

FINANCIAL STATEMENTS

SkyRidge Re Limited
Years Ended December 31, 2023 and 2022
With Report of Independent Auditors

SkyRidge Re Limited

Financial Statements

Years Ended December 31, 2023 and 2022

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Report of Independent Auditors

The Board of Directors
SkyRidge Re Limited

Opinion

We have audited the financial statements of SkyRidge Re Limited (the Company), which comprise the balance sheets as of December 31, 2023 and 2022 and the related statements of operations, changes in stockholder's equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended 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 (GAAS). 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 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 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 of 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 that the financial statements are available to be issued.

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 of 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 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 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 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.

Ernst + Young LLP

April 22, 2024

SkyRidge Re Limited

Balance Sheets

	December 31,	
	2023	2022
	<i>(In Thousands, except par and share amounts)</i>	
Assets		
Cash and cash equivalents	\$ 1,052	\$ 638
Funds withheld and held receivable	7,648,275	5,570,930
Deferred policy acquisition costs	327,647	126,678
Deferred sales inducement costs	137,948	26,628
Cost of reinsurance	238,357	274,433
Deferred income tax asset	—	55,393
Income tax receivable	—	4,032
Other assets	234,074	55,718
Total assets	\$ 8,587,353	\$ 6,114,450
Liabilities and stockholder's equity		
Liabilities:		
Policy reserves and annuity account values	\$ 7,888,694	\$ 5,860,547
Accounts payable and accrued expenses	1,707	1,733
Deferred income tax liability	13,069	—
Income tax payable	15,470	—
Other liabilities	2,226	2,634
Total liabilities	7,921,166	5,864,914
Stockholder's equity:		
Common stock, \$1 par value, 250,000 shares authorized, issued and outstanding	250	250
Additional paid-in capital	369,145	343,595
Retained earnings (deficit)	296,792	(94,309)
Total stockholder's equity	666,187	249,536
Total liabilities and stockholder's equity	\$ 8,587,353	\$ 6,114,450

See accompanying notes.

SkyRidge Re Limited

Statements of Operations

	Year Ended December 31,	
	2023	2022
	<i>(In Thousands)</i>	
Revenues:		
Net investment income	\$ 505,951	\$ 319,791
Other product charges	12,257	2,879
Net realized/unrealized gains (losses) on derivatives	14,049	(56,150)
Net realized/unrealized gains (losses) on funds withheld and held investments	256,307	(469,446)
Other revenue	43,070	32,601
Total revenues	831,634	(170,325)
Benefits and expenses:		
Index credits and interest credited to account balances	137,330	86,638
Change in fixed index annuity embedded derivative and related benefits	123,886	(165,827)
Total benefits	261,216	(79,189)
Commissions and other operating expenses	11,791	10,765
Amortization of deferred policy acquisition costs, deferred sales inducement costs, and cost of reinsurance	63,563	45,826
Total benefits and expenses	336,570	(22,598)
Income (loss) before income tax expense (benefit)	495,064	(147,727)
Income tax expense (benefit)	103,963	(31,096)
Net income (loss)	\$ 391,101	\$ (116,631)

See accompanying notes.

SkyRidge Re Limited

Statements of Changes in Stockholder's Equity

	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Total
	<i>(In Thousands)</i>			
Balance at January 1, 2022	\$ 250	\$ 320,385	\$ 22,322	\$ 342,957
Net loss	—	—	(116,631)	(116,631)
Contribution from parent	—	23,210	—	23,210
Balance at December 31, 2022	250	343,595	(94,309)	249,536
Net income	—	—	391,101	391,101
Contribution from parent	—	25,550	—	25,550
Balance at December 31, 2023	\$ 250	\$ 369,145	\$ 296,792	\$ 666,187

See accompanying notes.

SkyRidge Re Limited

Statements of Cash Flows

	Year Ended December 31,	
	2023	2022
	<i>(In Thousands)</i>	
Operating activities		
Net income (loss)	\$ 391,101	\$ (116,631)
Adjustments to reconcile net income (loss) to net cash and cash equivalents used in operating activities:		
Index credits and interest credited to account balances	137,330	86,638
Policy acquisition costs deferred	(221,897)	(120,654)
Amortization of deferred policy acquisition costs, deferred sales inducement costs, and cost of reinsurance	63,563	45,826
Net realized/unrealized (gains) losses on derivatives	(14,049)	56,150
Net realized/unrealized (gains) losses on funds withheld and held investments	(256,307)	469,446
Change in fixed index annuity embedded derivative and related benefits	123,886	(165,827)
Deferred income taxes	68,462	(50,110)
Change in income taxes receivable or payable	19,502	(16,485)
Change in other liabilities	(408)	2,270
Other changes in operating assets and liabilities	(22,682)	(202)
Net cash and cash equivalents provided by operating activities	<u>288,501</u>	<u>190,421</u>
Investing activities		
Acquisition of funds withheld and held	(3,062,329)	(1,424,399)
Settlement of funds withheld and held	1,255,340	622,746
Acquisition of derivative asset	(153,801)	(86,276)
Settlement of derivative asset	—	43,198
Net cash and cash equivalents used in investing activities	<u>(1,960,790)</u>	<u>(844,731)</u>
Financing activities		
Contribution from parent	25,550	23,210
Deposits to annuity account balances	2,459,000	1,250,297
Withdrawals from annuity account balances	(811,847)	(622,746)
Net cash and cash equivalents provided by financing activities	<u>1,672,703</u>	<u>650,761</u>
Increase (decrease) in cash and cash equivalents	414	(3,549)
Cash and cash equivalents at beginning of period	638	4,187
Cash and cash equivalents at end of period	<u>\$ 1,052</u>	<u>\$ 638</u>
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Income taxes	<u>\$ 55,003</u>	<u>\$ 35,500</u>

See accompanying notes.

SkyRidge Re Limited

Notes to Financial Statements

Years Ended December 31, 2023 and 2022

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies

Nature of Operations and Basis of Presentation

SkyRidge Re Limited (SkyRidge Re or the Company) is a Bermuda domiciled reinsurance company and was incorporated on August 11, 2021. The Company was licensed in November 2021 as an insurance company by the Bermuda Monetary Authority (BMA). The Company commenced operations on November 30, 2021 commensurate with the effective date of the Company's first reinsurance agreement.

SkyRidge Cayman Holdings LLC (SkyRidge Holdings) is the ultimate parent of SkyRidge Re. SkyRidge Holdings is a company organized under the laws of the Cayman Islands, which wholly owns SkyRidge Re UK Limited, a limited company incorporated under the laws of England and Wales (UK HoldCo). UK HoldCo wholly owns SkyRidge Re MidCo LLC (MidCo). MidCo is a Delaware limited liability company and wholly owns the Company.

The primary operations of the Company since inception has been to assume fixed annuity (FA) and fixed index annuity (FIA) business on a funds withheld coinsurance basis. The ceding company manages the funds withheld and held assets in accordance with agreements between the ceding company and the Company. The Company's management oversees reporting, risk management and investment management, which in part is outsourced to third parties.

Use of Estimates

The preparation of the financial statements and accompanying notes in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect amounts reported and disclosed. Significant estimates and assumptions include the calculation of the embedded derivative relative to the Company's reinsurance agreement; the calculation of the index credit receivable derivative; amortization of deferred policy acquisition costs (DAC), deferred sales inducement costs (DSI), and cost of reinsurance; calculation of liabilities for future policy benefits; calculation of the embedded derivative relative to policy reserves and annuity account values; and calculation of income taxes and the recognition of deferred income tax assets and liabilities. Management believes that the estimates used in preparing its financial statements are reasonable.

SkyRidge Re Limited

Notes to Financial Statements (continued)

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents includes operating cash, other investments with original maturities of 90 days or less, and money market funds principally supported with cash and cash equivalent funds.

Funds Withheld and Held Receivable

Funds withheld receivable represents a receivable for amounts contractually withheld by the ceding company in accordance with a funds withheld coinsurance reinsurance agreement in which the Company is the reinsurer. Generally, assets equal to statutory reserves and unamortized statutory interest maintenance reserve are withheld yet beneficially owned by the assuming company, and any excess or shortfall is settled periodically.

The Company is contractually obligated, as a part of its funds withheld coinsurance reinsurance agreement, to hold an amount of assets equal to 5% of the statutory reserves assumed less the index cost reimbursement amortization value and unamortized statutory interest maintenance reserve calculated by the ceding company as additional collateralization. The index cost reimbursement amortization value is the straight-line amortization of index cost reimbursements paid or payable where the index term has not expired. This additional collateralization is reflected as funds held on the balance sheet of the Company in the funds withheld and held receivable balance and is being held on deposit with and managed by the ceding company.

All investment income earned on the investing of the funds withheld and held receivable will be recorded by the Company as net investment income on the statements of operations. Realized and unrealized gains and losses will be recorded by the Company within net realized/unrealized gains (losses) on derivatives and net realized/unrealized gains (losses) on funds withheld and held investments (see Note 2).

Asset and Liability Derivatives

The Company's funds withheld receivable is comprised of the host contract and an embedded derivative. The Company is subject to the investment performance on the withheld assets with the total return directly impacting the host contract and the embedded derivative. Additionally, the Company assumes certain products that contain a derivative that is embedded in the product. Both embedded derivatives must be accounted for under ASC 815, *Derivatives and Hedging*

SkyRidge Re Limited

Notes to Financial Statements (continued)

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

(ASC 815). Under ASC 815, the Company assesses whether the embedded derivative is clearly and closely related to the host contract. The Company bifurcates embedded derivatives from the host instrument for measurement purposes when the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract and a separate instrument with the same terms would qualify as a derivative instrument. Other assets represents the market value of the index credit receivable from Security Benefit Life Insurance Company (SBLIC). The Company pays SBLIC the cost of hedging index credits at the beginning of the index period. In exchange, SBLIC is obligated to pay the Company index credits.

Deferred Policy Acquisition Costs, Deferred Sales Inducement Costs and Cost of Reinsurance

Incremental direct costs of contract acquisition (commissions) as well as certain costs directly related to acquisition activities (underwriting, other policy issuance and processing, and selling costs) assumed from the ceding company for the successful acquisition or renewal of deferred annuity business have been deferred. DAC is amortized on a constant level basis based on policy count. The period over which DAC is amortized was determined such that there is no longer a material portion of business remaining at the end of the period. This period is 30 years for fixed index annuity and 15 years for fixed annuity.

Significant assumption inputs to the calculation of DAC amortization for fixed index annuities and fixed annuities include mortality and full surrender rates. The Company reviewed assumptions developed by the ceding company. The ceding company relies on a tier approach for assumption review in which the most significant assumptions are reviewed with the highest frequency.

In 2022, the ceding company reviewed all significant assumptions and revised as necessary. Full surrender rates within the surrender charge period were reduced by approximately 10% for fixed index annuities. No revisions were made to full surrender rates for fixed annuities. Mortality rates were increased by 5% for fixed annuities. No revisions were made to the mortality assumption for fixed index annuities.

In 2023, the ceding company reviewed all significant assumptions and revised as necessary. Full surrender rates immediately following the end of the surrender charge period (i.e. shock lapse) increased roughly double for fixed index annuities and increased 5-20% for fixed annuities,

SkyRidge Re Limited

Notes to Financial Statements (continued)

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

varying by product and guarantee. Full surrender rates post shock lapse increased by 2-5 percentage points for fixed index annuities and increased 10% for one of the fixed annuities. Competitor rate dynamic lapse rate functionality was implemented for GAAP for both fixed index and fixed annuities, which increases (decreases) base lapse rates based on the level the modeled competitor rate is higher (lower) than the current credited rate being offered. Mortality rates were decreased by 20% for fixed index annuities. Mortality table for fixed annuities was changed from Annuity 2000 to 2012 IAR and an 80% factor is applied to all ages.

The following table provides the policy count weighted-average durations for the policies issued after commencement of operations using the above assumptions over the DAC amortization period, in years ended December 31:

	<u>2023</u>	<u>2022</u>
Fixed Index Annuity	6.6	7.5
Fixed Annuity	3.6	3.6
Total	6.2	7.1

For insurance and annuity contracts, policyholders may desire different product benefits, features, rights, or coverages by exchanging a contract for a new contract or by an amendment or an endorsement. These transactions are known as internal replacements. The Company accounts for internal replacements as a termination of the original reinsured contract and an issuance of a new reinsured contract on a basis similar to the direct business being ceded. Any DAC or DSI associated with the original contract is written off.

DSI consists of bonus interest credits and premium credits added to certain annuity contract values assumed from the ceding company. It is subject to vesting requirements and is capitalized to the extent it is incremental to amounts that would be credited on similar contracts without the applicable feature. DSI is amortized using the same methodology and assumptions used to amortize DAC. DSI policy count weighted-average durations are the same as DAC.

Cost of reinsurance is an asset that reflects the net cash flows between the ceding company and the Company, including the ceding commission. Cost of reinsurance is amortized using the same methodology and assumptions used to amortize DAC.

SkyRidge Re Limited

Notes to Financial Statements (continued)

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

The following table provides the policy count weighted-average durations for the policies issued prior to commencement of operations over the cost of reinsurance amortization period, in years ended December 31:

	<u>2023</u>	<u>2022</u>
Fixed Index Annuity	5.8	7.2
Fixed Annuity	2.9	3.3
Total	5.1	6.0

Policy Reserves and Annuity Account Values

Liabilities for future policy benefits for deferred annuity products represent contract values accumulated with interest without reduction for potential surrender charges. Interest on accumulated contract values is credited to contracts as earned. Interest crediting rates ranged from 1.0% to 7.0% and 1.0% to 6.5% during 2023 and 2022, respectively.

The Company assumes fixed index annuity products with returns linked to the performance of certain indices. Policy reserves for index annuities are equal to the sum of the fair value of the embedded index options, the host components of the index account, and the fixed account accumulated with interest and without reduction for potential surrender charges. The host value is established at inception of the contract and is accreted over the policy's life at a constant rate of interest.

Reinsurance

The Company assumes investment-type insurance contracts under a coinsurance funds withheld agreement. Assets and liabilities assumed under funds withheld are presented gross on the balance sheet. Accounting for reinsurance requires the use of assumptions, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks.

Deferred Income Taxes

Deferred income tax assets and liabilities are determined based on differences between the financial reporting and income tax bases of assets and liabilities and are measured using the enacted tax rates and laws. Deferred income tax expense or benefit, reflected in the Company's statements of operations as a component of income tax expense or benefit, is based on the

SkyRidge Re Limited

Notes to Financial Statements (continued)

1. Nature of Operations, Basis of Presentation and Significant Accounting Policies (continued)

changes in deferred income tax assets or liabilities from period to period. Deferred income tax assets are subject to ongoing evaluation of whether such assets will be realized. The ultimate realization of deferred income tax assets depends on generating future taxable income during the periods in which temporary differences become deductible. The Company is required to record a valuation allowance to reduce its deferred income tax assets, if warranted, to an amount that represents management's best estimate of the amount of such deferred income tax assets that will more likely than not be realized using the enacted tax rates and laws.

Recognition of Revenues

Investment income, including interest and dividends, earned on funds withheld and held receivable is recorded in net investment income on the statements of operations and is recognized when earned. Additional detail is provided in Note 2.

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13 Measurement of Credit Losses on Financial Instruments. Under this guidance, the incurred loss impairment methodology was replaced by a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information concerning credit loss estimates. We adopted this update effective January 1, 2023. There were no material impacts to the financial statements.

Recently Issued Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures. This update revises certain disclosures on income taxes including rate reconciliation, income taxes paid, and certain amendments on disaggregation by federal, state and foreign taxes. The guidance is effective for annual periods beginning on January 1, 2026 for the Company. Early adoption is permitted. Management is evaluating the impact of this ASU to its consolidated financial statements upon adoption of this standard in 2026.

SkyRidge Re Limited

Notes to Financial Statements (continued)

2. Funds Withheld and Held Receivables

Funds withheld and held receivable represents receivables for amounts contractually withheld by a ceding company in accordance with a funds withheld reinsurance agreement in which the Company is the reinsurer or other agreements between the Company and the ceding company. Generally, assets equal to statutory reserves and unamortized statutory interest maintenance reserve are withheld yet beneficially owned by the assuming company. Investment income on funds withheld includes the interest income earned on the segregated assets as defined by the treaty terms. The Company is subject to the investment performance on the withheld and held assets with the total return directly impacting the host contract and the embedded derivative.

Interest accrues based on the performance of the underlying assets that support the host receivable and is recorded as net investment income in the statements of operations. The change in the embedded derivative in the Company's reinsurance agreement (as further discussed in Note 3) is recorded in net realized/unrealized gains (losses) on funds withheld and held investments in the statements of operations. The change is recorded in net realized/unrealized gains (losses) on derivatives in the statements of operations as it relates to the derivatives utilized in the hedging of the equity index crediting features of the FIA business assumed during 2021 and in net realized/unrealized gains (losses) on funds withheld and held investments on the statements of operations as it relates to non-derivative assets backing the statutory reserves of all business assumed.

The ceding company contractually manages the withheld and held assets in accordance with the Company's investment guidelines.

Net investment income for the years ended December 31, 2023 and 2022 of \$506.0 million and \$319.8 million, respectively, is comprised of investment income on funds withheld and held.

SkyRidge Re Limited

Notes to Financial Statements (continued)

2. Funds Withheld and Held Receivable (continued)

Net realized/unrealized gains (losses) consist of the following for the periods:

	Year Ended December 31,	
	2023	2022
	<i>(In Thousands)</i>	
Net realized/unrealized gains (losses) on derivatives:		
Embedded derivative, funds withheld reinsurance	\$ 14,049	\$ (56,150)
Net realized/unrealized gains (losses) on derivatives	\$ 14,049	\$ (56,150)
	Year Ended December 31,	
	2023	2022
	<i>(In Thousands)</i>	
Net realized/unrealized gains (losses) on funds withheld and held investments:		
Embedded derivative, funds withheld reinsurance	\$ 254,179	\$ (464,410)
Other	2,128	(5,036)
Net realized/unrealized gains (losses) on funds withheld and held investments	\$ 256,307	\$ (469,446)

3. Derivative Instruments

The Company assumes fixed index deferred annuity contracts which credit interest based on a percentage of the gain in a specified market index. This index crediting feature is an embedded derivative.

The Company is party to a coinsurance funds withheld reinsurance agreement (see Note 7). Under ASC 815, the Company's reinsurance agreement contains an embedded derivative that requires bifurcation due to credit risks the reinsurer is assuming that are not clearly and closely related to the creditworthiness of the ceding company. The embedded derivative in the funds withheld reinsurance agreement has characteristics similar to a total return swap, as the Company assumes the total return on a designated investment portfolio from the ceding company. The ceding company passes risk associated with the interest credited to the policyholders on the policies covered by the agreement. The value of the embedded derivative in the funds withheld reinsurance agreement is equal to the value of the unrealized gain or loss on the designated investments.

SkyRidge Re Limited

Notes to Financial Statements (continued)

3. Derivative Instruments (continued)

The fair value of the Company's derivative financial instruments classified as assets and liabilities on the balance sheet as of December 31 is as follows:

	Derivative Asset		Derivative Liability		Balance reported in
	2023	2022	2023	2022	
<i>(In Thousands)</i>					
Embedded derivatives:					
Index credit receivable derivative	\$ 211,297	\$ 55,598	\$ —	\$ —	Other assets
Fixed index annuity contracts	—	—	813,026	386,840	Policy reserves and annuity account values
Funds withheld and held receivable	(152,516)	(409,139)	—	—	Funds withheld receivable
Total embedded derivative financial instruments	\$ 58,781	\$ (353,541)	\$ 813,026	\$ 386,840	

Index credits received from SBLIC as part of the reinsurance agreement were \$43.1 million and \$32.6 million for the year ended December 31, 2023 and 2022, respectively, are included in other revenue in the statements of operations.

The changes in fair value of fixed index annuity contracts embedded derivative and related benefits is comprised of the following:

	Year Ended December 31,		Change of fair value reported in
	2023	2022	
<i>(In Thousands)</i>			
Index credit receivable derivative (see Note 10)	\$ (1,898)	\$ 30,678	Change in fixed index annuity embedded derivative and related benefits
Fixed index annuities - embedded derivatives (see Note 10)	117,137	(195,928)	Change in fixed index annuity embedded derivative and related benefits
Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting	8,647	(577)	Change in fixed index annuity embedded derivative and related benefits
	\$ 123,886	\$ (165,827)	

The amounts presented as “Other changes in difference between policy benefit reserves computed using derivative accounting vs. long-duration contracts accounting” represents the difference between policy benefit reserve change for fixed index annuities computed under the derivative accounting standard and the long-duration contracts accounting standard, less the change in fair value of our fixed index annuities embedded derivatives that is presented as Level 3 liabilities in Note 10.

SkyRidge Re Limited

Notes to Financial Statements (continued)

4. Deferred Policy Acquisition Costs

An analysis of the DAC asset balance is presented below for the periods:

	December 31, 2023			December 31, 2022		
	Fixed Index Annuity	Fixed Annuity	Total	Fixed Index Annuity	Fixed Annuity	Total
	<i>(In Thousands)</i>					
Balance at beginning of period	\$ 118,906	\$ 7,772	\$ 126,678	\$ 12,135	\$ 258	\$ 12,393
Cost deferred	202,326	19,571	221,897	112,356	8,298	120,654
Amortized to expense	(17,702)	(3,226)	(20,928)	(5,585)	(784)	(6,369)
Balance at end of period	\$ 303,530	\$ 24,117	\$ 327,647	\$ 118,906	\$ 7,772	\$ 126,678

5. Deferred Sales Inducement Costs

An analysis of the DSI costs asset balance is presented below for the periods:

	December 31, 2023			December 31, 2022		
	Fixed Index Annuity	Fixed Annuity	Total	Fixed Index Annuity	Fixed Annuity	Total
	<i>(In Thousands)</i>					
Balance at beginning of period	\$ 26,628	\$ —	\$ 26,628	\$ 1,912	\$ —	\$ 1,912
Costs deferred	117,879	—	117,879	25,891	—	25,891
Amortized to expense	(6,559)	—	(6,559)	(1,175)	—	(1,175)
Balance at end of period	\$ 137,948	\$ —	\$ 137,948	\$ 26,628	\$ —	\$ 26,628

6. Cost of Reinsurance

The Company recorded cost of reinsurance that is being amortized in a similar manner to DAC. An analysis of cost of reinsurance and associated amortization is presented below for the periods:

	December 31, 2023			December 31, 2022		
	Fixed Index Annuity	Fixed Annuity	Total	Fixed Index Annuity	Fixed Annuity	Total
	<i>(In Thousands)</i>					
Balance at beginning of period	\$ 221,886	\$ 52,547	\$ 274,433	\$ 244,844	\$ 67,871	\$ 312,715
Amortized to expense	(23,176)	(12,900)	(36,076)	(22,958)	(15,324)	(38,282)
Balance at end of period	\$ 198,710	\$ 39,647	\$ 238,357	\$ 221,886	\$ 52,547	\$ 274,433

SkyRidge Re Limited

Notes to Financial Statements (continued)

7. Reinsurance

In December 2021, the Company entered into an agreement (as amended) to assume certain FA and FIA liabilities from SBLIC, a Kansas domiciled life and health insurance company licensed in 49 states and the District of Columbia. The liabilities subject to the agreement are (i) liabilities on policies in-force with SBLIC as of November 30, 2021 and (ii) liabilities on policies as they are written through 2024, subject to the terms of the agreement. SBL Holdings Inc. (SBLH), the parent company of SBLIC, has a non-controlling minority interest in SkyRidge Holdings. SBLH and SBLIC are not affiliates of the Company for state insurance law purposes, and SBLH and SBLIC are not consolidated with the Company.

The Company entered into a funds withheld coinsurance amendment on April 29, 2022, with an effective date of January 1, 2022. This amendment excluded FIA derivatives from being allocated by SBLIC to the funds withheld (FWH) amount in order to hedge future index credits. The amendment also included an index credit receivable derivative the Company entered into with SBLIC, in which the Company will pay SBLIC a fee related to the cost of hedging the future index credits of the ceded FIA policies and SBLIC will cover the future index credits of such policies. The Company recognized expense of \$30.7 million, recognized within "change in fixed index annuity embedded derivative and related benefits" in the statements of operations. The value of the index credit reimbursement was \$32.6 million, presented within "other revenue" in the statements of operations.

On December 16, 2022, the Company executed an amendment to the Amended and Restated funds withheld coinsurance agreement. The amendment adjusted the timing of the quota share arrangement and extended the investment period through 2024.

Principal reinsurance assumed transactions are summarized as follows for the periods:

	Year Ended December 31,	
	2023	2022
	<i>(In Thousands)</i>	
Reinsurance assumed:		
Premiums received	\$ 2,580,495	\$ 1,285,255
Commissions paid	223,894	121,796
Claims paid	91,485	73,630
Surrenders paid	836,760	551,995

SkyRidge Re Limited

Notes to Financial Statements (continued)

7. Reinsurance (continued)

As of December 31, 2023 and 2022, the value of the Company's funds withheld and held receivable under its reinsurance agreement was \$7,648.3 million and \$5,570.9 million, respectively, including overcollateralization.

8. Insurance Liabilities

The following table details the balances of and changes in the fixed portion of the policyholder account balances for the periods below:

	December 31, 2023			December 31, 2022		
	Fixed Index Annuity (Indexed)	Fixed Index Annuity (Fixed)	Fixed Annuity	<i>(In Thousands)</i>		
	Fixed Index Annuity (Indexed)	Fixed Index Annuity (Fixed)	Fixed Annuity	Fixed Index Annuity (Indexed)	Fixed Index Annuity (Fixed)	Fixed Annuity
Balance at beginning of period	\$ 3,768,025	\$ 279,230	\$ 2,031,949	\$ 2,852,466	\$ 179,228	\$ 2,276,752
Issuances	1,488,615	500,495	488,559	970,285	92,962	163,712
Premiums received	17,846	22,709	60,994	11,196	13,164	33,936
Policy charges	(10,916)	(458)	(1,115)	(1,827)	(148)	(1,023)
Surrenders and withdrawals	(88,179)	(11,799)	(33,540)	(51,169)	(6,014)	(29,638)
Benefit payments	(160,648)	(9,905)	(495,647)	(44,112)	(4,766)	(461,617)
Net transfers	(10,642)	10,642	—	(816)	816	—
Interest credited/index credits	43,070	14,975	79,285	32,601	4,238	49,799
Other	(1,816)	1,269	(1,430)	(599)	(250)	28
Balance at end of period	\$ 5,045,355	\$ 807,158	\$ 2,129,055	\$ 3,768,025	\$ 279,230	\$ 2,031,949
Weighted-average crediting rate ⁽¹⁾	3.13 %	3.25 %	4.29 %	2.38 %	2.01 %	2.77 %
Cash surrender value	\$ 4,306,199	\$ 693,278	\$ 1,976,816	\$ 3,217,252	\$ 243,080	\$ 1,863,581

⁽¹⁾ The weighted average crediting rate is expressed as a percentage of indexed account value and represents the annual cost of hedging under market conditions at the beginning of the index period. This cost is paid by the Company to Security Benefit to replicate the crediting strategy to the policyholder. In exchange, Security Benefit pays the Company index credits.

SkyRidge Re Limited

Notes to Financial Statements (continued)

8. Insurance Liabilities (continued)

The following tables detail the policyholder account balances by range of guaranteed minimum crediting rates and the related range of difference between rates being credited to policyholders and the respective guaranteed minimums as of December 31.

		2023				
		<i>(In Thousands)</i>				
	Range of Guaranteed Minimum Crediting Rate	At Guaranteed Minimum	1 Basis Points-50 Basis Points Above	51 Basis Points-150 Basis Points Above	Greater Than 150 Basis Points Above	Total
Fixed Annuity	0.00% - 1.49%	\$ 558	\$ 9,725	\$ 252,976	\$ 1,027,091	\$ 1,290,350
	1.50% - 2.99%	15,988	14,269	738	807,710	838,705
	Greater than 2.99%	—	—	—	—	—
	Total	<u>\$ 16,546</u>	<u>\$ 23,994</u>	<u>\$ 253,714</u>	<u>\$ 1,834,801</u>	<u>\$ 2,129,055</u>
Fixed Index Annuity ⁽¹⁾	0.00% - 0.99%	\$ —	\$ —	\$ 56,616	\$ 29,064	\$ 85,680
	1.00% - 1.99%	354	15,758	347,322	179,592	543,026
	Greater than 1.99%	128	157	—	178,167	178,452
	Total	<u>\$ 482</u>	<u>\$ 15,915</u>	<u>\$ 403,938</u>	<u>\$ 386,823</u>	<u>\$ 807,158</u>

⁽¹⁾ The FIA indexed account is not included in this table because index credits are based on market performance and crediting parameters, not a rate declared to the policyholder. Additionally, the hedge cost used to represent the cost of these credits has guaranteed parameters but not a discernible guaranteed minimum.

		2022				
		<i>(In Thousands)</i>				
	Range of Guaranteed Minimum Crediting Rate	At Guaranteed Minimum	1 Basis Points-50 Basis Points Above	51 Basis Points-150 Basis Points Above	Greater Than 150 Basis Points Above	Total
Fixed Annuity	0.00% - 1.49%	\$ 10,963	\$ 153,429	\$ 782,086	\$ 787,505	\$ 1,733,983
	1.50% - 2.99%	61,631	16,760	833	218,742	297,966
	Greater than 2.99%	—	—	—	—	—
	Total	<u>\$ 72,594</u>	<u>\$ 170,189</u>	<u>\$ 782,919</u>	<u>\$ 1,006,247</u>	<u>\$ 2,031,949</u>
Fixed Index Annuity ⁽¹⁾	0.00% - 0.99%	\$ —	\$ —	\$ 53,895	\$ 30,671	\$ 84,566
	1.00% - 1.99%	1,245	24,224	138,282	30,913	194,664
	Greater than 1.99%	—	—	—	—	—
	Total	<u>\$ 1,245</u>	<u>\$ 24,224</u>	<u>\$ 192,177</u>	<u>\$ 61,584</u>	<u>\$ 279,230</u>

⁽¹⁾ The FIA indexed account is not included in this table because index credits are based on market performance and crediting parameters, not a rate declared to the policyholder. Additionally, the hedge cost used to represent the cost of these credits has guaranteed parameters but not a discernible guaranteed minimum.

SkyRidge Re Limited

Notes to Financial Statements (continued)

8. Insurance Liabilities (continued)

A reconciliation of the fixed annuity and fixed index annuity account balances to the total policy reserves and annuity account values on the balance sheet as of December 31 is as follows:

	2023	2022
	<i>(In Thousands)</i>	
Fixed annuity account balances	\$ 2,129,055	\$ 2,031,949
Fixed index annuity account balances	5,852,513	4,047,255
Derivative accounting versus long-duration contracts accounting difference	(92,874)	(218,657)
Total policy reserves and annuity account values	\$ 7,888,694	\$ 5,860,547

The components of index credits and interest credited to account balances are summarized as follows for the periods:

	Year Ended December 31,	
	2023	2022
	<i>(In Thousands)</i>	
Index credits	\$ 43,070	\$ 32,601
Interest credited to account balances	94,260	54,037
	\$ 137,330	\$ 86,638

9. Income Taxes

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Bermuda government that, in the event of income or capital gains taxes being imposed, the Company will be exempted from such taxes until March 31, 2035.

On December 27, 2023, Bermuda enacted the Corporate Income Tax Act of 2023. The enacted law introduces a 15% corporate income tax (CIT) on Bermuda businesses that are part of multinational enterprise (MNE) groups with annual revenue of EUR 750 million or more. The effective date for the CIT is January 1, 2025. Changes in tax law are recorded in the period of enactment, and the Company has determined that the CIT had no impact on its financial statements as of December 31, 2023.

SkyRidge Re Limited

Notes to Financial Statements (continued)

9. Income Taxes (continued)

Effective in 2021, the Company has made a qualifying election available to foreign insurance companies under Section 953(d) of the Internal Revenue Code to be treated as a U.S. corporation for U.S. federal income tax purposes. As part of the Section 953(d) election, the Company anticipates entering into a closing agreement with the Internal Revenue Service (IRS) and providing the IRS with security for the payment of future U.S. taxes due in the form of a \$10.0 million letter of credit. The Company files a U.S. federal income tax return on a stand alone basis.

The provision for income taxes includes current federal tax expense or benefit and deferred income tax expense or benefit due to temporary differences between the financial reporting and income tax bases of assets and liabilities.

As of December 31, 2023 and 2022, the Company had no gross unrecognized tax benefits. The Company recognizes interest and penalties related to unrecognized tax benefits in interest expense as a component of operating expenses in the statements of operations. The Company recorded neither interest expense nor penalties for unrecognized tax benefits for December 31, 2023 and 2022.

Income tax expense consists of the following for the periods:

	Year Ended December 31,	
	2023	2022
	<i>(In Thousands)</i>	
Current income tax expense	\$ 35,501	\$ 19,014
Deferred income tax (benefit) expense	68,462	(50,110)
Income tax (benefit) expense	<u>\$ 103,963</u>	<u>\$ (31,096)</u>

The differences between reported income tax expense and the results from applying the statutory federal rate to income before income tax expense are as follows for the periods:

	Year Ended December 31,	
	2023	2022
	<i>(In Thousands)</i>	
Federal income tax expense (benefit) computed at statutory rate	\$ 103,963	\$ (31,023)
Increases (decreases) in taxes resulting from:		
Prior year adjustments	—	(73)
Income tax expense (benefit)	<u>\$ 103,963</u>	<u>\$ (31,096)</u>

SkyRidge Re Limited

Notes to Financial Statements (continued)

9. Income Taxes (continued)

Net deferred income tax assets and liabilities consist of the following as of December 31:

	2023	2022
	<i>(In Thousands)</i>	
Deferred income tax assets:		
Future policy benefits	\$ 151,124	\$ 71,133
Net unrealized loss on embedded derivative - funds withheld investments	31,938	85,919
Other	4,580	5,388
Total deferred income tax assets	187,642	162,440
Deferred income tax liabilities:		
Deferred policy acquisition costs and deferred sales inducements	97,589	32,181
Fair value of index receivable	48,966	11,676
Investments	4,101	5,559
Cost of reinsurance	50,055	57,631
Total deferred income tax liabilities	200,711	107,047
Net deferred income tax assets (liabilities)	\$ (13,069)	\$ 55,393

The Company assesses the available positive and negative evidence surrounding the recoverability of the deferred income tax assets and applies its judgment in estimating the amount of valuation allowance necessary under the circumstances. As of December 31, 2023 and 2022, the Company recorded no valuation allowance.

Tax years 2021 through 2023 remain open to IRS examination. The Company is not currently under IRS exam.

SkyRidge Re Limited

Notes to Financial Statements (continued)

10. Fair Value Measurements

Fair Value Hierarchy

In accordance with ASC 820, the Company groups its financial assets and liabilities measured at fair value in three levels based on the inputs and assumptions used to determine the fair value. The levels are as follows:

Level 1 – Valuations are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 – Valuations are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, model-based valuation techniques for which significant assumptions are observable in the market, and option pricing models using inputs observable in the market.

Level 3 – Valuations are generated from techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's assumptions that market participants would use in pricing the asset or liability. Valuation techniques include discounted cash flow models, spread-based models, and similar techniques, using the best information available in the circumstances.

Determination of Fair Value

Under ASC 820, the Company bases fair values on the price that would be received to sell an asset (exit price) or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy in ASC 820.

SkyRidge Re Limited

Notes to Financial Statements (continued)

10. Fair Value Measurements (continued)

Index credit receivable derivative

The fair value of the index credit receivable is determined by the expected value of future index credits calculated using call option pricing with current market data and updated fund value allocations for policyholder balances. This fair value is classified as Level 3.

Embedded derivative - funds withheld and held receivable

The fair value of the embedded derivative is estimated based on the fair value of the assets supporting the funds withheld reinsurance liability under the coinsurance funds withheld agreement. The fair value of the embedded derivative is classified as Level 3.

Embedded derivative – fixed index annuity contracts

Fair values of the Company's embedded derivative component of the fixed index annuity policy liabilities are determined by (i) projecting policy contract values and minimum guaranteed contract values over the expected lives of the contracts and (ii) discounting the excess of the projected contract value amounts at the applicable risk-free interest rates adjusted for the nonperformance risk related to those liabilities. The projections of policy contract values are based on the Company's best estimate assumptions for future policy growth and future policy decrements. The Company's best estimate assumptions for future policy growth include assumptions for the expected index credit on the next policy anniversary date derived from the fair values of the underlying call options purchased by SBLIC to fund such index credits and the expected costs of call options SBLIC will purchase in the future to fund index credits beyond the next policy anniversary. The projections of minimum guaranteed contract values include the same best estimate assumptions for policy decrements as were used to project policy contract values. These liabilities are included in Level 3.

SkyRidge Re Limited

Notes to Financial Statements (continued)

10. Fair Value Measurements (continued)

Assets and Liabilities Measured and Reported at Fair Value

The following tables present categories measured at fair value on a recurring basis as of December 31:

		2023			
		Fair Value Hierarchy Level			
Fair Value		Level 1	Level 2	Level 3	
<i>(In Thousands)</i>					
Assets:					
Index credit receivable derivative	\$ 211,297	\$ —	\$ —	\$ —	\$ 211,297
Embedded derivative - funds withheld and held receivable	(152,516)	—	—	—	(152,516)
Total assets	\$ 58,781	\$ —	\$ —	\$ —	\$ 58,781
Liabilities:					
Derivatives and embedded derivatives:					
Embedded derivative - fixed index annuity contracts	\$ 813,026	\$ —	\$ —	\$ —	\$ 813,026
Total liabilities	\$ 813,026	\$ —	\$ —	\$ —	\$ 813,026
2022					
Fair Value Hierarchy Level					
Fair Value		Level 1	Level 2	Level 3	
<i>(In Thousands)</i>					
Assets:					
Index credit receivable derivative	\$ 55,598	\$ —	\$ —	\$ —	\$ 55,598
Embedded derivative - funds withheld and held receivable	(409,139)	—	—	—	(409,139)
Total assets	\$ (353,541)	\$ —	\$ —	\$ —	\$ (353,541)
Liabilities:					
Derivatives and embedded derivatives:					
Embedded derivative - fixed index annuity contracts	\$ 386,840	\$ —	\$ —	\$ —	\$ 386,840
Total liabilities	\$ 386,840	\$ —	\$ —	\$ —	\$ 386,840

SkyRidge Re Limited

Notes to Financial Statements (continued)

10. Fair Value Measurements (continued)

Changes in Level 3 Fair Value Measurements

The reconciliation for all Level 3 assets and liabilities measured at fair value using significant unobservable inputs for December 31, 2023 and 2022 is as follows:

		December 31, 2023				
		Total Realized/ Unrealized Gains and Losses				
		Balance at January 1, 2023	Included in Net Income	Purchases, Issuances, Sales, and Settlements	Transfers	Balance at December 31, 2023
		<i>(In Thousands)</i>				
Assets:						
Index credit receivable derivative	\$	55,598	\$ 82,878	\$ 72,821	\$ —	\$ 211,297
Embedded derivative - funds withheld and held receivable		(409,139)	\$ 256,623	—	—	(152,516)
Total assets	\$	(353,541)	\$ 339,501	\$ 72,821	\$ —	\$ 58,781
Liabilities:						
Derivatives and embedded derivatives:						
Embedded derivative - fixed index annuity contracts	\$	386,840	\$ 117,137	\$ 309,049	\$ —	\$ 813,026
Total liabilities	\$	386,840	\$ 117,137	\$ 309,049	\$ —	\$ 813,026
		December 31, 2022				
		Total Realized/ Unrealized Gains and Losses				
		Balance at January 1, 2022	Included in Net Income	Purchases, Issuances, Sales, and Settlements	Transfers	Balance at December 31, 2022
		<i>(In Thousands)</i>				
Assets:						
Index credit receivable derivative	\$	—	\$ (30,678)	\$ 86,276	\$ —	\$ 55,598
Embedded derivative - funds withheld and held receivable		111,421	(520,560)	—	—	(409,139)
Total assets	\$	111,421	\$ (551,238)	\$ 86,276	\$ —	\$ (353,541)
Liabilities:						
Derivatives and embedded derivatives:						
Embedded derivative - fixed index annuity contracts	\$	459,917	\$ (195,928)	\$ 122,851	\$ —	\$ 386,840
Total liabilities	\$	459,917	\$ (195,928)	\$ 122,851	\$ —	\$ 386,840

SkyRidge Re Limited

Notes to Financial Statements (continued)

10. Fair Value Measurements (continued)

The details of the Level 3 purchases, issuances, sales, and settlements for the periods as follows:

	December 31, 2023				
	Purchases	Issuances	Sales	Settlements	Net
	<i>(In Thousands)</i>				
Assets:					
Index credit receivable derivative	\$ —	\$ 153,801	\$ —	\$ 80,980	\$ 72,821
Total assets	\$ —	\$ 153,801	\$ —	\$ 80,980	\$ 72,821
Liabilities:					
Derivatives and embedded derivatives:					
Embedded derivative - fixed index annuity contracts	\$ —	\$ 324,917	\$ —	\$ 15,868	\$ 309,049
Total liabilities	\$ —	\$ 324,917	\$ —	\$ 15,868	\$ 309,049
	December 31, 2022				
	Purchases	Issuances	Sales	Settlements	Net
	<i>(In Thousands)</i>				
Assets:					
Index credit receivable derivative	\$ —	\$ 86,276	\$ —	\$ —	\$ 86,276
Total assets	\$ —	\$ 86,276	\$ —	\$ —	\$ 86,276
Liabilities:					
Derivatives and embedded derivatives:					
Embedded derivative - fixed index annuity contracts	\$ —	\$ 128,318	\$ —	\$ 5,467	\$ 122,851
Total liabilities	\$ —	\$ 128,318	\$ —	\$ 5,467	\$ 122,851

Transfers

There were no transfers into and out of Level 3 of assets and liabilities measured at fair value for December 31, 2023 and 2022.

SkyRidge Re Limited

Notes to Financial Statements (continued)

10. Fair Value Measurements (continued)

Quantitative Information about Level 3 Fair Value Measurements

The following table provides quantitative information about the significant unobservable inputs used for fair value measurements categorized within Level 3, excluding assets and liabilities for which significant unobservable inputs primarily consist of those valued using broker quotes.

As of December 31, 2023				
	Assets / Liabilities Measured at Fair Value	Valuation Technique(s)	Unobservable Input Description	Input
<i>(In Thousands)</i>				
Assets:				
Embedded derivatives				
Index credit receivable derivative	\$ 211,297	See Note (1)		
Funds withheld and held receivable	(152,516)	See Note (1)		
Total assets	\$ 58,781			
Liabilities:				
Embedded derivatives:				
Fixed index annuity contracts	\$ 813,026	Discounted Cash Flow	Own credit spread	1.8%
			Risk margin	0.05% - 0.24%
Total liabilities	\$ 813,026			
As of December 31, 2022				
	Assets / Liabilities Measured at Fair Value	Valuation Technique(s)	Unobservable Input Description	Input
<i>(In Thousands)</i>				
Assets:				
Embedded derivatives				
Index credit receivable derivative	\$ 55,598	See Note (1)		
Funds withheld and held receivable	(409,139)	See Note (1)		
Total assets	\$ (353,541)			
Liabilities:				
Embedded derivatives:				
Fixed index annuity contracts	\$ 386,840	Discounted Cash Flow	Own credit spread	2.26%
			Risk margin	0.05% - 0.24%
Total liabilities	\$ 386,840			

(1) Equal to the estimated net unrealized gains or losses of the assets supporting the funds withheld and held receivable under the coinsurance funds withheld agreement.

SkyRidge Re Limited

Notes to Financial Statements (continued)

11. Commitments and Contingencies

Pursuant to the Amended and Restated Limited Liability Company Agreement of SkyRidge Holdings, the Company is required to establish a contingent capital account consisting of assets with an aggregate book value equal to the lesser of (i) \$20.0 million as of January 1, 2022, \$45.0 million as of January 1, 2023, \$67.5 million as of January 1, 2024 and \$90.0 million as of January 1, 2025 or (ii) the aggregate net amounts paid to the Company pursuant to the reinsurance agreement entered into with SBLIC for each of the cumulative periods since inception of the reinsurance agreement. SBLH would be entitled to the contingent capital account in future years if certain requirements are met. As of December 31, 2023 and 2022, the Company was in compliance with this requirement.

The Company is periodically party to legal and arbitral proceedings and subject to complaints, and the like, and is periodically examined by its regulators and may discuss certain matters with its regulators that come up during such examinations or otherwise. Management currently does not believe that any litigation, arbitration, complaint or other such matter to which the Company is party, or that any actions by its regulators with respect to any such examinations or matters under discussion with them, will, alone or collectively, materially adversely affect the Company's results of operations or financial condition.

12. Related-Party Transactions

The Company received \$25.6 million and \$23.2 million in capital contributions from its parent, MidCo, during 2023 and 2022, respectively. The Company did not pay any dividends to MidCo during 2023 and 2022.

SBLH holds a less than 10% equity investment in SkyRidge Holdings, which is the ultimate parent of the Company. Effective November 30, 2021, SBLIC, a subsidiary of SBLH, entered into a funds withheld coinsurance reinsurance agreement to cede certain FA and FIA liabilities to the Company (see Note 7). SBLIC also entered into an investment management agreement with the Company to manage the invested assets of the Company.

SkyRidge Re Limited

Notes to Financial Statements (continued)

13. Statutory Financial Information and Regulatory Net Capital Requirements

The Company is subject to insurance laws and regulations in Bermuda. Certain regulations include restrictions that limit the dividends or other distributions, such as loans or cash advances, available to shareholders without prior approval of the insurance regulatory authorities. The differences between financial statements prepared for insurance regulatory authorities and GAAP financial statements vary by jurisdiction.

The Company is licensed by the BMA as a long-term class E insurer and is subject to the Insurance Act 1978, as amended (Bermuda Insurance Act) and regulations promulgated thereunder. 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) (Solvency II).

Under the Bermuda Insurance Act, long-term insurers are required to maintain minimum statutory capital and surplus to meet the minimum solvency margin (MSM) and minimum economic statutory capital and surplus (EBS capital and surplus) to meet the Enhanced Capital Requirement (ECR). The Company is a Class E reinsurer. Accordingly, MSM is equal to the greater of \$8 million, 2% of the first \$500 million of statutory assets plus 1.5% of statutory assets above \$500 million or 25% of ECR. The ECR is calculated based on a risk-based capital model where risk factor charges are applied to the EBS. The ECR is floored at the MSM. As of December 31, 2023 and 2022, the Company was in excess of the minimum levels required. For the Company, the ECR is the binding regulatory constraint. The Company's MSM was \$135.0 million and \$101.1 million as of December 31, 2023 and 2022, respectively. Statutory capital and surplus was \$686.5 million and \$485.6 million as of December 31, 2023 and 2022, respectively, which is adequate to cover the MSM requirement for both periods.

Under the BMA framework, statutory financial statements are generally equivalent to GAAP financial statements, adjusted for permitted practices granted by the BMA. The Company has permission to exclude recognition of the embedded derivative related to the non-derivative assets underlying the funds withheld and held receivable. Additionally, to the extent derivatives are held in the funds withheld accounts, the Company has permission to adjust FIA reserve requirements to only include current indexed account value and the associated derivative market

SkyRidge Re Limited

Notes to Financial Statements (continued)

13. Statutory Financial Information and Regulatory Net Capital Requirements (continued)

value less the derivative amortized cost. The following represents the effect of the permitted practices to the statutory financial statements as of December 31:

	<u>2023</u>		<u>2022</u>
		<i>(In Millions)</i>	
Increase/(decrease) to capital and surplus due to permitted practices	\$	20.3	\$ 236.0
Increase/(decrease) to statutory net income due to permitted practices		(215.7)	266.3

Under the Bermuda Insurance Act, the Company is prohibited from paying a dividend in an amount exceeding 25% of the prior year's statutory capital and surplus, unless at least two members of the Company's respective board of directors and its principal representative in Bermuda sign and submit to the BMA an affidavit attesting that a dividend in excess of this amount would not cause the Company to fail to meet its relevant margins. The maximum dividend without attestation as of December 31, 2023 was \$121.4 million. In certain instances, the Company would also be required to provide prior notice to the BMA in advance of the payment of dividends. In the event that such an affidavit is submitted to the BMA, and further subject to meeting the MMS and ECR requirements, the Company is permitted to distribute up to the sum of 100% of statutory surplus and an amount less than 15% of statutory capital. Distributions in excess of this amount require the approval of the BMA. The maximum dividend without prior BMA approval as of December 31, 2023 was \$372.4 million. The Company did not declare nor pay any dividend during the years ended December 31, 2023 and 2022.

14. Subsequent Events

Subsequent events have been evaluated through April 22, 2024, which is the date the financial statements were issued.