Prismic Life Reinsurance, Ltd.
Financial Statements and
Report of Independent Auditors

As of December 31, 2023 and for the period from February 9, 2023 (inception) to December 31, 2023

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May 29, 2024

Report of Independent Auditors

To the Board of Directors and Shareholder of Prismic Life Reinsurance, Ltd.

Opinion

We have audited the accompanying financial statements of Prismic Life Reinsurance, Ltd. (the "Company"), which comprise the balance sheet as of December 31, 2023, and the related statements of operations and comprehensive income (loss), changes in shareholder's equity and cash flows for the period from February 9, 2023 (inception) to December 31, 2023, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the period from February 9, 2023 (inception) to December 31, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

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

In preparing the financial statements, management is required to evaluate whether 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 one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 US 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 financial statements.
- Conclude whether, in our judgement, 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.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

Prismic Life Reinsurance, Ltd.
Balance Sheet
As of December 31, 2023

(Expressed in '000 U.S. Dollars)

	December 31, 2023
Assets	
Investments	
Funds withheld, at fair value	$ 8,542,261
Fixed maturities, trading, at fair value	2,138,503
Total investments	10,680,764
Cash and cash equivalents	107,271
Accrued investment income	21,411
Income taxes	286,607
Other assets	41,304
Total assets	**11,137,357**
Liabilities	
Reinsurance liabilities, at fair value	9,924,155
Other liabilities	65,048
Total liabilities	**9,989,203**
Equity	
Common stock ($1 par value; 250,000 shares authorized, issued and outstanding)	250
Additional paid-in capital	1,210,054
Accumulated other comprehensive loss	(187,179)
Retained earnings	125,029
Total equity	**1,148,154**
Total Liabilities and Equity	**$ 11,137,357**

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

Prismic Life Reinsurance, Ltd.
Statement of Operations and Comprehensive Income (Loss)
Period from February 9, 2023 (inception) to December 31, 2023

(Expressed in '000 U.S. Dollars)

		2023
Revenue		
Net investment income	$	161,870
Investment gains (losses)		367,719
Total Revenue		**529,589**
Benefits, losses and expenses:		
Changes in fair value of reinsurance balances		363,775
General and administrative expenses		9,003
Total benefits, losses and expenses		**372,778**
Net income before income taxes		**156,811**
Income tax expense		31,782
Net income	**$**	**125,029**
Other comprehensive income (loss)		
Change in reinsurance liabilities due to change in own credit risk		(236,935)
Less: Income tax benefit related to other comprehensive loss		49,756
Total comprehensive loss	**$**	**(62,150)**

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

Prismic Life Reinsurance, Ltd.
Statement of Changes in Shareholder's Equity
Period from February 9, 2023 (inception) to December 31, 2023

(Expressed in '000 U.S. Dollars)

	Paid in Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, February 9, 2023	$ -	$ -	$ -	$ -	$ -
Issuance of common stock	250	-	-	-	250
Capital contributions from parent	-	1,210,054	-	-	1,210,304
Net Income	-	-	125,029	-	125,029
Other comprehensive income (loss)	-	-	-	(187,179)	(187,179)
Balance, December 31, 2023	**$ 250**	**$ 1,210,054**	**$ 125,029**	**$ (187,179)**	**$ 1,148,154**

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

Prismic Life Reinsurance, Ltd.
Statement of Cash Flows
Period from February 9, 2023 (inception) to December 31, 2023

(Expressed in '000 U.S. Dollars)

		2023
Cash flows from operating activities		
Net income	$	125,029
Adjustments to reconcile net income to net cash flows used for operating activities:		
Change in unrealized (gain) loss in Fixed maturities, trading		(37,640)
Net amortization (accretion) in Fixed maturities, trading		(3,055)
Net realized (gain) loss on Fixed maturities, trading		32,768
Change in operating assets and liabilities		
Funds withheld, at fair value		(358,707)
Accrued investment income		(21,411)
Income taxes		(236,851)
Other assets		(10,304)
Reinsurance liabilities, at fair value		163,849
Other liabilities		65,048
Net cash provided by operating activities		**(281,275)**
Cash flows from investing activities		
Sale of Fixed maturities, trading		1,264,345
Purchase of Fixed maturities, trading		(2,055,104)
Net cash used in investing activities		**(790,759)**
Cash flows from financing activities		
Proceeds from issuance of Common stock		250
Proceeds from additional paid in capital		1,179,054
Net cash provided by financing activities		**1,179,304**
Net increase in cash, cash equivalents		107,271
Cash, cash equivalents and restricted cash, beginning of period		-
Cash, cash equivalents and restricted cash, end of period	**$**	**107,271**
Supplemental information:		
Cash paid for income taxes		268,633
Non-cash transactions:		
Day one deposits on reinsurance contracts under funds withheld at interest		8,183,555
Day one assets acquired through coinsurance		1,339,816
Day one liabilities assumed through reinsurance contracts		9,523,371
Capital contribution by parent		31,000

The accompanying notes are an integral part of these financial statements

1. Organization, Nature of Operations and Basis of Presentation

Prismic Life Reinsurance, Ltd. ("Prismic Re" or the "Company") was incorporated as a Bermuda exempted company on February 9, 2023 and licensed as a Class E insurer by the Bermuda Monetary Authority ("BMA") under The Insurance Act 1978 (as amended) of Bermuda, effective September 1, 2023. The Company is wholly owned by Prismic Life MidCo, LLC ("MidCo"), a Delaware limited Liability Company, which in turn is owned by Prismic Life HoldCo, LLC ("Holdco").

Effective September 14, 2023, the Company entered into a reinsurance agreement with Prudential Insurance Company of America, domiciled in the U.S (the "cedant") which continues to service all policies reinsured. The agreement is structured as a combination of Co-insurance with funds withheld (90%) and Co-insurance (10%) with the product consisting of life contingent and non-life contingent Structured Settlement Annuities.

Basis of Presentation

We have prepared the financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP'), which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual experience could materially differ from these estimates and assumptions. Our principal estimates impact:

- Fair value measurements of investments including our interest in funds withheld;
- Valuation of insurance liabilities, including timing and extent of loss recognition; and
- Income taxes, including the valuation and recoverability of deferred income tax assets.

The Company's financial statements have been prepared for the period from February 9, 2023 to December 31, 2023.

While the amounts included in the financial statements reflect management's best estimates and assumptions, the actual results could materially differ from the amounts reported in the financial statements. These estimates are discussed further in the footnote disclosures below.

2. Significant Accounting Policies and Pronouncements

Investments

Fair value option: The fair value option ("FVO") provides entities with an alternative to use fair value as the initial and subsequent accounting measurement attribute for assets and liabilities that meet the definition of a financial asset or liability. The FVO election is made on an instrument-by-instrument basis and is applied to an entire instrument. The election is irrevocable once made. We have made this election on certain investments as it improves our operational efficiency. Refer to the investments section below and Note 4 for more information on the Company's FVO elections.

Fixed maturity securities: Fixed maturity securities are classified as trading and are carried at fair value. The fair value is determined by the Company considering various sources of information, including information provided by third party pricing services. Any changes in the fair value of trading securities are reported through Investment gains/(losses) in the Statement of Operations and Comprehensive Income (Loss).

Interest income, including amortization of premium and accretion of discount, are included in Net investment income under the effective yield method in the Statement of Operations and Comprehensive Income (Loss). Prepayment premiums are also included in Net investment income.

Funds withheld:
We have elected the FVO on the entirety of our funds withheld asset. Funds represents a reinsurance receivable collateralized by segregated portfolios of investments maintained by the ceding company. While the investments maintained in the funds withheld are legally owned by the ceding company, the investments are separately identified from their general accounts and, pursuant to our contractual terms with those ceding company, all realized and unrealized gains and losses and net investment income on the investments accrue to us. The Company is entitled to all economic rights and obligations on the collateral as if the Company held the investments directly. We have therefore elected to present funds withheld within the total investments' subheading on the balance sheet.

The Company has elected to report the net investment income and investment gains (losses) arising from the underlying investments maintained within the funds withheld account in the same financial statement line that such investment income would have been recorded had the Company held the investments directly. The change in fair value of funds withheld, excluding alternative investments, is presented separately within Investment gain (losses). The change in fair value of alternative investments collateralizing the funds withheld is recorded within net investment income.

Cash and cash equivalents
Cash equivalents include cash at bank, money market instruments, commercial paper and other investments with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents. On December 31, 2023, substantially all cash balances were at major financial institutions earning interest. The Company does not anticipate nonperformance by these institutions.

Reinsurance Liabilities, at Fair Value
Reinsurance liabilities, at fair value is primarily comprised of the present value of estimated future payments to or on behalf of policyholders, including those where the timing and amount of payment depends on policyholder mortality. The Company has elected to use the FVO to measure these liabilities. For additional information see Note 4.

The impacts to the liability driven by changes in the Company’s non-performance risk (“NPR”) spread are included in Accumulated other comprehensive loss through Other comprehensive loss. Changes in fair value of liabilities due to factors other than change in NPR will be reported as part of net income.

Actuarial assumptions are reviewed at least annually, and updated based upon emerging experience, future expectations and other data, including any observable market data. These assumptions are generally updated annually unless a material change that the Company feels is indicative of a long-term trend is observed in an interim period.

Income taxes

The Company has made a 953(d) election to be regarded as a U.S. taxpayer from date of incorporation. The Company will be taxed as a corporation for U.S income tax purposes and will file its own standalone tax return. The Company accounts for income taxes under the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company records net deferred tax assets to the extent it believes these assets will more likely than not be realized. In making such determination, the Company considers all available positive and negative evidence, including future reversal of existing taxable temporary differences, tax planning strategies, projected future taxable income, and recent financial operations.

The Company recognizes tax benefits in accordance with the provisions of the standard for accounting for uncertainty in income taxes. Penalties and interest on the Company’s tax positions are classified as a component of the Company’s income tax provision.

Recently Issued Accounting Standards

ASU 2023-09 - Income Taxes (Topic 740) - Improvements to Income Tax Disclosures
This update requires the entities to provide additional information primarily related to the effective tax rate reconciliation and taxes paid. It requires:

a) a tabular rate reconciliation using both percentages and reporting currency amounts of (1) the reported income tax expense (or benefit) from continuing operations, to (2) the product of the income (or loss) from continuing operations before income taxes and the applicable statutory federal (national) income tax rate of the jurisdiction (country) of domicile using specific categories, and
b) separate disclosure for any reconciling items within certain categories that are equal to or greater than a specified quantitative threshold.

(Expressed in '000 U.S. Dollars)

This update is effective for public business entities for fiscal years beginning after December 15, 2025 for entities other than public business entities (non-PBEs). The Company is currently assessing the impact of the ASU on the financial statements.

3. Investments

Accrued Investment Income

The following table sets forth the composition of Accrued investment income as of the date indicated:

		2023
Fixed maturity securities	$	19,157
Cash and cash equivalents		2,254
Accrued investment income	**$**	**21,411**

Net Investment Income

The following table sets forth Net investment income by investment type, for the period indicated:

		2023
Fixed maturity securities	$	32,399
Cash and cash equivalents		11,901
Funds withheld		127,780
Gross investment income	$	172,080
Less: Investment expenses		10,210
Net investment income	**$**	**161,870**

Investment Gains

The following table presents the components of investment gains (losses) for the period ended December 31:

		2023
Realized gains on funds withheld	$	362,847
Realized (losses) on Fixed maturities, trading		(32,768)
Unrealized gains on Fixed maturities, trading		37,640
Investment Gains	**$**	**367,719**

Securities Pledged and Restricted Assets

The Company utilizes asset trust accounts to collateralize business with our reinsurance counterparty. As of December 31, 2023, we held $2,138,503 of Fixed maturities, trading and $59,140 in cash equivalents in these trusts for the benefit of our reinsurance counterparty. In addition, Midco has entered into a committed letter of credit facility of $1,500,000 that can be used by the reinsurance counterparty to fund collateral shortfalls of the Company. The Company pays fees associated with the committed letter of credit facility that amounted to $866 for the period ended 2023. The credit facility remains undrawn as of December 31, 2023.

4. Fair Value of Financial Instruments

Fair Value Measurement - Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The authoritative fair value guidance establishes a framework for measuring fair value that includes a hierarchy used to classify the inputs used in measuring fair value. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 – Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities.

Level 2 – Fair value is based on significant inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities, and other market observable inputs. The Company's Level 2 assets and liabilities include: fixed maturities (corporate public bonds and government securities) and certain cash equivalents.

Level 3 – Fair value is based on at least one significant unobservable input for the asset or liability. The assets and liabilities in this category may require significant judgment or estimation in determining the fair value. The Company's Level 3 assets and liabilities include Collateralized Loan Obligations and Reinsurance liabilities.

Net Asset Value ("NAV") – Other invested assets excluded from the fair value hierarchy include private equity funds and other funds for which fair value is measured at NAV per share (or its equivalent) as a practical expedient. The carrying value reflects the Company's pro rata ownership percentage as indicated by NAV in the investment fund financial statements, which may be adjusted if the Company determines NAV is not calculated consistent with investment company fair value principles. The underlying investments of the investment funds may have significant unobservable inputs, which may include but are not limited to, comparable multiples and weighted average cost of capital rates applied in valuation models or a discounted cash flow model.

(Expressed in '000 U.S. Dollars)

Assets and Liabilities by Hierarchy Level – The tables below present the balances of assets and liabilities reported at fair value on a recurring basis, as of the date indicated.

	December 31, 2023				
	Level 1	**Level 2**	**Level 3**	**NAV**	**Total**
Assets:					
Fixed maturities, trading					
U.S. government and government sponsored entities	$ -	$ 183	$ -	$ -	$ 183
Non-U.S. governments	-	14,113	-	-	14,113
Asset backed securities	-	226,930	65,003	-	291,933
Obligations of state, municipalities and political subdivisions	-	228,354	-	-	228,354
U.S. corporates	-	1,070,086	-	-	1,070,086
Global corporates	-	134,398	-	-	134,398
Short term investments	-	399,436	-	-	399,436
Total Fixed maturities, trading	-	2,073,500	65,003	-	2,138,503
Funds withheld	-	7,796,539	54,996	690,726	8,542,261
Cash and cash equivalents	1,487	105,784	-	-	107,271
Total assets	$ 1,487	$ 9,975,823	$ 119,999	$ 690,726	$ 10,788,035
Liabilities:					
Reinsurance liabilities		-	9,924,155	-	9,924,155
Total liabilities	$ `-	$ -	$ 9,924,155	$ -	$ 9,924,155

Fair Value Valuation Methods

We used the following valuation methods and assumptions to estimate fair value:

Funds withheld – The Company has elected the FVO on the funds withheld portfolios. The fair value of the underlying assets collateralizing the funds withheld is generally based on market observable inputs using industry standard valuation techniques. Specific asset classes may also require certain significant unobservable inputs. The level in the fair value hierarchy assigned to the funds withheld is based upon the observability of inputs used to value the underlying investment assets held at fair value within the funds withheld portfolio.

Fixed Maturity Securities – The fair values of the Company's public fixed maturity securities are generally based on prices obtained from independent pricing services. Prices for each security are generally sourced from multiple pricing vendors, and a vendor hierarchy is maintained by asset type based on historical pricing experience and vendor expertise. The Company ultimately uses the price from the pricing service highest in the vendor hierarchy based on the respective asset type. The pricing hierarchy is updated for new financial products and recent pricing experience with various vendors. Consistent with the fair value hierarchy described above, securities with validated quotes from pricing services are generally reflected within Level 2, as these pricing services include but are not limited to reported trades, benchmark yields, issuer spreads, bids, offers, and/or estimated cash flow, prepayment speeds, and default rates. If the pricing service updates the price to be more consistent with the presented market observations, the security remains within Level 2.

Internally-developed valuations or indicative broker quotes are also used to determine fair value in circumstances where vendor pricing is not available, or where the Company ultimately concludes that pricing information received from the independent pricing services is not reflective of market activity. If the Company concludes the values from both pricing services and brokers are not reflective of market activity, it may override the information with internally-developed valuation. As of December 31, 2023 overrides were not material. Internally-developed valuations and indicative broker quotes are generally included in Level 3 in the fair value hierarchy.

The fair values of private fixed maturities, which are originated by private asset managers, are primarily determined using discounted cash flow models. These models primarily use observable inputs that include Treasury or similar base rates plus estimated credit spreads to value each security. The credit spreads are obtained through a survey of private market intermediaries who are active in both primary and secondary transactions, and consider, among other factors, the credit quality and the reduced liquidity associated with private placements. Internal adjustments are made to reflect variation in observed sector spreads. Since most private placements are valued using standard market observable inputs and inputs derived from, or corroborated by, market observable data including, but not limited to observed prices and spreads for similar publicly-traded issues, they have been reflected within Level 2. For mor certain private fixed maturities, the discounted cash flow model may incorporate significant unobservable inputs, which reflect the Company's own assumptions about the inputs that market participants would use in pricing the asset. To the extent management determines that such unobservable inputs are significant to the price of a security, a Level 3 classification is made.

Cash Equivalents – Cash equivalents include money market instruments and other highly liquid debt instruments. The Company believes that due to the short-term nature of these instruments, the carrying value approximates fair value.

Reinsurance liabilities, at fair value - The FVO is elected by the Company for its reinsurance liabilities. As a result, the liabilities are measured at fair value at each financial reporting date.

The Company calculates the fair value of future policy benefits using discounted cash flow models that require significant unobservable inputs. Since no future premiums are payable on these contracts, the fair values of these liabilities are calculated as the present value of future expected benefit payments to customers, future expected reinsurance expense allowances payable to the cedant, and future expected expenses associated with servicing the contract. The fair value is based on the in force business and calculated using actuarial and capital market assumptions.

Actuarial assumptions are reviewed at least annually, and are updated based upon emerging experience, future expectations and other data, including any observable market data. These assumptions are generally updated annually unless a material change that the Company feels is indicative of a long-term trend is observed in an interim period. As these significant inputs are not observable, the valuation is accordingly considered as Level 3 in the fair value hierarchy.

Observable capital market inputs are used for the risk-free rates used in the discounting of future cashflows. The discounting for the liabilities also includes an adjustment for NPR. The NPR adjustment is calculated using publicly available information related to credit spreads on corporate bonds.

The valuation of the liabilities also includes risk margins that are established to represent the additional compensation a market participant would require to assume the liabilities. The establishment of the risk margin requires the use of management judgement, including assumptions a hypothetical market participant would make to reflect the risk premium charged due to potential variation in cashflows attributable to non-hedgeable risks.

(Expressed in '000 U.S. Dollars)

Significant Unobservable Inputs

Quantitative information regarding significant unobservable inputs used for Level 3 fair value measurements of reinsurance liabilities carried at fair value as of December 31, 2023 is presented below, excluding assets for which fair value is provided by independent broker quotes:

	Fair Value	Valuation Techniques	Unobservable Inputs	Range/Point	Impact on Fair Value of an Increase in Input
Liabilities					
Reinsurance liabilities	9,924,155	Discounted cash flow	Non-performance risk spread[1]	1.196% to 1.496%	Decrease
			Risk Premium[2]	0.362%	Decrease
			Mortality rates[3]	0% to 100%	Decrease
			Future annual expense rates[4]	0.3% to 0.6%	Increase

[1] Non-performance risk spread varies over the cashflow projection period based on our estimated own credit rating.
[2] Risk Premium is expressed as a percentage adjustment to the discount rate.
[3] Mortality rates vary by age, duration, and sex. A mortality improvement assumption is also incorporated into the mortality calculation.
[4] Future annual expense rates are expressed as a percentage of the fair value of the liability and vary over the projection period.

Transfers into or out of Level 3

The following is a reconciliation for all the Level 3 assets measured at fair value on a recurring basis at December 31, 2023:

	Fixed maturities, Trading	Funds withheld
Beginning balance	$ -	$ -
Purchases	64,933	54,098
Sales, maturities, redemptions	-	-
Investment gains / (losses) included in net income (loss)	-	898
Unrealized gains on Fixed maturities, trading	70	-
Investment Gains	**$ 65,003**	**$ 54,996**

5. Funds withheld, at fair value

Funds withheld represent a receivable for amounts contractually withheld by the ceding company in accordance with the funds withheld reinsurance agreement in which the Company acts as the reinsurer. Assets equal to US statutory reserves are withheld and legally owned by the ceding company. Although the Company does not directly control the underlying investments in the funds withheld asset, the ceding company has hired PGIM Portfolio Advisory to manage the withheld assets in accordance with the Company's investment guidelines along with providing sub-advisory and accounting services.

(Expressed in '000 U.S. Dollars)

The following summarizes the underlying investment composition of the funds withheld asset:

	December 31, 2023
Corporate bonds	7,210,305
Commercial mortgage loans	23,323
Short-term investments	51,710
Surplus notes	408
Preferred stock	21,335
Treasuries	246,330
Partnerships	690,726
Derivatives	64,768
Cash and cash equivalents	246,850
Net payables	(13,494)
Funds withheld, at fair value	**8,542,261**

6. Income Taxes

Effective from its date of incorporation, the Company has submitted an irrevocable election under Section 953(d) of the Internal Revenue Code to be treated as a U.S. domestic insurance company and will therefore be subject to income tax in the U.S. on its worldwide income.

On December 27, 2023, Bermuda enacted a 15% corporate income tax regime (the "Bermuda CIT") that applies to Bermuda businesses that are part of multinational enterprise groups with annual revenue of €750 Million or more and is effective for tax years beginning on or after January 1, 2025. The Company expects to qualify for a 5-year deferral until January 1, 2030. Accordingly, the Company has recorded a deferred tax asset associated with insurance liabilities, which is offset by a full valuation allowance, with respect to the Bermuda CIT as of December 31, 2023.

For the period ended December 31, 2023, income tax expense (benefit) consists of the following.

		2023
Current tax expense	$	255,724
Deferred tax (benefit)		(223,942)
Total tax expense	**$**	**31,782**

Income taxes on the balance sheet is comprised of:

		2023
Deferred tax assets	$	273,698
Current tax receivable		12,909
Income taxes	**$**	**286,607**

(Expressed in '000 U.S. Dollars)

As of December 31, 2023, the components of net deferred tax assets are as follows:

		2023
Deferred tax assets:		
Deferred acquisition costs	$	9,537
Capital loss carryforwards		6,881
Funds withheld assets		84,813
Bermuda CIT basis		35,540
Reinsurance liabilities		180,372
Total gross deferred tax assets		317,143
Valuation allowance		(35,540)
Total gross deferred tax assets net of valuation allowance		281,603
Deferred tax liabilities:		
Investments		(7,905)
Total gross deferred tax (liabilities)		(7,905)
Net deferred tax assets	**$**	**273,698**

A valuation allowance is recognized if, based on the weight of available evidence, it is "more likely than not" that some portion or all of the deferred tax asset will not be realized. The Company has evaluated the need for a valuation allowance against its deferred tax assets, considering all available positive and negative evidence. Based on its analysis, the Company concluded that a valuation allowance should not be established except as it relates to the deferred tax asset associated with the Bermuda Corporate Income Tax.

The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items for the period ended December 31, 2023 causing this difference are as follows:

		2023
Pre-tax book income (loss)	$	156,811
Provision computed at the statutory rate		32,930
Tax exempt interest		(1,148)
Total income taxes	**$**	**31,782**

Until the tax year 2029, Prismic Life Reinsurance, Ltd. will not be eligible to file a consolidated income tax return with the other corporate members of the group. Until such time, the non-insurance members will file a consolidated non-insurance income tax return and Prismic Life Reinsurance, Ltd. will file a separate return.

As of December 31, 2023, Prismic Life Reinsurance, Ltd. has a capital loss carryforward of $32 million which expires in 2028.

As of December 31, 2023, the Company has no unrecognized tax benefits and does not expect any material changes to the unrecognized tax benefits within twelve months of the reporting date. For the period ended December 31, 2023, the Company did not recognize any interest and penalties. The Company will file U.S. Federal income tax returns beginning with its 2023 initial tax year.

7. Statutory Requirements

The Company is licensed by the Bermuda Monetary Authority (“BMA”) as a long-term insurer and is subject to the Bermuda Insurance Act 1978, as amended (“the Act”) and regulations promulgated thereunder. The Company is registered as a Class E insurer, which is defined by regulation as having total assets of more than $500 million. The BMA implemented the Economic Balance Sheet ("EBS") framework into the Bermuda Solvency Capital Requirement (“BSCR”), which was granted equivalence to the European Union’s Directive (2009/138/EC).

(Expressed in '000 U.S. Dollars)

Under the Bermuda Insurance Act, the company is required to maintain a minimum statutory solvency margin ("MSM") and minimum economic statutory capital and surplus to meet the enhanced capital requirement ("ECR"). The MSM is equal to the greater of

(i) $8,000
(ii) 2% of the first $500,000 of assets plus 1.5% of assets above $500,000 or
(iii) 25% of ECR.

The ECR is calculated using the Bermuda Solvency and Capital Requirement ("BSCR") model, which is a standardized statutory risk-based capital model used to measure the risk associated with the Company's assets, liabilities and premiums as valued under EBS.

The Company, being a Class E insurer, is required to disclose the makeup of its capital in accordance with the "3 tier capital system". The highest quality capital is classified as "Tier-1" and the lesser quality capital as "Tier-2" and "Tier-3". The company has met its eligible capital requirements by "Tier-1" capital as of December 31, 2023.

The following table represents the Company's statutory capital and surplus as of December 31, 2023.

Total shareholder's equity as per US GAAP	$ 1,148,154
Less: Non-admitted assets (not admissible for the statutory capital and surplus)	277
Statutory capital and surplus	$ 1,147,877

Under the Insurance Act, the Company is prohibited from declaring or paying a dividend if it were in breach of their respective minimum solvency margin or liquidity ratio or if the declaration or payment of such dividends would cause the Company to fail to meet such margin or ratio. The Company is prohibited from declaring or paying in any fiscal period, dividends of more than 25% of its total statutory capital and surplus, as set out in its previous year's statutory financial statements, unless the Company files with the BMA a signed affidavit by at least two members of its Board of Directors attesting that a dividend would not cause the Company to fail to meet its relevant requirements. The Bermuda Insurance Act further prohibits the Company from reducing its prior period statutory capital by 15% or more without prior approval of the BMA.

8. Equity

Common share capital

The Company's common share capital is comprised of 250,000 authorized shares at $1 par value each, which represents 100% of the Company's total voting shares.

Contributed surplus

During the year ended December 31, 2023, the company received $1,179,054 in cash and $31,000 in receivable from parent in the form of additional capital contributions from its shareholder.

Accumulated other comprehensive loss

The change in Accumulated other comprehensive loss for the period ended December 31, 2023, represents changes in reserves due to a change in own credit risk. The amount of $187,179, net of deferred tax, is included therein. The closing balance of the components of Accumulated other comprehensive income is representative of activities during the period.

9. Related Party Transactions

The Company enters into transactions with its related parties. These transactions include reinsurance agreements, a services and expense agreement, and an investment management agreement.

Intercompany Service Agreements

On September 1, 2023, the Company entered into a service agreement with Prismic Life Insurance Services Company, LLC, a Delaware limited liability company (Services Company Delaware), and Prismic Life Insurance Services Company, Ltd., a

(Expressed in ‘000 U.S. Dollars)

Bermuda exempted company (Services Company Bermuda, and together with Services Company Delaware, the Services Companies) to receive certain services as may be agreed from time to time such as executive management support, management of operations and resources, actuarial services, production of financials and management reporting, and management of investments.

Investment Management Agreement

Effective September 7, 2023, the Company entered into an investment management agreement with PGIM Portfolio Advisory for the management of its investments included on the balance sheet. The investment management fee is calculated based on the fair value of the net assets invested at the end of each calendar month. For the period ended December 31, 2023, investment management fees are included in the net investment income in the Statement of Operations and Comprehensive (Loss) Income. The following table summarizes the significant related party transactions for the period ended December 31, 2023:

Related party name	**Transaction**		**2023**
PGIM Portfolio Advisory	Investment management fee and expenses	$	9,676
Prismic Life Insurance Services Company LLC	Service fee and expenses		5,355
Total		**$**	**15,031**

See *Note 1 Organization, Nature of Operations and Basis of Presentation* for additional details of affiliated reinsurance transactions entered into with related parties.

10. Commitments and contingencies

Litigation, claims and assessments

In the ordinary course of its business, the Company may become subject to claims or proceedings from time to time arising in the normal course of its business. As of December 31, 2023, the Company does not believe it is involved in any legal action that could have a material adverse effect on its financial condition, results of operations, or cash flows.

Commitments

The Company has made commitments to purchase or fund investments in the funds withheld portfolio in the amount of $978,369. These commitments may become due upon a counterparty’s request. There are no material contingent liabilities arising from litigation, income taxes or other matters, other than liabilities arising in the normal course of its business of reinsurance.

11. Subsequent events

The Company has evaluated the effect of events subsequent to December 31, 2023 for recognition and disclosure, through May 29, 2024, the date at which the financial statements were available to be issued and determined there are no items to disclose.