

***Dai-ichi Life Reinsurance Bermuda Ltd.***

(Incorporated in Bermuda)

Financial Statements

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

(expressed in U.S. dollars)



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## INDEPENDENT AUDITOR'S REPORT

### To the Board of Directors of Dai-ichi Life Reinsurance Bermuda Ltd.

#### Opinion

We have audited the financial statements Dai-ichi Life Reinsurance Bermuda Ltd. (the "Company"), which comprise the balance sheet as at December 31, 2023, the statements of income (loss), comprehensive income (loss), changes in shareholder's equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "*Auditor's responsibilities for the audit of the financial statements*" section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the [consolidated] financial statements, including the disclosures, and whether the [consolidated] financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG Audit Limited*

Chartered Professional Accountants  
Hamilton, Bermuda  
April 26, 2024

# Dai-ichi Life Reinsurance Bermuda Ltd.

Balance Sheet

As at December 31, 2023 and December 31, 2022

(expressed in U.S. dollars)

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Cash	217,803,014	101,210,756
Investments at fair value through income	11,786,607,098	5,600,896,333
Reinsurance Balances Receivable	13,837,628	519,174
Accrued Interest	131,783,951	56,680,905
Prepaid Expenses	223,984	17,258
Deferred Acquisition Costs	39,529,254	2,196,813
<b>Total Assets</b>	<b>12,189,784,929</b>	<b>5,761,521,239</b>
<b>Liabilities</b>		
Insurance/Reinsurance Balances Payable	307,711,938	9,205,446
Losses Payable	68,617,060	37,091,705
Accounts Payable and Accruals	2,760,907	555,770
Policy Reserve	31,361,617	-
ModCo Reserve	-	471,527
Reinsurance Liability, at fair value	11,556,613,184	5,590,219,550
<b>Total Liabilities</b>	<b>11,967,064,706</b>	<b>5,637,543,998</b>
<b>Shareholder's Equity</b>		
Share Capital	135,000,000	135,000,000
Authorized, issued and fully paid		
13,500 shares of a par value of 10,000 each		
Retained Earnings (Deficit)	196,706,344	(29,163,235)
Accumulated Other Comprehensive Income (Loss)	(108,986,121)	18,140,476
<b>Total Shareholder's Equity</b>	<b>222,720,223</b>	<b>123,977,241</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>12,189,784,929</b>	<b>5,761,521,239</b>

Approved by the Board of Directors



Director



Director

The accompanying notes are an integral part of these financial statements.

# Dai-ichi Life Reinsurance Bermuda Ltd.

Statement of Income/(Loss)

For the years ended December 31, 2023 and December 31, 2022

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(expressed in U.S. dollars)

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Net Premiums Earned	92,248,481	519,174
Net Investment Income	697,455,006	112,164,426
	<u>789,703,487</u>	<u>112,683,600</u>
<b>Benefits and Expenses</b>		
Benefit Expenses	837,702,577	122,507,287
Expense Allowance	31,331,064	6,615,390
Change in Reserves	31,361,617	-
Other Refunds	11,435,807	464,283
Fair Value changes associated with Reins Contracts	(436,550,545)	9,237,408
Commission Expense	124,798,628	-
Change in Deferred Acquisition Costs	(36,815,508)	-
G&A Expenses and Others	1,693,481	1,023,907
Realized FX Gains/(Losses)	(1,123,213)	2,079,367
Total benefits and expenses	<u>563,833,908</u>	<u>141,927,642</u>
<b>Net income/(loss)</b>	<u><u><b>225,869,579</b></u></u>	<u><u><b>(29,244,042)</b></u></u>

(1) Fair value changes associated with reinsurance contracts comprises premium less commissions and benefits which are offset by the change in future policy benefits.

The accompanying notes are an integral part of these financial statements.

# Dai-ichi Life Reinsurance Bermuda Ltd.

Statement of Comprehensive Income/(Loss)

For the years ended December 31, 2023 and December 31, 2022

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(expressed in U.S. dollars)

	<u>2023</u>	<u>2022</u>
	<u>\$</u>	<u>\$</u>
Net income/(loss)	225,869,579	(29,244,042)
Other comprehensive income		
Fair value changes associated with credit risk	(127,643,530)	15,507,564
Foreign exchange on Deferred Acquisition Costs	516,933	-
Total other comprehensive income (loss)	<u>(127,126,597)</u>	<u>15,507,564</u>
<b>Net comprehensive income/(loss)</b>	<b>\$ <u>98,742,982</u></b>	<b><u>(13,736,478)</u></b>

# Dai-ichi Life Reinsurance Bermuda Ltd.

## Statement of Changes in Shareholder's Equity

For the years ended December 31, 2023 and December 31, 2022

(expressed in U.S. dollars)

	Share capital	Retained (deficit)/ earnings	Accumulated other comprehensive income	Total
	\$	\$	\$	\$
<b>Opening Balance</b>	65,000,000	80,807	2,632,912	67,713,719
Issued during period	70,000,000	-	-	70,000,000
Net loss for period	-	(29,244,042)	-	(29,244,042)
Other comprehensive income	-	-	15,507,564	15,507,564
<b>Balance - December 31, 2022</b>	135,000,000	(29,163,235)	18,140,476	123,977,241
Issued during period	-	-	-	-
Net income for period	-	225,869,579	-	225,869,579
Other comprehensive income	-	-	(127,126,597)	(127,126,597)
<b>Balance - December 31, 2023</b>	135,000,000	196,706,344	(108,986,121)	222,720,223

The accompanying notes are an integral part of these financial statements

# Dai-ichi Life Reinsurance Bermuda Ltd.

## Statement of Cash Flows

For the years ended December 31, 2023 and December 31, 2022

(expressed in U.S. dollars)

	2023	2022
	\$	\$
<b>Cash Flows from operating activities</b>		
<b>Net income</b>	\$ 225,869,579	(29,244,042)
<b>Adjustments to reconcile net income to net cash from operating activities:</b>		
Net unrealized loss	(354,042,321)	179,987,937
Amortization expense	(73,819,774)	(16,638,100)
Net realized gain on investments	48,581,236	(3,059,504)
Net unrealized foreign exchange gain on investments	10,613,458	(204,797,233)
Fair Value changes associated with Reins Contracts	(436,550,545)	9,237,408
Fair value changes associated with credit risk	-	15,507,564
Change in operating assets and liabilities:		
Reinsurance balances receivable	(13,318,454)	(519,174)
Accrued Interest	(49,606,851)	(53,666,661)
Prepaid Expenses	(206,726)	122,509
Deferred Acquisition Costs	(37,332,441)	(2,196,813)
Foreign Exchange on Deferred Acquisition Costs	516,933	
Insurance/Reinsurance Balances Payable	247,040,294	4,156,100
Losses Payable	31,525,355	36,712,060
Accounts payable and accruals	2,205,137	213,037
Policy Reserve	31,361,617	
ModCo Reserve	(471,527)	471,527
Future policy benefits at fair value	3,693,979,195	1,896,009,582
<b>Net cash from operating activities</b>	<b>\$ 3,326,344,165</b>	<b>1,832,296,197</b>
<b>Cash Flows used in investing activity</b>		
Purchases of investments	(4,720,778,146)	(1,860,794,228)
Proceeds from sales and maturities of investments	1,511,026,238	51,942,573
<b>Net cash used in investing activity</b>	<b>\$ (3,209,751,908)</b>	<b>(1,808,851,655)</b>
<b>Cash Flows from financing activity</b>		
Proceeds from issuance of common stock	-	70,000,000
<b>Net cash from financing activity</b>	<b>-</b>	<b>70,000,000</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>\$ 116,592,257</b>	<b>93,444,542</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>\$ 101,210,756</b>	<b>7,766,214</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 217,803,013</b>	<b>101,210,756</b>

The accompanying notes are an integral part of these financial statements.



# Dai-ichi Life Reinsurance Bermuda Ltd.

## Notes to Financial Statements

December 31, 2023

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(expressed in U.S. dollars)

### 1. *The Company*

Dai-ichi Life Reinsurance Bermuda Ltd. (the "Company"), a Bermuda tax exempted company, is a wholly-owned subsidiary of Dai-ichi Life Holdings, Inc., was incorporated in Bermuda on September 25th, 2020 and is registered as a Class C insurer under The Insurance Act 1978, amendments thereto and related regulations ("The Act") as of December 11th, 2020.

The business of the Company is only affiliate reinsurance. The Company entered its first reinsurance agreement in January 2021 and has assumed USD denominated annuity product with endowment-like features from Dai-ichi Frontier Life ("Dai-ichi Frontier", or "DFL"). The Company, then began reinsuring the in-force block of business from Dai-ichi Frontier and the medical product from The Neo First Life Insurance Company, Limited ("NFL") in Japan, each of which were effective in September 2022.

The Company also began reinsuring TAL Life Limited ("TAL")'s group life business from 1 October 2023. The Company currently has nine reinsurance contracts in force, including five from DFL, three from NFL, and one from TAL as of December 31st, 2023.

### 2. *Significant accounting policies*

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities as at the balance sheet date. Estimates also affect the reported amounts of income and expenses for the reporting period. Actual results could differ from those estimates. The areas within the Company's financial statements that involve a significant amount of estimation and judgment include the following: future policy benefits, at fair value.

The following is a summary of the significant accounting policies adopted by the Company:

#### 2.1 Reinsurance contracts at fair value

In accordance with the provisions of ASC 825-10-15-4, the Company elected to carry investments and future policy benefits at fair value associated with reinsurance contracts at fair value. This election is made on a contract-by-contract basis. For those contracts for which this election is made, assets and liabilities associated with the reinsurance contract are carried at fair value with the change in the fair value of the assets and the liabilities being recorded in the line titled fair value changes associated with reinsurance contracts on the statement of income (loss). This reduces earnings volatility in the accounting of the coinsurance agreements. Acquisition costs are not recognized as they are excluded from reinsurance premiums since they are paid directly by Dai-ichi Frontier Life Insurance Co., Ltd. All investments held are to support the liabilities associated with the reinsurance contracts at fair value.

##### a) Future policy benefits at fair value

Insurance liabilities at fair value include amounts for unpaid losses and future policy benefits. The fair value related to insurance liabilities is determined using the income approach prescribed per ASC 820. The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. Those valuation techniques include present value techniques.

# Dai-ichi Life Reinsurance Bermuda Ltd.

Notes to Financial Statements

December 31, 2023

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(expressed in U.S. dollars)

## 2. Significant accounting policies (cont'd)

The Company uses a discounted cash flows approach to measure the fair value of the insurance reserves. The cash flows associated with future benefits are generated using best estimate assumptions (plus a risk margin, where applicable). Risk margins are typically applied to the non-observable, non-hedgeable market inputs such as mortality, morbidity, lapse, discount rate for non-performance risk, discount rate for risk margin, surrenders, etc. Mortality relates to the occurrence of death and morbidity relates to health risks. Mortality assumptions are based upon the experience of the cedent as well as past and emerging industry experience, when available. Mortality and morbidity assumptions may be different by sex, underwriting class and policy type.

Policies are terminated through surrenders and maturities, where surrenders represent the voluntary terminations of policies by policyholders and maturities are determined by policy contract terms. Surrender assumptions are based upon cedant experience adjusted for expected future conditions. The Company uses A rated corporate bond spread in the development of the discount rate. Liability cash flows are discounted using the market yields on the underlying assets backing the liabilities less a risk margin to reflect uncertainty and an adjustment to reflect the credit risk of the Company.

The non-performance risk spread refers to the risk that the obligation will not be fulfilled and includes the Company's own credit risk. The non-performance risk relating to the liability is assumed to be the same before and after its transfer.

The significant unobservable inputs used in the fair value measurement of future policy benefit liability are undiscounted cash flows (which are determined using actuarial assumptions related to lapses, surrenders, mortality, partial withdrawal and morbidity), non-performance risk spread and risk margin to reflect uncertainty. Increases or decreases in non-performance risk spread and risk margin to reflect uncertainty would result in a lower or higher fair value measurement. Refer to Note 4, Fair Value of Financial Instruments, for further detail.

### b) Policy reserve

Policy reserve include amounts for future policy benefits for NFL. This valuation techniques include present value techniques with the net level premium method.

The company project liability cash flows using the best estimate assumptions, including mortality, morbidity lapse and discount rates, etc.

Mortality assumptions are based upon the experience of the cedent as well as past and emerging industry experience, when available. Mortality and morbidity assumptions may be different by sex, underwriting class and policy type. Discount rate used to calculate the net premiums and discount the liability cash flow is consistent with the BMA prescribed Standard Approach discount curve.

The company makes the level of aggregation at which reserves are calculated. The aggregation approach takes the reinsurance arrangements and product feature into consideration.

## 2.2 Cash and cash equivalents

The Company considers all highly liquid deposits and short term investment purchased with original maturities of three months or less from date of purchase to be cash equivalents. There are no restrictions on cash and cash equivalents.

# Dai-ichi Life Reinsurance Bermuda Ltd.

Notes to Financial Statements

December 31, 2023

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(expressed in U.S. dollars)

## 2. Significant accounting policies (cont'd)

### 2.3 Fair value of financial instruments

The Company's measurement of fair value is based on assumptions used by market participants in pricing the asset or liability, which may include inherent risk, restrictions on the sale or use of an asset or non-performance risk, which may include the Company's own credit risk. The Company's estimate of an exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability ("exit price") in the principal market, or the most advantageous market in the absence of a principal market, for that asset or liability, as opposed to the price that would be paid to acquire the asset or receive a liability ("entry price"). The Company categorizes financial instruments carried at fair value into a three-level fair value hierarchy, based on the priority of inputs to the respective valuation technique. The three-level hierarchy for fair value measurement is defined as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lower level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

When a determination is made to classify an asset or liability within Level 3 of the fair value hierarchy, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement. Because certain securities trade in less liquid or illiquid markets with limited or no pricing information, the determination of fair value for these securities is inherently more difficult. However, Level 3 fair value investments may include, in addition to the unobservable or Level 3 inputs, observable components, which are components that are actively quoted or can be validated to market-based sources.

### 2.4 Investments

Fixed interest securities are classified as fair value through income and are carried at fair value with the unrealized holding gain or loss reported in income statement.

Interest income is recognized on an accrual basis. Premium or discount on fixed interest securities purchased at amounts different from their par value are amortized using the straight line method.

Realized gains and losses on sales of investments are recognized in investment income on the specific identification basis.

# Dai-ichi Life Reinsurance Bermuda Ltd.

Notes to Financial Statements

December 31, 2023

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(expressed in U.S. dollars)

## 2. Significant accounting policies (cont'd)

### 2.5 Deferred acquisition costs

Initial commission for NFL is capitalized as deferred acquisitions costs ("DAC"). DAC is amortized on a constant level basis over the expected term of the related contracts.

### 2.6 Insurance / reinsurance balances payable

Insurance and reinsurance balances payable represent reinsurance premiums received in advance and are on an accrual basis.

### 2.7 Reinsurance premiums

Premiums are earned on a pro rata basis over the terms of the policies. Premiums applicable to future periods, if any, are deferred as unearned premium in the balance sheet.

### 2.8 Investment income

Investment income on cash and cash equivalents, government securities and corporate securities are recorded as earned and accrued to the balance sheet date. This includes interest earned, amortization expense, unrealized gains/losses and realized gains/losses.

### 2.9 Foreign currency translation

The Company's financial statements are prepared in United States dollars, which is the functional and presentation currency of the Company. For transactions which differ from the functional and presentation currency, exchange rate differences arising from the translation of monetary items are recorded in unrealized foreign exchange gains (losses) within in net investment income/(loss).

For the purpose of presenting financial statements, assets and liabilities are translated into United States dollars at the rate of exchange prevailing at the balance sheet dates and all income and expense items are translated at an average of daily rates. Unrealized gains and losses will be recognized proportionately in net investment income in the Statement of Income/(Loss) when realized.

Foreign currency translation gains and losses on foreign currency transactions of the Company are included in net investment income.

### 2.10 Use of estimates

The financial statements include amounts based on informed estimates and judgements of management for those transactions that are not yet complete or for which the ultimate effects cannot be precisely determined.

Such estimates and judgements affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during that reporting period. Actual results could differ from those estimates to the balance sheet date.

# Dai-ichi Life Reinsurance Bermuda Ltd.

Notes to Financial Statements

December 31, 2023

(expressed in U.S. dollars)

## 2. Significant accounting policies (cont'd)

### RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

#### Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments, which requires loans, debt securities, trade receivables, reinsurance recoverables and other financial assets that have contractual right to receive cash to record credit losses through an allowance for credit losses account. The update introduces a new impairment model, known as the current expected credit loss model, which is based on expected losses rather than incurred losses. Under the new credit loss model, the Company will be required to recognize an allowance for its expected credit losses on certain financial assets not measured at fair value through income, including reinsurance balances receivable. The standard update is effective for annual periods beginning after December 15, 2022. The Company adopted ASC 326 effective January 1, 2023. There is no significant impact to the Company's financial statements upon adoption of this update.

## 3. Investments – fair value through income

a) The amortized cost and estimated fair value of investments is as follows:

As at December 31, 2023	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	\$	\$	\$	\$
US government securities	896,562,034	16,442,663	(23,429,250)	889,575,446
Non-US government securities	457,474,641	92,526	(10,284,824)	447,282,344
Corporate bonds	10,264,418,273	304,161,030	(118,829,994)	10,449,749,308
	<b>11,618,454,947</b>	<b>320,696,219</b>	<b>(152,544,068)</b>	<b>11,786,607,098</b>
As at December 31, 2022	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	\$	\$	\$	\$
US government securities	255,414,718	552,879	(18,777,709)	237,189,888
Non-US government securities	246,525,734	75,249	(1,952,043)	244,648,940
Corporate bonds	5,284,846,655	18,063,238	(183,852,388)	5,119,057,505
	<b>5,786,787,107</b>	<b>18,691,366</b>	<b>(204,582,140)</b>	<b>5,600,896,333</b>

# Dai-ichi Life Reinsurance Bermuda Ltd.

## Notes to Financial Statements

December 31, 2023

(expressed in U.S. dollars)

### 3. Investments – fair value through income (cont'd)

b) For fixed interest securities held as at December 31, 2023, the maturity distribution is as follows:

2023 Maturity Period	Amortized cost	Fair value
	\$	\$
Due in one year or less	314,742,748	314,003,754
Due after one year through five years	3,056,415,834	3,066,610,584
Due after five years through ten years	6,097,589,646	6,081,757,070
Due after ten years	2,149,706,718	2,324,235,690
	<u>11,618,454,946</u>	<u>11,786,607,098</u>

2022 Maturity Period	Amortized cost	Fair value
	\$	\$
Due in one year or less	17,090,292	16,637,449
Due after one year through five years	2,637,886,631	2,631,377,606
Due after five years through ten years	2,471,707,263	2,313,107,824
Due after ten years	660,102,921	639,773,454
	<u>5,786,787,107</u>	<u>5,600,896,333</u>

c) Major categories of investment income are summarized as follows:

	2023	2022
	\$	\$
Interest Income	333,772,102	68,227,887
Amortization	73,819,774	16,638,100
Unrealized Gains/(Losses) on Investments	354,042,321	(179,987,937)
Realized Gains/(Losses) on Investments	(48,581,236)	3,059,504
Unrealized FX Gains/(Losses) on Investments	(11,042,738)	204,797,233
Investment Expense	(4,555,217)	(570,361)
Net Investment Income (Loss)	<u>697,455,006</u>	<u>112,164,426</u>

The \$354m unrealized gains on investments (2022: unrealized loss of \$180m) is associated with assets backing insurance liabilities for which the fair value option has been elected.

# Dai-ichi Life Reinsurance Bermuda Ltd.

## Notes to Financial Statements

December 31, 2023

(expressed in U.S. dollars)

### 4. Fair Value of Financial Instruments

The Company measures the fair value of its instruments based on assumptions used by market participants in pricing the security. The most appropriate valuation methodology is selected based on the specific characteristics of the fixed maturity security and the Company will then consistently apply the valuation methodology to measure the security's fair value. The Company's fair value measurement is based on a market approach, which utilizes prices and other relevant information generated by market transactions involving identical or comparable securities. Sources of inputs to the market approach include third-party pricing services, independent broker quotations, or pricing matrices. The Company uses observable and unobservable inputs in its valuation methodologies. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data. In addition, market indicators and industry and economic events are monitored and further market data will be acquired when certain thresholds are met.

For certain security types, additional inputs may be used, or some of the inputs described above may not be applicable. For broker-quoted only securities, quotes from market makers or broker-dealers are obtained from sources recognized to be market participants. Management believes the broker quotes are prices at which trades could be executed based on historical trades executed at broker-quoted or slightly higher prices.

The Company's assets and liabilities measured at fair value are summarized according to the hierarchy previously described as follows:

Assets	December 31, 2023			
	Total	Level 1	Level 2	Level 3
	\$	\$	\$	\$
US government securities	889,575,446	889,575,446	-	-
Non-US government securities	447,282,344	-	447,282,344	-
Corporate bonds	10,449,749,308	-	10,449,749,308	-
Total Assets	11,786,607,098	889,575,446	10,897,031,652	-
<b>Liabilities</b>				
Future policy benefits at fair value	11,693,039,280	-	-	11,693,039,280

  

Assets	December 31, 2022			
	Total	Level 1	Level 2	Level 3
	\$	\$	\$	\$
US government securities	237,189,888	237,189,888	-	-
Non-US government securities	244,648,942	-	244,648,942	-
Corporate bonds	5,119,057,503	-	5,119,057,503	-
Total Assets	5,600,896,333	237,189,888	5,363,706,445	-
<b>Liabilities</b>				
Future policy benefits at fair value	5,590,219,550	-	-	5,590,219,550

# Dai-ichi Life Reinsurance Bermuda Ltd.

Notes to Financial Statements

December 31, 2023

(expressed in U.S. dollars)

## 4. Fair Value of Financial Instruments (cont'd)

Quantitative information regarding significant unobservable inputs used for recurring Level 3 fair value measurements of financial instruments carried at fair value December 31, 2023 were as follows:

	Valuation Technique	Fair Value (\$)	Unobservable Inputs	Range (weighted average)
Future policy benefits at fair value	Discounted cash-flow	11,556,613,182	Non-performance risk spread	Spread of A-rated corporate bonds
			Expense	0.104% - 0.107% of Account Value
			Mortality multiplier	67.6% - 91.7% of Japan Standard mortality table for Protection type insurance depending on the number of years
			Mortality improvement	1.50%
			Lapse rates	0.1% to 9.5% depending on the types of insurance, the number of years and CV moneyiness
			Non-performance risk spread	Spread of A-rated corporate bonds and CV moneyiness

The following tables summarize changes to the Company's financial instruments carried at fair value and classified within Level 3 of the fair value hierarchy for 2023. The gains and losses below may include changes in fair value due in part to observable inputs that are a component of the valuation methodology.

	Future policy benefits at fair value
Fair value as of December 31, 2022	5,590,219,550
New business transacted	6,275,300,647
Fair value changes associated with reinsurance contracts	(436,550,545)
Fair value changes associated with credit risk	127,643,530
<b>Fair value as of December 31, 2023</b>	<b>11,556,613,182</b>



# Dai-ichi Life Reinsurance Bermuda Ltd.

Notes to Financial Statements

December 31, 2023

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(expressed in U.S. dollars)

#### 4. Fair Value of Financial Instruments (cont'd)

Fair value changes associated with reinsurance contracts above comprises basis changes, decrements, treasury movements and exchange rate movements on the reinsurance agreements with DFL.

#### 5. Future Policy Benefits at Fair Value

The determination of future policy benefits at fair value is dependent on actuarial assumptions. The principal assumptions used to establish liabilities for future policy benefits are based on the Company's experience. These assumptions are established at issue of the contract and include mortality, contract full and partial surrenders, investment returns, and expenses. The assumptions used require management judgment. The Company reviews overall policyholder experience at least annually and updates these assumptions when deemed necessary based on additional information that becomes available. Changes in assumptions will be used to calculate future policy benefits at fair value.

These changes in assumptions will also incorporate changes in risk free rates. Changes in, or deviations from, the assumptions previously used can significantly affect recorded balances and related results of operations. Mortality is the incidence of death amongst policyholders triggering the payment of underlying insurance coverage by the insurer. The Company utilizes a combination of actual cedent and industry experience when setting mortality assumptions. A surrender rate is the percentage of account value surrendered by the policyholder. Best estimate liabilities are calculated using the best estimate assumptions developed through the assumption setting process of the Company. Management's best estimate of surrender behavior incorporates actual experience over the entire period, as we believe that, over the duration of the policies, the Company will experience the full range of policyholder behavior and market conditions. The assumptions used to establish the liabilities for the Company's future policy benefits require considerable judgment and are established as management's best estimate of future outcomes. The Company periodically reviews these assumptions and, if necessary, update them based on additional information that becomes available. Changes in or deviations from the assumptions used can significantly affect future policy benefit levels and related results of operations. Future Policy Benefits at Fair Value are summarized as follows:

	<b><u>December 31, 2023</u></b>
Future policy benefits at fair value	11,556,613,184
	<b><u>December 31, 2022</u></b>
Future policy benefits at fair value	5,590,219,550

At each calculation date of the Quota share modified coinsurance reinsurance agreement with NFL, the Company shall calculate a modified coinsurance reserve amount in respect of the Accounting Period ending on such date, and the related adjustment from the prior period flows through the income statement.

# Dai-ichi Life Reinsurance Bermuda Ltd.

## Notes to Financial Statements

December 31, 2023

(expressed in U.S. dollars)

### 6. Related party transactions

As at December 31, 2023, the Company had the reinsurance balances payable due to related parties of \$307,650,745.

In addition to above, the reinsurance premiums written of \$92,814,644, the benefit expenses of \$837,702,577, the commission expense of \$124,798,628, all relate to reinsurance contracts with related parties.

Breakdown of the items above that are related to multiple related parties is shown below:

	DFL	NFL	TAL	Total
Insurance/Reinsurance Balances Payable	269,542,710	38,108,034	-	<b>307,650,745</b>
Premium Written	-	92,063,737	750,907	<b>92,814,644</b>
Benefit Expense	(811,036,756)	(26,638,820)	-	<b>(837,702,577)</b>
Commission Expense	72,015,622	52,783,006	-	<b>124,798,628</b>

Effective December 25, 2020, the Company entered into a pledge agreement with a related company whereby the market value of Secured Assets obtained by the related party pursuant to the terms of the Pledge Agreement may be treated by the Company as payment by the Company to the related party of amounts owed.

All related party transactions are carried out on an arm's length basis.

### 7. Statutory capital

Under the Act, long-term insurers are required to maintain minimum statutory capital and surplus to meet the minimum margin of solvency (MMS) and minimum economic statutory capital and surplus (EBS capital and surplus) to meet the Enhanced Capital Requirement (ECR). For Class C reinsurers, MMS is equal to the greater of \$500,000 or 1.5% of the total statutory assets. The ECR is calculated based on a risk-based capital model where risk factor charges are applied to the EBS.

At December 31, 2023 the Company's statutory capital and surplus of \$222.5m exceeded the minimum required statutory capital and surplus.

For the period ended December 31, 2023:

	December 31 2023
Total shareholder's equity	222,720,223
Less:	
Prepaid expenses	223,984
<b>Statutory Capital and Surplus</b>	<b>222,496,239</b>

# Dai-ichi Life Reinsurance Bermuda Ltd.

## Notes to Financial Statements

December 31, 2023

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(expressed in U.S. dollars)

### 7. *Statutory capital (cont'd)*

For the period ended December 31, 2022:

	<b>December 31 2022</b>
Total shareholder's equity	123,977,241
Less:	
Prepaid expenses	(17,258)
<b>Statutory Capital and Surplus</b>	<b>123,959,983</b>

### 8. *Share capital*

The Company has authorized, issued and fully paid in capital of 13,500 common shares at a par value of \$10,000 each.

### 9. *Taxation*

On December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax Act 2023 to enact a 15% corporate income tax (CIT) that would apply to Bermuda businesses that are part of multinational enterprise (MNE) groups with annual revenue of €750m or more.

With the imminent enactment of the CIT regime, MNE Groups are assessing the impact to their structure in light of the changes to the regime reflected in the Final Legislation and additional guidance, including the impact on their deferred tax accounting.

The regime includes a provision referred to as the economic transition adjustment (ETA), which allows for an elective increase or decrease in the tax basis of assets and liabilities held as of September 30, 2023 to fair value.

Pursuant to this regime, the Company recorded, deferred income tax asset and liabilities to reflect temporary difference based on enacted tax rates between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. The Company had deferred tax asset of \$379,986,134 (2022: \$0).

The Company provides a valuation allowance to reduce certain deferred tax assets to an amount which management expects to more likely than not be realized. As of December 31, 2023, the Company's valuation allowance was \$379,986,134 (2022: \$0) as a result of comprehensive consideration of the circumstances surrounding the Company and its past income situation. After consideration of the valuation allowance, the Company had net deferred tax asset of \$0 (2022: \$0).

### 10. *Accumulated Other Comprehensive Income*

The Statement of Comprehensive Income (Loss) for the period ended December 31, 2023 includes (\$127,126,597) (2022: \$15,507,564) of fair value changes associated with credit risk related to the future policy benefits at fair value.

# Dai-ichi Life Reinsurance Bermuda Ltd.

Notes to Financial Statements

**December 31, 2023**

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(expressed in U.S. dollars)

## ***11. Subsequent events***

The Company has evaluated the impact of subsequent events through April 26, 2024, which is the date that the financial statements were available to be issued. We have concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.