to comply with certain restrictive covenants, including those described in "—Consolidation, Merger, Sale of Assets and Other Transactions" and "—Limitations on Liens" and the requirement to add Additional Guarantors as described in "—Note Guarantees" will not be deemed to be or result in a default or an Event of Default under the Notes.

Modification and Waiver

The Issuer, the Guarantors and the Trustee may modify the Indenture in a manner that affects the interests or rights of the holders of Notes with the consent of the holders of at least a majority in aggregate principal amount of the Notes at the time outstanding. However, the Indenture will require the consent of each holder of Notes affected by any modification which would:

- change the fixed maturity of, or any installment of principal or interest on, the Notes;
- reduce the principal amount of the Notes payable at or upon acceleration of the maturity thereof, or reduce the rate or extend the time of payment of interest thereon;
- reduce any premium payable upon the redemption or change the date on which the Notes must be redeemed;
- change the currency in which the Notes or any premium or interest is payable;
- impair the right to enforce any payment on or with respect to the Notes;
- reduce the percentage in principal amount of outstanding Notes the consent of whose holders is required for modification or amendment of the Indenture or for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- modify the subordination provisions of the Notes in any manner adverse to the holders;
- modify the Note Guarantees in any manner adverse to the holders; or
- modify any of the above bullet points.

The Issuer, the Guarantors and the Trustee may also modify and amend the Indenture without the consent of any holders of Notes to:

- add covenants that would benefit the holders of any Notes or surrender any right or power the Indenture confers upon the Issuer or any Guarantor;
- evidence the assumption of the Issuer's obligations or the obligations of any Guarantor under the Indenture by a successor;

- add any additional events of default for the benefit of the holders of any Notes;
- add new Guarantors;
- provide for the release of any Guarantor in accordance with the Indenture;
- secure the Notes;
- provide for a successor Trustee;
- provide for the issuance of additional Notes;
- establish forms or terms for Notes of any series;
- comply with the rules of any applicable depositary;
- add or change any provisions of the Indenture to permit or facilitate the issuance of Notes in uncertificated form;
- add, change or eliminate any of the provisions of the Indenture so long as such addition, change or elimination (i) does not apply to or modify the rights of the holders of Notes of any series created prior to such addition, change or elimination and (ii) becomes effective only when there are no Notes created prior to the execution of the supplemental indenture then outstanding which are entitled to the benefit of such provision;
- cure any ambiguity, correct or supplement any provision of the Indenture which may be defective or inconsistent with any other provision therein;
- make any change that does not adversely affect the rights of any holder of Notes in any material respect; or
- conform the text of the Indenture or the Notes to any provision of the "Description of the Notes" contained in the prospectus and the applicable prospectus supplement.

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

The Indenture permits the holders of at least a majority in aggregate principal amount of the outstanding Notes, or of any other series of debt securities issued under the Indenture, as it may be supplemented, which is affected by the modification or amendment, to waive compliance with certain covenants contained in the Indenture. The Issuer shall provide to the Trustee an officers' certificate and an opinion of counsel, each stating that any supplement, amendment or modification of the Indenture is authorized or permitted by the terms of the Indenture and that all conditions precedent to such supplement, amendment or modification have been satisfied.

Sinking Fund

The Notes do not provide for any sinking fund.

Listing

The Notes are listed on The Nasdaq Global Select Market under the symbol "CGABL".

Governing Law

The Indenture, Notes and Note Guarantees will be governed by, and construed in accordance with, the internal laws of the State of New York.

Trustee

The Trustee under the Indenture is The Bank of New York Mellon Trust Company, N.A.

Book-Entry; Delivery and Form

The Notes initially were issued in book-entry form and represented by one or more global Notes. The global Notes were deposited with, or on behalf of, DTC, New York, New York, as depositary, and registered in the name of Cede & Co., the nominee of DTC. Beneficial interests in a global note will be represented through book-entry accounts of financial institutions acting on behalf of the beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in a global note through either DTC (in the United States) or Clearstream Banking, S.A. ("Clearstream"), or Euroclear Bank SA/NV (the "Euroclear Operator"), as operator of the Euroclear System ("Euroclear") (in Europe), either directly if they are participants in such systems or indirectly through organizations that are participants in such systems. Clearstream and Euroclear will hold interests on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their U.S. depositaries, which in turn will hold such interests in customers' securities accounts in the U.S. depositaries' names on the books of DTC. Unless and until it is exchanged for individual certificates evidencing Notes under the limited circumstances set forth in the indenture, a global note may not be transferred except as a whole by the depositary to its nominee or by the nominee to the depositary, or by the depositary or its nominee to a successor depositary or to a nominee of the successor depositary.

Transfers of ownership interests in global Notes are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in the global Notes except under the limited circumstances set forth in the indentures.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any legal requirements in effect from time to time.

Redemption notices will be sent to DTC or its nominee. If the Notes are not held in definitive form, and if less than all of the Notes are being redeemed, the amount of the interest of each direct participant in the Notes to be redeemed will be determined in accordance with DTC's procedures. In any case where a vote may be required with respect to the Notes, neither DTC nor Cede & Co. will give consents for or vote the global Notes. Under its usual procedures, DTC will mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the consenting or voting rights of Cede & Co. to those direct participants to whose accounts the Notes are credited on the record date identified in a listing attached to the omnibus proxy.

Principal and interest payments on the Notes will be made to Cede & Co., as nominee of DTC.

Exhibit 23.2

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-236397) and Form S-8 (No. 333-181109, No. 333-187264, No. 333-194164, No. 333-202315, No. 333-209690, No. 333-216100, No. 333-223051, No. 333-229663, No. 333-236394 and No. 333-252992) of The Carlyle Group Inc. of our reports dated November 12,2021 relatingto the consolidated financial statements of Fortitude Group Holdings, LLC, and February 28, 2022 relating to the consolidated financial statements of FGH Parent, L.P., which appears in this Form 10-K/A.

PricewaterhouseCoopers LLP

/s/PricewaterhouseCoopers LLP

Nashville, Tennessee

March 2, 2022

PricewaterhouseCoopers LLP, 150 3rd Avenue South, Suite 1400, Nashville, TN 37201
T: (615) 503 2860, www.pwc.com/us

EXHIBIT 31.3

I, Kewsong Lee, certify that:

1. I have reviewed this Amendment No. 1 to the Annual Report on Form 10-K for the year ended December 31, 2021 of The Carlyle Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

Date: March 2, 2022

/s/ Kewsong Lee

Kewsong Lee
Chief Executive Officer
The Carlyle Group Inc.
(Principal Executive Officer)

EXHIBIT 31.4

I, Curtis L. Buser, certify that:

1. I have reviewed this Amendment No. 1 to the Annual Report on Form 10-K for the year ended December 31, 2021 of The Carlyle Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

Date: March 2, 2022

/s/ Curtis L. Buser

Curtis L. Buser
Chief Financial Officer
The Carlyle Group Inc.
(Principal Financial Officer)

EXHIBIT 32.3

Certification of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with this Amendment No. 1 to the Annual Report of The Carlyle Group Inc. (the "Company") on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kewsong Lee, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Kewsong Lee

Kewsong Lee
Chief Executive Officer
The Carlyle Group Inc.
Date: March 2, 2022

*The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

EXHIBIT 32.4

Certification of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with this Amendment No. 1 to the Annual Report of The Carlyle Group Inc. (the “Company”) on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Curtis L. Buser, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Curtis L. Buser

Curtis L. Buser
Chief Financial Officer
The Carlyle Group Inc.
Date: March 2, 2022

*The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 99.1

FGH Parent, L.P.

Consolidated Financial Statements

As of and for the year ended December 31, 2021 (not covered by the auditor's report), as of December 31, 2020 and for the period from June 2, 2020 to December 31, 2020 (Successor Partnership), the period from January 1, 2020 to June 1, 2020 and the year ended December 31, 2019 (Predecessor Company)

FGH Parent, L.P.
Consolidated Financial Statements
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Report of Independent Auditors

To the Board of Directors of FGH Parent, L.P.

We have audited the accompanying consolidated financial statements of FGH Parent, L.P. and its subsidiaries (Successor Partnership), which comprise the consolidated balance sheet as of December 31, 2020 and the related consolidated statements of income (loss), of comprehensive income (loss), of changes in owners' and members' equity and of cash flows for the period from June 2, 2020 to December 31, 2020.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FGH Parent, L.P. and its subsidiaries (Successor Partnership) as of December 31, 2020 and the results of their operations and their cash flows for the period from June 2, 2020 to December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

The accompanying consolidated balance sheet of FGH Parent, L.P and its subsidiaries (Successor Partnership) as of December 31, 2021, and the related consolidated statements of income (loss), of comprehensive income (loss), of changes in owners' and members' equity and of cash flows for the year then ended are presented for purposes of complying with Rule 3-09 of SEC Regulation S-X; however, Rule 3-09 does not require the 2021 financial statements to be audited and they are therefore not covered by this report.

Accounting principles generally accepted in the United States of America require that the incurred and paid claims development information for the years ended December 31, 2020 and prior on pages 43-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

Nashville, Tennessee
February 28, 2022

Report of Independent Auditors

To the Board of Directors of Fortitude Group Holdings, LLC

We have audited the accompanying consolidated statements of (loss) income, of comprehensive (loss) income, of changes in owners' and members' equity and of cash flows of Fortitude Group Holdings, LLC and its subsidiaries (Predecessor Company) for the period from January 1, 2020 to June 1, 2020 and for the year ended December 31, 2019.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Fortitude Group Holdings, LLC and its subsidiaries (Predecessor Company) for the period from January 1, 2020 to June 1, 2020 and for the year ended December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Nashville, Tennessee
November 12, 2021

PricewaterhouseCoopers LLP, 150 3rd Avenue South, Suite 1400, Nashville, TN 37201
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FGH Parent, L.P.
Consolidated Balance Sheets
(in millions, except units data)

	Successor Partnership	
	December 31,	
	2021*	2020
Assets:		
Investments:		
Funds withheld by ceding companies, at fair value	$ 43,948	$ 42,968
Fixed maturity securities available for sale, at fair value (Amortized cost: 2021 - $2,271; 2020 - $3,431)	2,266	3,549
Other invested assets, at fair value	679	313
Short term investments	1,218	10
Total investments	48,111	46,840
Cash	70	187
Deferred income taxes, net	302	—
Tax receivable	143	26
Other assets	27	20
Total assets	**48,653**	**47,073**
Liabilities:		
Future policy benefits for life insurance and annuity contracts	27,771	28,400
Policyholder contract deposits	7,055	4,510
Value of business acquired	4,053	4,291
Liability for unpaid losses and loss adjustment expenses	3,305	3,753
Collateral deposit liability	188	208
Deferred gain from reinsurance contracts	736	42
Reinsurance payable	609	581
Deferred income taxes, net	—	75
Long term debt	243	245
Other liabilities	75	40
Total liabilities	**44,035**	**42,145**
Contingencies, commitments and guarantees (Note 11)		
Equity:		
Owners' equity - 1,000,000 units issued at December 31, 2021 and 2020	3,185	3,185
Retained earnings	1,438	1,650
Accumulated other comprehensive (loss) income	(5)	93
Total equity	**$ 4,618**	**$ 4,928**
Total liabilities and equity	**$ 48,653**	**$ 47,073**

**Not covered by the auditor's report*

See accompanying Notes to Consolidated Financial Statements.

FGH Parent, L.P.
Consolidated Statements of (Loss) Income
(in millions)

	Successor Partnership		Predecessor Company	
	Year ended December 31, 2021*	Period from June 2, to December 31, 2020	Period from January 1, to June 1, 2020	Year ended December 31, 2019
Revenues:				
Premiums	$ 280	$ 169	$ 126	$ 333
Policy fees	76	48	31	92
Net investment income	2,046	966	316	1,964
Change in fair value of funds withheld	(1,262)	1,633	1,461	3,876
Net investment gains	45	86	63	246
Net foreign exchange gains	4	17	—	—
Total revenues	**1,189**	**2,919**	**1,997**	**6,511**
Benefits, losses and expenses:				
Policyholder benefits and losses incurred	1,060	609	1,579	1,511
Interest credited to policyholder account balances	194	124	84	206
General operating expenses	196	90	67	182
Interest expense	12	6	1	—
Total benefits, losses and expenses	**1,462**	**829**	**1,731**	**1,899**
(Loss) Income before income tax (benefit) expense	**(273)**	**2,090**	**266**	**4,612**
Income tax (benefit) expense	(61)	440	55	970
Net (loss) income	**$ (212)**	**$ 1,650**	**$ 211**	**$ 3,642**

**Not covered by the auditor's report*

See accompanying Notes to Consolidated Financial Statements.

FGH Parent, L.P.
Consolidated Statements of Comprehensive (Loss) Income
(in millions)

	Successor Partnership		Predecessor Company	
	Year ended December 31, 2021*	June 2, to December 31, 2020	Period from January 1, to June 1, 2020	Year ended December 31, 2019
Net (loss) income	$ (212)	$ 1,650	$ 211	$3,642
Other comprehensive (loss) income:				
Change in unrealized gains of fixed maturity securities, available for sale	(124)	118	28	104
Change in foreign currency translation adjustments	—	—	(30)	9
Total other comprehensive (loss) income	**(124)**	**118**	**(2)**	**113**
Less:				
Deferred income tax benefit (expense) on change in unrealized gains of fixed maturity securities, available for sale	26	(25)	(6)	(22)
Deferred income tax on change in foreign currency translation adjustments	—	—	6	(2)
Total deferred income tax benefit (expense) on other comprehensive (loss) income	**26**	**(25)**	**—**	**(24)**
Total other comprehensive (loss) income, net of tax	**(98)**	**93**	**(2)**	**89**
Comprehensive (loss) income	**$ (310)**	**$ 1,743**	**$ 209**	**$ 3,731**

**Not covered by the auditor's report*

See accompanying Notes to Consolidated Financial Statements.

FGH Parent, L.P.
Consolidated Statements of Changes in Owners' and Members' Equity
(in millions)

Predecessor Company	Members' Equity	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total Members' Equity
Balance, January 1, 2019	$ 2,620	$ (507)	$ 12	$ 2,125
Net income	—	3,642	—	3,642
Other comprehensive income	—	—	89	89
Balance, December 31, 2019	**$ 2,620**	**$ 3,135**	**$ 101**	**$ 5,856**
Net income	—	211	—	211
Dividends (Note 14)	—	(2)	—	(2)
Other comprehensive loss	—	—	(2)	(2)
Balance, June 1, 2020	**$ 2,620**	**$ 3,344**	**$ 99**	**$ 6,063**

Successor Partnership	Owners' Equity	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Owners' Equity
Balance, June 2, 2020 (Note 4)	$ 3,185	$ —	$ —	$ 3,185
Net income	—	1,650	—	1,650
Other comprehensive income	—	—	93	93
Balance, December 31, 2020	**$ 3,185**	**$ 1,650**	**$ 93**	**$ 4,928**
Net loss*	—	(212)	—	(212)
Other comprehensive loss*	—	—	(98)	(98)
Balance, December 31, 2021*	**$ 3,185**	**$ 1,438**	**$ (5)**	**$ 4,618**

**Not covered by the auditor's report*

See accompanying Notes to Consolidated Financial Statements.

FGH Parent, L.P.
Consolidated Statements of Cash Flows
(in millions)

	Successor Partnership		Predecessor Company	
	Year ended December 31,	Period from June 2, to December 31,	Period from January 1, to June 1,	Year ended December 31,
	2021*	2020	2020	2019
Cash flows from operating activities				
Net (loss) income	$ (212)	$ 1,650	$ 211	$ 3,642
Adjustments to reconcile net (loss) income to net cash used in operating activities:				
Change in fair value, Other invested assets	(91)	(17)	177	(197)
Amortization of value of business acquired	(238)	(121)	—	—
Amortization of deferred gain from reinsurance contracts	14	23	(37)	(148)
Accretion of net premiums, discounts, and other	18	31	3	3
Investment losses (gains)	15	(36)	(28)	(10)
Deferred income tax (benefit) expense	(351)	505	(140)	895
Net foreign exchange gain	—	(17)	—	—
Changes in operating assets and liabilities:				
Funds withheld by ceding companies	1,575	(1,705)	(605)	(3,883)
Future policy benefits for life insurance and annuity contracts	(614)	(359)	849	(390)
Policyholder contract deposits	(337)	(208)	(105)	(216)
Liability for unpaid losses and loss adjustment expenses	(283)	(142)	(124)	(380)
Deferred gain from reinsurance contracts	167	—	72	—
Unearned premiums	—	—	(9)	(35)
Collateral deposit liability	(20)	(13)	—	—
Income taxes	(117)	(134)	178	(50)
Reinsurance payable	28	185	(533)	267
Other, net	20	27	(35)	11
Net cash used in operating activities	$ (426)	$ (331)	$ (126)	$ (491)
Cash flows from investing activities				
Proceeds from:				
Sale of fixed maturity securities, available for sale	2,118	774	131	449
Maturities of fixed maturity securities, available for sale	592	142	97	107
Sales and maturities of other invested assets	112	145	1,024	244
Sales and maturities of short term investments	3,319	447	971	227
Purchases of:				
Fixed maturity securities, available for sale	(987)	(915)	(918)	(181)
Other invested assets	(390)	(129)	(158)	(52)
Short term investments	(4,460)	(373)	(924)	(307)
Net cash provided by investing activities	$ 304	$ 91	$ 223	$ 487
Cash flows from financing activities				
Net proceeds from issuance of debt obligations	247	—	—	—
Repayment of debt obligations	(242)	—	—	—
Net cash provided by financing activities	$ 5	$ —	$ —	$ —
Net (decrease) increase in cash	(117)	(240)	97	(4)
Cash at the beginning of the period [1]	187	428	85	89
Cash at the end of the period	**$ 70**	**$ 187**	**$ 182**	**$ 85**

**Not covered by the auditor's report*

[1] Includes cash proceeds from long-term debt obligations issued on June 2, 2020 concurrent with the business combination. Refer to Note 4 and Note 10.

FGH Parent, L.P.

Consolidated Statements of Cash Flows (continued)

(in millions)

	Successor Partnership		Predecessor Company	
	Year ended December 31, 2021*	Period from June 2, to December 31, 2020	Period from January 1, to June 1, 2020	Year ended December 31, 2019
Supplementary information				
Cash paid for interest	$ 7	$ 4	$ —	$ —
Cash paid for taxes, net of refunds	$ 407	$ 71	$ 18	$ 124
Non-cash transactions:				
Premiums and deposits on policies reinsured through funds withheld arrangements	$ 280	$ 170	$ 118	$ 297
Claims, withdrawals and surrenders on policies reinsured through funds withheld arrangements	$ 2,566	$ 1,485	$ 1,050	$ 2,741
Non-cash dividend paid to AIG Inc. (Note 14)	$ —	$ —	$ 2	$ —
Receipt of securities from funds withheld arrangements	$ 660	$ 314	$ 270	$ 774

**Not covered by auditor's report*
See accompanying Notes to Consolidated Financial Statements.

FGH Parent, L.P.

Notes to Consolidated Financial Statements

1. Organization and Nature of Operations

Current Organizational Structure

FGH Parent, L.P. (the "Partnership") is a Bermuda limited partnership and is the ultimate group holding entity of the following wholly owned direct and indirect subsidiaries:

- Fortitude Group Holdings, LLC ("FGH"), a holding company, formed under the laws of the State of Delaware, United States of America. FGH was the ultimate group holding company prior to the formation of the Partnership.
- Fortitude Reinsurance Company Ltd. ("FRL"), a Bermuda domiciled company registered under the Insurance Act 1978 and related regulations, as amended (the "Bermuda Insurance Act") as a Class 4 and Class E composite reinsurance company and is primarily a reinsurer of general insurance and life insurance run-off business.
- Fortitude Life & Annuity Solutions, Inc. ("FLAS"), a licensed third party administrator for life and annuity business in the State of Nevada, is incorporated in the State of Delaware. Effective May 7, 2020, FLAS was no longer consolidated by the Partnership. Refer to Note 14 for detail on the transfer of FLAS to American International Group Inc. ("AIG") and Note 16 for the subsequent acquisition from AIG on January 3, 2022.
- Fortitude P&C Solutions, Inc. ("FPCS"), a licensed third party administrator for property and casualty business in the State of Illinois, is incorporated in the State of Delaware. Effective May 7, 2020, FPCS was no longer consolidated by the Partnership. Refer to Note 14 for detail on the transfer of FPCS to AIG and Note 16 for the subsequent acquisition from AIG on January 3, 2022.
- Fortitude Group Services, Inc. ("FGS"), a management services company, which is incorporated in the State of Delaware, United States of America.
- Fortitude Re Investments, LLC. ("FRI"), an investment holding company, which is organized in the State of Delaware, United States of America.
- Fortitude International Reinsurance Ltd. ("FIRL"), a Bermuda exempted company, incorporated on November 18, 2021, was registered with effect from January 1, 2022 under the Bermuda Insurance Act as a Class 4 and Class E composite reinsurance company.
- Fortitude International Group Services Ltd. ("FIGS"), is a management services company, formed under the laws of Bermuda.
- Fortitude International Group Holdings ("FIGH"), is the holding company of FIRL and FIGS, formed under the laws of the United Kingdom.
- Fortitude International Ltd. ("FIL"), an intermediate holding company, formed under the laws of Bermuda.

The Partnership is owned by Carlyle FRL, L.P. ("Carlyle FRL"), an investment fund advised by an affiliate of The Carlyle Group Inc. ("Carlyle"), an SEC-registered global investment firm, T&D United Capital Co., Ltd. ("T&D"), a wholly-owned subsidiary of T&D Holdings, Inc., a listed Japanese insurance group, and AIG, an SEC-registered company, with interests of 71.5%, 25.0% and 3.5%, respectively.

Unless the context indicates otherwise, the terms "the Partnership" "we," "us" or "our" refers to the consolidated group of FGH Parent, L.P. and subsidiaries.

Prior Organizational Structure

On August 8, 2018, the shares of FRL were contributed into FGH by AIG in consideration for 10,000 membership units of FGH such that FRL became a wholly owned subsidiary of FGH. AIG completed the sale of 19.9% of the total issued membership units ("2018 Sale") in FGH to TC Group Cayman Investment Holdings, L.P., an affiliate of Carlyle on November 13, 2018. As of December 31, 2018, AIG had contributed capital of $2,620 million to FRL to support its operations and local capital requirements.

On November 25, 2019, FGH entered into a membership interest purchase agreement with AIG, Carlyle, Carlyle FRL, T&D and T&D Holdings, Inc., pursuant to which Carlyle FRL agreed to purchase from AIG a 51.6% ownership interest in FGH and T&D agreed to purchase from AIG a 25% ownership interest in FGH ("2019 Sale"). At closing,

Carlyle contributed its existing 19.9% interest in FGH to Carlyle FRL. The closing of the 2019 Sale was complete with effect from June 2, 2020 whereupon 7,150 membership units of FGH (71.5%) were owned by Carlyle FRL, 2,500 membership units (25%) were owned by T&D and 350 membership units (3.5%) were owned by AIG.

In accordance with the terms of the 2019 Sale, FGH, AIG and Carlyle FRL agreed, effective upon the closing of the transaction: (i) AIG's investment commitment targets into various Carlyle strategies and vehicles, minimum investment management fee payments and make-whole fee condition were assumed by FGH and (ii) the purchase price was subject to a post-closing price adjustment pursuant to which AIG would pay FRL for certain adverse development in property casualty related reserves, based on an agreed methodology, that may occur on or prior to December 31, 2023, up to a maximum payment of $500 million. The adverse development price adjustment and the subsequent early termination of the adverse development cover are further described in Note 8.

Effective October 1, 2021, Carlyle FRL, T&D and AIG entered into an Amended and Restated Exempted Limited Partnership Agreement pursuant to which each party contributed the entirety of their membership units held within FGH to the Partnership in exchange for the Partnership's issuance of Class A Units ("Owners' Equity") to each party (the "Restructuring"). Following the Restructuring, the Partnership is the direct parent entity of FGH and 715,000 units (71.5%) of the Partnership are owned by Carlyle FRL, 250,000 units (25.0%) are owned by T&D and 35,000 units (3.5%) are owned by AIG.

2. Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). All material intercompany transactions have been eliminated. All amounts are presented in United States dollars. Certain prior period amounts in the consolidated statement of cash flows have been reclassified to conform to the 2021 presentation.

In December 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-12 *Definition of a Public Business Entity* which provides a single definition of the term 'public business entity'. The definition within ASU 2013-12 includes a business entity that is required to file or furnish financial statements with the U.S. Securities and Exchange Commission ("SEC"), including when financial statements are included in another entity's filing. As described in Note 1 and Note 14, as of December 31, 2019 and until June 2, 2020, 19.9% of the membership units of the Fortitude Group Holdings, LLC ("FGH") were owned directly by TC Group Cayman Investment Holdings, L.P. ("TCGCIH"). Subsequent to June 2, 2020 and through December 31, 2020, 19.9% of the membership units of FGH Parent L.P. were owned indirectly by Carlyle, through Carlyle's interest in Carlyle FRL. Carlyle is required under SEC Regulation S-X, Rule 3-09 ("Rule 3-09"), *Separate Financial Statements of Subsidiaries Not Consolidated and 50 Percent or Less Owned Person*, to file the Partnership's consolidated financial statements as of December 31, 2021 and for the year ended December 31, 2021 on an unaudited basis, as of December 31, 2020 and for the period from June 2, 2020 to December 31, 2020, the period from January 1, 2020 to June 1, 2020 and the year ended December 31, 2019 on an audited basis within its Form 10-K for the year ended December 31, 2021.

The Partnership's consolidated financial statements and related disclosures have therefore been prepared in accordance with the Partnership's designation as a public business entity. As the Partnership is a public business entity solely because of the application of Rule 3-09 it is not required to adopt forthcoming accounting standards on the effective date applicable to SEC filers. Further, the Partnership is not required to apply existing accounting standards applicable only to public entities, including those set forth in ASC 280, *Segment Reporting*.

Legal Entity Restructuring

The Restructuring and 2019 Sale were accounted for under the acquisition method of accounting. As the Restructuring represented both the formation of the Partnership and the transfer of the membership units of FGH to the Partnership between entities under the control of the same parent company (Carlyle FRL), the Restructuring constituted a transaction between entities under common control. When accounting for an exchange of equity between entities under common control, the receiving entity, FGH Parent L.P., shall initially measure the recognized assets and liabilities at the historical cost of the parent entity. If the carrying amounts of the assets and liabilities transferred differ from the historical cost of the parent of the entities under common control, then the financial statements of the receiving entity shall reflect the transferred assets and liabilities at the historical cost of the parent as of the date of the transfer. Prior to June 2, 2020, the basis of all identifiable assets acquired and liabilities assumed of Carlyle FRL is fair value which differed from that of Fortitude Group Holdings, LLC. Therefore, ASC Topic 805 necessitates the "pushdown" of the Carlyle FRL basis as of June 2, 2020 to the Partnership.

The application of "pushdown" accounting creates a new basis of accounting for all assets and liabilities based on fair value. As a result, the Partnership's results of operations and cash flows subsequent to the Restructuring are not comparable with those prior to June 2, 2020, and therefore have been segregated to indicate pre-acquisition and post-acquisition periods. The pre-acquisition period to June 1, 2020 is referred to as the Predecessor Company, named "Fortitude Group Holdings, LLC" ("FGH"). The post-acquisition period, June 2, 2020 and forward, includes the impact of acquisition accounting and is referred to as the Successor Partnership, named "FGH Parent, L.P.". Similarly, since the Restructuring was among entities under common control, the successor period financial statements are permitted to be presented as a Partnership despite the transaction occurring in a period subsequent to those periods presented herein.

Refer to Note 4 for additional information on the application of "pushdown" accounting. The new basis of accounting will be the basis of the accounting records in the preparation of future consolidated financial statements and related disclosures after June 2, 2020.

The preparation of financial statements requires management to make estimates and assumptions when applying accounting policies that often involve a significant degree of judgment. The Partnership's accounting policies that are most dependent on the application of estimates and assumptions are those related to the determination of:

- Fair value measurements of investments including our interest in funds withheld by ceding companies;
- Valuation of future policy benefit liabilities including timing and extent of loss recognition;
- Estimates of liability for unpaid losses and loss adjustment expenses;
- Estimates of the remaining life of the underlying contracts, which is used as the basis for amortizing the value of business acquired and deferred gains from long duration reinsurance contracts;
- Estimates of the timing and amount of future cash flows, which is used as a basis for amortizing the deferred gains from the short duration reinsurance contracts; and
- Estimates with respect to income taxes, including the recoverability of deferred income tax assets.

Additional details regarding these and other estimates and assumptions are included within the significant accounting policies and the related disclosures that follow. These accounting estimates require the use of assumptions about matters, some of which are highly uncertain at the time of estimation. To the extent actual experience differs from the assumptions used, the Partnership's consolidated financial condition, results of operations and cash flows could be materially affected.

Our operations are influenced by many factors, including general economic conditions, the financial condition of our cedants, the monetary and fiscal policies of the government of Bermuda and other countries in which the Partnership operates and the policies of the Bermuda Monetary Authority (BMA). We are exposed to the market risks normally associated with a portfolio of fixed income securities, which include interest rate, liquidity, and credit spread risks as well as risks impacting reserves. Refer to Note 7 and Note 9 for additional information regarding these risks.

3. Summary of Significant Accounting Policies

The following summarizes our significant accounting policies.

(a) Investments and Cash

Funds withheld by ceding companies: Funds withheld by ceding companies represents a reinsurance receivable collateralized by segregated portfolios of investments maintained by the ceding companies. While the investments maintained in the funds withheld by ceding companies are legally owned by the ceding companies, the investments are separately identified from their general accounts and, pursuant to our contractual terms with those ceding companies, all future realized and unrealized gains and losses and net investment income on the investments accrue to us. The Partnership is entitled to all economic rights and obligations on the collateral as if the Partnership held the investments directly. We have therefore elected to present funds withheld by ceding companies within the total investments subheading on the balance sheet. The application of "pushdown accounting", as discussed in Note 2 and Note 4, permitted the Successor Partnership to elect the fair value option for eligible financial assets and liabilities with effect from June 2, 2020. The Successor Partnership made the irrevocable election to apply the fair value option to the funds withheld by ceding companies with effect from this date.

The Partnership has elected to report the net investment income and net investment gains (losses) arising from the underlying investments maintained within the funds withheld by ceding companies account in the same financial statement line that such investment income would have been recorded had the Partnership held the investments directly.

The change in fair value of funds withheld by ceding companies, excluding alternative investments, is presented separately within the consolidated statements of (loss) income. The change in fair value of alternative investments collateralizing the funds withheld by ceding companies is recorded within net investment income.

For the Predecessor Company, the reinsurance agreements contained an embedded derivative because the ceding companies are paying an interest rate attributable to the returns on the portfolio of investments which collateralize the reinsurance receivable that is not associated with the ceding companies own credit risk. The fair value of the embedded derivative on the reinsurance agreements was included in funds withheld by ceding companies in the consolidated balance sheets. As the funds withheld assets are settled on a quarterly basis the fair value of the embedded derivatives was equal to the unrealized gain or loss on the segregated investment portfolio.

Fixed maturity securities, available for sale: Fixed maturity securities classified as available for sale are carried at fair value. Unrealized gains and losses from available for sale investments in fixed maturity securities are reported as a separate component of accumulated other comprehensive (loss) income, net of deferred income taxes. Investments in fixed maturity securities are recorded on a trade-date basis. As discussed in Note 4, consistent with the application of "pushdown" accounting, the carrying value of the funds withheld by ceding companies and fixed maturity securities available for sale portfolios for the Successor Partnership was reset to fair value as of June 2, 2020.

Other invested assets: Other invested assets include private equity funds, certain fixed maturity securities and derivative instruments. We elected the fair value option for certain fixed maturity securities. We utilize net asset value ("NAV") as an estimate of fair value for our private equity funds, which is a permitted practical expedient. Derivative instruments are carried at fair value. Changes in fair value of other invested assets are reported in net investment income.

Short-term investments: Short-term investments are comprised of highly liquid securities with remaining maturities of one year or less, but greater than three months, at the time of purchase and short-term bank loan securities. These securities are stated at amortized cost which approximates fair value.

Cash: This consists of cash on hand, demand deposits and highly liquid debt instruments with an original maturity of three months or less.

(b) Reinsurance

Assumed reinsurance: We assume both life and annuity and general insurance reinsurance and investment contracts under modified co-insurance and funds withheld arrangements. The mortality and timing risks related to certain life blocks of business, such as whole life, universal life, and pension risk transfer annuities with life contingencies were transferred to us and are subject to reinsurance accounting. The remaining blocks of life business, such as fixed annuities and structured settlements without life contingencies, lacked mortality risks, and thus could not achieve risk transfer. Accordingly, these reinsured contracts are subject to deposit accounting, rather

than reinsurance accounting. The general insurance lines of business qualify to be accounted for as retroactive reinsurance.

Deferred Gain - Long Duration: The difference between the consideration received and the liabilities assumed under the reinsurance contract is recorded as a deferred gain from reinsurance contracts in the consolidated balance sheets. The deferred gain is amortized over the lives of the reinsured policies in relation to expected benefit payments or insurance in-force for insurance contracts. The amortization is included within "Policyholder benefits and losses incurred" within the consolidated statements of (loss) income.

Deferred Gain - Short Duration: Retroactive reinsurance contracts provide indemnification with respect to past loss events. For these contracts, the difference between the consideration received and the liabilities assumed under the reinsurance contract, represents a net cost of reinsurance liability and is recorded as a deferred gain from reinsurance contracts in the consolidated balance sheets. The deferred gain is amortized into income over the settlement period of the assumed reserves using an effective interest rate method. In applying the interest method an effective interest rate is derived for these retroactive reinsurance contracts based on the expected timing and amount of the loss and loss adjustment expense payments such that the present value of these estimated payments equals the consideration received.

We monitor subsequent development on losses that occur during the retroactive period and will revise the deferred gain balance on a cumulative basis. The revised deferred gain balance is determined using the retrospective method so that the adjusted balance reflects the amount that would have existed had the revised estimates been available at the inception of the reinsurance transactions. The amortization, including any catch up adjustment recorded during the period of change, is included within "Policyholder benefits and losses incurred" within the consolidated statements of (loss) income.

Value of business acquired ("VOBA"): The VOBA intangible liability represents the difference between estimated fair value of future best estimate liability cash flows and the Partnership's liability for future policyholder benefits and contract deposits after adjusting for current assumptions measured as of the business combination date.

The fair value estimate incorporated the following market participant based assumptions:

- Projections of future liability cash flows;
- A risk-free discount rate, representing the time value of money excluding non-performance risk;
- An adjustment to the risk-free discount rate to reflect the Partnership's credit rating and claims paying ability to reflect non-performance risk; and
- The inclusion of a market risk margin to account for the inherent uncertainty in the liability cash flows.

This VOBA liability is amortized over the lives of the reinsured policies of up to 70 years, in relation to expected benefit payments or insurance in-force amounts for insurance contracts. The amortization is included within "Policyholder benefits and losses incurred" within the consolidated statements of (loss) income.

(c) Future policy benefits for life insurance and annuity contracts

Future policy benefits for life insurance and annuity contracts include retirement products whose payments depend on contract holder's survival such as structured settlements with life contingencies, single premium immediate annuities ("SPIA") with life contingencies, and pension risk transfer annuities; and traditional life insurance products such as whole life ("WL") and return of premium ("RoP") term, accident & health ("A&H") and long term care ("LTC").

For these long duration traditional products, “locked-in” assumptions apply. The assumptions used to estimate benefit liabilities are set when a contract is issued and do not change with changes in actual experience unless a loss recognition event occurs. These “locked-in” assumptions include mortality, morbidity, persistency, maintenance expenses, and investment returns and include margins for adverse deviation to reflect uncertainty given that actual experience might deviate from these assumptions. Periodically, we are required to evaluate these “locked-in” assumptions. A loss recognition event occurs when there is a shortfall between the carrying amount of future policy benefit liabilities and estimated future policy benefit liabilities determined by applying current best estimate assumptions. If we determine a loss recognition event has occurred, we would record additional liabilities through a charge to future benefits expense. We would then replace the old “locked-in” assumption set with the current best estimate. These assumptions were "locked-in" at June 2, 2020 as the best estimate assumptions at that time during the application of purchase accounting, as discussed further in Note 4. Future reserves would be set by reviewing the updated best estimate assumptions periodically and making further adjustments where necessary. Other

adjustments include unearned premium liabilities, incurred but not reported claims, and disabled lives reserves where Accident & Health products such as disability income have claimants receiving ongoing benefits.

(d) Policyholder contract deposits

The liability for policyholder contract deposits is recorded at accumulated or fund value (deposits received, plus accrued interest credited, less withdrawals, charges and fees). Amounts collected on investment-oriented products are not recognized as revenues, because they are recorded directly to policyholder contract deposits upon receipt.

Policyholder contract deposits are primarily comprised of deferred annuities and annuities issued in structured settlement arrangements, single premium immediate annuities ("SPIA") contracts with no life contingent features and universal life contracts. The liability for these products represents an estimate of the present value of future benefits using an interest rate determined at the treaty inception date. The liability for deferred annuities in the accumulation phase is set equal to the contracts' fund value.

For universal life contracts that are determined to have profits in earlier years and losses in subsequent years from the insurance benefits, an additional liability is established in addition to the fund value to recognize the portion of amounts assessed against the contract holder (costs of insurance and all other charges and margins) that compensates us for benefits to be provided in future periods.

(e) Liability for unpaid losses and loss adjustment expenses

Loss reserves and loss adjustment expense ("LAE") represent estimates of unpaid claims, including estimates for claims incurred but not reported and loss adjustment expenses ("IBNR"), less applicable discount. We regularly review and update the methods used to determine loss reserve estimates. Because these estimates are subject to the outcome of future events, changes in estimates are common given that loss trends vary and time is often required for changes in trends to be recognized and confirmed. Reserve changes that increase previous estimates of ultimate loss are referred to as unfavorable or adverse development. Reserve changes that decrease previous estimates of ultimate cost are referred to as favorable development. Prior year development can refer to either favorable or unfavorable development.

The Partnership discounts its workers' compensation exposures based on the following assumptions: (i) the tabular workers' compensation discount is calculated based on a 3.5 percent interest rate and the mortality rate used in the 2007 U.S. Life Table; and (ii) the non-tabular workers' compensation discount is calculated by subtracting tabular workers' compensation discount from total workers' compensation discount. To calculate total workers' compensation discount, we use a consistent discount rate (U.S. Treasury rates plus a liquidity premium), along with the use of payout patterns specific to our primary and excess workers' compensation portfolios, to discount our workers' compensation reserves. The discount rates and payout patterns are updated periodically.

Premium Deficiency: The Partnership recognizes a premium deficiency reserve if the expected unpaid ultimate losses and loss adjustment expenses from future insured events exceed the related unearned premiums and other liabilities established and anticipated investment income. Any future expected losses on unearned premium is recorded as an increase to loss and loss adjustment expense reserves within the consolidated balance sheets and included within policyholder benefits and losses incurred within the consolidated statements of income.

(f) Collateral Deposit Liability

The Partnership has contractually assumed certain environmental protection plan ("EPP") and clean-up cost cap ("CCC") exposures. EPP and CCC products are designed to incorporate elements of program funding (investment risk on EPP) along with cost overrun protection (insurance risk on CCC) for the remediation of known environmental contamination issues.

Effective with the contract modification described in Note 8, the Partnership recognizes proceeds received under EPP programs as a collateral deposit liability, given insurance risk is not transferred under such funding programs. As losses funded by the policyholder are paid, the collateral deposit liability is reduced and as interest, estimated by applying the effective yield method, is accrued, the collateral deposit liability is increased.

(g) Other assets and other liabilities

Other assets primarily consist of accrued interest receivable on fixed maturity securities and other investment-related receivables. Other liabilities primarily consist of expense accruals and other payables.

(h) Income Taxes

The income tax provision is calculated under the asset and liability method. We recognize deferred income tax assets and liabilities for the expected future tax effects attributable to temporary differences between the financial statement and tax return basis of assets and liabilities based on enacted tax rates and other provisions of the tax law.

Deferred tax assets and liabilities are recognized for the timing differences between the financial statement carrying amounts of existing assets and liabilities and the respective tax basis at the balance sheet date. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to an amount that in management's opinion, is more likely than not to be realized.

The Partnership evaluates the recoverability of deferred tax assets and establishes a valuation allowance, if necessary, to reduce the deferred tax asset to an amount that is more likely than not to be realized (a likelihood of more than 50 percent). The evaluation of the recoverability of the deferred tax asset and the need for a valuation allowance requires the Partnership to weigh all positive and negative evidence to reach a conclusion that it is more likely than not that all or some portion of the deferred tax asset will not be realized. The weight given to the evidence is commensurate with the extent to which it can be objectively verified. The more negative evidence that exists, the more positive evidence is necessary and the more difficult it is to support a conclusion that a valuation allowance is not needed.

The Partnership framework for assessing the recoverability of deferred tax assets requires consideration of all available evidence, including: (i) the nature, frequency, and severity of cumulative financial reporting losses in recent years; (ii) the predictability of future operating profitability of the character necessary to realize the net deferred tax asset; (iii) the carry forward periods for the net operating loss, capital loss and foreign tax credit carry forwards, including the effect of reversing taxable temporary differences; and (iv) prudent and feasible tax planning strategies that would be implemented, if necessary, to protect against the loss of the deferred tax asset.

The Partnership formed a number of non-U.S. entities during 2021. There were no activities undertaken in these entities during 2021 and, as such, all tax related items presented herein, including current and deferred tax expense, tax balances, and a valuation allowance assessment related to FGH and its direct and indirect subsidiaries.

(i) Premiums and Policy Fees

We assume premiums and policy fee revenues from ceding insurance companies. Premiums for short-duration contracts are recorded as written on the inception date of the policy. For short-duration insurance contracts, premiums are generally earned on a pro-rata basis over the terms of the related policies. For traditional long-duration insurance contracts (including term and whole life contracts and certain annuities), premiums are earned when due. Estimates for premiums due but not yet collected are accrued. For annuities and structured settlements without significant mortality or morbidity risk (investment contracts) and universal life contracts (long-duration contracts with terms that are not fixed or guaranteed), premiums received are reported as policyholder contract deposits. Policy fees represent revenues recognized from insurance contracts consisting of policy charges for cost of insurance and policy administration charges. Policy fees are recognized as revenues in the period in which they are assessed against policyholders, unless the fees are designed to compensate us for the services to be provided in the future, in which case they are deferred.

(j) Foreign currency

Financial statement accounts expressed in foreign currencies are translated into U.S. dollars. Functional currency assets and liabilities are translated into U.S. dollars generally using rates of exchange prevailing at the balance sheet date and the related translation adjustments are recorded as a separate component of other comprehensive

income (loss), net of any related taxes. Functional currencies are generally the currencies of the local operating environment. Other foreign currency assets and liabilities that are considered monetary items are translated at exchange rates in effect at the balance sheet date. Foreign currency revenues and expenses are translated either at transaction date exchange rates or using a weighted average exchange rate for the reporting period. These exchange gains and losses are recognized in net foreign exchange gains within the consolidated statements of income.

(k) Statement of Cash Flows presentation of funds withheld by ceding companies

Withdrawals from our funds withheld reinsurance arrangements are based on statutory levels of the associated assets and liabilities. The excess (shortfall) under these agreements is settled on a periodic basis and can be settled in either cash or securities depending on the specific reinsurance agreement. The portion settled in cash is reflected in cash from operations with the securities portion being reflected as a non-cash transaction. The Partnership presents activity within funds withheld by ceding companies as well as activities related to the reinsurance arrangements as operating cash flows.

(l) Long term debt

Long term debt is recorded within the consolidated balance sheets as proceeds received less unamortized issuance costs. Debt issuance costs are capitalized and amortized over the estimated life of the debt.

Income Statement Presentation of Changes in the Fair Value of Certain Investments Collateralizing the Funds Withheld by Ceding Companies

During the period of January 1, 2020 to June 1, 2020 (Predecessor Company), the Partnership elected to change the income statement presentation for changes in fair value relating to (1) real estate joint ventures and (2) fixed maturity securities for which the fair value option has been elected (presented within funds withheld by ceding companies within the consolidated balance sheet). The retrospective presentation was adopted to align with general market views regarding changes in fair value for these types of investments to be considered as a component of the primary net income. The following financial statement line items for 2019 were affected by the change:

	Predecessor Company	
Year ended December 31,	**Net investment income**	**Change in fair value of funds withheld**
(in millions)	**2019**	**2019**
As previously reported	$ 1,933	$ 3,907
Impact of change	31	(31)
As reported	**$ 1,964**	**$ 3,876**

The change in presentation did not have any impact upon net income or members' equity for the year ended December 31, 2019.

Accounting Standards Adopted During 2021

ASU 2020-01 Investments - Equity Securities

In January 2020 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update "ASU" 2020-01 effective for fiscal years beginning after December 15, 2020. The amendment clarified the interaction of the accounting for equity securities, forward contracts and purchased options under the equity method of accounting. The adoption of this standard did not have any impact on our consolidated financial statements and disclosures.

ASU 2021-01 Reference Rate Reform (Topic 848): Scope

In January 2021 the FASB issued ASU 2021-01 clarifying that certain optional expedients and exceptions for contract modifications and hedge accounting apply to derivatives affected by the discounting transition. The adoption of this standard did not have any impact on our consolidated financial statements and disclosures.

Future Adoption of Accounting Standards

ASU 2020-03 Codification Improvements to Financial Instruments:

In March 2020, the FASB issued ASU 2020-03 which makes narrow-scope improvements to various topics within the codification relating to financial instruments, inclusive of the new credit losses standard as described below. The amendments related to certain specific issues covered by the ASU were effective immediately upon the issuance of the ASU, and had no impact on our consolidated financial statements and disclosures. Other specific issues covered by the ASU related to the measurement of credit losses on financial instruments will become effective upon our adoption of ASU 2016-13 and the related ASUs as further described below.

ASUs 2016-13, 2018-19, 2019-04, 2019-05, 2019-10, 2019-11, 2020-02 Financial Instruments - Credit Losses - Measurement of Credit Losses on Financial Instruments:

In June 2016, the FASB issued an accounting standard that will change how entities account for credit losses for most financial assets, trade receivables and reinsurance receivables. The standard will replace the existing incurred loss impairment model with a new "current expected credit loss" model that generally will result in earlier recognition of credit losses. The standard will apply to financial assets subject to credit losses, including loans and reinsurance receivables measured at amortized cost. Additionally, the impairment of available-for-sale debt securities are subject to the new guidance and will be measured in a similar manner, except that losses will be recognized as allowances rather than reductions in the amortized cost of the securities. The standard will also require additional information to be disclosed in the notes to the financial statements.

We plan to adopt the standard on its effective date, January 1, 2023. We are continuing to develop our implementation plan to adopt the standard and to assess the impact on our financial condition. The impact of adoption will be primarily dependent upon the composition and credit quality of our fixed maturity portfolio, trade receivables and reinsurance receivables at the adoption date as well as economic conditions and forecasts at that time. The adoption is not expected to result in a material impact to the consolidated financial statements.

ASU 2018-12 Targeted Improvements to the Accounting for Long-Duration Contracts and ASU 2020-11 Effective Date and Early Application:

In August 2018, the FASB issued an accounting standard update with the objective of making targeted improvements to the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The changes to the measurement, recognition, presentation and disclosure as provided by the new accounting standard update are summarized below:

- Requires the review and update of future policy benefit assumptions at least annually for traditional and limited pay long duration contracts, with the recognition and separate presentation of any resulting re-measurement gain or loss (except for discount rate changes as noted below) in the income statement;
- Requires the discount rate assumption to be updated at the end of each reporting period using an upper medium grade (low-credit risk) fixed income instrument yield that maximizes the use of observable market inputs and recognizes the impact of changes to discount rates in other comprehensive income (loss);
- Requires the measurement of all market risk benefits associated with deposit (or account balance) contracts at fair value through the income statement with the exception of instrument-specific credit risk changes, which will be recognized in other comprehensive income (loss); and
- Requires significant disclosures, including disclosures of disaggregated roll-forwards of policy benefits, account balances, market risk benefits, separate account liabilities and information about significant inputs, judgments and methods used in measurement and changes thereto and impact of those changes.

We are evaluating the methods of adoption and impact of the standard on our consolidated statements of income, consolidated financial position, consolidated cash flows and required disclosures. The adoption of this standard is expected to have a significant impact on our results of operations and required disclosures, as well as our processes and controls. In November 2020, the FASB issued ASU 2020-11 *Effective Date and Early Application* to defer the effective date of the ASU by one year in response to implementation disruptions due to COVID-19. We plan to adopt the new standard no later than its revised effective date of January 1, 2025.

ASU 2019-12 Simplifying the Accounting for Income Taxes:

In December 2019, the FASB issued ASU No. 2019-12 which eliminates certain exceptions for recognizing deferred taxes for investments, performing intraperiod tax allocation and calculating income taxes in interim periods. ASU 2019-12 also clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. This standard update is not expected to have a material impact upon the consolidated statements of income,

consolidated financial position, consolidated cash flows or required disclosures. We plan to adopt the ASU on its effective date of January 1, 2022.

4. Business Combinations

As referenced in Note 2, the Partnership has applied “pushdown” accounting in accordance with the guidance in ASC Topic 805, *Business Combinations*, which included the initial recognition of the Partnership's assets and liabilities at fair value as of the acquisition date, June 2, 2020.

Concurrent with the application of "pushdown" accounting, discussed in Note 8, the Partnership applied contract modification accounting in accordance with the guidance set forth in ASC Topic 944, Insurance Contracts, and concluded the contribution of the adverse development cover constituted a substantial modification of the general insurance loss portfolio transfers (LPTs). Furthermore, and also concurrent with the application of "pushdown" and modification accounting, all letters of credit held with AIG were terminated and replaced with a $250 million term loan as part of a syndicated banking facility agreement, effective June 2, 2020, as further described in Note 10.

The aggregate implied consideration of $2,845 million was comprised of the sum of $2,345 million of cash consideration (inclusive of a purchase price adjustment related to an adverse development cover with a fair value of $130 million net of tax as further described in Note 1 and Note 8) and a $500 million dividend related purchase price adjustment. A bargain purchase gain was recognized in the amount of $340 million, representing the difference between the fair value of the net assets of the Partnership of $3,185 million and the implied consideration of $2,845 million. This bargain purchase gain was allocated to the Partnership as a component of owners' equity, as required in the application of “pushdown” accounting to reflect the transaction and the new basis of net assets recorded.

The following table summarizes the fair value of assets acquired and liabilities assumed at the acquisition date and represents amounts recognized by the Partnership for each major class of assets and liabilities, after application of "pushdown" accounting and the recognition of the impacts of the substantial modification to the general insurance LPTs and the issuance of the credit facility, both of which occurred concurrently with the business combination:

(in millions)		Successor Partnership
Assets:		**June 2, 2020**
Investments:		
Funds withheld by ceding companies, at fair value	$	40,985
Fixed maturity securities available for sale, at fair value		3,213
Other invested assets, at fair value		237
Short term investments		60
Total investments		44,495
Cash		428
Deferred income taxes, net		453
Other assets		109
Total assets	**$**	**45,485**
Liabilities:		
Future policy benefits for life insurance and annuity contracts	$	28,587
Policyholder contract deposits		4,358
Liability for unpaid losses and loss adjustment expenses		3,794
Value of business acquired		4,412
Collateral deposit liability		221
Deferred gain from reinsurance contracts		78
Payable to related party		396
Tax payable		108
Long term debt		245
Other liabilities		101
Total liabilities	**$**	**42,300**
Net assets acquired	$	3,185
Aggregate implied consideration		2,845
Bargain purchase gain	**$**	**340**

The primary acquisition accounting adjustments arising from "pushdown" accounting related to the following as of June 2, 2020:

- The derecognition of the deferred gain from reinsurance contracts of $2,467 million;
- The liability for future policy benefits for life insurance and annuity contracts were increased by $1,778 million to reflect a current best estimate set of assumptions driven primarily by interest rate movements, represented by Gross Premium Value ("GPV"), as further discussed in Note 9;
- The derecognition of the unearned revenue reserve for the interest sensitive universal life line of business of $111 million, as further discussed in Note 9;
- The recognition of the value of business acquired, representing the difference between the fair value of future policy benefits for life insurance and annuity contracts and policyholder contract deposits and their carried amount, as further discussed in Note 9;
- The substantial modification of the general insurance LPTs resulting in the recognition of a collateral deposit liability of $221 million, the derecognition of unearned premium of $207 million and the recognition of a deferred gain of $78 million as of June 2, 2020, as further discussed in Note 8;
- The issuance of a $250 million term loan net of $6 million debt issuance costs as further discussed in Note 10 which occurred concurrently with the business combination; and
- The taxation impacts of the above.

Further, the cost basis of the funds withheld by ceding companies and fixed maturity securities available for sale was reset to fair value as of June 2, 2020, as further discussed in Note 7.

The bargain purchase gain is included in owners' equity and represents the difference between the fair value of net assets acquired and the consideration transferred on the acquisition date. It is attributable to appreciation in the fair value of the net assets of the Partnership over the time period between the date that the parties finalized the 2019 Sale terms and the closing date of June 2, 2020.

5. Significant Transactions

The Partnership acquires blocks of legacy reserves through legal entity acquisitions and reinsurance agreements. The following table summarizes significant transactions completed between February 12, 2018 and December 31, 2021. Values are shown in millions at the execution date of transaction.

Transaction	Execution Date	Total Liabilities Assumed	Total Assets Transferred	Deferred Gain	Primary Nature of Transaction
2021 Inception:					
Coinsurance agreement with USAA Life Insurance Company ('USAA")	October 28, 2021	$2,882	$3,320	$438	Legacy annuity closed block of business on a funds withheld basis
	Total	**$2,882**	**$3,320**	**$438**	
2020 Inception:					
Commutation and modified coinsurance agreement with American General Life Insurance Company ("AGL") Modified coinsurance agreement with the United States Life Insurance Company in the City of New York ("USL")	July 1, 2020	$385	$427	$42	Partial commutation of interest rate sensitive life insurance policies and modified coinsurance assumption of certain deferred and single premium annuity policies and terminal funding arrangements.
	Total	**$385**	**$427**	**$42**	
2018 Inception:					
Modified co-insurance agreement with AGL, USL and The Variable Annuity Life Insurance Company ("VALIC")	February 12, 2018	$25,545	$27,592	$2,047 [1]	Modified coinsurance assumption, on a funds withheld basis, of run-off life and annuity liabilities with life contingencies, subject to reinsurance accounting.
		$5,022	$5,421	$399 [1]	Modified coinsurance assumption, on a funds withheld basis of fixed annuities and structured settlements without life contingencies, subject to deposit accounting.
Reinsurance agreements with AIG's US domestic property and casualty insurance companies which are direct wholly-owned subsidiaries of AIG Property Casualty U.S., Inc. ("AIG PC US") Novation from Eaglestone Reinsurance Company, an AIG affiliated insurance company	February 12, 2018	$4,505	$5,041	$536 [1]	Reinsurance on a funds withheld basis comprised of 12 loss portfolio transfers and a single novation agreement to assume run-off property and casualty insurance liabilities. Coverages assumed include excess workers' compensation, pollution, environmental, healthcare, commercial, auto and other casualty exposures.
Retrocession agreement with American International Reinsurance Company, Ltd.	February 12, 2018	$1,250	$1,255	$5 [1]	Reinsurance on a 100% quota share basis of certain occupational pension programs in the United Kingdom.
	Total	**$36,322**	**$39,309**	**$2,987**	

[1] The deferred gain on transactions occurring before June 2, 2020 was derecognized at that date as a result of the application of pushdown accounting.

6. Fair Value Measurements

Fair Value Measurements on a Recurring Basis

We carry certain of our financial instruments at fair value. We define the fair value of a financial instrument as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We are responsible for the determination of the value of the investments carried at fair value and the supporting methodologies and assumptions.

The degree of judgment used in measuring the fair value of financial instruments generally inversely correlates with the level of observable valuation inputs. We maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgment is used in measuring fair value. Conversely, financial instruments for which no quoted prices are available have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction, liquidity and general market conditions.

Fair Value Hierarchy

Assets recorded at fair value in the consolidated balance sheets are measured and classified in accordance with a fair value hierarchy consisting of three "levels" based on the observability of valuation inputs:

- Level 1: Fair value measurements based on quoted prices (unadjusted) in active markets that we have the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets. We do not adjust the quoted price for such instruments.
- Level 2: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability. Therefore, we must make certain assumptions about the inputs a hypothetical market participant would use to value that asset or liability.

In addition, certain of our other invested assets are measured at fair value using net asset value ("NAV") per share (or its equivalent) as a practical expedient and have not been classified within the fair value hierarchy above.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The following is a description of the valuation methodologies used for financial instruments carried at fair value. These methodologies are applied to assets and liabilities across the levels discussed above, and it is the observability of the inputs used that determines the appropriate level in the fair value hierarchy for the respective asset or liability.

Valuation of Financial Instruments Measured at Fair Value

Funds Withheld by Ceding Companies

The reinsurance transactions entered into by FRL were structured as modified coinsurance and LPTs with funds withheld which are accounted for at fair value through the election of the fair value option as discussed in Note 3. The fair value of the underlying assets collateralizing the funds withheld by ceding companies is generally based on market observable inputs using industry standard valuation techniques but also requires certain significant unobservable inputs for specific asset classes. The level in the fair value hierarchy assigned to the funds withheld by ceding companies is based upon the observability of inputs used to value the underlying investment assets held at fair value within the funds withheld portfolio.

Fixed Maturity Securities Available for Sale

The methodology below is relevant for all fixed maturity securities including residential mortgage backed securities ("RMBS"), commercial mortgage backed securities ("CMBS"), collateralized debt obligations ("CDO"), other asset-backed securities ("ABS") and fixed maturity securities issued by government sponsored entities and corporate entities.

Whenever available, we obtain quoted prices in active markets for identical assets at the balance sheet date to measure fixed maturity securities at fair value. Market price data is generally obtained from dealer markets. We employ independent third-party valuation service providers that gather, analyze, and interpret market information to derive fair value estimates for individual investments, based upon market-accepted methodologies and assumptions. The methodologies used by these independent third-party valuation service providers are reviewed and understood by management, through periodic discussion with and information provided by the independent third-party valuation service providers. In addition, control processes are applied to the fair values received from independent third-party valuation service providers to determine the accuracy of these values.

These control processes are designed to assess whether the fair values received from independent third-party valuation service providers are accurately recorded, that their data inputs and valuation techniques are appropriate and consistently applied and that the assumptions used appear reasonable and consistent with the objective of determining fair value. We assess the reasonableness of individual security values received from independent third-party valuation service providers through various analytical techniques, and have procedures to escalate related questions internally and to the independent third-party valuation service providers for resolution. To assess the degree of pricing consensus among various valuation service providers for specific asset types, we conduct comparisons of prices received from available sources. We use these comparisons to establish a hierarchy for the fair values received from independent third-party valuation service providers to be used for particular security classes. We also validate prices for selected securities through reviews by members of management who have relevant expertise and who are independent of those charged with executing investing transactions.

When our independent third-party valuation service providers are unable to obtain sufficient market observable information upon which to estimate the fair value for a particular security, fair value is determined either by requesting brokers who are knowledgeable about these securities to provide a price quote, which is generally non-binding, or by employing market accepted valuation models.

Other invested assets

Other invested assets include our investments in private equity funds, certain fixed maturity securities for which we have elected the fair value option and derivative instruments. We utilize NAV as an estimate of the fair value for our private equity funds, which is a permitted practical expedient. Due to the time lag in the NAV reported by certain fund managers, we adjust the valuation for capital calls and distributions that occur between the date of the NAV and our consolidated financial statements. Certain hedge funds may contain illiquid investments. For these illiquid investments fair value as indicated by NAV may differ from market clearing price under stressed market conditions.

Assets Measured at Fair Value on a Recurring Basis

The following table presents information about assets and liabilities measured at fair value on a recurring basis and indicates the level of the fair value measurement based on the observability of the inputs used:

December 31, 2021 *(in millions)*	Successor Partnership Level 1	Level 2	Level 3	Fair Value Based on NAV as Practical Expedient	Total
Assets:					
Fixed maturity securities, available for sale:					
U.S. government and government sponsored entities	$ —	$ 650	$ —	$ —	$ 650
Obligations of states, municipalities and political subdivisions	—	117	—	—	117
Non-U.S. governments	—	53	—	—	53
Corporate debt	—	1,027	—	—	1,027
RMBS	—	46	—	—	46
CMBS	—	263	—	—	263
CDO / ABS	—	110	—	—	110
Total fixed maturity securities available for sale	**$ —**	**$ 2,266**	**$ —**	**$ —**	**$ 2,266**
Short term investments	1,032	174	12	—	1,218
Other invested assets	—	—	—	679	679
Funds withheld by ceding companies	343	34,154	7,451	2,000	43,948
Total	**$ 1,375**	**$ 36,594**	**$ 7,463**	**$ 2,679**	**$ 48,111**

December 31, 2020 *(in millions)*	Successor Partnership Level 1	Level 2	Level 3	Fair Value Based on NAV as Practical Expedient	Total
Assets:					
Fixed maturity securities, available for sale:					
U.S. government and government sponsored entities	$ —	$ 992	$ —	$ —	$ 992
Obligations of states, municipalities and political subdivisions	—	142	—	—	142
Non-U.S. governments	—	83	—	—	83
Corporate debt	—	1,716	—	—	1,716
RMBS	—	136	25	—	161
CMBS	—	296	—	—	296
CDO / ABS	—	159	—	—	159
Total fixed maturity securities available for sale	**$ —**	**$ 3,524**	**$ 25**	**$ —**	**$ 3,549**
Short term investments	—	5	5	—	10
Other invested assets	—	25	—	288	313
Funds withheld by ceding companies	266	33,721	7,228	1,753	42,968
Total	**$ 266**	**$ 37,275**	**$ 7,258**	**$ 2,041**	**$ 46,840**

The level in the fair value hierarchy assigned to the funds withheld by ceding companies is based upon the observability of inputs used to value the underlying investment assets held at fair value within the funds withheld portfolio.

Quantitative Information About Level 3 Fair Value Measurements

The table below presents information about the significant unobservable inputs used for recurring fair value measurements for certain Level 3 instruments relating to fixed maturity securities and other invested assets, which includes only those financial instruments for which information about the inputs is reasonably available to us, such as data from independent third-party valuation service providers and from internal valuation models. Weighted averages are calculated by weighting each input by the relative fair value of the respective financial instruments.

December 31, 2021	Successor Partnership					
(in millions)		Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)	Impact of increase in the input on fair value
Assets:						
Short term investments	$	12	Discounted Cash Flow	Yield	2.04%	Increase

December 31, 2020	Successor Partnership					
(in millions)		Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)	Impact of increase in the input on fair value
Assets:						
RMBS	$	25	Discounted Cash Flow	Constant prepayment rate	4.57% - 15.00% (10.92%)	Increase/Decrease
				Constant default rate	0% - 6.60% (1.60%)	Decrease
				Severity	0% - 93.00% (37.44%)	Decrease
				Yield	0.89% - 3.42% (1.83%)	Increase
Short term investments	$	5	Discounted Cash Flow	Yield	2.42%	Increase

The following is a reconciliation for all the Level 3 assets measured at fair value on a recurring basis:

	Successor Partnership Year Ended December 31, 2021							
(in millions)	Beginning balance	Purchases	Contributions	Sales, maturities, redemptions	Change in fair value	Transfers in	Transfers out	Ending balance
Assets								
Total fixed maturity securities available for sale	$ 25	$ —	$ —	$ (7)	$ —	$ —	$ (18)	$ —
Total Level 3 assets collateralizing funds withheld by ceding companies [(1)]	7,228	—	—	—	211	—	—	$ 7,439
Other invested assets	5	37	—	(30)	—	—	—	12
Total Level 3 assets	**$ 7,258**	**$ 37**	**$ —**	**$ (37)**	**$ 211**	**$ —**	**$ (18)**	**$ 7,451**

[(1)] The level 3 investments of the Successor Partnership presents total investments, accrued interest, cash, receivables and payables at fair value as a single instrument due to the Partnership's election of the fair value option on June 2, 2020.

	Successor Partnership Period from June 2, to December 31, 2020							
(in millions)	Beginning balance	Purchases	Contributions	Sales, maturities, redemptions	Change in fair value	Transfers in	Transfers out	Ending balance
Assets								
Total fixed maturity securities available for sale	$ 32	$ 23	$ —	$ (33)	$ —	$ 3	$ —	$ 25
Total level 3 assets collateralizing funds withheld by ceding companies[(1)]	6,736	—	—	—	492	—	—	7,228
Other invested assets	145	—	—	(145)	—	—	—	—
Short term investments	—	10	—	(5)	—	—	—	5
Total Level 3 assets	**$ 6,913**	**$ 33**	**$ —**	**$ (183)**	**$ 492**	**$ 3**	**$ —**	**$ 7,258**

[(1)] The level 3 investments of the Successor Partnership presents total investments, accrued interest, cash, receivables and payables at fair value as a single instrument due to the Partnership's election of the fair value option on June 2, 2020.

	Predecessor Company Period from January 1, to June 1, 2020							
(in millions)	Beginning balance	Purchases	Contributions	Sales, maturities, redemptions	Change in fair value	Transfers in	Transfers out	Ending balance
Assets								
Total fixed maturity securities available for sale	$ 37	$ —	$ —	$ (1)	$ —	$ —	$ (4)	$ 32
Total level 3 investments collateralizing funds withheld by ceding companies[2]	7,162	—	—	—	(451)	—	—	6,711
Other invested assets	1,234	—	—	(928)	(161)	—	—	145
Total Level 3 assets	**$ 8,433**	**$ —**	**$ —**	**$ (929)**	**$ (612)**	**$ —**	**$ (4)**	**$ 6,888**

[2] The level 3 investments of the Predecessor Company presents total investments at fair value as a single instrument.

Fair Value Information About Financial Instruments Not Measured at Fair Value

The following table presents the carrying amounts and estimated fair values of our financial instruments not measured at fair value and indicates the level in the fair value hierarchy of the estimated fair value measurement based on the observability of the inputs used:

December 31, 2021	Successor Partnership Estimated Fair Value				
(in millions)	Level 1	Level 2	Level 3	Total	Carrying Value
Assets:					
Cash	$ 70	$ —	$ —	$ 70	$ 70
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	$ —	$ —	$ 8,179	$ 8,179	$ 7,055
Long term debt	$ —	$ 253	$ —	$ 253	$ 250[1]
Collateral deposit liability	$ —	$ —	$ 213	$ 213	$ 188

[1] Represents borrowing outstanding as further detailed in Note 10.

December 31, 2020	Successor Partnership Estimated Fair Value				
(in millions)	Level 1	Level 2	Level 3	Total	Carrying Value
Assets:					
Cash	$ 187	$ —	$ —	$ 187	$ 187
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	$ —	$ —	$ 5,322	$ 5,322	$ 4,510
Long term debt	$ —	$ 260	$ —	$ 260	$ 250 [1]
Collateral deposit liability	$ —	$ —	$ 279	$ 279	$ 208

[1] Represents borrowing outstanding as further detailed in Note 10.

Information regarding the estimation of fair value for financial instruments not carried at fair value is discussed below:

Cash: The carrying amount approximates fair value.

Policyholder contract deposits associated with investment-type contracts: Policyholder contract deposits associated with investment-type contracts are estimated using discounted cash flow calculations based on interest rates currently being offered in the industry for similar contracts with maturities consistent with those of the contracts being valued. When no similar contracts are being offered, the discount rate is the US Treasury spot rate or current risk-free interest rate. Other factors considered in the estimation process include current policyholder account values and related surrender charges, expectations about policyholder behavior and risk margin adjustments.

Long term debt: The fair value of long-term debt is estimated using a discounted cash flow calculation based on projected interest and principal cash flows discounted at a risk adjusted discount rate for the duration of such debt.

Collateral deposit liability: The fair value is estimated using a discounted cash flow calculation based on interest rates currently being offered in the industry for similar contracts with maturities consistent with those of the contracts being valued and the addition of a risk margin.

7. Investments

Fixed Maturity Securities Available for Sale

The following table presents the amortized cost or cost, gross unrealized gains, gross unrealized losses and fair value of our available for sale securities:

	Successor Partnership			
December 31, 2021 *(in millions)*	**Amortized Cost or Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Fixed maturity securities, available for sale:				
U.S. government and government sponsored entities	$ 691	$ —	$ (41)	$ 650
Obligations of states, municipalities and political subdivisions	117	1	(1)	117
Non-U.S. governments	52	1	—	53
Corporate debt	990	41	(4)	1,027
Mortgage-backed, asset-backed and collateralized:				
RMBS	47	—	(1)	46
CMBS	265	1	(3)	263
CDO / ABS	109	1	—	110
Total mortgage-backed, asset-backed and collateralized	421	2	(4)	419
Total fixed maturity securities, available for sale	**$ 2,271**	**$ 45**	**$ (50)**	**$ 2,266**

	Successor Partnership			
December 31, 2020 *(in millions)*	**Amortized Cost or Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Fixed maturity securities, available for sale:				
U.S. government and government sponsored entities	$ 990	$ 8	$ (6)	$ 992
Obligations of states, municipalities and political subdivisions	$ 139	$ 3	$ —	$ 142
Non-U.S. governments	81	2	—	83
Corporate debt	1,613	103	(1)	1,715
Mortgage-backed, asset-backed and collateralized:				
RMBS	161	2	(1)	162
CMBS	290	6	—	296
CDO / ABS	157	2	—	159
Total mortgage-backed, asset-backed and collateralized	608	10	(1)	617
Total fixed maturity securities, available for sale	**$ 3,431**	**$ 126**	**$ (8)**	**$ 3,549**

Fixed Maturity Securities Available for Sale in a Loss Position

The following table summarizes the fair value and gross unrealized losses on our available for sale securities, aggregated by major investment category and length of time that individual securities have been in a continuous unrealized loss position:

December 31, 2021	Successor Partnership					
	Less than 12 Months		Greater than 12 Months		Total	
(in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturity securities, available for sale:						
U.S. government and government sponsored entities	$ 490	$ (25)	$ 158	$ (16)	$ 648	$ (41)
Obligations of states and municipalities and other political	68	(1)	—	—	68	(1)
Non-U.S. governments	2	—	—	—	2	—
Corporate debt	417	(4)	8	—	425	(4)
Mortgage-backed, asset-backed and collateralized:						
RMBS	43	(1)	—	—	43	(1)
CMBS	187	(3)	—	—	187	(3)
CDO / ABS	40		—	—	40	—
Total mortgage-backed, asset-backed and collateralized	**270**	**(4)**	**—**	**—**	**270**	**(4)**
Total fixed maturity securities, available for sale	**$ 1,247**	**$ (34)**	**$ 166**	**$ (16)**	**$ 1,413**	**$ (50)**

December 31, 2020	Successor Partnership					
	Less than 12 Months		Greater than 12 Months		Total	
(in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Fixed maturity securities, available for sale:						
U.S. government and government sponsored entities	$ 166	$ (6)	$ —	$ —	$ 166	$ (6)
Obligations of states and municipalities and other political	22	—	—	—	$ 22	—
Non-U.S. governments	—	—	—	—	$ —	—
Corporate debt	162	(1)	—	—	$ 162	(1)
Mortgage-backed, asset-backed and collateralized:						
RMBS	52	(1)	—	—	$ 52	(1)
CMBS	4	—	—	—	$ 4	—
CDO / ABS	16	—	—	—	$ 16	—
Total mortgage-backed, asset-backed and collateralized	**$ 72**	**$ (1)**	**$ —**	**$ —**	**$ 72**	**$ (1)**
Total fixed maturity securities, available for sale	**$ 422**	**$ (8)**	**$ —**	**$ —**	**$ 422**	**$ (8)**

At December 31, 2021 (Successor Partnership), we held 264 individual fixed maturity securities that were in an unrealized loss position, 6 of which were in a continuous unrealized loss position for 12 months or more. At December 31, 2020 (Successor Partnership) we held 35 individual fixed maturity securities that were in an unrealized loss position, none of which were in a continuous unrealized loss position for 12 months or more.

We did not recognize the unrealized losses in earnings on these fixed maturity securities within the consolidated statements of (loss) profit at December 31, 2021 (Successor Partnership) or at December 31, 2020 (Successor Company) because we neither intended to sell the securities nor did we believe that it was more likely than not that we will be required to sell these securities before recovery of their amortized cost basis.

For fixed maturity securities with significant increases in unrealized losses, we perform fundamental credit analysis on a security-by-security basis, which includes consideration of credit enhancements, expected defaults on underlying collateral, review of relevant industry analyst reports and forecasts and other available market data.

Contractual Maturities of Fixed Maturity Securities Available for Sale

The following table presents the amortized cost and fair value of fixed maturity securities available for sale by contractual maturity:

	Successor Partnership			
	Total Fixed Maturity Securities Available for Sale		Fixed Maturity Securities in a Loss Position Available for Sale	
December 31, 2021 *(in millions)*	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 27	$ 27	$ 5	$ 5
Due after one year through five years	135	135	89	88
Due after five years through ten years	86	85	51	50
Due after ten years	1,602	1,600	1,044	1,000
Mortgage-backed, asset-backed and collateralized	421	419	274	270
Total	**$ 2,271**	**$ 2,266**	**$ 1,463**	**$ 1,413**

	Successor Partnership			
	Total Fixed Maturity Securities Available for Sale		Fixed Maturity Securities in a Loss Position Available for Sale	
December 31, 2020 *(in millions)*	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 261	$ 262	$ 107	$ 107
Due after one year through five years	429	438	33	33
Due after five years through ten years	257	264	31	30
Due after ten years	1876	1969	186	180
Mortgage-backed, asset-backed and collateralized	608	616	73	72
Total	**$ 3,431**	**$ 3,549**	**$ 430**	**422**

Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Other Invested Assets

The following table presents a breakdown of other invested assets by asset class:

	Successor Partnership	
(in millions)	December 31, 2021	December 31, 2020
Private equity funds	$ 679	$ 288
Fixed maturity securities for which the fair value option has been elected	—	27
Derivative instruments	—	(2)
Total	**$ 679**	**$ 313**

Our private equity funds are subject to restrictions on redemptions and sales that are determined by the governing documents, which limits our ability to liquidate those investments. These restrictions may include lock-ups, redemption gates, restricted share classes or side pockets, restrictions on the frequency of redemption and notice periods.

Summary of Total Investment Income

The following table presents a summary of net investment income, change in value of funds withheld and net investment gains (losses) by financial statement line item:

	Successor Partnership					
	Year Ended December 31, 2021			Period from June 2, to December 31, 2020		
(in millions)	Funds withheld by ceding companies	Fixed maturity securities available for sale, other investments and short-term investments	Total	Funds withheld by ceding companies	Fixed maturity securities available for sale, other investments and short-term investments	Total
Net investment income	$ 1,880	$ 166	$ 2,046	$ 903	$ 63	$ 966
Change in value of funds withheld	(1,262)	—	(1,262)	1,633	—	1,633
Net investment gains (losses)	64	(19)	45	63	23	86
Total investment income	**$ 682**	**$ 147**	**$ 829**	**$ 2,599**	**$ 86**	**$ 2,685**

	Predecessor Company					
	Period from January 1, to June 1, 2020			Year Ended December 31, 2019		
(in millions)	Funds withheld by ceding companies	Fixed maturity securities available for sale, other investments and short-term investments	Total	Funds withheld by ceding companies	Fixed maturity securities available for sale, other investments and short-term investments	Total
Net investment income	$ 459	$ (143)	$ 316	$ 1,695	$ 269	$ 1,964
Change in value of funds withheld	1,461	—	1,461	3,876	—	3,876
Net investment gains (losses)	36	27	63	236	10	246
Total investment income	**$ 1,956**	**$ (116)**	**$ 1,840**	**$ 5,807**	**$ 279**	**$ 6,086**

Net Investment Income

Net investment income from fixed maturity securities, available for sale, other invested assets and short-term investments, primarily represents income from the following sources:

- Interest income and related expense from fixed maturity investments, including amortization of premiums and accretion of discounts
- Changes in fair value of fixed maturity investments for which the fair value option was elected
- Investment expenses.

Net investment income from funds withheld by ceding companies includes income from the underlying assets collateralizing the funds withheld by ceding companies as follows:

- Interest income and related expenses from fixed maturity securities, including amortization of premiums and accretion of discounts
- Income, realized and unrealized gains and losses from alternative investments, including real estate joint ventures
- Interest income from commercial mortgage loans
- Dividend income from investments in preferred stock
- Investment expenses.

The following table presents the components of net investment income:

	Successor Partnership		Predecessor Company	
(in millions)	Year Ended December, 31, 2021	Period from June 2, to December 31, 2020	Period from January 1, to June 1, 2020	Year Ended December 31, 2019
Available for sale fixed maturity securities				
U.S. government and government sponsored entities	$ 13	1	$ 2	$ —
Obligations of states, municipalities and political subdivisions	4	1	2	7
Non-U.S. governments	1	1	1	1
Corporate debt	40	37	23	45
RMBS	4	2	2	6
CMBS	10	5	—	3
CDO / ABS	4	2	1	1
Total investment income for available for sale fixed maturity securities	**$ 76**	**49**	**$ 31**	**$ 63**
Other invested assets	89	14	(173)	201
Short term investments and other investments	3	2	1	12
Funds withheld by ceding companies	1,920	923	484	1,753
Total investment income	**$ 2,088**	**988**	**$ 343**	**$ 2,029**
Investment expenses	(42)	(22)	(27)	(65)
Net investment income	**$ 2,046**	**966**	**$ 316**	**$ 1,964**

Included within net investment income from other invested assets for the period from January 1, 2020 to June 1, 2020 (Predecessor Company) is a loss of $161 million (2019: $199 million gain) in relation to the fair value movement and realized loss on the disposal of the Maiden Lane III B Notes ("MLIII-B Notes"), which were the subordinated tranches in the securitizations of various CDO's held by AIG.

Investment gains and losses include sales or full redemptions of available for sale fixed maturity securities, determined using the specific identification method. Investment gains and losses also include realized gains and losses recognized upon sale, transfer and periodic settlements of the investments which collateralize the funds withheld by ceding companies reinsurance receivables. The following table presents the components of net investment gains (losses):

	Successor Partnership		Predecessor Company	
(in millions)	Year ended December 31, 2021	Period from June 2, to December 31, 2020	Period from January 1, to June 1, 2020	Year Ended December 31, 2019
Available for sale fixed maturity securities				
U.S. government and government sponsored entities	$ (51)	$ 3	$ —	$ —
Obligations of states, municipalities and political subdivisions	1	1	—	7
Non-U.S. governments	2	—	1	—
Corporate debt	37	27	26	2
RMBS	—	—	—	1
CMBS	(2)	1	—	—
CDO/ABS	(2)	—	$ —	$ —
Total available for sale fixed maturity securities	**$ (15)**	**32**	**$ 27**	**$ 10**
Derivative instruments	(4)	(9)	—	—
Funds withheld by ceding companies	64	63	36	236
Net investment gains (losses)	**$ 45**	**86**	**$ 63**	**$ 246**

The amount of unrealized appreciation of fixed maturity securities, available for sale reclassified from accumulated other comprehensive (loss) income to net investment gains (losses) was $75 million for the year ended December 31, 2021, less than $1 million from June 2, 2020 to December 31, 2020 (Successor Partnership), $31 million for the period from January 1, 2020 to June 1, 2020 and $1 million for the year ended December 31, 2019 (Predecessor Company).

Included in net investment gains from funds withheld by ceding companies for the year ended December 31, 2021 and period from June 2, 2020 to December 31, 2020 (Successor Partnership) are $24 million of gains and $38 million of losses respectively related to the transfer of securities from funds withheld by ceding companies to fixed maturity securities, available for sale. $16 million of losses related to transfers are included for the period from January 1, 2020 to June 1, 2020 (Predecessor Company).

Derivative Instruments

Included with the funds withheld by ceding companies and other invested assets are certain types of derivatives that the Partnership uses to mitigate the above noted market risks, including: interest rate swaps, interest rate swaptions, foreign currency swaps, credit default index swaptions, and credit index options.

Interest rate swaps and swaptions are used to protect from the potential adverse impact of declining interest rates on future policy benefits reserves. Foreign currency swaps are utilized to reduce the foreign exchange risk associated with certain non-U.S. dollar denominated investments. Credit default index swaptions and credit index options are used to mitigate credit risk in our investment portfolio.

The table below shows the notional amount and fair value of the derivative instruments held within the funds withheld by ceding companies:

	Successor Partnership			
	December 31, 2021		December 31, 2020	
(In millions)	Notional	Fair Value Asset / (Liability)	Notional	Fair Value Asset / (Liability)
Interest rate swaps and swaptions	$ 8,335	$ 374	$ 7,435	$ 388
Credit default index swaptions and options	2,198	—	4,160	3
Foreign currency swaps	1,244	14	784	(30)
Total USD denominated derivatives	**$ 11,777**	**$ 388**	**$ 12,379**	**$ 361**
Interest rate swaps and swaptions	215	(10)	253	(4)
Total GBP denominated derivatives	**$ 215**	**$ (10)**	**$ 253**	**$ (4)**
Total derivatives in funds withheld by ceding companies	**$ 11,992**	**$ 378**	**$ 12,632**	**$ 357**

The table below shows the notional amount and fair value of the derivative instruments held within other invested assets:

	Successor Partnership			
	December 31, 2021		December 31, 2020	
(In millions)	Notional	Fair Value Asset / (Liability)	Notional	Fair Value Asset / (Liability)
Foreign currency swaps	$ 5	—	$ 75	$ (2)
Total GBP denominated derivatives	**5**	**—**	**75**	**(2)**
Total derivatives in other invested assets	**$ 5**	**$ —**	**$ 75**	**$ (2)**

The following table shows the derivative gains (losses) included in the change in fair value of funds withheld arising from fair value movements on derivative securities contained within the funds withheld by ceding companies investment portfolio for the applicable periods:

	Successor Partnership		Predecessor Company	
	Year ended December 31,	Period from June 2, to December 31,	Period from January 1, to June 1,	Year Ended December 31,
(in millions)	2021	2020	2020	2019
Derivative gains (losses)	$ 70	$ (295)	$ 784	$ 204

Market Risks

Liquidity, interest rate, foreign exchange and credit spread risks are all market risks. Liquidity risk is the risk that the Partnership's financial condition will be adversely affected by the inability or perceived inability to meet short-term cash, collateral or other obligations. Interest rate risk can arise from a mismatch in the interest rate exposure of assets compared to liabilities. Changes in interest rates can affect the valuation of fixed maturity securities, financial liabilities, insurance contracts and derivative contracts. Foreign exchange risk can arise from a mismatch in the foreign currency exposure of assets compared to liabilities. Changes in foreign exchange rates can affect the valuation of non-U.S. dollar denominated assets and liabilities. Credit spreads measure an instrument's risk premium or yield relative to that of a comparable duration, default-free instrument. Changes in credit spreads can affect the valuation of fixed maturity securities, including but not limited to corporate bonds, asset-backed securities, mortgage-backed securities, credit derivatives and derivative credit valuation adjustments.

Market risk is monitored and managed using an asset-liability management framework. For both assets and liabilities, market risk exposures are measured in terms of sensitivities to changes in the relevant risk factors. In addition, the Partnership performs stress testing on these market risk factors to capture concentration risks to a single market risk factor change as well as simultaneous multiple market risk factor changes, to understand the net impact on exposure from impacts on both assets and liabilities.

Total assets and total liabilities exposed to foreign currency transaction risk are GBP 1,152 million (2020 Successor Partnership: GBP 1,278 million) and GBP 1,105 million (2020 Successor Partnership: GBP 1,111 million) respectively as of December 31, 2021 (Successor Partnership).

Concentration of Credit Risk

Other than the Funds withheld by ceding companies, at fair value balance attributable to the AIG affiliates, there are no significant concentrations of credit risk within the Partnership's cash and cash equivalents, fixed maturity investments or other invested assets balances. In the event of a ceding company's insolvency, we would need to assert a claim on the investments collateralizing our reinsurance receivable and used to settle our liabilities. However, we have the ability to offset amounts we owe to the ceding company, which reduces our risk of loss. In accordance with the terms of our reinsurance agreements, we are obligated to fund any shortfall between U.S. statutory book value of the investments collateralizing the reinsurance receivable and U.S. statutory insurance reserves. Likewise, if there is an excess between the U.S. statutory book value of investments collateralizing the reinsurance receivable and U.S. statutory insurance reserves, the ceding companies are required to fund the excess to our funds withheld account.

As of December 31, 2021 (Successor Partnership) and December 31, 2020 (Successor Partnership), 94% and 95%, respectively, of the fixed maturity securities within the funds withheld by ceding companies, serving as collateral for our reinsurance receivable, are classified as investment grade by the National Association of Insurance Commissioners ("NAIC").

Restricted Assets

We utilize asset trust accounts to collateralize business with our reinsurance counterparties. As of December 31, 2021 and 2020 we held $266 million and $117 million of collateral in trust within fixed maturity securities, available for sale respectively.

8. Reinsurance

We assume short duration and long duration insurance and investment contracts under funds withheld and modified-coinsurance funds withheld arrangements. We follow reinsurance accounting for transactions that provide indemnification against loss or liability relating to insurance risk (risk transfer). To meet risk transfer requirements, a reinsurance agreement must include both insurance risk consisting of both underwriting and timing risks, and a reasonable possibility of a significant loss.

The following table shows the written and earned assumed premium for the applicable periods:

	Premiums Written				Premiums Earned			
	Successor Partnership		Predecessor Company		Successor Partnership		Predecessor Company	
(in millions)	Year Ended December 31, 2021	Period from June 2, to December 31, 2020	Period from January 1, to June 1, 2020	Year Ended December 31, 2019	Year Ended December 31 2021	Period from June 2, to December 31, 2020	Period from January 1, to June 1, 2020	Year Ended December 31, 2019
Assumed - short duration	$ —	$ 1	$ —	$ 5	$ —	$ —	$ 8	$ 41
Assumed - long duration	280	169	118	292	280	169	118	292
Total net premium	**$ 280**	**$ 170**	**$ 118**	**$ 297**	**$ 280**	**$ 169**	**$ 126**	**$ 333**

Long Duration Run-off Business

The table below shows the calculation of the deferred gain and related amortization on the future policy benefits and policyholder contract deposits for the applicable periods:

Deferred Gain on Long-Duration Business	**Future Policy Benefits**			**Policyholder contract deposits**		
	Successor Partnership		**Predecessor Company**	**Successor Partnership**		**Predecessor Company**
(in millions)	**Year ended December 31, 2021**	**Period from June 2 to December 31, 2020**	**Period from January 1 to June 1, 2020**	**Year ended December 31, 2021**	**Period from June 2 to December 31, 2020**	**Period from January 1 to June 1, 2020**
Beginning Carrying Value	$ 5	$ —	$ 1,870	$ 35	$ —	$ 362
Ceding commission from contract modification	—	—	60	—	—	12
Assumed business	—	5	—	438	37	—
Amortization of deferred gain	—	—	(22)	(7)	(2)	(9)
Ending Carrying Value	**$ 5**	**$ 5**	**$ 1,908**	**$ 466**	**$ 35**	**$ 365**

As detailed in Note 5, the Partnership entered into an in-force fixed reinsurance agreement (the "USAA Reinsurance Agreement") with USAA. Pursuant to the USAA Reinsurance Agreement, we are reinsuring 100% of a block of flexible premium and single premium deferred annuity policies on a funds withheld basis, with an effective date of October 28, 2021. These in-force deferred annuity contracts are comprised of flexible premium and single premium products, which are all outside the contractual surrender charge period. The liability for contract deposits for these investment contracts equals the account value. Total assets assumed were $3,320 million and total liabilities assumed were $2,882 million which resulted in a deferred gain of $438 million which will be amortized over the settlement period.

As further discussed in Note 4, the opening deferred gain balance of the Successor Partnership was derecognized as of June 2, 2020. Effective June 2, 2020, the investment management fee structure of the AIG reinsurance agreements was changed, contributing to $72 million of ceding commission being paid to FRL.

Short Duration Run-off Business

The table below presents a roll forward of the deferred gain for the short-duration reinsurance agreements for the applicable periods:

	Successor Partnership		Predecessor Company
Deferred Gain on Short Duration Business *(in millions)*	**Year ended December 31, 2021**	**Period from June 2 to December 31, 2020**	**Period from January 1 to June 1, 2020**
Beginning Carrying Value	**$ 2**	**$ 78**	**$ 215**
Contract extinguishment	(157)	—	—
Contract replacement	234	—	—
Amortization of deferred gain	21	25	(6)
Effect of change in discount	59	(180)	(15)
Net incurred losses deferred under retroactive accounting	106	79	—
Ending Carrying Value	**$ 265**	**$ 2**	**$ 194**

Events occurring concurrently with pushdown accounting on June 2, 2020:

As referenced in Note 4, in connection with the 2019 Sale, Carlyle FRL, the Partnership and AIG agreed to a post-closing price adjustment pursuant to which AIG will pay us for certain adverse development in property casualty related reserves, based on an agreed methodology, that may occur on or prior to December 31, 2023, up to a maximum payment of $500 million (the "Adverse Development Cover" or "ADC"). As discussed in Note 4, the ADC was determined to represent contingent consideration as the cover is providing a contingent right to receive a return of a portion of the consideration paid. As of June 2, 2020, the fair value was determined to be $130 million, net of tax. The fair value approach for the ADC incorporated specific estimates for (a) the probabilistic expected loss to the reinsured layers, (b) a margin for adverse deviation (i.e. "risk margin"), and (c) a discount for the time value of money. The probabilistic expected loss and the risk margin considered multiple scenarios using both carried and indicated reserves as well as an ultimate time horizon as a measure of reserve risk variability.

The contribution of the ADC by Carlyle resulted in a substantial modification to the LPT, as the degree of insurance risk to which we are subject was substantially changed with no commensurate payment of premium to AIG. Therefore, we derecognized the LPT and immediately recognized a replacement contract with a deferred gain of $78 million. This represented the excess of the fair value of the assumed liabilities, inclusive of the ADC, over the book value of these liabilities.

We concluded that it was not practicable to bifurcate the contract into the retroactive and prospective components arising from this substantial modification. Therefore, the replacement contract has been accounted for by the Successor Partnership on a retroactive basis in its entirety.

Events occurring in the year ended December 31, 2021:

Effective June 30, 2021, FRL entered into a Settlement, Release and Amendment Agreement with AIG whereby it was agreed that FGH would receive $77 million as consideration for certain excess workers' compensation claim liabilities previously assumed under the LPT and the early termination of the ADC provided to the Partnership as part of the 2019 Sale, as discussed above. The early termination of the ADC was accounted for as a substantial modification to the LPT agreements. Therefore, we derecognized the LPT with a $157 million deferred gain and immediately recognized a replacement contract with a $234 million deferred gain based on the excess of the fair value of the funds withheld assets over the sum of the Partnership's estimated loss reserves.

9. Insurance Liabilities

Long Duration Lines of Business

Liabilities for long-duration contracts are classified as either future policy benefits or policyholder contract deposits. Future policy benefits include retirement products whose payments depend on contract holder's survival such as structured settlements with life contingencies, SPIA with life contingencies, and pension risk transfer annuities; and traditional life insurance products such as whole life ("WL") and return of premium ("RoP") term, accident & health ("A&H") and long term care ("LTC"). Policyholder contract deposits apply to investment contracts such as structured settlements and SPIA with non-life contingent benefits, deferred annuity contracts in the accumulation phase (which are all outside their surrender charge period) and the fund values of universal life insurance contracts.

Longevity risk is the risk of a change in value of a policy or benefit as a result of actual mortality experience being lower than the expected mortality assumed at the time of underwriting. The Partnership manages this risk through ongoing monitoring and assessment of such experience relative to underlying assumptions, which include underlying assumptions relative to mortality and morbidity. Interest rate risk arises from a mismatch in the interest rate exposure of assets and liabilities. As part of the funds withheld receivable from the AIG ceding companies, the Partnership has entered into interest rate swap and swaption agreements to mitigate the interest rate risk exposure within the life and annuity portfolio as further described in Note 7.

Future Policy Benefits

Future policy benefits include liability cash flows that are long-duration and relatively stable. Assumed reserves for traditional life, A&H, and life-contingent annuity payout contracts represent an estimate of the present value of future benefits less the present value of future net premiums. Assumed reserves also include liabilities for annuities issued in structured settlement arrangements whereby a claimant has agreed to settle a general insurance claim in exchange for fixed payments over a fixed determinable period of time with a life contingency feature.

Long duration run-off business assumed subjects us to mortality, longevity and morbidity risks. Life, annuity and accident and health reserves are established using assumptions for investment yields, mortality, morbidity, lapses and expenses, including a provision for adverse deviation where applicable. We review the adequacy of the life reserves regularly using best estimate assumptions for mortality, morbidity, lapse, expenses and investment yield. If financial performance significantly deteriorates to the point where a premium deficiency exists, then we would record additional liabilities.

The following table presents future policy benefits by product line:

(In millions)	Successor Partnership	
Future policy benefits for life insurance and annuity contracts	**At December 31, 2021**	**At December 31, 2020**
Structured settlements	$ 16,472	$ 16,798
Pension risk transfer annuities	3,498	3,638
Traditional whole life	3,356	3,451
Single premium immediate annuities	1,593	1,781
Term life insurance	2,023	1,896
Long term care	450	447
Accident and health	379	389
Total	**$ 27,771**	**$ 28,400**

The application of "pushdown" accounting required us to establish future policy benefits as of June 2, 2020 using a current best estimate set of assumptions which replaced the previous "locked-in" assumptions. The Predecessor Company was required to include the deferred gain on reinsurance contracts in its evaluation of whether or not a loss recognition event has occurred. Due to the derecognition of the deferred gain through the application of "pushdown" accounting, the Successor Partnership's evaluation of loss recognition resulted in an update of assumptions and an increase to the liability for future policy benefits of $1,778 million as of June 2, 2020, primarily driven by interest rate movements.

The following table sets out the charge for loss recognition reserves recognized by line of business within the consolidated statements of income for the applicable periods:

	Successor Partnership		Predecessor Company	
(In millions)	Year ended	Period from	Period from	Year ended
Loss recognition charges by line of business	**December 31, 2021**	**June 2, 2020 to December 31, 2020**	**January 1, 2020 to June 1, 2020**	**December 31, 2019**
Structured settlements	$ —	$ —	$ 762	$ 61
Pension risk transfer annuities	—	—	247	7
Traditional whole life	—	9	—	—
Long term care	—	—	1	8
Accident and health	—	—	2	16
Total	**$ —**	**$ 9**	**$ 1,012**	**$ 92**

For the 2020 predecessor period, we recorded out-of-period adjustments relating to 2019 that affected the consolidated statements of income. The adjustments primarily related to the recognition of an additional $49 million loss recognition charge in 2020 related to the correction of a 2019 assumption. For context, total loss recognition charges recorded in the 2020 predecessor period were $1.01 billion, including the impact of this adjustment. As a result, the consolidated 2020 predecessor pre-tax income is understated by $58 million or $46 million post-tax. We evaluated the out-of-period adjustments and determined they were not material to all of the consolidated financial statement periods presented herein.

Policyholder Contract Deposits

Policyholder contract deposits investment contracts include SPIA and structured settlement contracts with period certain payment streams (i.e. not depending on longevity), deferred annuity contracts in the accumulation phase (which are all outside their surrender charge period) and the fund values of universal life insurance contracts.

- Non-life contingent structured settlement cash flows consist of certain payments with set payment patterns such as level payment, compound increase, fixed amount increase or one-time lump sum payments. The non-life contingent cash flows are thus highly predictable;
- Non-life contingent SPIA cash flows also consist of certain level payments over a specified duration with a range from five to thirty years or more;
- Deferred annuities cash flows are designed to collect premiums and accrue credited interest over an extended period for payout at a later date; and
- Universal life products are interest sensitive and provide permanent coverage for life insurance with the potential to accumulate cash value.

The following table presents policyholder contract deposits by product line:

(In millions)	Successor Partnership	
Policyholder contract deposits	**At December 31, 2021**	**At December 31, 2020**
Structured settlements – non-life contingent	$ 2,267	$ 2,428
Interest sensitive universal life	1,533	1,616
Deferred annuities	3,148	328
Single premium immediate annuities – non-life contingent	107	138
Total	**$ 7,055**	**$ 4,510**

VOBA liability

The following table presents the balances and changes in the VOBA liability for the applicable periods:

	Successor Partnership	
(in millions)	**Year ended December 31, 2021**	**Period from June 2 to December 31, 2020**
Balance, beginning of period	**$ 4,291**	**$ 4,412**
Amortization	(238)	(121)
Balance, end of period	**$ 4,053**	**$ 4,291**

The following table provides the estimated future amortization for the 5 years indicated below:

	Successor Partnership				
	Year ended December 31,				
(in millions)	2022	2023	2024	2025	2026
Estimated future VOBA liability amortization	$ 194	$ 187	$ 178	$ 173	$ 168

Short Duration Lines of Business

Our loss reserves cover excess workers' compensation, environmental impairment liabilities, legacy environmental and all other lines which consists of other casualty run-off exposures, including primary workers' compensation, general liability, medical malpractice, product liability, and accident and health exposures. In establishing retroactive reinsurance claim liabilities, we analyze historical aggregate paid and reported loss patterns and project losses into the future under various actuarial methodologies. We expect to pay claims for several decades for many lines of business. We monitor paid and reported claim activity and review ceding company reports and other information concerning the underlying losses. We reassess and revise the expected timing and amounts of ultimate losses periodically or when significant events are revealed through our monitoring and actuarial review processes.

The following table details our liabilities for unpaid loss and loss adjustment expenses for the applicable periods:

	Liability for unpaid losses and loss adjustment expenses							
	Successor Partnership							
	December 31, 2021				December 31, 2020			
(in millions)	Case Reserves	IBNR	LAE	Total	Case Reserves	IBNR	LAE	Total
Excess workers' compensation	$ 723	$ 1,028	$ 118	$ 1,869	$ 736	$ 1,149	$ 118	$ 2,003
Environmental impairment liabilities	416	296	90	802	467	407	103	977
Legacy environmental	237	116	166	519	234	127	178	539
All other lines	272	286	87	645	285	311	109	705
Liabilities for unpaid loss and allocated LAE, net of reinsurance	$ 1,648	$ 1,726	$ 461	$ 3,835	$ 1,722	$ 1,994	$ 508	$ 4,224
Discount for workers' compensation	(219)	(311)	—	(530)	(331)	(140)	—	(471)
Total liability for unpaid loss and loss adjustment expenses	**$ 1,429**	**$ 1,415**	**$ 461**	**$ 3,305**	**$ 1,391**	**$ 1,854**	**$ 508**	**$ 3,753**

The following table provides a roll forward of loss and loss adjustment expense reserves, excluding premium deficiency reserves, including detail on paid incurred losses from prior accident years and the current accident year for the applicable periods:

Liability for unpaid losses and loss adjustment expenses	Successor Partnership		Predecessor Company	
	Year ended December 31,	Period from June 2 to December 31,	Period from January 1 to June 1,	Year ended December 31,
(in millions)	2021	2020	2020	2019
Balance at beginning of period	$ 3,753	$ 3,794	$ 3,914	$ 4,022
Net losses incurred:				
Current period	5	20	12	62
Prior period[1]	(111)	(93)	—	9
Total net losses incurred	**(106)**	**(73)**	**12**	**71**
Effect of change in discount	(59)	180	15	307
Net paid losses:				
Current period	—	(2)	(10)	(37)
Prior period	(283)	(146)	(137)	(449)
Total net paid losses	(283)	(148)	(147)	(486)
Balance at end of period	**$ 3,305**	**$ 3,753**	**$ 3,794**	**$ 3,914**

[1] The favorable development for the applicable periods was added to the basis of the deferred gain within the consolidated balance sheets consistent with our accounting policy described in Note 3(b).

The following table details our prior accident year loss development for the applicable periods:

(Favorable) / Unfavorable prior year development	Successor Partnership		Predecessor Company	
	Year ended December 31,	Period from June 2 to December 31,	Period from January 1 to June	Year ended December 31,
(in millions)	2021	2020	2020	2019
Excess workers' compensation	$ (70)	$ (50)	$ —	$ (100)
Environmental impairment liabilities	(81)	(56)	—	10
Legacy environmental	25	23	—	100
All other lines	15	(10)	—	(1)
Total prior year development	**$ (111)**	**$ (93)**	**$ —**	**$ 9**

The significant drivers of the prior year loss development are discussed below. Prior year loss development is recorded after taking into consideration the results from actuarial analyses that are performed for each reserving line of business as well as on-going review of actual vs. expected results performed during the course of each calendar year. Refer to Note 7 for additional information on the amortization of deferred gain.

Prior Year Loss Development - year ended December 31, 2021 (Successor Partnership)

With respect to individual lines of business detailed in the table above:

- Excess Workers' Compensation: The $70 million favorable development was spread throughout a number of historical accident years, which we believe was a result of our continuing loss mitigation efforts for this line of business and is consistent with sector-wide trends for such coverage.

- Environmental Impairment Liability: The $81 million favorable prior year development included $77 million favorable development for the Pollution Legal Liability products, $10 million favorable development from the PROPAC product (a combined professional liability and package policy for environmental contractors), $8 million unfavorable development from the Cleanup Cost Cap product and $2 million of favorable development from all other exposures. Such favorable development resulted from less than expected claim development and refined assumptions.

- Legacy Environmental: The $25 million unfavorable prior year development was the result of an increase in our Primary policy segment and a decrease in expected inuring reinsurance from recoveries from the cedant's external reinsurers.

- All Other Lines: The $15 million unfavorable prior year development was allocated amongst different products and included $15 million unfavorable development for Physicians & Surgeons professional liability, $5 million unfavorable development for Lexington Commercial Automobile liability, and $5 million favorable development for extra contractual obligations.

Prior Year Loss Development - period from June 2, 2020 to December 31, 2020 (Successor Partnership)

With respect to individual lines of business detailed in the table above:

- Excess Workers' Compensation: The $50 million favorable development was spread throughout a number of historical accident years, which we believe was a result of our continuing loss mitigation efforts.

- Environmental Impairment Liability: The $56 million of favorable development was split amongst different products within this line of business, including $8 million from the Cleanup Cost Cap product, $7 million for the Pollution Legal Liability products for all terms, $20 million from other pollution products, $11 million from the PROPAC product (a combined professional liability and package policy for environmental contractors), and $10 million from all other exposures.

- Legacy Environmental: The $23 million in unfavorable prior year development was a result of a decrease in expected inuring reinsurance from recoveries from the cedant's external reinsurers.

- All Other Lines: The $10 million of favorable prior year development related to the healthcare products liability line of business.

Prior Year Loss Development - period from January 1, 2020 to June 1, 2020 (Predecessor Company)

The Predecessor Company did not incur any prior year loss development during this period.

Prior Year Loss Development - year ended December 31, 2019 (Predecessor Company)

With respect to individual lines of business detailed in the table above:

- Excess Workers' Compensation: The $100 million in favorable prior year development was spread throughout a number of historical accident years, which we believe was a result of our continuing loss mitigation efforts.

- Environmental Impairment Liability: The $10 million in unfavorable prior year development was split amongst different products within this line of business, including $29 million of unfavorable development from the Cleanup Cost Cap product, $2 million of unfavorable development for the medium term Pollution Legal Liability product and $21 million of favorable development from the shorter term Pollution Legal Liability product.

- Legacy Environmental: The $100 million in unfavorable prior year development was a result of increased estimates for future report years for our primary and excess policy lines of business.

- All Other Lines: The $1 million of favorable prior year development was composed of both small favorable and unfavorable amounts in our accident & health, physicians & surgeons professional liability, and Lexington commercial automobile liability lines of business.

Disclosures of Incurred and Paid Loss Development, IBNR, Claims Counts and Payout Percentages

With respect to the cumulative incurred and cumulative paid information presented below, all information for retroactive reinsurance agreements is presented prospectively from the date at which the reserves were assumed. As the reserves are effectively re-underwritten at the date the reserves are assumed, we believe that the historical

loss development prior to being assumed by us is not relevant to our own experience managing these reserves. In addition, the information required to prepare the loss development on a retrospective basis is not always available to us. We analyze the loss development tables on a prospective basis by the year in which we assume the reserves such that the impact of the assumed reserves from year to year does not distort the loss development tables.

The loss development table for the aggregate reserves that we initially assumed from AIG on February 12, 2018, as further described in Note 5, is presented below. In addition, the environmental impairment line of business is significant and therefore a further development table has been provided for this line of business. As described below, the excess workers' compensation and legacy environmental lines of business do not have any incurred or paid losses within the past 10 accident years and so no further loss development tables have been provided for these lines of business.

Reserves assumed in the year ended December 31, 2018 - All lines of business

	Successor Partnership						
	Incurred Loss and allocated LAE						
(in millions)	For the years ended December 31,					As of December 31, 2021	
Accident Year	Net reserves assumed (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021	Total of IBNR Liabilities Plus Expected Development on Reported Losses	Cumulative Number of Reported Claims
2011 and Prior	$ 4,141	$ 4,309	$ 4,303	$ 4,293	$ 4,209	$ 1,924	$ 13,254
2012	245	202	193	189	183	36	127
2013	159	149	169	171	155	48	227
2014	206	156	147	141	135	40	314
2015	368	268	257	244	242	46	442
2016	146	140	155	138	140	29	419
2017	123	158	150	107	116	30	403
2018	9	49	68	57	49	6	348
2019	—	—	26	33	33	11	146
2020	—	—	—	22	23	15	222
2021	—	—	—	—	5	5	17
	$ 5,397				$ 5,290	$ 2,190	$ 15,919
Cumulative Paid Losses and Allocated LAE during the above period					(1,455)		
Discount as of December 31, 2021					(530)		
Liabilities for losses and LAE					**$ 3,305**		

Cumulative Paid Losses and Allocated Loss Adjustment Expenses:

(in millions)	Successor Partnership			
	Cumulative paid loss and allocated LAE			
	For the years ended December 31,			
Accident Year	**2018 (unaudited)**	**2019 (unaudited)**	**2020 (unaudited)**	**2021**
2011 and Prior	$ 252	$553	$728	$932
2012	22	28	14	41
2013	19	44	56	62
2014	25	38	64	69
2015	65	97	145	162
2016	18	46	64	70
2017	30	57	52	58
2018	9	22	31	37
2019	—	2	16	20
2020	—	—	2	4
2021	—	—	—	—
				$ 1,455

Excess Workers' Compensation

Excess workers' compensation has a long tail and is one of the most challenging lines of business from an actuarial reserving perspective, particularly when the excess coverage is provided above a self-insured retention layer. The class is highly sensitive to small changes in assumptions (for example, the rate of medical inflation or the longevity of injured workers) which can have a significant effect on the ultimate reserve cost estimate. Excess workers' compensation business was written over qualified self-insurance from the 1970's through 2012. In this book of business, the claims are not handled (or administered) by the ceding company personnel, but are administered by the client's designated third party administrators ("TPAs"). However, claims personnel affiliated with FRL maintain an oversight role over these TPAs and claims.

Loss and loss adjustment expense liability estimates for excess workers' compensation exposures are subject to additional uncertainties, due to the following:

- Claim settlement time is longer than most other casualty lines, due to the lifetime benefits that can be expected to pay out on certain claims;
- Coverage statutes that vary by state; and
- Future medical inflation costs are difficult to estimate.

A combination of traditional methods (paid and incurred loss development) and non-traditional methods (individual claim annuity model, report year incurred loss development, and IBNR count/severity methods) are used to estimate loss and loss expense liability estimates. Loss data is segmented so as to reflect the anomalies in the historical data due to the various loss mitigation initiatives employed over the last several years.

The last material claim related to this business occurred more than 10 years ago and there were no incurred losses and allocated loss adjustment expenses related to the last 10 accident years. The total actual paid losses were $64 million for the year ending December 31, 2021 (2020: $50 million, 2019: $66 million).

Environmental Impairment Liability

Environmental impairment includes pollution legal liability, contractor's pollution liability, errors and omissions, and underground storage tank policies written prior to 2016. The process of establishing reserves for environmental impairment claims is subject to greater uncertainty than the establishment of reserves for liabilities relating to other types of insurance claims. As a result of the significant uncertainty inherent in determining environmental impairment liabilities and establishing related reserves, the use of conventional reserving methodologies frequently has to be supplemented by reviewing each of the outstanding claims on a claim-by-claim basis in establishing the

reserves. Additional consideration is given by evaluating the exposure presented by each policyholder, the anticipated cost of resolution, if any, for each policyholder, available coverage, and the relevant judicial interpretations and historical value of similar exposures in establishing the reserves. Prior to June 2, 2020, the environmental impairment liability line of business included unearned premium relating to multi-year policies written prior to 2016. Therefore, for calendar years ended December 31, 2017, 2018 and 2019, losses incurred for accident years subsequent to 2016 were attributable to incurred losses as these multi-year policy premiums earned out over the life of the contract. As further discussed in Note 8, with effect from June 2, 2020, a substantial modification occurred which resulted in incurred loss activity for all accident years being classified as retroactive reinsurance.

Reported claim counts, on a cumulative basis, are provided as supplemental information to the incurred loss table below by accident year. The claim frequency is determined at the claimant level for the relevant exposures and our claims system identifies a unique claim identifier to each reported claim that we receive.

(in millions)	Successor Partnership						
	Incurred Loss and allocated LAE					As of December 31, 2021	
	For the years ended December 31,						
Accident Year	Net reserves assumed (unaudited)	2018 (unaudited)	2019 (unaudited)	2020 (unaudited)	2021	Total of IBNR Liabilities Plus Expected Development on Reported Losses	Cumulative Number of Reported Claims
2011 and Prior	$ 628	$ 648	$636	$ 646	$ 607	$ 182	1,201
2012	195	174	165	167	166	30	79
2013	115	106	131	134	115	34	161
2014	137	93	89	85	77	25	193
2015	186	154	149	137	123	33	225
2016	89	91	95	86	83	18	320
2017	122	157	149	107	116	29	403
2018	9	48	67	56	49	6	348
2019	—	—	26	33	33	10	146
2020	—	—	—	22	23	15	222
2021	—	—	—	—	5	5	17
	$ 1,481				$ 1,397	$ 387	3,315
Cumulative Paid Losses and Allocated LAE during the above period					(595)		
Liabilities for losses and LAE					$ 802		

Cumulative Paid Losses and Allocated Loss Adjustment Expenses:

	Successor Partnership			
	Cumulative paid loss and allocated LAE			
(in millions)	For the years ended December 31,			
Accident Year	**2018 (unaudited)**	**2019 (unaudited)**	**2020 (unaudited)**	**2021**
2011 and Prior	$ 84	$171	$206	$246
2012	22	27	11	37
2013	8	27	35	39
2014	8	11	32	35
2015	24	35	73	77
2016	14	25	38	42
2017	30	57	52	58
2018	9	22	31	37
2019	—	2	16	20
2020	—	—	2	4
2021	—	—	—	—
				$ 595

The above tables were revised to correct the prospective presentation for retroactive reinsurance contracts assumed on February 12, 2018. In the 'Incurred loss and allocated LAE' table above, the 'Net reserves assumed (unaudited)' column discloses the net reserve assumed on February 12, 2018, which replaces the previously disclosed '2017 (unaudited)' column, which reflected the cumulative incurred loss and allocated LAE activity from the original effective date of the LPT of January 1, 2017. In the 'Cumulative paid loss and allocated LAE' table above, the '2018 (unaudited)' column now reflects the activity from February 12, 2018 and subsequent compared to January 1, 2017 and subsequent, as previously disclosed.

Legacy Environmental

Legacy Environmental exposure consists of indemnity claims asserting property damage from toxic waste, hazardous substances, and other environmental pollutants, and claims to cover the cleanup costs of hazardous waste and pollution sites. The vast majority of these Legacy Environmental claims emanate from policies written in 1985 and prior years. Commencing in 1985, standard general liability policies contained an absolute exclusion for pollution-related damage. Environmental Impairment Liability exposures underwritten on a claims-made basis, which were written generally starting 1986, are not included in this line of business.

Loss and loss adjustment expense liability estimates for mass torts, such as Legacy Environmental exposures, are subject to additional uncertainties, due to the following:

- Case law is not fully developed;
- Coverage interpretation varies by state;
- The pool of plaintiffs and defendants is expanding significantly;
- The process of estimating provisions for premises and operations coverage is highly judgmental;
- "State of the art" analysis is a moving target; and
- Environmental reform could have a significant effect on ultimate liabilities.

To estimate loss and loss adjustment expenses reserve liability estimates, traditional methods (paid and incurred loss development, paid and incurred Cape Cod methods) are used to project historical report years to estimate incurred but not enough reported ("IBNER") reserves, and count/severity methods are used to project future report years to estimate "pure" incurred but not reported reserves. For some large accounts and sites, reserves are based on claim department estimates and analysis. After this ground-up analysis is completed, we review the reasonability of our estimates by calculating certain ratios, such as survival ratios (defined as the ratio of indicated/carried reserves to a three year average payment) and IBNR-to-case ratios, and compare these ratios against industry benchmarks. In addition, we perform a market share analysis as another measure to assess the reasonableness of our indicated/carried loss reserves.

The last claim related to this business occurred more than 10 years ago and there were no incurred losses and allocated loss adjustment expenses related to the last 10 accident years. The total actual paid losses were $45 million for the year ending December 31, 2021 (2020: $38 million, 2019: $64 million).

All Other Lines

All Other Lines consist of various primary workers' compensation, general liability, medical malpractice, products liability, commercial automobile liability, and accident and health exposures from business units that have been put into run-off. In general, loss and loss adjustment expense liabilities are estimated separately. Traditional loss estimation methods include paid and incurred loss development methods and generalized paid and incurred Cape Cod methods. We also look at an IBNR-to-Case ratio method for all lines, a survival ratio method for the general liability line, and an annuity model approach for some of the larger workers' compensation claims. Loss adjustment expense methods include both standard development methods and also calendar year paid to paid method, which applies the paid to paid ratio to the loss reserves.

Claims Payout Patterns

The following table presents unaudited supplementary information detailing the historical average annual percentage claims payout on an accident year basis at the same level of disaggregation as presented above for the year ended December 31, 2021 (Successor Partnership).

Average Annual Percentage Payout of Incurred Losses by Age, Net of Reinsurance (Unaudited)

Year	1	2	3	4	5	6	7	8	9	10
Environmental impairment liabilities	6.2%	15.8%	17.2%	10.5%	5.1%	7.2%	6.3%	5.2%	3.0%	1.4%

Given the significant amount of loss and loss adjustment expense reserves in the 2011 and prior accident years, and different distributions among lines of business and accident year, we do not believe a total claim payout pattern is meaningful information.

Collateral Deposit Liability

For the year ended December 31, 2021 we incurred $26 million of paid losses and $6 million of interest credited to policyholders in relation to the collateral deposit liability. For the period from June 2, 2020 to December 31, 2020 we incurred $17 million of paid losses and $1 million of interest was credited to policyholders.

10. Debt Obligations and Credit Facilities

In November 2021, the Partnership entered into a credit facility (the "Credit Agreement"). The Credit Agreement contains a $750 million term loan, of which $250 million has been drawn, and provides for a $750 million revolving credit facility. If the facility is undrawn the Partnership incurs a quarterly commitment fee of 0.30% per annum of the undrawn amount. The facility remained undrawn as of December 31, 2021. The previous term loan held at December 31, 2020 was repaid in full concurrent with the issuance of the new loan.

A summary of outstanding debt obligations presented as long-term debt within our consolidated balance sheets is set forth below:

(in millions)			Successor Partnership			
			December 31, 2021		December 31, 2020	
Facility	**Origination Date**	**Term**	**Borrowing Outstanding**	**Fair Value**	**Borrowing Outstanding**	**Fair Value**
Term Loan	November 22, 2021	3 years	$ 250	$ 253	$ —	$ —
Revolving credit facility	November 22, 2021	5 years	—	—	—	—
Term Loan	June 2, 2020	3 years	—	—	250	260
Revolving credit facility	June 2, 2020	3 years	—	—	—	—
Total debt obligations			**$ 250**	**$ 253**	**$ 250**	**$ 260**

The table below provides a summary of the total interest expense for the applicable periods. No debt obligations were held before June 2, 2020.

	Successor Partnership	
(In millions)	**Year ended December 31, 2021**	**Period from June 2, 2020 to December 31, 2020**
Interest expense on debt obligations	$ 7	$ 5
Amortization of debt issuance costs	5	1
Total interest expense	**$ 12**	**$ 6**

Interest on the term loan is due quarterly at a rate of LIBOR + 1.875% subject to change to an alternative rate in the event that LIBOR is no longer considered to be an appropriate reference rate. The loan principal is subject to repayment on the maturity date in November 2024. The Partnership incurred costs of $7 million in issuing the Credit Agreement. These costs included underwriters' fees, legal fees and other fees which are capitalized and presented as a direct deduction from the principal amount of the outstanding term loan. As of December 31, 2021 (Successor Partnership), $7 million of the debt issuance costs were unamortized (2020: $5 million).

The Credit Agreement contains representations, warranties and covenants customary for bank loan facilities of this type, including limits on the Partnership and its subsidiaries to make acquisitions and investments, incur indebtedness, incur liens, pay dividends or undertake certain fundamental changes. The $500 million undrawn portion of the term loan and $250 million of the revolving credit facility are contingent on the closing of the acquisition of Prudential Annuities Life Assurance Corporation, discussed in Note 16.

The Credit Agreement also specifies certain financial covenants which require: (1) the Partnership and its subsidiaries maintaining a total debt to total capitalization ratio of 0.35:1; (2) FRL maintaining an enhanced capital ratio of at least 125% in conjunction with an investment grade rating; (3) the Partnership and its subsidiaries maintaining an adjusted consolidated net worth which shall not be less than the aggregate of 65% of adjusted consolidated net worth as of September 30, 2021 plus 50% of adjusted consolidated net income available for distribution to common shareholders after September 30, 2021 plus 50% of the proceeds of any common equity issuance of the Partnership made after the closing date. As of December 31, 2021, the Partnership was in compliance with all covenants under the Credit Agreement.

11. Contingencies, Commitments and Guarantees

The Partnership has no material contingent liabilities arising from litigation, income taxes, make-whole fee conditions or other matters, other than liabilities arising in the normal course of its business of reinsurance.

As of December 31, 2021 (Successor Partnership), the Partnership had unfunded commitments of $2,427 million to invest in private equity and credit investments owned by affiliates of Carlyle (2020: $919 million). The 2021 commitment figure includes a $1 billion commitment to Carlyle Structured Credit temporarily warehoused by FRL. Of this, $900 million was subsequently transferred to funds withheld by ceding companies in 2022.

The Partnership recorded no assets or liabilities arising from contingencies recognized as of June 2, 2020.

12. Income Taxes

The Restructuring resulted in the Partnership, a Bermuda limited partnership, becoming the ultimate holding partnership for the group. On October 1, 2021, the existing equity interests in FGH, a Delaware limited liability company, were contributed to the Partnership in a tax-free transaction for U.S. tax purposes. On October 15, 2021, in furtherance of the Restructuring, the Partnership formed FIL, a Bermuda exempted corporation. FIL then formed FIGH, a U.K. corporation, on October 29, 2021. Both FIL and FIGH operate as holding companies. On November 18, 2021, FIGH then formed FIRL, a Bermuda exempted corporation, and FIGS, also a Bermuda exempted corporation. FIRL will operate as a Bermuda composite reinsurer and will not make an election under section 953(d) of the U.S. Internal Revenue Code to be treated as a U.S. domestic insurance company for U.S. tax purposes. FIGS will operate as the non-U.S. service company for the group. While each of FIL, FIGH, FIRL and FIGS constitutes a controlled foreign corporation for U.S. tax purposes through their constructive ownership by FGH, there will be no amount of gross income included as U.S. taxable income. There was no activity in these newly formed entities for the financial year ending December 31, 2021.

FGH is the U.S. holding company of the following wholly owned subsidiaries; FRL, a Bermuda corporation, and FGS, a Delaware corporation. Upon formation, FGH elected to be treated as a corporation for U.S. tax purposes. FRL has elected to be treated as a U.S. domestic insurance company for U.S. tax purposes under section 953(d) of the U.S. Internal Revenue Code and is, therefore, subject to income taxation in the U.S. FRL wholly owns FRI, a Delaware limited liability company that has elected to be treated as a corporation for U.S. tax purposes.

FGH and its direct and indirect wholly owned subsidiaries were included in AIG's U.S. consolidated federal income tax return through the separation date of June 2, 2020 (Predecessor Company). As part of the consolidated group, FGH and each of its direct and indirect wholly owned subsidiaries were subject to the AIG tax sharing agreement, effective January 1, 2018 through June 2, 2020, whereby each entity was allocated its share of the consolidated tax liability based upon the tax each entity would have owed had it filed separately.

Upon separation from AIG, FGH and its direct and indirect wholly owned subsidiaries formed a new U.S. consolidated tax return group. New tax sharing agreements were executed between FGH and its subsidiaries to allocate to each entity's share of the consolidated tax liability based upon the tax each entity would have owed had it filed separately. Tax benefits are allocated to each subsidiary for its portion of net operating losses and tax credit carry forwards in the year they are used by the consolidated group. All tax payments are now made to the Internal Revenue Service ("IRS").

In connection with the separation from AIG, the parties agreed that AIG would pursue with the IRS an adjustment to the Predecessor Company's separate company taxable income calculation for the 2018 tax year, which resulted in the Predecessor Company overpaying its 2018 tax sharing payments to AIG. Upon acceptance by the IRS of the adjustment, AIG agreed to refund the prior overpayment, which totals approximately $116 million. The Partnership concluded that it will ultimately be successful in obtaining the refund and, during 2020, recorded a reclassification entry of approximately $52 million from deferred taxes to a long-term tax receivable to reflect the anticipated refund of $116 million.

U.S. Tax Law Changes

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted in response to the COVID-19 pandemic. The CARES Act made certain favorable modifications to the limitation on business interest for the 2019 and 2020 tax years and the ability to carryback and carryforward net operating losses incurred during the 2018, 2019, and 2020 tax years, among other changes. We evaluated the impact of the CARES Act and determined that these modifications had no significant impact to our tax provision for the years ended December 31, 2021 and 2020.

Effective Tax Rate

The following table presents the income tax (benefit) expense for the applicable periods:

	Successor Partnership		Predecessor Company	
(in millions)	Yeah ended December 31,	Period from June 2 to December 31,	Period from January 1 to June 1,	Year ended December 31,
Income tax (benefit) expense	**2021**	**2020**	**2020**	**2019**
Current	$ 290	$ (11)	$ 194	$ 75
Deferred	(351)	451	(139)	895
Total income tax (benefit) expense	**$ (61)**	**$ 440**	**$ 55**	**$ 970**

Our actual income tax expense (benefit) differs from the statutory U.S. federal amount computed by applying the U.S. federal income tax rate of 21% to (loss) / income before tax due to the following, as shown in the following reconciliation for the applicable periods:

	Successor Partnership		Predecessor Company	
	Year ended December 31,	Period from June 2 to December 31,	Period from January 1 to June 1,	Year ended December 31,
(in millions)	**2021**	**2020**	**2020**	**2019**
(Loss) Income before tax	$ (273)	$ 2,090	$ 266	$ 4,612
U.S. federal income tax expense (benefit) at statutory rate	(57)	439	55	969
Tax exempt interest, net of proration	—	—	—	(1)
Prior year tax return adjustments	(3)	—	—	1
Other permanent items	(1)	1	—	1
Total income tax (benefit) expense	**$ (61)**	**$ 440**	**$ 55**	**$ 970**

Deferred Taxes

The following table presents the components of the net deferred tax assets (liabilities) as of December 31, 2021 (Successor Partnership) and 2020 (Successor Partnership):

	Successor Partnership	
(in millions)	**2021**	**2020**
Deferred tax assets:		
VOBA	$ 851	$ 901
Life policy reserves	249	247
Deferred gain on reinsurance	154	9
Deferred policy acquisition costs	28	21
Loss reserve discount	15	19
Unearned premium reserve	8	2
Employee benefits	5	—
Total deferred tax assets	**$ 1,310**	**$ 1,199**
Deferred tax liabilities:		
Gain on funds withheld	(697)	(1,103)
Reinsurance settlement	(274)	(90)
Reinsurance modification	(24)	(33)
Basis difference in investments	(12)	(46)
Other	(1)	(2)
Total deferred tax liabilities	**$ (1,008)**	**$ (1,274)**
Net deferred tax asset (liability) before valuation allowance	**302**	**(75)**
Valuation allowance	—	—
Net deferred tax asset (liability)	**$ 302**	**$ (75)**

The difference between the reduction in the deferred tax liability balance of $377 million and the deferred tax benefit recognized for the year of $351 million, which totals approximately $26 million, represents the current year deferred tax asset recorded in accumulated other comprehensive income.

There were no valuation allowances as of December 31, 2021 or as of December 31, 2020 (Successor Partnership). See the section "Valuation Allowance on Deferred Tax Assets" below for further details. As of

December 31, 2021 and December 31, 2020 (Successor Partnership), there were no net operating loss carryforwards available to offset future net income subject to U.S. Federal income tax.

Valuation Allowance on Deferred Tax Assets

As of December 31, 2021 and 2020 (Successor Partnership), the Partnership did not record a valuation allowance.

For the year ended December 31, 2021, the Partnership recorded a net deferred tax asset. Management believes that the Partnership will generate sufficient taxable income to realize its net deferred tax asset. As of December 31, 2021, based on all available evidence, management believes that it is more likely than not that its net deferred tax asset will be realized. Therefore, we did not record a valuation allowance against our net deferred tax asset for this period.

For the year ended December 31, 2020 (Successor Partnership), the Partnership recorded a net deferred tax liability. Management believes that the reversal of its deferred tax liabilities will generate sufficient taxable income to realize its deferred tax assets. As of December 31, 2020, based on all available evidence, management believes that it is more likely than not that its deferred tax assets will be realized. Therefore, we did not record a valuation allowance against our deferred tax assets for this period.

Accounting for Uncertainty in Income Taxes

We periodically evaluate uncertain tax positions to determine whether the tax positions are more likely than not to be realized as a tax benefit or expense in the current year. We recognize interest and penalties related to uncertain tax benefits in U.S. Federal income tax expense. As of December 31, 2021 and December 31, 2020 (Successor Partnership), there were no uncertain tax positions and no accrual for interest and penalties.

13. Related Party Transactions

Carlyle Affiliated Entities:

We have entered into (1) investment management agreements between FRL and Carlyle Investment Management LLC ("Investment Manager"), an affiliate of Carlyle, dated November 13, 2018, and as amended from time to time, and between FRI and the Investment Manager, dated May 12, 2020, pursuant to which the Investment Manager provides certain investment management and advisory services with respect to certain asset classes and (2) an exclusivity agreement, dated June 2, 2020, among FRL, the Investment Manager and the Partnership pursuant to which the Investment Manager is the exclusive provider of investment management and advisory services with respect to certain asset classes and certain new business acquired by us.

We have investments in funds that are affiliated with entities owned by Carlyle which have a fair value of $666 million as of December 31, 2021 (Successor Partnership) (2020: $288 million). Our consolidated statements of loss (income) included the following amounts in respect of these investments:

	Successor Partnership		Predecessor Company	
	Year ended December 31,	Period from June 2 to December 31,	Period from January 1 to June 1,	Year ended December 31,
(in millions)	2021	2020	2020	2019
Net investment income (loss)	$ 84	$ 14	$ (6)	$ 1
Investment management fee expense	8	2	2	—

Additionally, as of December 31, 2021 (Successor Partnership), we held investments originated by Carlyle of $2,192 million (2020: $893 million) that are included within funds withheld by ceding companies within the consolidated balance sheets.

The Partnership incurred $3 million (2020: $1 million) of costs with TCG Senior Funding L.L.C., an affiliate of Carlyle, relating to placement services performed as part of entering into the Credit Agreement in each respective year. These costs are deferred and subject to amortization over the term of the Credit Agreement, as discussed in Note 10.

AIG Affiliated Entities:

For the year ended December 31, 2021, the Partnership no longer considers AIG to be an affiliated entity. Further, while AIG holds a 3.5% ownership interest in us and has the right to appoint one director to the Partnership's Board of Directors, we consider the ability of AIG to influence our management or operating policies to be extremely limited. Accordingly, we no longer consider AIG or its affiliated entities to meet the requirement to be classified as a related party under the provisions of ASC 850, *Related Party Disclosures*.

The Partnership reinsures run-off business from AIG affiliated entities through the various reinsurance transactions described in Note 5. Additionally, refer to Note 7 for a discussion on the sale of the MLIII-B Notes to AIG during 2020 and Note 8 for a discussion on the granting of the ADC whereby AIG was required to pay us for certain adverse development in property casualty related reserves, based on an agreed methodology, that may have occurred on or prior to December 31, 2023, up to a maximum payment of $500 million until its subsequent termination during 2021.

The following table summarizes related party amounts included within the consolidated balance sheets and excluding payables relating to reinsurance activity of $589 million as of December 31, 2020.

(in millions)	Successor Partnership
Consolidated Balance Sheet	**2020**
Payable to related party:	
Expenses paid to ceding companies under reinsurance arrangements	22
Asset management fee	9
Total	**$ 31**

The following table summarizes related party amounts included within the consolidated statements of (loss) income:

	Successor Partnership	Predecessor Company	
	Period from June 2 to December 31,	Period from January 1 to June 1,	Year ended December 31,
Consolidated Statement of (Loss) income	**2020**	**2020**	**2019**
General operating expenses	$ 2	$ 17	$ 124
Expenses paid to ceding companies under reinsurance arrangements	50	22	58
Asset management fee	22	27	65
Total	**$ 74**	**$ 66**	**$ 247**

Under a Service and Expense Agreement between the Predecessor Company and various AIG affiliates, we purchased administrative, accounting, marketing and data processing services from AIG or its subsidiaries. The affiliated entities provided the Partnership with personnel, office space, equipment, computer processing and other services. The allocation of costs for other services was based on estimated level of usage, transactions or time incurred in providing the respective services. The Predecessor Company reimbursed the AIG affiliates for these services at cost. The Service and Expense Agreement was terminated on June 2, 2020.

The Partnership has an asset management agreement with AIG Asset Management (U.S.) LLC which provides asset management and related accounting services. We record an investment management fee expense as a deduction from income from investments, which is paid quarterly, based on the value of the assets under management.

Significant cash flows from related reinsurance agreements are included in cash from operations and are disclosed below, along with non-cash settlements in the form of security transfers.

	Successor Partnership	Predecessor Company	
	Period from June 2 to December 31,	Period from January 1 to June 1,	Year ended December 31,
(in millions)	**2020**	**2020**	**2019**
Cash settlements	$ (87)	$ (106)	$ (201)
Receipt of securities from funds withheld arrangements	314	270	774
Total	**$ 227**	**$ 164**	**$ 573**

14. Owners' Equity

As of December 31, 2021 and 2020, the Partnership has issued 1,000,000 Class A limited partnership units, of which 715,000 units (71.5%) are owned by Carlyle FRL, 250,000 units (25%) are owned by T&D and 35,000 units (3.5%) are owned by AIG.

On May 7, 2020, the Predecessor Company transferred the net equity of FLAS and FPCS to AIG Inc. in the form of a non-cash dividend of $2 million which represented the net shareholder's equity of FLAS and FPCS as of the transfer date. This transfer resulted in the derecognition of FLAS and FPCS from the Fortitude group structure, at no gain or loss, and was part of the planned retention of the third party administration platforms by AIG immediately following the closing of the 2019 Sale.

15. Statutory Requirements

Under the Bermuda Insurance Act, FRL is subject to capital requirements calculated using the Bermuda Solvency and Capital Requirement ("BSCR") model, which is a standardized statutory risk-based capital model used to measure the risk associated with FRL's assets, liabilities and premiums. FRL's required statutory economic capital and surplus under the BSCR model is referred to as the enhanced capital requirement ("ECR"). FRL is required to calculate and submit the ECR to the BMA annually. Following receipt of the submission of FRL's ECR, the BMA has the authority to impose additional capital requirements (capital add-ons) if it deems necessary.

While not specifically referred to in the Bermuda Insurance Act, target capital level ("TCL") is also an important threshold for statutory capital and surplus. TCL is equal to 120% of ECR as calculated pursuant to the BSCR formula. TCL serves as an early warning tool for the BMA. If FRL fails to maintain statutory capital at least equal to its TCL, such failure will likely result in increased regulatory oversight by the BMA. Likewise, if FRL fails to maintain or meet its minimum margin of solvency ("MSM"), the BMA may take various degrees of regulatory action. FRL has obtained permission under Section 6C of the Bermuda Insurance Act to value the funds withheld by ceding companies and fixed maturity securities available for sale investment portfolios pertaining to long-term business at amortized cost rather than fair value within the statutory financial statements for the year ended December 31, 2021.

Under the economic balance sheet ("EBS") framework, assets and liabilities are mainly assessed and included at fair value, with the insurer's U.S. GAAP balance sheet serving as a starting point. The model also requires insurers to estimate insurance technical provisions, which consist of the insurer's insurance related balances valued based on best-estimate cash flows, adjusted to reflect the time value of money using a risk-free discount rate, with the addition of a risk margin to reflect the uncertainty in the underlying cash flows.

The statutory economic capital and surplus and related requirement for the years ended December 31, 2021 (Successor Partnership) and December 31, 2020 (Successor Partnership) are detailed below. The values as of December 31, 2021 reflect our best estimate of the statutory economic capital and surplus and related requirement as of the date these consolidated financial statements were available to be issued.

	Successor Partnership	
(in millions)	**2021**	**2020**
Statutory economic capital and surplus	$ 4,040	$ 4,268
Required statutory economic capital and surplus	1,903	1,871

Under the Bermuda Insurance Act, FRL is prohibited from declaring or paying a dividend if it were in breach of its minimum solvency margin or liquidity ratio or if the declaration or payment of such dividends would cause it to fail to meet such margin or ratio. In addition, FRL is prohibited, without the prior approval of the BMA, from reducing by 15% or more its total statutory capital, or from reducing by 25% of more its total statutory capital and surplus, as set out in its previous year's statutory financial statements. FRL, as a reinsurer of run-off business, is required to seek BMA approval for any dividends or distributions.

As of December 31, 2021 (Successor Partnership), FRL had declared cumulative dividends payable to FGH of $1.1 billion.

16. Subsequent Events

We have evaluated the impact of subsequent events through February 28, 2022, the date at which the consolidated financial statements were available to be issued.

With effect from January 1, 2022, FIRL was licensed by the BMA under the Bermuda Insurance Act to operate as a Class 4 and Class E composite reinsurance company and to reinsure general insurance and life insurance run-off business.

On January 1, 2022, FRL was granted authority to operate as a Reciprocal Jurisdiction Reinsurer, allowing U.S ceding companies to take full statutory credit for reinsurance ceded to FRL without any regulatory prescribed collateral requirements.

On January 3, 2022, following receipt of all required regulatory approvals, FGH acquired FLAS and FPCS, each with equity of approximately $1 million, from AIG, adding claim administration capabilities.

The following table summarizes significant reinsurance and acquisition transactions for which definitive agreements have been established, but which are not yet recognized in the consolidated financial statements as all customary closing conditions were not completed as of December 31, 2021. The initial estimate of liabilities assumed at the transaction date is shown in millions.

Transaction	Execution Date	Initial Estimate of Liabilities Assumed	Primary Nature of Transaction
Acquisition of Prudential Annuities Life Assurance Corporation ("PALAC") from Prudential Annuities, Inc, a subsidiary of Prudential Financial, Inc.	April 1, 2022 (Target)	$31,000	Acquisition of a stand-alone legal entity consisting primarily of traditional variable annuities with guaranteed living benefits. Agreed on September 15, 2021, this is subject to customary closing conditions and expected to close in the first half of 2022.
Acquisition of Rx Life Insurance Company from Heritage Life Insurance Company	January 3, 2022	n/a - no remaining net insurance liabilities.	Stock purchase agreement to acquire 100% of the share capital of a life & annuity corporation with total assets of $10 million. The corporation is domiciled in Arizona and widely licensed throughout the U.S., offering future clients a U.S. domiciled reinsurance option.
LPT agreement with Arch Reinsurance Ltd.	February 17, 2022	$230	Reinsurance of small-business primary general liability policies for underwriting years 2013 through 2019, net of inuring reinsurance, with an effective date of February 25, 2021.