

# Sun Life Financial (Bermuda)

## Reinsurance Ltd.

**(A Wholly-Owned Subsidiary of Sun Life Assurance Company of Canada - US Operations Holdings, Inc.)**

*Independent Auditor's Report,*

*Condensed General Purpose Financial Statements as of and for the years ended*

*December 31, 2023 and 2022*

**SUN LIFE FINANCIAL (BERMUDA) REINSURANCE LTD.**  
**(A Wholly-Owned Subsidiary of Sun Life Assurance Company of Canada - US Operations Holdings, Inc.)**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Sun Life Financial (Bermuda) Reinsurance Ltd.  
Washington House, 16 Church St.  
Hamilton, HM11, Bermuda

### Opinions

We have audited the condensed general purpose financial statements of Sun Life Financial (Bermuda) Reinsurance Ltd. (the "Company"), which comprise the condensed balance sheet as of December 31, 2023 and 2022, and the related condensed statements of income and capital and surplus for the years then ended, and the related notes to the condensed financial statements (the "condensed financial statements").

#### *Unmodified Opinion on Regulatory Basis of Accounting*

In our opinion, the accompanying condensed financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations for the years then ended in accordance with the financial reporting provisions of the Bermuda Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (the "Legislation") described in General Note 3.

#### *Adverse Opinion on International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS)*

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on IFRS section of our report, the condensed financial statements do not present fairly, in accordance with IFRS, the financial position of the Company as of December 31, 2023 and 2022, or the results of its operations for the years then ended.

### Basis for Opinions

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

### Emphasis of Matter

As discussed in Note 4 to the condensed financial statements, in 2023, the Company adopted new accounting guidance IFRS 17 and IFRS 9 effective January 1, 2022 and January 1, 2023 respectively. Our opinion is not modified with respect to this matter.

### ***Basis for Adverse Opinion on IFRS***

As described in General Note 3 of the condensed financial statements, the condensed financial statements are prepared by the Company on the basis of the financial reporting provisions of the Legislation, which is a basis of accounting other than IFRS, to meet the requirements of the Bermuda Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016. The effects on the condensed financial statements of the variances between the regulatory basis of accounting described in General Note 3 and IFRS, although not reasonably determinable, are presumed to be material and pervasive.

### **Responsibilities of Management for the Condensed Financial Statements**

Management is responsible for the preparation and fair presentation of the condensed financial statements in accordance with the financial reporting provisions of the Legislation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of condensed financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibilities for the Audit of the Condensed Financial Statements**

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

In performing an audit in accordance with GAAS, we:

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

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

*Deloitte & Touche LLP*

April 29, 2024

**SUN LIFE FINANCIAL (BERMUDA) REINSURANCE LTD.**  
**(A Wholly-Owned Subsidiary of Sun Life Assurance Company of Canada - US Operations Holdings, Inc.)**

**CONDENSED BALANCE SHEET**  
**AS OF DECEMBER 31, 2023 AND 2022 (EXPRESSED IN '000)\***

<b>CONDENSED BALANCE SHEET</b>			
<b>Sun Life Financial (Bermuda) Reinsurance Ltd.</b>			
As at <b>31 December 2023</b>			
expressed in ['000s] <b>United States Dollars</b>			
<b>STMT.</b>		<b>2023</b>	<b>2022</b>
<b>LINE No.</b>			<b>Restated, see note 4</b>
<b>1.</b>	CASH AND CASH EQUIVALENTS	105,108	42,419
<b>2.</b>	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Assets Held to maturity or collection	-	-
	ii. Other	350,354	339,137
(b)	Total Bonds and Debentures	350,354	339,137
(c)	Equities		
	i. Common stocks	-	-
	ii. Preferred stocks	-	-
	iii. Mutual Funds	-	-
(d)	Total Equity Investments	-	-
(e)	Other quoted investments	-	-
(f)	Total quoted investments	350,354	339,137
<b>3.</b>	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Assets held to maturity or collection	-	-
	ii. Other	-	-
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks	-	-
	ii. Preferred stocks	-	-
	iii. Mutual Funds	-	-
(d)	Total equity investments	-	-
(e)	Other unquoted investments	33,502	34,465
(f)	Total unquoted investments	33,502	34,465
<b>4.</b>	INVESTMENTS IN AND ADVANCES TO AFFILIATES (EQUITY METHOD):		
(a)	Unregulated entities that conduct ancillary services	-	-
(b)	Unregulated non-financial operating entities	-	-
(c)	Unregulated financial operating entities	-	-
(d)	Regulated non-insurance financial operating entities	-	-
(e)	Regulated insurance financial operating entities	-	-
(f)	Total investments in affiliates (equity method)	-	-
(g)	Advances to affiliates	-	-
(h)	Total investments in and advances to affiliates (equity method)	-	-
<b>5.</b>	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens	-	-
(b)	Other than first liens	-	-
(c)	Total investments in mortgage loans on real estate	-	-
<b>7.</b>	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)	-	-
(b)	Other properties (less encumbrances)	-	-
(c)	Total real estate	-	-

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**CONDENSED BALANCE SHEET**  
**AS OF DECEMBER 31, 2023 AND 2022 (EXPRESSED IN '000)\***

CONDENSED BALANCE SHEET			
Sun Life Financial (Bermuda) Reinsurance Ltd.			
As at 31 December 2023			
expressed in ['000s] United States Dollars			
STMT. LINE No.		2023	2022 Restated, see note 4
8.	COLLATERAL LOANS	-	-
9.	INVESTMENT INCOME DUE AND ACCRUED	2,558	2,483
10.	ACCOUNTS RECEIVABLE	-	-
11.	INSURANCE AND REINSURANCE CONTRACT ASSETS		
(a)	Insurance Contract Assets	-	-
(b)	Reinsurance Contract Assets	-	-
(c)	Investment Contracts with Discretionary Participation Features (DPF) assets	-	-
(d)	Total Insurance and Reinsurance Contract Assets	-	-
13.	SUNDRY ASSETS:		
(a)	Derivative instruments	14,818	-
(b)	Segregated accounts companies - long-term business - variable annuities	-	-
(c)	Segregated accounts companies - long-term business - others	-	-
(d)	Segregated accounts companies - general business	-	-
(e)	Deposit assets	-	-
(f)	Net receivables for investments sold	-	-
(g)	Other Sundry Assets - 1 (Prepaid Expenses)	-	-
(h)	Other Sundry Assets - 2 (Income Tax Receivable)	-	2,375
(i)	Other Sundry Assets - 3 (Deferred Tax Asset)	14,645	19,635
(j)	Total sundry assets	29,463	22,010
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(d)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL ASSETS	520,985	440,514

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**CONDENSED BALANCE SHEET**  
**AS OF DECEMBER 31, 2023 AND 2022 (EXPRESSED IN '000)\***

<b>CONDENSED BALANCE SHEET</b>			
Sun Life Financial (Bermuda) Reinsurance Ltd.			
As at <b>31 December 2023</b>			
expressed in ['000s] <b>United States Dollars</b>			
<b>STMT.</b>		<b>2023</b>	<b>2022</b>
<b>LINE No.</b>			<b>Restated, see note 4</b>
17.	GENERAL BUSINESS INSURANCE CONTRACT LIABILITIES	51,017	51,751
17A.	GENERAL BUSINESS REINSURANCE CONTRACT LIABILITIES	-	-
18.	INVESTMENT CONTRACT WITH DPF LIABILITIES	-	-
27.	LONG-TERM BUSINESS INSURANCE CONTRACT LIABILITIES		
27A.	LONG-TERM REINSURANCE CONTRACT LIABILITIES		
	<b>OTHER LIABILITIES</b>		
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE	-	-
30.	LOANS AND NOTES PAYABLE	37,500	34,500
31.	(a) INCOME TAXES PAYABLE	13,339	-
	(b) DEFERRED INCOME TAXES	-	-
32.	AMOUNTS DUE TO AFFILIATES	708	190
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	-	2
35.	DIVIDENDS PAYABLE	-	-
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments	-	-
(b)	Segregated account companies	-	-
(c)	Deposit liabilities	-	-
(d)	Net payable for investments purchased	-	-
(e)	Other sundry liabilities - 1 (specify)	-	-
(f)	Other sundry liabilities - 2 (specify)	-	-
(g)	Other sundry liabilities - 3 (specify)	-	-
(h)	Total sundry liabilities	-	-
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(d)	Total letters of credit, guarantees and other instruments	-	-
38.	TOTAL OTHER LIABILITIES	51,547	34,692
39.	TOTAL INSURANCE LIABILITIES AND OTHER LIABILITIES	102,564	86,443
	<b>CAPITAL AND SURPLUS</b>		
40.	TOTAL CAPITAL AND SURPLUS	418,421	354,071
41.	TOTAL LIABILITIES AND CAPITAL AND SURPLUS	520,985	440,514



**SUN LIFE FINANCIAL (BERMUDA) REINSURANCE LTD.**  
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**CONDENSED STATEMENT OF INCOME**  
**AS OF DECEMBER 31, 2023 AND 2022 (EXPRESSED IN '000)\***

CONDENSED STATEMENT OF INCOME		
Sun Life Financial (Bermuda) Reinsurance Ltd.		
For the year ending 31 December 2023		
expressed in ['000s United States Dollars		
STMT. LINE No.	2023	2022 Restated, see note 4
1. INSURANCE CONTRACT REVENUE	806,228	781,224
2. INSURANCE SERVICE EXPENSES		
(a) Incurred Claims and Insurance Contract Expenses	662,788	628,942
(b) Insurance Contract Acquisition Cash Flows	-	-
(c) Adjustments to Liabilities for Incurred Claims	-	-
(d) Losses (and reversals of losses) on Onerous Insurance Contracts	-	-
(e) Other Insurance Service Expenses	-	-
(f) TOTAL INSURANCE SERVICE EXPENSES	662,788	628,942
3. INSURANCE SERVICE RESULTS BEFORE REINSURANCE	143,440	152,282
4. NET EXPENSES FROM REINSURANCE CONTRACT HELD		
(a) Reinsurance recoveries and other income	-	-
(b) Reinsurance expenses (allocated reinsurance premiums)	-	-
(c) TOTAL NET EXPENSES FROM REINSURANCE CONTRACTS HELD	-	-
5. NET INSURANCE SERVICE RESULTS	143,440	152,282
6. INVESTMENT RETURNS		
(a) Net interest revenue/investment income	13,207	9,016
(b) Net realised fair value gains/(losses) through P&L	-	-
(c) Net foreign exchange income	-	-
(d) Credit impairment losses on financial assets	-	-
(e) Other investment returns	15,442	-
(f) TOTAL INVESTMENT RETURNS	28,649	9,016
7. INSURANCE FINANCE RESULTS		
(a) Net finance income and expenses from insurance contracts issued	35,952	(36,616)
(b) Net finance income and expenses from reinsurance contracts held	-	-
(c) TOTAL NET INSURANCE FINANCE RESULTS	35,952	(36,616)
8. NET INSURANCE FINANCIAL AND INVESTMENT RESULTS	64,601	(27,600)
9. COMBINED OTHER INCOME (DEDUCTIONS)	(3,233)	(1,283)
10. PROFIT BEFORE TAX	204,808	123,399
11. INCOME TAX	43,010	25,914
12. NET INCOME	161,798	97,485

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**CONDENSED STATEMENT OF CAPITAL AND SURPLUS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (EXPRESSED IN '000)\***

CONDENSED STATEMENT OF CAPITAL AND SURPLUS			
Sun Life Financial (Bermuda) Reinsurance Ltd.			
For the year ending 31 December 2023			
expressed in ['000s] United States Dollars			
<b>STMT.</b>			
<b>LINE No.</b>		<b>2023</b>	<b>2022</b>
			Restated, see note 4
1.	CAPITAL		
(a)	Capital stock	190,000	190,000
	(i) Common shares		
	authorised	190,000	shares of par
	value	\$ 1,000	each issued and
	fully paid	190,000	shares
	(ii)		
	(A) Preferred shares		
	authorised		shares of par
	value		each issued and
	fully paid		shares
	aggregate liquidation value for –		
	2023		
	2022		
	(B) Preferred shares issued by a subsidiary:		
	authorised		shares of par
	value		each issued and
	fully paid		shares
	aggregate liquidation value for –		
	2023		
	2022		
	(iii) Treasury shares		
	repurchased		shares of par
	value		each issued
(b)	Contributed surplus	70,000	70,000
(c)	Any other fixed capital		
	(i) Hybrid capital instruments	-	-
	(ii) Guarantees and others	-	-
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	260,000	260,000

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**CONDENSED STATEMENT OF CAPITAL AND SURPLUS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (EXPRESSED IN '000)\***

CONDENSED STATEMENT OF CAPITAL AND SURPLUS			
Sun Life Financial (Bermuda) Reinsurance Ltd.			
For the year ending 31 December 2023			
expressed in ['000s] United States Dollars			
STMT.			
LINE No.		2023	2022 Restated, see note 4
2.	SURPLUS:		
(a)	Surplus - Beginning of Year	94,070	104,214
(b)	Add: Income for Year	161,798	97,485
(c)	Less: Dividends paid and payable	(105,000)	(80,000)
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	7,715	(26,878)
(e)	Add (Deduct) change in any other capital	(162)	(750)
(f)	Surplus - End of Year	158,421	94,071
3.	MINORITY INTEREST	-	-
4.	TOTAL CAPITAL AND SURPLUS	418,421	354,071

**SUN LIFE FINANCIAL (BERMUDA) REINSURANCE LTD.**  
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**NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (EXPRESSED IN '000)\***

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**SCHEDULE X**

**MATTERS TO BE SET FORTH IN A GENERAL NOTE TO THE FINANCIAL STATEMENTS**

- 1. The name of the shareholder controllers of the insurer. Name and place of incorporation of the insurer's affiliates that are consolidated in these financial statements. Changes to the shareholder controller(s); or to the place of the incorporation of an insurer's affiliates during the relevant year, in this regard, provide the date and details of such change.**

Sun Life Financial (Bermuda) Reinsurance Ltd. (the "Company") was incorporated on November 9, 2015 as a licensed Class 3A Insurer under the Bermuda Insurance Act 1978 (the "Act") and commenced operations on February 1, 2016. On November 10, 2022, the Company was approved as a Reciprocal Jurisdiction Reinsurer in the state of Michigan effective January 1, 2023. The Company is a wholly owned subsidiary of Sun Life Assurance Company of Canada - US Operations Holdings, Inc. ("US Ops Holdco" or the "Parent"). The Company is part of an affiliated group for which the ultimate parent is Sun Life Financial Inc. ("SLF" or "Ultimate Parent").

The Company operates as a reinsurer of policies issued by affiliates of the Ultimate Parent group ("member affiliates"). There are no affiliates that are consolidated in these financial statements.

Refer to **Matters to be set forth in a General Note to the Financial Statements #17 – Any other information** for further disclosure.

- 2. The general nature of the risks underwritten by the insurer.**

As permitted by its Class 3A license, the Company entered into reinsurance treaties with its member affiliates, whereby it reinsures U.S. medical stop loss business written by the U.S. Branch of Sun Life Assurance Company of Canada ("SLOC") and Sun Life and Health Insurance Company (U.S.) ("SLHIC").

Refer to **Matters to be set forth in a General Note to the Financial Statements #15 – Related party transactions** for further disclosures.

- 3. The accounting standards and principles on which the condensed financial statements are based (i.e. IFRS, US GAAP, etc.)**

The accompanying condensed general purpose financial statements ("financial statements") of the Company are presented in accordance with the financial reporting provisions of the Bermuda Insurance Act 1978, amendments thereto, the Insurance Account Rules 2016 and Bermuda Monetary Authority instructions for 2023 Year-end Condensed General Purpose Financial Statements for IFRS Filers (the "Legislation"), under the principles of International Financial Reporting Standards ("IFRS"). The financial reporting provisions of the Legislation are different from those under IFRS, most notably, there is no requirement to file a cash flow statement, and the note disclosures are not a complete set of footnotes that would otherwise be required under IFRS.

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**NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (EXPRESSED IN '000)\***

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**4. The accounting policies of the insurer, any significant change made during the relevant year to such policies and the effect, if any, of changes to the information contained in the financial statements.**

Significant change made during the year to accounting policies and the effect of changes to the information contained in the financial statements.

*New and Amended International Financial Reporting Standards Adopted in 2023*

IFRS 17, *Insurance Contracts* ("IFRS 17")

The Company adopted IFRS 17 January 1, 2023, which replaces IFRS 4, *Financial Instruments* ("IFRS 4"). IFRS 17 replaces IFRS 4, *Insurance Contracts* ("IFRS 4") and impacts how we recognize, measure, present, and disclose insurance contracts in the Condensed General Purpose Financial Statements. Under IFRS 17, insurance contracts are comprised of insurance contracts issued, which are insurance and reinsurance or retrocession contracts that are issued by a Company, and reinsurance contracts held.

There is no substantial change in IFRS 17 compared to IFRS 4 with regards to which contracts fall within the scope of the standard. Similar to IFRS 4, IFRS 17 classifies insurance contracts as those under which an entity accepts significant insurance risk from another party ("policyholder") by agreeing to compensate the policyholder if a specified uncertain future event ("insured event") adversely affects the policyholder. However, unlike IFRS 4, insurance contracts issued and reinsurance contracts held are divided into groups that will be separately recognized and measured under IFRS 17.

Insurance contracts are measured in accordance with IFRS 17, using one of the following measurement models:

- Variable fee approach ("VFA") applies to insurance contracts (excluding reinsurance contracts) with direct participation features,
- Premium allocation approach ("PAA"), which is a simplified measurement, applies to all insurance contracts that are eligible to use it, or
- General measurement approach ("GMA") applies to all insurance contracts not measured using the VFA or the PAA.

The underlying medical stop-loss business assumed by the Company and corresponding insurance contract liability is measured under PAA. Under PAA there is no liability established at initial recognition for groups of insurance contracts, unless factors indicate that the group is onerous, in which case the group is initially recognized at the amount it is onerous, and a loss of that amount is recognized in the Condensed Statements of Income and becomes the loss component of the group. For groups using the PAA, insurance acquisition cash flows are recognized in the Condensed Statement of Income when incurred, rather than including such expenses in the measurement of liability for remaining coverage ("LRC"). Insurance revenue, insurance service expenses and insurance finance income or expenses are presented separately.

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**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (EXPRESSED IN '000)\***

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Certain balances, such as Reinsurance Balances Receivable, Funds Held By Ceding Reinsurers, and Unearned Premium Reserve, that were previously presented separately under IFRS 4 are now included in the General Business Insurance Contracts Liabilities.

The presentation on the Condensed Statement of Income has changed significantly for IFRS 17. Under IFRS 4, Net Underwriting Profit (loss) – General Business was presented separately in the lines Gross Premiums Written, Increase (Decrease) in Unearned Premiums, Net Losses Incurred And Net Loss Expenses Incurred, and Commission And Brokerage. The line Combined Operating Expense included premium taxes and treaty experience refunds.

Under IFRS 17, insurance-related income (expenses) are presented on the Condensed Statement of Income as Insurance Contract Revenue and Insurance Service Expenses, within Net Insurance Service Results and insurance finance income (expenses) flow through the Insurance Finance Results for each of those sections are presented separately for reinsurance contracts held which do not apply to the Company.

For insurance contracts measured using the PAA, Insurance Contract Revenue represents expected premium receipts recognized as revenue generally based on the passage of time. Insurance Contract Revenue is reported net of premium taxes and assumed commissions.

Insurance Service Expenses primarily include claims incurred in the period, expenses incurred that are directly attributable to fulfilling the insurance contracts, losses on onerous contracts and reversals of those losses, changes related to past service and insurance acquisition cash flows expensed as incurred related to PAA contracts.

Changes in the carrying value of insurance contracts issued not measured using the VFA and reinsurance contracts held that are due to changes in the time value of money and in financial risk are recognized in Insurance Finance Income (Expenses). The Company elected to recognize all insurance finance income (expenses) in the Condensed Statement of Income and not in OCI.

*Transition Method*

The full retrospective application of IFRS 17 at the transition date of January 1, 2022, was implemented thus, restated comparative results have been presented in the Condensed General Purpose Financial Statements.

*IFRS 9, Financial Instruments (“IFRS 9”)*

*IFRS 9*

*Summary*

The Company adopted IFRS 9, which includes guidance on the classification and measurement of financial instruments, impairment of financial assets and hedge accounting, and does not require restatement of comparative periods. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). As a result of the application of IFRS 9, the Company changed its accounting policies in the areas indicated below, which were effective beginning January 1, 2023. The Company

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**NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (EXPRESSED IN '000)\***

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is permitted, under IFRS 17, to present comparative information on financial assets as if IFRS 9 were applicable during the comparative period ("classification overlay"). The Company have elected to apply the classification overlay to its financial assets and their comparative period results as if IFRS 9 had been effective since January 1, 2022. Certain comparative period information will continue to be presented in accordance with previous accounting policies, as indicated below.

*Classification of financial assets and financial liabilities*

IFRS 9 introduces three principal classification categories for financial assets. Financial assets are measured at initial recognition at fair value, and are classified as and subsequently measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost based on business model for managing the financial asset and the contractual cash flow characteristics of the asset.

IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity, available-for-sale ("AFS"), and loans and receivable financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in scope of IFRS 9 are not separated. Instead, the hybrid financial instrument, as a whole, is assessed for classification.

IFRS 9 maintains the IAS 39 classification for financial liabilities. Under IFRS 9, financial liabilities are measured at either amortized cost or FVTPL.

*Impairment of financial assets*

IFRS 9 replaces the "incurred loss" model under IAS 39 with a forward-looking ECL model.

Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Company in preparing the accompanying financial statements:

Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability. Management determines fair value by using quoted prices in active markets for identical or similar assets or liabilities. When quoted prices in active markets are not available, fair value is determined using valuation techniques that maximize the use of observable inputs. When observable valuation inputs are not available, significant judgment is required to determine fair value by assessing the valuation techniques and valuation inputs. The use of alternative valuation techniques or valuation inputs may result in a different fair value. A description of the fair value methodologies, assumptions, valuation techniques and valuation inputs by type of asset is included in **Matters to be set forth in a General Note to the Financial Statements – #13 Fair value amounts for all quoted and unquoted investment lines** and **Matters to be set forth in Notes to the Condensed Balance Sheet – #2 Quoted investments and #3 Unquoted investments**

Invested Assets

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Financial assets include cash, cash equivalents, debt securities and limited partnership investments. Financial assets are designated as financial assets at FVTPL or FVOCI assets. The following table summarizes the financial assets included in the Condensed Balance Sheet and the asset classifications applicable to these assets:

Condensed Balance Sheet line	Asset classification
Cash and cash equivalents	FVTPL
Debt securities	FVTPL and FVOCI
Limited partnership investments	FVTPL

Cash equivalents are highly liquid instruments with a term to maturity of three months or less. Debt securities are designated as either FVTPL or FVOCI. Limited partnership investments are designated as FVTPL. The accounting for each asset classification is described in the following sections.

*Derecognition*

Financial assets are derecognized when our rights to contractual cash flows expire, when we transfer substantially all our risks and rewards of ownership, or when we no longer retain control.

*Impairment*

We establish an allowance for expected credit losses ("ECL") for financial assets not classified or designated at FVTPL. The allowance for ECL on financial assets measured at FVOCI, including debt securities do not reduce the carrying amount of the assets in the Condensed Balance Sheet, which remains at fair value. Rather, an amount equal to the allowance for ECL that would arise if the assets were measured at amortized cost is recognized in Line No. 2 (d) Change in Unrealized Appreciation (Depreciation) of Investments in the Condensed Statement of Capital and Surplus, with changes in the allowance for ECL recognized in Line No. 6 (d) Credit impairment losses on financial assets in the Condensed Income Statement.

At the end of each reporting period, we apply a three-stage impairment approach to measure the ECL on financial assets measured at FVOCI:

- Stage 1: For financial assets that have not experienced a significant increase in credit risk since the date of initial recognition, a loss allowance equal to the credit losses expected to result from default events occurring over the 12 months following the reporting date is recognized.
- Stage 2: For financial assets that have experienced a significant increase in credit risk since the date of initial recognition, a loss allowance equal to the credit losses expected to result from default events occurring over the remaining lifetime of the financial asset is recognized.
- Stage 3: When a financial asset is considered to be credit-impaired, a loss allowance equal to the ECL over the remaining lifetime of the financial asset is recognized. Interest income is calculated based on the carrying amount of the asset, net of the loss allowance.

We monitor all financial assets that are subject to impairment for significant increase in credit risk. In making this assessment, we consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.



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Derivative Financial Instruments

Derivatives embedded in insurance contracts are treated as separate contracts and measured at fair value with changes in fair value recognized in Line 6 (e) Other investment returns in Condensed Statement of Income.

Insurance Contract Liabilities

The measurement of insurance contracts under IFRS 17, *Insurance Contracts* ("IFRS 17") differs from the Canadian Asset Liability Method ("CALM") previously applied under IFRS 4, *Insurance Contracts* ("IFRS 4").

Under IFRS 17, the carrying value of insurance contracts comprises the LRC and the liability for incurred claims ("LIC"). The LRC is the measurement of the Company's obligation to investigate and pay valid claims for insured events that have not yet occurred. The LIC is the measurement of the Company's obligation to investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported. For blocks of businesses acquired prior to January 1, 2023, any previously incurred claims where the amount paid to the beneficiary is subject to insurance risk are treated as LIC. For blocks of businesses acquired on or after January 1, 2023, such claims are treated as LRC.

Under the PAA, the simplified measurement approach applied by the Company, insurance contracts are measured based on unearned profits and do not include a Contractual Service Margin ("CSM"), a new component of the insurance contract liability under IFRS 17, which represents unearned profits under the GMA and VFA approaches.

The measurement approaches under IFRS 17 and IFRS 4 are similar for insurance contracts measured using the PAA. Differences arise mainly in the measurement of the LIC, where the discount rate, which is used to present value future cash flows and the risk adjustment for non-financial risk, which measures the compensation required for uncertainty related to non-financial risk, such as mortality, morbidity, surrender and expenses under IFRS 17, apply.

Significant judgment is required in measuring assets or liabilities for insurance contracts, including the assumptions that are used for their measurement. Application of different assumptions may result in different measurement of the insurance contracts. Actual experience may differ from assumptions, and estimates may change from period to period based on future events or revisions of assumptions. See *New and Amended International Financial Reporting Standards Adopted in 2023* for additional details on the change in accounting policy.

See **Matters to be set forth in a General Notes to the Financial Statements #5 - The basis of recognition of insurance contract revenue and investment income** for further disclosure.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles permitted by the Legislation requires management to make estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities and revenue and expenses. The most significant estimates are those used in determining the fair value of financial instruments, the measurement of insurance contract liabilities and impairment of investments. Actual results may

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differ from our estimates thereby impacting our financial statements. Information on our use of estimates and assumptions are discussed in this Note.

Credit Risk

Credit risk is the possibility of loss from amounts owed from our financial counterparties. We are subject to credit risk in connection with issuers of securities held in our investment portfolio, debtors, structured securities, counterparties, other financial institutions and other entities. Losses may occur when the counterparty fails to make timely payments pursuant to the terms of the underlying contractual agreement or when the counterparty's credit rating of risk profile otherwise deteriorates. Credit risk can also arise in connection with deterioration in the value of, or ability to, realize on any underlying security that may be used as collateral for the debt obligation. Credit risk can occur at multiple levels, as a result of broad economic conditions, challenges within specific sectors of the economy, or from issues affecting individual companies. Events that result in defaults, impairments or downgrades of the securities in our investment portfolio would cause the Company to record realized or unrealized losses and increase our provision for asset default, adversely impacting earnings.

Income Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are calculated based on income tax rates and laws that are expected to apply when the liability is settled or the asset is realized, which are normally those enacted or considered substantively enacted at the Condensed Balance Sheet date. Current and deferred income tax relating to unrealized gains and losses of AFS bonds is recognized in line 2(d) of the Condensed Statement of Capital and Surplus.

See **Matters to be set forth in Notes to the Condensed Balance Sheet #31 - Income taxes** for further disclosure.

**5. The basis of recognition of insurance revenue, investment and other income.**

Insurance Contracts

The Company's insurance contracts do not have direct participation features and are eligible to use the PAA as the coverage period is one year or less.

The LRC subsequent to initial recognition is the amount of unearned revenue and the remaining loss component for any groups that are onerous. The LRC is not adjusted to reflect the time value of money and the effects of financial risk when we expect the time between providing coverage and the related premiums to be no more than one year. The LIC is not adjusted to reflect the time value of money and the effects of financial risk when we expect the claims to be fully paid within one year of the insured event occurring.

Invested Assets

*Initial Recognition and Subsequent Measurement*

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Financial assets are measured at initial recognition at fair value and are classified as and subsequently measured at FVTPL, or FVOCI based on the business model used to manage the financial asset. Financial assets are not reclassified subsequent to initial recognition unless the business model used to manage the financial asset has changed. Financial assets are recognized in the Condensed Balance Sheet on their trade dates, which are the dates that we commit to purchase or sell the assets.

A financial asset is measured at FVOCI if both of the following conditions are met, and the asset is not designated at FVTPL:

- The asset is held within a business model that is held to collect and sell ("HTC&S"), in which both the collection of contractual cash flows and the sale of financial assets are integral to achieving the objective of the business model; and
- The contractual terms of the asset give rise, on specified dates, to cash flows that are solely payments of principal and interest ("SPPI").

Financial assets that are managed on a fair value basis and do not meet the objectives of a HTC or HTC&S business model, such as financial assets that are held for trading, are measured at FVTPL and fall within the scope of other business models.

All financial assets not classified as FVOCI, as described above, are measured at FVTPL. Financial assets at FVTPL include financial assets that are held-for-trading. A financial asset is classified as held-for-trading if it is acquired principally for the purpose of selling in the near term. Cash, cash equivalents and short-term securities are held for trading for the purpose of meeting short-term cash requirements and are measured at FVTPL. On initial recognition, we may also make an irrevocable election to designate a financial asset that would otherwise be measured at FVOCI as measured at FVTPL if the financial asset is managed together with a related financial liability and their performance is evaluated on a fair value basis. Certain debt securities that support insurance contract liabilities, which are measured at fair value, are designated at FVTPL, as doing so significantly reduces measurement inconsistency with the related insurance contract liabilities. These financial assets would otherwise have been measured at FVOCI.

Equity securities are measured at FVTPL, unless the asset is not held for trading purposes, and we make an irrevocable election to designate the asset at FVOCI. This election is made on an instrument-by-instrument basis. If such an election is made, the fair value changes, including any associated foreign exchange gains or losses, are recognized in Line No. 2 (d) Change in Unrealized Appreciation (Depreciation) of Investments in the Condensed Statement of Capital and Surplus and are not subsequently reclassified to the Condensed Statement of Income including upon disposal. Realized gains and losses are transferred directly to retained earnings upon disposal.

Equity securities, and debt securities that are classified or designated at FVTPL are recorded at fair value in Condensed Balance Sheet, and gains or losses, including interest or dividend income and foreign exchange gains and losses, are recognized in Line 6 (a) Net interest revenue / investment income in the Condensed Statements of Income.

Debt securities, and Limited partnerships that are classified as FVOCI are recorded at fair value. Interest income, foreign exchange gains (losses), and impairment are recognized in Line 6 (a) Net interest revenue / investment income in the Condensed Statements of Income. Other gains or losses

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are recognized in Line No. 2 (d) Change in Unrealized Appreciation (Depreciation) of Investments in the Condensed Statement of Capital and Surplus.

Cash equivalents are highly liquid instruments with a term to maturity of three months or less. Cash and cash equivalents are classified as FVTPL and the fair values are assumed to approximate their carrying values, due to their short-term nature or because they are frequently repriced to current market rates.

See **Matters to be set forth in a General Notes to the Financial Statements #4 - The basis of recognition of insurance contract revenue and investment income** for further disclosure.

- 6. The method used to translate amounts denominated in currencies other than the currency of the financial statements, the amounts, if material, gained or lost on such translation and the manner in which those gains or losses are treated in those statements.**

Not applicable.

- 7. Any foreign exchange control restrictions affecting assets of the insurer, with particular reference to money balances which cannot be transferred to the insurer due to reasons unrelated to the insurance business conducted by the insurer.**

Not applicable.

- 8. The nature and amount of any material contingencies or commitments (for example, a commitment involving an obligation requiring abnormal expenditure, pending lawsuit, or the conclusion of a long lease).**

*Litigation*

The Company is not aware of any contingent liabilities arising from litigation or other matters that could have a material effect on the financial position of the Company.

*Indemnities*

In the normal course of its business, the Company enters into agreements that include indemnities in favor of third parties, such as contracts with advisors and consultants, outsourcing agreements and service agreements. The Company has also agreed to indemnify its directors, officers and employees in accordance with the Company's by-laws. The Company believes any potential liability under these agreements is neither probable nor estimable. Therefore, the Company has not recorded any associated liability.

*Lease Commitments*

As of December 31, 2023, the Company has no direct leases for facilities and equipment.

*Limited Partnership*

As of December 31, 2023, the Company has outstanding commitments to fund additional investments of \$8,964 in limited partnership investments.

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9. **Any default made by the insurer in relation to the principal, interest, sinking fund or redemption provisions of any securities issue made, or any credit agreement entered into, by it.**

Not applicable.

10. **The gross amount of arrears of dividends on preferred cumulative shares, and the date to which those dividends were last paid.**

Not applicable.

11. **The amount of any loan made during the relevant year by the insurer, to any director or officer of the insurer, not being a loan made in the ordinary course of business.**

Not applicable.

12. **The amount of any obligation in respect of retirement benefits relating to employees of the insurer arising from service prior to the end of the relevant year remaining to be charged against operations, and the basis on which the insurer proposes to charge that amount.**

Not applicable.

13. **Fair value amounts for all quoted and unquoted investment lines. Fair value hierarchy of investments based on the following levels:**

We categorize our assets carried at fair value, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three-level fair value hierarchy as follows:

- **Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities that the reporting entity can access at the measurement date**

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

The types of assets and liabilities utilizing Level 1 valuations include U.S. Treasury and agency securities and investments in publicly traded mutual funds with quoted market prices.

- **Level 2: Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly**

Fair value is based on quoted prices for similar assets or liabilities traded in active markets, or prices from valuation techniques that use significant observable inputs, or inputs that are derived principally from or corroborated with observable market data through correlation or other means. Valuations are generally obtained from third-party pricing services for identical comparable assets or liabilities or through the use of valuation methodologies using observable market inputs.

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The types of assets and liabilities utilizing Level 2 valuations generally include U.S. Government securities not backed by the full faith and credit of the government, certain asset backed securities (“ABS”) including residential mortgage backed securities (“RMBS”) and commercial mortgage backed securities (“CMBS”) and certain corporate debt securities.

• **Level 3: Unobservable inputs**

Fair value for investments classified as Level 3 is based on valuation techniques that require one or more significant inputs that are not observable. These unobservable inputs reflect management’s expectations about the assumptions market participants would use in pricing the asset or liability. Pricing may also be based upon broker quotes that do not represent an offer to transact. Prices are determined using valuation methodologies such as option pricing models, discounted cash flow models, net asset value (“NAV”), and other similar techniques. Non-binding broker quotes, which are utilized when pricing service information is not available, are reviewed for reasonableness based on the Company’s understanding of the market and are generally considered Level 3. To the extent, the internally developed valuations use significant unobservable inputs, they are classified as Level 3. Limited partnership investments are based on NAVs provided by management of the limited partnership investments. Based on the unobservable nature of these NAVs, we do not assess whether applying reasonably possible alternative assumptions would have an impact on the fair value of the Level 3 limited partnership investments.

Generally, the types of assets and liabilities utilizing Level 3 valuations are certain ABS, RMBS, CMBS, certain corporate debt securities, and limited partnership investments.

There have been no significant changes made in valuation techniques during 2023.

The Company’s assets by classification reported at fair value as of December 31, 2023 are as follows:

<b>As of December 31, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 105,108	\$ -	\$ -	\$ 105,108
Debt securities - FVTPL	-	1,375	-	1,375
Debt securities - FVOCI	19,686	329,293	-	348,979
Other unquoted investments - FVTPL	-	-	33,502	33,502
<b>Total financial assets measured at fair value</b>	<b>\$ 124,794</b>	<b>\$ 330,668</b>	<b>\$ 33,502</b>	<b>\$ 488,964</b>

Debt securities – FVTPL consist of the following:

<b>As of December 31, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Commercial mortgage-backed securities	-	1,375	-	1,375
<b>Total debt securities - FVTPL</b>	<b>\$ -</b>	<b>\$ 1,375</b>	<b>\$ -</b>	<b>\$ 1,375</b>

Debt securities - FVOCI consist of the following:

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<b>As of December 31, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Corporate debt securities	\$ -	\$ 257,224	\$ -	\$ 257,224
U.S. government and agency	19,686	-	-	19,686
Asset-backed securities:				
Residential mortgage-backed securities	-	42,898	-	42,898
Commercial mortgage-backed securities	-	23,130	-	23,130
Other asset-backed securities	-	6,041	-	6,041
<b>Total debt securities - FVOCI</b>	<b>\$ 19,686</b>	<b>\$ 329,293</b>	<b>\$ -</b>	<b>\$ 348,979</b>

The following table provides a reconciliation of the beginning and ending balances for assets that are categorized in Level 3:

<b>For the year ended December 31, 2023</b>	<b>Other unquoted investments</b>
Beginning balance	34,465
Change in unrealized appreciation (depreciation)	(3,034)
Purchases/Issuances	2,071
Ending balance	33,502

**14. The contractual maturity profile of the insurers' fixed maturity and short-term investments:**

- **Due within one year**
- **Due after one year through five years**
- **Due after five years through ten years**
- **Due after ten years**

The contractual maturities of debt securities are shown in the following tables. Debt securities that are not due at a single maturity date are included in the tables in the year of final maturity. Actual maturities could differ from contractual maturities because of the borrower's right to call or extend or right to prepay obligations, with or without prepayment penalties.

<b>As of December 31, 2023</b>	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>
Due in one year or less	\$ 37,305	\$ 36,876
Due after one year through five years	172,878	168,414
Due after five years through ten years	55,415	58,275
Due after ten years	92,170	86,789
<b>Total debt securities</b>	<b>\$ 357,768</b>	<b>\$ 350,354</b>

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15. **Related party transactions detailing the nature of the relationship, description of transactions including transactions where no amounts or nominal amounts were ascribed, monetary amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period, and amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.**

The Company has significant transactions with affiliates. Management believes intercompany revenues and expenses are calculated on a reasonable basis and there were no changes in methods from those in place during the prior year. Below is a summary of significant transactions with affiliates.

*Reinsurance Agreements*

The Company has a 100% coinsurance funds withheld reinsurance agreement with SLOC, effective September 30, 2019, under which it assumes 100% of the risks, net of third-party reinsurance, associated with medical stop loss insurance policies issued by SLOC. SLOC holds and manages the assets on a funds withheld basis, and the Company has a corresponding funds withheld receivable within Line No. 17 Insurance contract liabilities on its Condensed Balance Sheet. As of December 31, 2023 and 2022, the funds withheld receivable balance reported was \$682,263 and \$636,388, respectively.

See also **Matters to be set forth in a General Note to the Financial Statements #17 - Any other information** for further disclosure.

The Company has a 100% coinsurance reinsurance agreement with SLHIC, under which it assumes 100% of the risks, net of third-party reinsurance, associated with certain medical stop loss insurance policies issued by SLHIC. The Company's obligations are secured through a separate trust account (the "Reinsurance Trust") established with a third-party financial institution. Assets within the Reinsurance Trust are maintained at 100% of the ceded reserve balance.

*Experience Refund*

In lieu of a ceding commission, the Company pays SLHIC and SLOC an experience refund to compensate the member affiliates for ceding profitable business in accordance with the terms of the reinsurance agreements with SLHIC and SLOC, respectively. The Company pays each member affiliate 60% of the current quarter's pre-tax IFRS net profits ("net profits"). In the event a pre-tax IFRS net loss is incurred for a given quarter, the Company will not owe any experience refund to member affiliates and the loss will be carried forward (the "loss carryforward") and applied to net profits generated in a future quarter. The loss carryforward will be applied to all future quarterly net profits and no experience refund will be paid until the loss carryforward is fully recovered.

See also **Matters to be set forth in Notes to the Condensed Balance Sheet – #11 Reinsurance balances receivable.**

*Loan*

The Company entered into a revolving credit facility agreement on December 13, 2022, with its member affiliate, Sun Life (U.S.) Holdco 2020, Inc ("US Holdco"). As of December 31, 2023 and December 31, 2022, loan balance was \$37,500 and \$34,500, respectively, and interest accrued



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balance was \$542 and \$62, respectively, as reported in Line No. 30 Loans and Notes Payable and Line No. 32 Amounts Due to Affiliates of the Condensed Balance Sheet, respectively. Interest expense for the year ended December 31, 2023 and December 31, 2022, as reported in the Condensed Statement of Income, Line 9 was \$1,866 and \$62, respectively.

See also **Matters to be set forth in Notes to the Condensed Balance Sheet – #30 Loans and notes payable** for further disclosure.

*Other unquoted investments*

The company invested in InfraRed Energy Transition Fund B LP, a member affiliate. As of December 31, 2023 and December 31, 2022, investment amount was \$33,502 and \$34,465, respectively, as reported in Line No. 2 (e) Unquoted Investments of the Condensed Balance Sheet. As of December 31, 2023 and December 31, 2022, the Company has outstanding commitments to fund additional investments of \$8,964 and 11,035, respectively.

See also **Matters to be set forth in Notes to the Condensed Balance Sheet – #3 Unquoted Investments** for further disclosure.

*Administrative Services Agreements and Other*

The Company has an administrative services agreement with its affiliate, the Bermuda Branch of Sun Life Assurance Company of Canada (the “Bermuda Branch”), under which the Bermuda Branch provides general administrative services. The services provided include personnel, facilities, actuarial, legal and other administrative services on a cost reimbursement basis. The Company also has an administrative services agreement with its affiliate, SLOC, under which SLOC provides general administrative services not provided by the Bermuda Branch. The services are provided on a cost-plus basis. Expenses incurred under the agreements were \$1,012 and \$924 for 2023 and 2022, respectively.

The Company has an investment advisory agreement with Sun Life Capital Management (U.S.) LLC (“SLCMUS”) (formerly, Sun Life Institutional Investments (U.S.) LLC), under which SLCMUS acts as investment manager for some of the Company’s portfolios. Expenses incurred under the agreement were \$413 and \$370 for 2023 and 2022, respectively.

The Company has a payable to related parties of \$708 and \$190 as of December 31, 2023 and 2022, respectively, under terms of loans and various management and services contracts that provided for cash settlements on a quarterly or more frequent basis and are reported in Line No. 32 Amounts Due to Affiliates on its Condensed Balance Sheet.

**16. Any transaction made or other event occurring between the end of the relevant year and the date of approval of the financial statements by the board of directors and materially affecting the financial statements, not being a transaction made or an event occurring in the ordinary course of business.**

Subsequent events were evaluated from the balance sheet date through the date of issuance of the audited Condensed General Purpose Financial Statements, which were made available on April 29, 2024.

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17. **Any other information which in the opinion of the board of directors is required to be disclosed if the financial statements are not to be misleading.**

*Assumed Reinsurance Balances*

Due to the nature of the Company’s operations, the balances reported on the Condensed Statement of Income for the year ended December 31, 2023 represent the effects of assumed reinsurance for the following: Line No. 1 Insurance Contract Revenue, Line No. 2 Incurred Claims and Insurance Contract Expenses, Line No. 6 (e) Other investment returns, and Line No. 7 Insurance Finance Results.

The following schedule reflects related party reinsurance information recorded in the Condensed Statement of Income:

**For the year ended December 31, 2023**

Insurance contract revenue	\$	806,228
Incurred claims and insurance contract expenses		662,788
Other investment returns		15,442
Insurance Finance Results		35,952

*Taxes*

Effective January 31, 2018, in response to changes in the U.S. tax reform legislation signed into law December 22, 2017, the ownership of the Company was restructured and all the outstanding shares were transferred from the Ultimate Parent to US Ops Holdco. The Company has elected to be treated as a U.S. corporation for U.S. Income Tax purposes under Internal Revenue Code Section 953(d). This election was effective as of February 1, 2018 and the Company’s income after the effective date of the election is taxed at the U.S. federal statutory tax rate of 21%. As a result of this election, the Company will no longer be subject to the federal excise tax (“FET”) or withholding tax on investment income (“withholding taxes”) previously imposed. Due to the timing of the approval of the election, the Company has paid FET for the period from February 1, 2018 through March 31, 2020. The amount was recorded as a receivable within Line No. 13i – Other Sundry Assets on the Condensed Balance Sheet. The refunds were received by the withholding agents, SLOC and SLHIC on May 03, 2022 and deposited. The amounts received were transferred to the Company in Q1, 2023.

See **Matters to be set forth in Notes to the Condensed Balance Sheet #31 – Income taxes** for further disclosure.

\* Expressed in United States Dollars, ‘000, except for per share data.

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**NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS**  
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**SCHEDULE X**  
**MATTERS TO BE SET FORTH IN NOTES TO THE CONDENSED BALANCE SHEET**

**1. Cash and cash equivalents**

**Any encumbrance on cash or cash equivalents must be disclosed. Examples of such encumbrances are: irrevocable letters of credit; amounts held for security or as collateral against a liability of the insurer or an affiliate; any other use restriction such that the funds in question are held in escrow or in a custodial account.**

Cash and cash equivalents presented in the Condensed Balance Sheet consist of the following:

<b><u>As of December 31, 2023</u></b>		
Cash	\$	1,969
Cash equivalents		103,139
Cash and cash equivalents	\$	105,108

Encumbrances – not applicable.

**2. Quoted investments**

**The method of valuation of quoted investment must be described. Any encumbrance on quoted investments must be disclosed. Examples of such encumbrances are: irrevocable letters of credit; amounts held for security or as collateral against a liability of the insurer or an affiliate.**

*Fair Value Methodologies and Assumptions*

The fair value of government and corporate debt securities is determined using quoted prices in active markets for identical or similar securities. When quoted prices in active markets are not available, fair value is determined using market standard valuation methodologies, which include discounted cash flow analysis, consensus pricing from various broker dealers that are typically the market makers, or other similar techniques. The assumptions and valuation inputs in applying these market standard valuation methodologies are determined primarily using observable market inputs, which include, but are not limited to, benchmark yields, reported trades of identical or similar instruments, broker-dealer quotes, issuer spreads, bid prices, and reference data including market research publications. In limited circumstances, non-binding broker quotes are used.

The fair value of asset-backed securities is determined using quoted prices in active markets for identical or similar securities, when available, or valuation methodologies and valuation inputs similar to those used for government and corporate debt securities. Additional valuation inputs include structural characteristics of the securities, and the underlying collateral performance, such as prepayment speeds and delinquencies. Expected prepayment speeds are based primarily on those previously experienced in the market at projected future interest rate levels. In instances where there is a lack of sufficient observable market data to value the securities, non-binding broker quotes are used.

Encumbrances – not applicable.

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*Amortized Cost and Fair Value of Financial Assets*

The amortized cost and fair values of our financial assets are shown in the following table:

<b>As of December 31, 2023</b>	<b>Amortized Cost</b>	<b>Fair Value</b>
Assets		
Cash and cash equivalents	\$ 105,108	\$ 105,108
Debt securities – FVTPL	1,947	1,375
Debt securities - FVOCI	364,331	348,979
<b>Total financial assets</b>	<b>\$ 471,386</b>	<b>\$ 455,462</b>

See also **Matters to be set forth in a General Note to the Financial Statements # 13 - Fair value amounts for all quoted and unquoted investment lines** for further disclosure.

**3. Unquoted investments**

**The method of valuation of any unquoted investment must be described. Any encumbrance on unquoted investments must be disclosed. Examples of such encumbrances are: irrevocable letters of credit; amounts held for security or as collateral against a liability of the insurer or an affiliate.**

The fair value of limited partnership investments is based on NAV. The financial statements used in calculating the NAV are generally audited annually. We review the NAV of the limited partnership investments and perform analytical and other procedures to ensure the fair value is reasonable.

Encumbrances – not applicable.

See also **Matters to be set forth in a General Note to the Financial Statements # 13 - Fair value amounts for all quoted and unquoted investment lines and #15 – Related party transactions** for further disclosure.

**4. Investment in and advances to affiliates**

**The method of valuation must be described. Repayment terms and the rates of interest applicable to advances must also be given.**

Not applicable.

**5. Investments in mortgage loans on real estate**

**The range of interest rates and the range of maturity dates for mortgage loans on real estate must be disclosed.**

Not applicable.

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**7. Real estate**

As regards real estate -

- (a) (i) the method of valuation; and (ii) where there are encumbrances, the value of the real estate before encumbrances, the amount and nature of the encumbrances and the repaying terms and interest rates applicable to the encumbrances, shall be disclosed.
- (b) To the extent permitted by the accounting standards and principles on which the condensed financial statements are based, where an independent appraisal has been made, real estate may be valued at the appraisal value net of the amount of any encumbrances. In such a case, full details of the appraisal (including the date of the appraisal, the name of the appraiser, the basis of valuation and the disposition of any amounts added to or deducted from the book value) shall be disclosed.
- (c) where other properties (i.e., properties not occupied by the insurer) are included in the balance sheet, the nature of the investments represented by those properties (for example whether held for investment return, or as a result of default of mortgage, or for speculative gain) shall be disclosed.

Not applicable.

**8. Collateral loans**

**Description and amount of the collateral loans.**

Not applicable.

**9. Investment income due and accrued**

**Accrued investment income shall be included here.**

Investment Income Due and Accrued is \$2,558 as of December 31, 2023.

**10. Accounts receivable**

**Accounts receivable shall include non-insurance related receivable.**

Not applicable.

**11. Insurance, Reinsurance and Investment with DPF Contract Assets**

**Insurance, Reinsurance and Investment Contract with DPF Assets shall include contract balances in asset positions and there shall be disclosed severally**

**The nature and terms of these assets.**

- (a) **Insurance Contract Assets: Direct insurance contract balances or Assumed Reinsurance contracts (inwards) in asset position**
- (b) **Reinsurance Contract Assets: this shall include general business and long-term business reconciliation of changes in net reinsurance contracts assets by coverage and incurred claims**
- (c) **Investment Contract with DPF Assets: insurance balances from investment contracts with discretionary participation features in asset position**

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Not applicable.

**13. Sundry assets**

**(a) The nature and terms of these assets.**

**(b) For derivatives and embedded derivatives, if any the following must be disclosed—**

- (i) a description of the policies surrounding the use of derivatives; and**
- (ii) market value and nominal exposure of each derivative by issuer with nominal exposure greater than 5% of the aggregate sum of the total quoted and unquoted investments. Disclosure should be separated between long and short positions.**

As of December 31, 2023, there was no income tax receivable and a net deferred tax asset of \$14,645 is reflected in the Condensed Balance Sheet, Line No. 13i – Other Sundry Assets and 13j – Other Sundry Assets, respectively.

Refer to **Matters to be set forth in Notes to the Condensed Balance Sheet #31 – Income taxes**, for additional disclosure on current and deferred income taxes.

Upon adoption of IFRS 9, the majority of the funds withheld assets held by SLOC previously measured at FVTPL were designated as FVOCI and as a result the Company's Funds Withheld Receivable is no longer measured at FV with changes reported in profit and loss. Therefore, the embedded derivative associated with the funds withheld reinsurance treaty must be separated from the host contract and marked to market through profit and loss and is recorded in the Condensed Balance Sheet, Line No. 13a – Derivative Instruments. As of December 31, 2023, market value and nominal exposure of embedded derivative was \$14,818. Changes in fair value is recognized in Line 6 (e) Other investment returns in Condensed Statement of Income.

Refer to **Matters to be set forth in Notes to the Condensed Balance Sheet #4** for additional disclosure on Derivative instruments.

**14. Letters of credit, guarantees and other**

**Any other assets not disclosed in lines 1 through 13 should be instruments disclosed here. The nature and the method of valuation should be disclosed.**

Not applicable.

**17. General Business insurance contract liabilities**

**This shall include**

- (i) a reconciliation net changes in general business insurance contracts liabilities by remaining coverage and incurred claims**
- (ii) For insurance contracts not measured using the PAA approach to complete reconciliation of net changes in (re)insurance contracts liabilities by measurement components – non-PAA contracts**

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	Liability for Remaining Coverage		Liabilities for Incurred Claims		Total
	Excluding loss component	Loss component	(PAA) Estimates of present value of future cash flows	(PAA) Risk adjustment for non-financial risk	
Opening assets	-	-	-	-	-
Opening liabilities	28	-	1,623	50,100	51,751
<b>Net opening balance</b>	<b>(28)</b>	<b>-</b>	<b>(1,623)</b>	<b>(50,100)</b>	<b>(51,751)</b>
<b>Changes in the statement of income or loss</b>					
<b>Insurance revenue</b>	<b>806,228</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>806,228</b>
<b>Insurance service expenses</b>					
Amortisation of insurance acquisition cash flows	-	-	-	-	-
Incurred claims and other insurance service expenses	-	-	(662,907)	119	(662,788)
Losses and reversals on onerous contracts	-	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	-	-	-
<b>Total Insurance service expenses</b>	<b>-</b>	<b>-</b>	<b>(662,907)</b>	<b>119</b>	<b>(662,788)</b>
Investment components	-	-	-	-	-
<b>Insurance service result</b>	<b>806,228</b>	<b>-</b>	<b>(662,907)</b>	<b>119</b>	<b>143,440</b>
Net finance expenses from insurance contracts	35,952	-	-	-	35,952
Effect of movements in exchange rates	-	-	-	-	-
<b>Total changes in the statement of income or loss</b>	<b>842,180</b>	<b>-</b>	<b>(662,907)</b>	<b>119</b>	<b>179,392</b>
<b>Cash flows</b>					
Premiums received	(806,200)	-	-	-	(806,200)
Insurance acquisition cash flows	-	-	-	-	-
Claims and other insurance service expenses paid	(35,952)	-	663,494	-	627,542
<b>Total cash flows</b>	<b>(842,152)</b>	<b>-</b>	<b>663,494</b>	<b>-</b>	<b>(178,658)</b>
Contracts transferred on acquisition of subsidiary	-	-	-	-	-
Contracts transferred on disposal of subsidiary	-	-	-	-	-
<b>Net closing balance</b>	<b>-</b>	<b>-</b>	<b>(1,036)</b>	<b>(49,981)</b>	<b>(51,017)</b>
Closing assets	-	-	-	-	-
Closing liabilities	-	-	1,036	49,981	51,017
<b>Net closing balance</b>	<b>-</b>	<b>-</b>	<b>(1,036)</b>	<b>(49,981)</b>	<b>(51,017)</b>

Refer also to **Matters to be set forth in a General Note to the Financial Statements #15 – Related party transactions** for further disclosure regarding assets held under trust.

**17A. General Business reinsurance contract liabilities**

**This shall include general business reinsurance contracts held (outwards) in a liability position and shall form part of the reconciliation of the net changes in general business reinsurance contracts held asset balances – Line 11(b).**

Not applicable.

**18. Investment contract with DPF liabilities**

**This line shall include investment contracts that includes discretionary participation features that exposes policyholder obligations based on market risks relating to the underlying instruments.**

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Not applicable.

**27. Long-term business insurance contract liabilities**

**This shall include**

- (i) a reconciliation net changes in long-term business insurance contracts liabilities by remaining coverage and incurred claims**
- (ii) For insurance contracts not measured using the PAA approach to complete reconciliation of net changes in (re)insurance contracts liabilities by measurement components – non-PAA contracts**

Not applicable.

**27A. Long-term reinsurance contract liabilities**

**This shall include long-term business reinsurance contracts held (outwards) in a liability position and shall form part of the reconciliation of the net changes in general business reinsurance contracts held asset balances – Line 11(b).**

Not applicable.

**29. Commissions, expenses, fees and taxes payable.**

**All unearned commissions shall be disclosed.**

There are no unearned commissions. Where relevant, Commissions, expense allowance and reinsurance payable are disclosed in **Matters to be set forth in a General Note to the Financial Statements #15 – Related party transactions** and **Matters to be set forth in a General Note to the Financial Statements #17 - Any other information.**

Taxes payable are disclosed in **Matters to be set forth in Notes to the Condensed Balance Sheet #31– Income taxes.**

**30. Loans and notes payable**

**This shall be comprised of repayment terms, rates of interest and the nature of collateral given, if any.**

The Company has a revolving credit facility with US Holdco for \$45,500 with a maturity date of December 31, 2025. The amount outstanding as of December 31, 2023, is \$37,500. The Company may, at its option from time to time and without premium or penalty, prepay the whole or any part of the amounts outstanding under the credit facility together with accrued and unpaid interest, if any. Interest is payable quarterly in arrears at a rate equal to the SOFR 90-day Average (plus an applicable credit spread adjustment), plus a fixed spread of 60 basis points.

No collateral was given for the revolving credit facility.



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Refer also to **Matters to be set forth in a General Note to the Financial Statements #15 – Related party transactions** for further disclosure regarding the affiliate loan.

**31. Income taxes**

**The following must be disclosed:**

**(a) Income taxes payable**

**(b) Deferred income taxes**

**Details of the deferred income tax provision.**

Income Taxes Payable

The Company remained in accordance with the financial reporting provisions of the Bermuda Insurance Act of 1978, for the period, January 1, 2018 to January 31, 2018. In late 2020 the Internal Revenue Service accepted the Company’s election under Internal Revenue Code (IRC) Section 953(d) to be treated as a U.S. corporation. As such, the company was under the guidance of Section 953(d) for federal income tax purposes for the years ended December 31, 2023 and 2022.

The method of allocation of the total consolidated income tax among members of the consolidated tax group is subject to a written agreement, approved by their representative authorized officers. Under the current tax allocation agreement, federal income tax amounts are allocated among members of the consolidated tax group based upon separate return calculations with current credit (benefit) for losses that were utilized by the consolidated tax group. Under this approach, the Company’s deferred tax assets and tax attributes are considered realized by it so long as the group is able to recognize (or currently use) the related deferred tax asset or attribute. Thus, the need for a valuation allowance is determined at the consolidated return level rather than at the level of the individual entities comprising the consolidated group. Intercompany tax balances are settled on a quarterly basis within 30 days following a federal or state tax payment. In accordance with the tax sharing agreement, the income tax provision is computed as if each company was filing a separate income tax return.

As of December 31, 2023, an income tax receivable is recorded in the Company’s Condensed Balance Sheet, Line No. 13i – Other Sundry Assets.

Below is a summary of the change in the Company’s income tax receivable for the year ended December 31, 2023:

**Change in Income taxes  
receivable/(payable)**

	<b>2023</b>
Balance, beginning of period	\$ 2,375
Current tax provision	(40,233)
Payments	24,519
Balance, end of period	<u>\$ (13,339)</u>

Deferred Income Taxes

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As of December 31, 2023, net deferred tax assets are recorded in the Company’s Condensed Balance Sheet, Line No. 13i.

The following represents the deferred tax asset / (liability) reported in the Company’s Condensed Balance Sheet, by source of temporary differences:

<b>As of December 31,</b>	<b>2023</b>	
Investments	\$	11,777
Policy liabilities	\$	2,882
Other		(14)
<b>Total</b>	<b>\$</b>	<b>14,645</b>

The movements in net deferred tax asset / (liability) for the year ended December 31, 2023 are as follows:

	<b>Policy</b>				<b>Total</b>
	<b>Investments</b>	<b>Liabilities</b>	<b>Other</b>		
As at December 31, 2022	\$ 15,894	\$ (7,257)	\$ (16)		\$ 8,621
Charged to statement of operations	(2,066)	10,139	2		8,074
Charged to other comprehensive income	(2,051)	-	-		(2,051)
Foreign Exchange	-	-	-		-
<b>As at December 31, 2023</b>	<b>\$ 11,777</b>	<b>\$ 2,882</b>	<b>\$ (14)</b>		<b>\$14,645</b>

There are no accumulated tax losses in 2023.

**32. Amounts due to affiliates**

**This shall be comprised of repayment terms, rates of interest and the nature of collateral given, if any.**

Amounts due to affiliates is \$708 as of December 31, 2023.

Refer to **Matters to be set forth in a General Note to the Financial Statements #15 – Related party transactions** for further disclosure.

**33. Accounts payable and accrued liabilities**

**All accounts payable and accrued liabilities shall be disclosed.**

Accounts payable and accrued liabilities is \$0 as of December 31, 2023.

**35. Dividends payable**

**All dividends payable shall be disclosed.**

Not applicable.

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**36. Sundry liabilities**

- (a) The nature of these liabilities and the repayment terms;**
- (b) For derivatives and embedded derivatives, if any, the following must be disclosed—**
  - (i) a description of the policies surrounding the use of derivatives; and**
  - (ii) market value and nominal exposure of each derivative by issuer with nominal exposure greater than 5% of the aggregate sum of the total quoted and unquoted investments. Disclosure should be separated between long and short positions.**

Refer to **Matters to be set forth in a General Note to the Financial Statements #13 – Sundry assets** for further disclosure on embedded derivatives.

**37. Letters of credit, guarantees and other instruments**

- (a) The nature and valuation method for the letters or credit, guarantees, and other instruments. These should only be included to the extent that they would be recognized under the insurer’s GAAP accounting standards.**
- (b) the name of the entity granting the letter of credit, guarantee or other instrument, and the name of the entity in whose favour the letter of credit, guarantee or other instrument was granted;**
- (c) the amount of the letter of credit, guarantee or other instrument;**
- (d) the purpose for which the letter of credit, guarantee or other instrument was granted**

Not applicable.

\* Expressed in United States Dollars, ‘000, except for per share data.

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**SCHEDULE X**  
**MATTERS TO BE SET FORTH IN NOTES TO THE CONDENSED STATEMENT OF INCOME**

**1. Insurance contract revenue**

All the Company’s contracts are measured under the PAA. Insurance contract revenue for contracts measured under the PAA for the year ended December 31, 2023 is \$806,228.

\* Expressed in United States Dollars, ‘000, except for per share data.

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**SCHEDULE X**  
**MATTERS TO BE SET FORTH IN NOTES TO THE CONDENSED STATEMENT OF**  
**CAPITAL AND SURPLUS**

**1(a) Capital Stock**

As respects authorized share capital there shall be disclosed severally—

- (a) the number of common shares and preferred shares of each class, the par value, if any, of each class and a brief description of each class;**

Common capital stock, \$1 par value – 190,000 shares authorized.

Pursuant to the Act, the Company is required to register a minimum of \$120 of paid-up share capital. As of December 31, 2023, the Company's share capital is comprised of 190,000 shares with par value of \$1 each, all of which were issued in 2016 to SLF for a subscription price of \$190,000. SLF contributed additional paid-in capital of \$10,000 to the Company during 2016. Effective January 31, 2018 all the outstanding shares were transferred to US Ops Holdco. US Ops Holdco contributed additional paid-in capital of \$60,000 to the Company during 2019.

- (b) the dividend rates applicable to any preference shares, and whether the dividends are cumulative, including the liquidation values of the preference shares;**

Not applicable.

- (c) the redemption price of any redeemable shares;**

Not applicable.

- (d) any conversion provisions.**

Not applicable.

As respects issued share capital there shall be disclosed severally—

- (a) the number of shares in, and the share capital amounts for, each class of common and preferred shares;**

Common capital stock, \$1 par value – 190,000 shares issued.

- (b) the amounts called and unpaid or otherwise due in respect of those shares;**

Not applicable.

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- (c) **the amounts not called on those shares that will become receivable in due course when called**

Not applicable.

As respects issued share capital there shall be disclosed severally—

- (a) **the number of shares repurchased, and the share capital amounts for, each class of common and preferred shares;**

Not applicable.

**1(b) Contributed surplus**

**The nature of any change in contributed surplus during the relevant year.**

Not applicable.

**2(c) Dividends paid and payable**

**The amount and nature of any dividends paid during the relevant year that was other than a cash dividend.**

The Company's ability to pay dividends is subject to certain statutory restrictions as set forth by the Act. Bermuda has enacted law governing the payment of dividends to shareholders.

As approved by the Company's Board of Directors, cash dividend declarations of \$60,000 and \$45,000 were made on April 25, 2023 and December 4, 2023, to the Company's sole shareholder, US Ops Holdco.

**There shall also be disclosed in notes the following information—**

- (a) **details of any change in the authorized share capital of the insurer during the relevant year;**

Not applicable.

- (b) **where an insurer has contracted to issue or re-issue shares or has given options to purchase shares, the class and number of shares affected, the price and date of the issue or re-issue of the shares or the exercise of the options and (shown separately) the total number of shares in respect of which options are held by directors and officers of the insurer;**

Not applicable.

- (c) **details of any share transactions during the relevant year including—**

- (i) **the number of shares of each class issued since the date of the last balance sheet, giving the value attributed thereto and distinguishing—**  
(aa) **shares issued for cash (showing separately shares issued pursuant to options or warrants);**

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Not applicable.

**(bb) shares issued directly or indirectly for services; and**

Not applicable.

**(cc) shares issued directly or indirectly for other considerations;**

Not applicable.

**(ii) the number of shares of each class redeemed since the date of the last balance sheet and the consideration given and, where the consideration was other than cash, the nature of the consideration given and the value attributed thereto.**

Not applicable.

\* Expressed in United States Dollars, ‘000, except for per share data.