Wilton Re Overseas Limited

Financial Statements as of and for the

Years Ended December 31, 2023 and 2022, and

Independent Auditor’s Report

WILTON RE OVERSEAS LIMITED

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Wilton Re Overseas Limited:

Qualified Opinion on the 2023 Financial Statements and Opinion on the 2022 Financial Statements

We have audited the financial statements of Wilton Re Overseas Limited (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of comprehensive income (loss), changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, except for the effects on the accompanying 2023 financial statements of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on the 2023 Financial Statements and Basis for Opinion on the 2022 Financial Statements

As disclosed in Note 2 to the financial statements, as of January 1, 2023, the Company transferred certain of its fixed maturity investments from the trading to available for sale investment accounting categories. Although use of available for sale is an acceptable method of accounting for investments under accounting principles generally accepted in the United States of America (US GAAP), in our opinion, the Company did not yet meet the rare conditions described in Note 2 for making a transfer between categories, as required by US GAAP, because final tax regulations which could confirm this matter as rare have not yet been issued. As further described in Note 2, the effect on the financial statements of the January 1, 2023, transfer of certain fixed maturity investments from trading to available for sale was to decrease net income (loss) and increase other comprehensive income (loss) by $16.5 million, resulting in no effect to total net loss and comprehensive loss for the year ended December 31, 2023. There was no effect on total assets, total liabilities or total shareholder's equity at December 31, 2023.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 qualified audit opinion on the 2023 financial statements and for our opinion on the 2022 financial statements.

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

Deloitte + Touche LLP

April 25, 2024

WILTON RE OVERSEAS LIMITED

BALANCE SHEETS

AS OF DECEMBER 31, 2023 AND 2022

(Expressed in thousands of U.S. dollars, except share amounts)

	2023	2022
Assets		
Investments		
Fixed maturity securities available-for-sale, at estimated fair value (allowance for credit losses of $2 at December 31, 2023) and (amortized cost of $1,421,560 at December 31, 2023)	$ 1,444,799	$ —
Fixed maturity securities trading and equity securities (amortized cost of $10,312 and $1,809,592 at December 31, 2023 and 2022, respectively)	8,872	1,483,507
Policy loans	13,868	13,546
Other invested assets (amortized cost of $10,442 and $13,237 at December 31, 2023 and 2022, respectively)	51,222	54,228
Total investments	1,518,761	1,551,281
Cash and cash equivalents	18,308	30,771
Accrued investment income	12,258	13,080
Net deferred income taxes	37,148	—
Other assets	733	1,228
Total assets	$ 1,587,208	$ 1,596,360
Liabilities and shareholder's equity		
Liabilities:		
Reserves for future policy benefits	$ 31,275	$ 41,078
Interest sensitive contract liabilities	1,481,488	1,533,241
Other reinsurance liabilities	22,037	13,273
Other liabilities	3,307	2,398
Total liabilities	1,538,107	1,589,990
Shareholder's equity:		
Class A common shares $1.00 par value; 250,000 shares authorized, issued and outstanding at December 31, 2023 and 2022 respectively	250	250
Additional paid-in capital	268,330	268,330
Retained deficit	(236,057)	(262,210)
Accumulated other comprehensive income (loss)	16,578	—
Total shareholder's equity	49,101	6,370
Total liabilities and shareholder's equity	$ 1,587,208	$ 1,596,360

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

WILTON RE OVERSEAS LIMITED

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of U.S. dollars)

	2023	2022
Revenues		
Policy fees and charges—net	$ (85,917)	$ 69,193
Investment earnings—net	83,327	(58,601)
Net change in unrealized gains (losses) on investments classified as trading and other	913	(328,673)
Total revenues	(1,677)	(318,081)
Benefits and expenses		
Claims and policy benefits	(97,168)	(81,176)
Interest credited to interest sensitive contract liabilities	16,071	13,572
Acquisition and other insurance expenses	6,382	6,687
Operating expenses	7,019	5,115
Total benefits and expenses	(67,696)	(55,802)
Net income (loss) before income taxes and net earnings of equity method investee	66,019	(262,279)
Income tax (benefit)	(37,148)	—
Net income (loss) before net earnings of equity method investee	103,167	(262,279)
Share of net earnings of equity method investee	474	7,113
Net income (loss)	$ 103,641	$ (255,166)
Other comprehensive income		
Net unrealized investment gains	16,578	—
Other comprehensive income	16,578	—
Comprehensive income (loss)	$ 120,219	$ (255,166)

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

WILTON RE OVERSEAS LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of U.S. dollars)

	2023	2022
Common Shares		
Balance at beginning and end of year	250	250
Additional Paid-in Capital		
Balance at beginning and end of year	268,330	268,330
Accumulated Other Comprehensive Income		
Balance at beginning of year	—	—
Net unrealized investment gains	16,578	—
Balance at end of year	16,578	—
Retained Deficit		
Balance at beginning of year	(262,210)	(7,044)
Cumulative adjustment for adoption of credit loss accounting standard	(12,488)	—
Dividends paid	(65,000)	—
Net income (loss)	103,641	(255,166)
Balance at end of year	(236,057)	(262,210)
Total shareholder's equity	$ 49,101	$ 6,370

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

WILTON RE OVERSEAS LIMITED

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of US dollars)

	2023	2022
Cash flows from operating activities		
Net income (loss)	$ 103,641	$ (255,166)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Amortization of net investment premium, discounts and other	(15,965)	5,435
Investment related realized losses - net	1,535	112,028
Investment related unrealized (gains) losses - net	(913)	328,670
(Earnings) of equity method investee	(474)	(7,113)
Interest credited to interest sensitive contracts	16,071	13,572
Other reserve changes of interest sensitive contract liabilities	(131,424)	(325,159)
Cash and cash equivalents from closed block reinsurance	—	25,747
Change in assets and liabilities:		
Fixed maturity securities trading and equity securities	—	(309,441)
Accrued investment income	822	(6,869)
Deferred income taxes	(37,148)	—
Other assets	495	(1,230)
Reserve for future policy benefits	(9,803)	41,078
Other reinsurance liabilities	(3,724)	13,273
Other liabilities	909	847
Net cash flows used in operating activities	$ (75,978)	$ (364,328)
Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities available-for-sale	$ 85,318	$ —
Purchases of:		
Fixed maturity securities available-for-sale	(16,962)	—
Other invested assets	—	(8,255)
Distributions from equity method investees	4,000	19,500
Change in policy loans	(323)	51
Sales of short-term investments	—	8,090
Net cash flows from investing activities	72,033	19,386
Cash flows from financing activities:		
Dividend to shareholder on common stock	(65,000)	—
Deposits into interest sensitive contracts	70,043	122,115
Redemption and benefit payments on interest sensitive contracts	(13,561)	(12,526)
Net cash flows (used in) from financing activities	(8,518)	109,589
Decrease in cash and cash equivalents	(12,463)	(235,353)
Cash and cash equivalents - beginning of year	30,771	266,124
Cash and cash equivalents - end of year	$ 18,308	$ 30,771

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

1. ORGANIZATION

Wilton Re Overseas Limited (WROL or the Company) is a wholly owned subsidiary of Wilton Re Ltd. (WRL) and was incorporated under the laws of Bermuda as a long-term insurer on December 28, 2017. WRL is the ultimate parent corporation in the Company's holding company structure.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Use of Estimates

The preparation of financial statements, as described above, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include those used in determining deferred acquisition costs, value of in-force business acquired, reserves for future policy benefits, other policy claims and benefits, income taxes, and the valuation of investments. While the amounts included in the financial statements reflect management's best estimates and assumptions, the actual results could be materially different from the amounts reported in the financial statements

Investments and Investment Earnings

Transfer of fixed income portfolio from trading to available for sale

As part of the Inflation Reduction Act of 2022, signed into law on August 16, 2022, Congress enacted the corporate alternative minimum tax (CAMT), effective January 1, 2023. The CAMT presented a new and material liquidity and financial risk to the Company as it is calculated based upon the Company's reported GAAP income, inclusive of unrealized gains and losses on investments accounted for as "trading" for the first time ever. To mitigate this risk, the Company transferred its fixed income portfolio from trading to available-for-sale as of January 1, 2023.

Before making this change, the Company considered both ASC 320, *Investments – Debt and Equity Securities*, and other SEC guidance on transfers and while the Company does not believe that guidance anticipated the specific scenario, management has concluded that it does meet the "rare" criteria given the uniqueness of the law and the potential severe liquidity, solvency and tax risk to the Company. More specifically, we believe the potential impact imposed by the CAMT on the Company's liquidity and solvency under certain interest rate scenarios is consistent with the SEC speech comments of "Similar transfers might be appropriate if a significant business combination or other event greatly alters the company's liquidity position or investing strategy." Although the final regulations aren't expected to be issued until later in 2024, any changes, if any, to the law will be evaluated at that time.

As disclosed in the table below, which presents only the affected financial statement line items and the respective totals, the effect on the financial statements was to decrease net income (loss) by $16,578 and increase other comprehensive income (loss) by $16,578 resulting in no effect to total comprehensive income (loss) for the year ended December 31, 2023. There was no effect on total assets, total liabilities, or total shareholder's equity as of December 31, 2023. Of those changes, approximately $42 was due to assets purchased during 2023.

(Expressed in thousands of U.S. dollars, except share amounts)

	December 31, 2023		
	Historical[1] Basis	Conversion [2]	As Reported
Total Assets	**$ 1,587,207**	**$ —**	**$ 1,587,207**
Liabilities and shareholder's equity			
Total Liabilities	$ 1,538,107	$ —	$ 1,538,107
Shareholders' Equity			
Retained earnings (deficit)	(219,479)	(16,578)	(236,057)
Accumulated other comprehensive income (loss)	—	16,578	16,578
Total Shareholder's Equity	49,101	—	49,101
Total Liabilities and Shareholder's Equity	**$ 1,587,207**	**$ —**	**$ 1,587,207**
Revenues			
Investment earnings - net	$ 63,510	$ 19,817	$ 83,327
Net unrealized gains (losses) on investments classified as trading and other	44,425	(43,512)	913
Total Revenues	22,018	(23,695)	(1,677)
Benefits and expenses			
Claims and policy benefits, net of reinsurance ceded	(90,051)	(7,117)	(97,168)
Acquisition and other insurance expenses	6,382	—	6,382
Total Benefits and expenses	(60,579)	(7,117)	(67,696)
Net Income (Loss) for the Period Before Income Taxes	**82,597**	**(16,578)**	**66,019**
Income tax expense/(benefit)	(37,148)	—	(37,148)
Income (Loss) Before Equity in Net Earnings of Equity Method Investee	**119,745**	**(16,578)**	**103,167**
Share of net earnings of equity method investee	474	—	474
Net Income (Loss) for the Period	**$ 120,219**	**$ (16,578)**	**$ 103,641**
Other comprehensive income (loss) for the period, net of tax			
Net unrealized investment gains (losses)	$ —	$ 16,578	$ 16,578
Total Other Comprehensive Income (Loss), Net of Tax	—	16,578	16,578
Total Comprehensive Income (Loss) for the Period	**$ 120,219**	**$ —**	**$ 120,219**

[1] Historical basis represents the value that would have been reported in the financial statements if the Company did not transfer certain of its fixed income portfolio from trading to available-for-sale as of January 1, 2023.

[2] Conversion refers to the effect of reporting certain fixed income securities as available-for-sale.

Fixed Maturity and Equity Securities

Fixed maturity and equity securities include publicly-traded fixed maturity securities, preferred stock, credit tenant loans, surplus debentures, and private placements. Fixed maturity securities which are classified as trading and equity securities are recorded at fair value with the change in fair value reported as net change in unrealized gains (losses) on investments classified as trading and other in the statement of comprehensive income (loss). Fixed maturity securities classified as available-for-sale (AFS) are reported at fair value with unrealized gains and losses, less applicable deferred income taxes, reported in other comprehensive income (OCI). All fixed maturity securities are classified as AFS. The fair value of publicly-traded securities is based on quoted market prices or obtained from independent third-party dealers in the absence of quoted market prices. The fair value of private placements and credit tenant loans are obtained from third-party dealers or is modeled.

Investment transactions are recorded on a trade date basis. The Company's investment earnings are recognized when earned and consist primarily of interest and the accretion of discount or amortization of premium on fixed maturity securities. The amortized cost and effective yield of structured fixed maturity securities are adjusted as necessary to reflect historical prepayment experience and changes in estimated future prepayments. The adjustments to amortized cost are recorded as a charge or credit to investment earnings - net in accordance with the retrospective method. Investment earnings are presented net of investment management, investment accounting and custody expenses on the statements of income (loss). Gains and losses realized on the sale of all investments are determined on the first in-first out method.

Allowance for Credit Losses and Impairments of AFS Fixed Maturity Securities

AFS fixed maturity securities whose fair value is less than their carrying amount are evaluated for potential credit losses.

If the Company intends to sell a security or it is more likely than not that it would be required to sell a security before the recovery of its amortized cost, less any recorded credit loss, it recognizes an impairment loss in investment earnings - net of the difference between amortized cost and fair value.

The Company identifies AFS fixed maturity securities for credit losses by monitoring credit rating and market events that could impact issuers' credit risk including the relevant industry business climate, management changes, litigation, government actions and other similar factors.

Credit impairments and changes in the allowance for credit losses on fixed maturity securities are reflected in net change in unrealized gains (losses) on investments classified as trading and other, while non-credit impairment losses are recognized in OCI.

The Company estimates the amount of the credit loss component of a fixed maturity security impairment as the difference between amortized cost and the present value of the expected cash flows of the security. The Company excludes accrued interest from the amortized cost and the present value of the expected cash flows of the security. The present value is determined using the best estimate cash flows discounted at the current yield used to recognize interest income. The techniques and assumptions for establishing the best estimate cash flows vary depending on the type of security. The asset-backed securities' cash flow estimates are based on security-specific facts and circumstances that may include collateral characteristics, expectations of delinquency and default rates, loss severity and prepayment speeds.

(Expressed in thousands of U.S. dollars, except share amounts)

The Company writes off fixed maturity securities when facts and circumstances indicate that outstanding principal and interest is uncollectible.

Policy Loans

Policy loans are reported at the unpaid principal balance. Interest income on such loans is recorded as earned using the contractually agreed upon interest rates.

Other Invested Assets

Other invested assets include investments in surplus debentures classified as AFS, and life settlement contracts.

Life Settlement Contracts—Equity Method Investment

The Company owns a 25% economic and voting interest in Leargas Fund I, LLC (the Leargas Fund), a life settlement fund managed by Leargas Capital LLC, a specialized mortality-linked investment manager. With the ability to exercise significant influence over the Leargas Fund, this investment is accounted for under the equity method. The Leargas Fund acquires the ownership and beneficiary rights of the underlying life insurance policies through the acquisition of life settlement contracts from the owners of life insurance policies. The carrying value of the Company's equity method investment in Leargas Fund is based on the net asset value of the fund, which is based on the fair value of the underlying life settlement contracts, in the absence of readily determinable fair value. Management's fair value estimates are based on information provided by the fund manager, using an actuarial model with mortality assumptions for the underlying policies.

The carrying value of the investment was $40,316 and $43,842 at December 31, 2023 and 2022, respectively. Income from the investment is presented in share of net earnings of equity method investees in the statements of comprehensive income (loss).

Summarized financial information of the Leargas Fund as of and for the years ended December 31, 2023 and 2022 is presented below:

Summarized Balance Sheets	**2023**	**2022**
Life settlement contracts	$ 157,285	$ 155,014
Cash	4,063	4,997
Receivables	905	16,293
Payables	(995)	(940)
Life settlement net assets	$ 161,258	$ 175,364

Summarized Income Statements	**2023**	**2022**
Revenue	$ 41,938	$ 95,930
Expenses	$ (40,042)	$ (67,477)
Net income	$ 1,896	$ 28,453

The Company may provide short-term loans to the Leargas Fund, to accommodate near term liquidity needs in the acquisition of new life settlement contracts. The short-term loans bear interest at 6.00%

per annum. Interest is recognized on receipt and is included in investment earnings - net in the statements of comprehensive income (loss). During 2023 and 2022, the Company received $0 and $0, respectively of interest income for loans provided. At December 31, 2023 and 2022, no short-term loans were outstanding.

As of December 31, 2023, and 2022, the Company received distributions from the Leargas Fund of $4,000 and $19,500 respectively.

Limited Partnerships—Equity Method Investment

In December 2020, the Company entered into a co-investment structure, acquiring Clara-Pensions Group Limited (Clara), a start-up firm built to serve as a conduit to United Kingdom defined benefit pension plan buy-out transactions. WROL owns a 49.75% interest in Niederkorn Adjacent Partners S.C.Sp (a limited partnership) and a 50% interest in Niederkorn Adjacent Investments GP II S.a.r.l. (a general partnership). The limited partnership owns a majority interest in Clara's outstanding ordinary shares.

The investment in Niederkorn Adjacent Partners S.C.Sp was considered a Variable Interest Entity (VIE), however the Company is not required to consolidate Niederkorn Adjacent Partners S.C.Sp as the Company does not have the power to direct the VIE activities that most significantly impact the VIE's performance.

In September 2021, the Company recorded a reduction in the carrying value of the equity method investment based on the investee's actual operating results and shortfall of expected revenue. As a result of the reduction in carrying value, the Company recognized a loss of $14,141 for the period ended December 31, 2021 within share of net earnings of equity method investees in the statements of comprehensive income (loss). The carrying value of the investment in Niederkorn Adjacent Partners S.C.Sp was $0 as of December 31, 2021.

In December 2022, the Company converted its 49.75% interest in the limited partnership and 50% interest in the general partnership of the Niederkorn structures for GBP 10,600,000 Nominal Unsecured Senior B Interest Bearing Loan Notes (Senior B Notes) in Niederkorn Adjacent Partners S.C.Sp. No proceeds were received as a result of the conversion and no gain or loss was recognized by the Company.

Investment in Unsecured Senior B interest bearing Loan Notes

The Company received Senior B Notes in Niederkorn Adjacent Partners S.C.Sp. in December 2022 for the full conversion of its general and limited partnership interests in Niederkorn Adjacent Partners S.C.Sp and Niederkorn Adjacent Investments GP II S.a.r.l.

The Senior B Notes accrue interest at a rate of 5.00% per annum compounding annually. After 18 months and at the end of each six-month period after such date, the interest rate is increased by 0.57% up to a maximum of 9.00% per annum. The Senior B Notes can be redeemed if certain conditions are met including a (i) change in control of the partnership or (ii) a planned cash distribution to the limited partners of the partnership, provided the partnership has settled all liabilities ranking senior to the Senior B Notes.

The Company does not believe that the Senior B Notes carry any value based on the underlying financial position of the Niederkorn Adjacent Partners S.C.Sp. and the subordination of the Senior B Notes within the capital structure.

The Senior B Notes are included within Other invested assets as of December 31, 2023 with a carrying value of $0. No interest was recognized for the year ended December 31, 2023 related to the Senior B Notes.

Surplus Debentures

Surplus debentures are similar to corporate securities, but are subordinated obligations of insurance companies and may be subject to restrictions by the insurance commissioners and are considered fixed maturity securities which are classified as AFS and carried at fair value.

Cash and Cash Equivalents

The Company considers all investments purchased with a maturity at acquisition of three months or less to be cash equivalents.

Other Reinsurance Liabilities

Other reinsurance liabilities primarily include reinsurance settlements not yet paid, but which generally settle quarterly, as well as allowance for credit losses on inuring reinsurance. As of December 31, 2023, and 2022, other reinsurance liabilities includes payables of $22,037 and $13,273, respectively. As of December 31, 2023 other reinsurance liabilities also included $12,016 of allowance for credit losses on inuring reinsurance.

Income Taxes

The income tax provision is calculated under the asset and liability method on those operations that are subject to income taxes. Deferred tax assets and liabilities result from temporary differences between the carrying amounts of assets and liabilities recorded in the financial statements and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax rates would be recognized in the statement of income (loss) in the period in which the tax rate change is enacted. A valuation allowance for a portion or all of deferred tax assets is recorded as a reduction to deferred tax assets when it is more likely than not that such portion or all of such deferred tax assets will not be realized.

The Company assesses all significant tax positions to determine if a liability for an uncertain position is necessary and, if so, the impact on the current or deferred income tax balances. Also, if indicated, the Company recognizes interest or penalties related to income taxes as a component of the income tax provision.

Reserves for Future Policy Benefits

Liabilities are established for reported death benefits and estimated death benefits that have been incurred, but not yet reported (IBNR). These liabilities are based on periodic analyses of the actual reporting lag between when a claim occurs and when it is reported to the Company, including a provision for adverse deviation.

Interest Sensitive Contract Liabilities

Liabilities for interest-sensitive insurance products such as universal life are established based on account values before applicable surrender charges. Premiums collected are not reported as revenues, but as deposits to insurance liabilities. The Company recognizes revenues for these products over time in the form of investment income, policy charges for the cost of insurance, policy administration fees, and surrender fees that have been assessed against policy account balances during the period. Policy benefits and claims that are charged to expense include claims incurred in the period in excess of related policy account balances and interest credited to policy account balances. The weighted average interest-crediting rate for interest-sensitive products was 3.78% and 3.76% during 2023 and 2022, respectively.

The Company has certain in-force universal life contracts which provide a secondary guarantee, or “no-lapse guarantee,” to the policyholder. The policy can remain in-force, even if the policyholder’s account value is zero, as long as contractual secondary guarantee requirements have been met. If the policyholder’s account falls below zero, the impact of flooring the policy at zero is reported through interest credited to interest sensitive contract liabilities in the statements of comprehensive income (loss).

The costs related to these secondary guarantees are recognized over the life of the contracts through the accrual and subsequent release of a reserve which is revalued each period. The reserve is determined for any point in time equal to the accumulated value of the assessments since inception times the benefit ratio less the accumulated value of death benefits paid since inception. The benefit ratio is the present value of total death benefit payments over the life of the contract divided by the present value of total assessments over the life of the contract. Generally, total excess death benefit payments are the aggregate of death claims after the policyholder account value is exhausted. The exception is when the cost of insurance charges are insufficient to produce consistently positive earnings in the future. In this case, all death benefits are deemed to be excess death benefits.

The primary risk associated with these guarantees are that the deposits collected under these policies, together with the investment return earned on those deposits, is ultimately insufficient to pay the policyholder’s benefits and the expenses associated with issuing and administering these policies. As a result, the Company holds an additional reserve in connection with these guarantees. The change in the reserve is included in claims and policy benefits in the statements of comprehensive income.

The Company has assumed universal life policies where the ceding insurer has first ceded a portion of the risk on a Yearly Renewable Term (YRT) basis, also referred to as inuring reinsurance. The additional reserve is offset by unearned premium reserves derived from existing inuring reinsurance agreements.

US GAAP reserves for universal life products is equal to the sum of the account value, an additional reserve, and an adjustment related to the realized and unrealized gains/losses on fixed income trading securities. The amortization of trading securities is related to claims and policy benefits. The realized and unrealized gains/losses on fixed income available for sale securities are reported in other comprehensive income. During 2023, the Company refined the estimate of the reserve by identifying a portion of the additional reserve as unearned revenue, which is recognized over the lifetime of the policies in proportion to estimated gross profits (EGPs). The refinement resulted in a reduction of policy fees and charges and claims and policy benefits in 2023.

(Expressed in thousands of U.S. dollars, except share amounts)

See below table, showing the components that make up the interest sensitive contract liabilities balance at December 31, 2023 and 2022:

	2023	2022
Account value	$ 375,419	$ 375,806
Additional reserves:		
Gross additional reserves	1,102,691	1,363,958
Inuring reinsurance	(36,942)	(34,886)
Net additional reserves	1,065,749	1,329,072
Unrealized and realized losses	(116,663)	(171,637)
Unearned revenue[1]	156,983	—
Total interest sensitive contract liabilities	**$ 1,481,488**	**$ 1,533,241**

[1]Unearned revenue in 2023 is due to a refinement in actuarial estimate. The income statement impact of unearned revenue is reported in Policy Fees & Charges as an expense.

In situations where mortality profits are followed by mortality losses (PFBL), a liability is established, in addition to the account value, to recognize the portion of policy assessments that relate to benefits to be provided in the future. The calculation of these liabilities is based on management's best estimates and assumptions regarding expected mortality, lapse, persistency, expenses and investment experience, which are reviewed and unlocked at least annually if necessary. Additional liabilities are established for universal life products related to unearned policy charges. As of December 31, 2023, and 2022, the Company has passed PFBL testing with no projected losses for all years, and therefore, has not recorded an additional liability related to benefits provided in the future.

Recognition of Revenue and Expenses

Fees earned on interest sensitive insurance products are reflected as policy fees and charges, as opposed to premiums, on the statements of income (loss). The policy fees and charges, or cost of insurance (COI) revenue, settled with the ceding company is reported net of inuring reinsurance premiums provided to third parties. When there is inuring reinsurance on a YRT basis, the reported assumed premium consists of the Company's share of direct premium net of the YRT ceded premium.

The Company's assumed activity is reduced by any ceded premium for the YRT inuring reinsurance which is reflected as an adjustment against the COI. The COI amount represents the revenue the Company earns for providing mortality coverage on the policy and since the YRT ceded premium represents the costs the Company incurred to cede a portion of the mortality coverage to another company, the COI is net of the reinsured YRT premium. The Company's assumed activity for policy benefit and claims is net of YRT inuring reinsurance and is reflected in claims and policy benefits on the statements of income (loss).

Closed Block Reinsurance

Acquisitions by the Company of blocks of business in run off (i.e. where only existing policies will be renewed and new policies will not be sold), as either a reinsurance transaction or a stock purchase, are accounted for as reinsurance transactions. Results of operations only include the revenues and expenses from the effective date of acquisition of these blocks of business. The initial transfer of assets and liabilities is recorded in the balance sheet at the date of acquisition at fair value, except for the reserves for future policy benefits and value of business acquired (VOBA), which are recorded at management's best estimate. Future policy benefit reserves are established based on the present value of benefits and maintenance expense minus the present value of valuation (or net) premiums.

New Accounting Pronouncements

Changes to the accounting principles are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB Accounting Standards Codification. Accounting standard updates not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's financial statements.

ASUs Adopted During the Year Ended December 31, 2023

ASU 2016-13—Financial Instruments—Credit Losses (Topic 326): In June 2016, the FASB issued an accounting standard update which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale fixed maturity securities. For assets held at amortized cost basis, the update eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available for sale fixed maturity securities, credit losses should be measured in a manner similar to current GAAP; however, the update will require that credit losses to be presented as an allowance rather than as a write-down. The guidance is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company completed the adoption of this new standard in 2023 under the modified retrospective method and has determined its adoption impact, solely applicable to other reinsurance liabilities to its financial statements was $12,488 that was recognized in the beginning balance of retained earnings.

ASUs Issued But Not Adopted as of December 31, 2023

ASU 2023-09—Income Taxes (Topic 740): Improvements to Income Tax Disclosures - In December 2023, the FASB issued an accounting standard that amends the codification to enhance the transparency and decision usefulness of income tax disclosures. This ASU requires additional disaggregation of the reconciliation between the statutory and effective tax rate for an entity and of income taxes paid, both of which are disclosures required by current GAAP. The amendments improve the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction.

The guidance is effective for annual periods beginning after December 15, 2025. Early adoption is permitted. The Company is currently evaluating the impact of this amendment on its financial statements.

ASU 2018-12—Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts—In August 2018, the FASB issued an accounting standard update with the objective of making targeted improvements to the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The standard prescribes significant and comprehensive changes to recognition, measurement, presentation and disclosure as summarized below:

- Requires the review and if necessary, update of future policy benefit assumptions at least annually for traditional and limited pay long-duration contracts, with the recognition and separate presentation of any resulting re-measurement gain or loss (except for discount rate changes as noted below) in the income statement.

- Requires the discount rate assumption to be updated at the end of each reporting period using an upper medium grade (low-credit risk) fixed income instrument yield that maximizes the use of observable market inputs and recognizes the impact of changes to discount rates in other comprehensive income.

- Simplifies the amortization of DAC and DAC-like balances to a constant level basis over the expected term of the related contracts with adjustments for unexpected terminations, but no longer requires an impairment test for these balances.

- Requires the measurement of all market risk benefits associated with deposit (or account balance) contracts at fair value through the income statement with the exception of instrument-specific credit risk changes, which will be recognized in other comprehensive income.

- Increased disclosures of disaggregated roll-forwards of policy benefits, account balances, market risk benefits, separate account liabilities and information about significant inputs, judgments and methods used in measurement and changes thereto and impact of those changes.

In November 2020, the FASB granted a one-year date delay for the adoption of ASU 2018-12. The Company plans to adopt ASU 2018-12 on its effective date of January 1, 2025.

The Company continues to assess the impact of the standard on its reported financial statements and required disclosures. The adoption of this standard is expected to have a significant impact on the consolidated financial statements and required disclosures, as well as changes to systems, processes and controls. The Company has created a governance framework and is managing a detailed implementation plan to support timely application of the guidance. The Company is currently developing and will continue to refine key accounting policy decisions, technology solutions and internal controls until the implementation is complete.

3. CLOSED BLOCK REINSURANCE

Effective December 31, 2021, the Company reinsured a closed block of secondary guarantee universal life business from an unaffiliated insurer. The transaction is a 100% quota share indemnity coinsurance of the business for all policies not subject to third-party inuring reinsurance agreements with an unaffiliated third-party reinsurer. For all policies reinsured by the unaffiliated third-party reinsurer, the transaction is a 90% quota share indemnity coinsurance of the business to WROL.

The Company received $188,771 in cash and $1,515,867 in invested assets from the cedent.

(Expressed in thousands of U.S. dollars, except share amounts)

The initial balance sheet effect of this transaction was as follows:

Assets		
Fixed maturity securities available for sale, at estimated fair value and equity securities	$	1,493,762
Short-term investments		8,090
Policy loans		14,015
Total Investments		1,515,867
Cash and cash equivalents		188,771
Accrued investment income		5,273
Total Assets	$	1,709,911
Liabilities		
Interest sensitive contract liabilities	$	1,709,911
Total Liabilities	$	1,709,911

During 2022, pursuant to the coinsurance contract, the transaction consideration was finalized resulting in additional interest sensitive contract liabilities and cash of $25,747 transferred to WROL.

4. INVESTMENTS

Fixed maturity and Equity Securities

The amortized cost, fair value and related gross unrealized gain and loss of fixed maturity investments and preferred stock investments, as of December 31 are as follows:

(Expressed in thousands of U.S. dollars, except share amounts)

	2023				
	Amortized Cost	**Unrealized Gain**	**Unrealized Loss**	**Allowance for Credit Losses**	**Fair Value**
Fixed maturities:					
Available-for-sale[2]:					
U.S. Government and Agencies	$ 272,048	$ 562	$ (4,612)	$ —	$ 267,998
State and political subdivisions	50,840	1,806	(14)	—	52,632
Foreign sovereign	832	—	(30)	—	802
Corporate securities	717,075	27,999	(1,375)	—	743,699
Residential mortgage-backed securities	114,886	690	(2,324)	—	113,252
Commercial mortgage-backed securities	178,379	1,025	(3,160)	(2)	176,242
Asset backed securities	54,794	1,912	(66)	—	56,640
Collateralized debt obligations	32,706	864	(36)	—	33,534
Other Invested Assets (Surplus debentures and Debt portion of collateral loans)[1]	10,442	464	—	—	10,906
Total available-for-sale	1,432,002	35,322	(11,617)	(2)	1,455,705
Total fixed maturities	1,432,002	35,322	(11,617)	(2)	1,455,705
Preferred stock	10,312	6	(1,446)	—	8,872
Total fixed maturity and equity securities	$ 1,442,314	$ 35,328	$ (13,063)	$ (2)	$ 1,464,577

[1]Included in Other Invested Assets line on the Balance Sheet

[2]Effective January 1, 2023, the Company transferred its fixed income portfolio from trading to available-for-sale. With this change, the fair market value of the securities as at January 1, 2023 became the new amortized cost. The amortized cost, effective January 1, 2023 reduced by $323,735 from $1,797,568 to the fair market value of $1,473,833, with this accounting policy election. See Note 2: Summary of Significant Accounting Policies - Transfer of fixed income portfolio from trading to available for sale.

	2022				
	Amortized Cost	**Unrealized Gain**	**Unrealized Loss**	**Allowance for Credit Losses**	**Fair Value**
Fixed maturities:					
Trading:					
U.S. government and agencies	$ 387,090	$ —	$ (118,376)	$ —	$ 268,714
State and political subdivisions	59,347	190	(9,001)	—	50,536
Foreign sovereign	1,097	—	(269)	—	828
Corporate securities	887,593	2,268	(133,884)	—	755,977
Residential mortgage-backed securities	140,688	20	(28,992)	—	111,716
Commercial mortgage-backed securities	205,725	13	(22,893)	—	182,845
Asset backed securities	69,000	29	(10,093)	—	58,936
Collateralized debt obligations	47,028	10	(2,757)	—	44,281
Total trading	1,797,568	2,530	(326,265)	—	1,473,833
Total fixed maturities	1,797,568	2,530	(326,265)	—	1,473,833
Preferred stock	12,024	—	(2,350)	—	9,674
Total fixed maturity and equity securities	$ 1,809,592	$ 2,530	$ (328,615)	$ —	$ 1,483,507

(Expressed in thousands of U.S. dollars, except share amounts)

The unrealized loss and fair values by investment category and by the duration of fixed maturity securities for which an allowance for credit loss has not been recorded and equity securities in a continuous unrealized loss position at December 31 are as follows:

	Less than 12 Months		12 Months or More		Total	
At December 31, 2023	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Fixed maturities:						
Available-for-sale:						
U.S. government and agencies	$ 240,682	$ (4,612)	$ —	$ —	$ 240,682	$ (4,612)
State and political subdivisions	1,629	(14)	—	—	1,629	(14)
Foreign sovereign	802	(30)	—	—	802	(30)
Corporate securities	74,994	(1,375)	—	—	74,994	(1,375)
Residential mortgage-backed securities	85,992	(2,324)	—	—	85,992	(2,324)
Commercial mortgage-backed securities	92,254	(3,110)	—	—	92,254	(3,110)
Asset-backed securities	6,353	(66)	—	—	6,353	(66)
Collateralized debt obligations	2,506	(36)	—	—	2,506	(36)
Total available-for-sale	505,212	(11,567)	—	—	505,212	(11,567)
Total fixed maturities	505,212	(11,567)	—	—	505,212	(11,567)
Preferred stock	—	—	8,865	(1,446)	8,865	(1,446)
Total fixed maturity and equity securities	$ 505,212	$ (11,567)	$ 8,865	$ (1,446)	$ 514,077	$ (13,013)

	Less than 12 Months		12 Months or More		Total	
At December 31, 2022	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Fixed maturities:						
Trading:						
U.S. government and agencies	248,800	(113,910)	19,914	(4,466)	268,714	(118,376)
State and political subdivisions	44,522	(7,111)	6,015	(1,890)	50,537	(9,001)
Foreign sovereign	828	(269)	—	—	828	(269)
Corporate securities	743,139	(131,513)	12,838	(2,371)	755,977	(133,884)
Residential mortgage-backed securities	111,255	(28,736)	462	(256)	111,717	(28,992)
Commercial mortgage-backed securities	172,033	(20,791)	10,812	(2,102)	182,845	(22,893)
Asset-backed securities	48,267	(7,795)	10,668	(2,298)	58,935	(10,093)
Collateralized debt obligations	41,147	(2,371)	3,134	(386)	44,281	(2,757)
Total trading	1,409,991	(312,496)	63,843	(13,769)	1,473,834	(326,265)
Total fixed maturities	1,409,991	(312,496)	63,843	(13,769)	1,473,834	(326,265)
Preferred stock	9,674.00	(2,350.00)	—	—	9,674.00	(2,350.00)
Total fixed maturity and equity securities	$ 1,419,665	$ (314,846)	$ 63,843	$ (13,769)	$ 1,483,508	$ (328,615)

At December 31, 2023, there are no fixed-maturity investments classified as AFS, and for which an allowance for credit loss had not been recognized, in an unrealized loss position for 12 months or more.

At December 31, 2022, one hundred fifty-three fixed maturity investments with a total unrealized loss of $13,769 had been in an unrealized loss position for 12 months or more.

(Expressed in thousands of U.S. dollars, except share amounts)

Contractual maturities of the Company's fixed maturity securities as of December 31, 2023, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepayment obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
One year or less	$ 16,926	$ 16,940
One through five years	57,177	57,849
After five through ten years	236,770	242,835
After ten through twenty years	187,400	192,958
After twenty years	552,964	565,455
Residential mortgage-backed securities	114,886	113,252
Commercial mortgage-backed securities	178,379	176,242
Asset-backed securities	54,794	56,640
Collateralized debt obligations	32,706	33,534
Total fixed maturity securities	$ 1,432,002	$ 1,455,705

Credit ratings of the Company's fixed maturity securities as of December 31 are shown below. Ratings are assigned by Standard & Poor's Corporation, Moody's Investors Service or Fitch Ratings. The ratings assigned may not be accurate predictors of credit losses.

	2023		2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
AAA	$ 102,582	$ 102,576	$ 696,384	$ 530,148
AA	556,080	554,260	143,890	123,138
A	362,631	372,011	442,524	380,633
BBB	398,123	414,639	509,520	435,211
BB	11,231	10,752	4,519	4,112
B	1,307	1,417	731	591
CCC or lower and unrated	48	50	—	—
Total fixed maturities	$ 1,432,002	$ 1,455,705	$ 1,797,568	$ 1,473,833

The Company's largest five exposures by issuer as of December 31, 2023, were Tcfc Pc Leaseco LP, Oracle Corporation, Comcast Corporation, Berkshire Hathaway Inc., and JPMorgan Chase & Co., each of which comprised less than 0.7%, and in aggregate comprised 3.3%, of total investments.

The Company's largest five exposures by issuer as of December 31, 2022, were United States Treasuries, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Farm Credit System, and JP Morgan Chase & Co, each of which comprised less than 14.5%, and in aggregate comprised 27.5%, of total investments.

(Expressed in thousands of U.S. dollars, except share amounts)

Investment Earnings—Net

Major sources and related amounts of investment earnings - net are as follows:

	2023	2022
Fixed maturity and equity securities	$ 83,967	$ 53,530
Policy loans	885	868
Short-term investments and cash and cash equivalents	1,048	225
Other invested assets	526	542
Investment income	86,426	55,165
Investment expenses	(1,564)	(1,710)
Investment income—net	84,862	53,455
Realized gains on fixed maturity securities classified as AFS	788	719
Realized gains on all other investments	—	—
Realized losses on fixed maturity securities classified as AFS	(612)	(112,747)
Realized losses on all other investments	(1,711)	(28)
Investment earnings—net	$ 83,327	$ (58,601)

The proceeds from sales of fixed maturities AFS securities for the year ended December 31, 2023 was $54,698.

Policy Loans

Policy loans comprised approximately 0.9% and 0.9% of the Company's investments as of December 31, 2023 and 2022, respectively. These policy loans present minimal credit risk because the amount of the loan cannot exceed the obligation due the ceding company or the policyholder upon the death of the insured or surrender of the underlying policy. The provisions of the underlying policies determine the policy loan interest rates. Because policy loans represent premature distributions of policy liabilities, they have the effect of reducing future disintermediation risk. In addition, the Company earns a spread between the interest rate earned on policy loans and the interest rate credited to corresponding liabilities.

5. CONCENTRATION OF CREDIT RISK

As of December 31, 2023 and 2022, all of the Company's cash and cash equivalents were held in three financial institutions that the Company considers to be of high quality.

The life settlement contracts in the Leargas Fund are exposed to insurance carriers that the Company considers to be of high quality. As of December 31, 2023 and 2022, the top 5 insurance carriers accounted for 33.3% and 39.6%, respectively, of aggregate death benefits of the life settlement contracts.

(Expressed in thousands of U.S. dollars, except share amounts)

6. REINSURANCE ASSUMED

Reinsurance treaties do not relieve the Company from its obligations to counterparties. Failure of reinsurers to honor their obligations could result in losses to the Company. Expected credit losses recognized in the allowance for credit loss for the period along with the changes thereof from the prior period related to reinsurance recoverable balances and inuring reinsurance exposures are:

	2023	2022
Balance, beginning of period	—	—
Cumulative adjustment for adoption of credit loss accounting standard	12,488	—
Provision for credit losses	—	—
Write-offs	(473)	—
Balance, end of period	12,015	—

Inuring Reinsurance

Approximately 35% of gross inforce value of assumed block is ceded to third-party reinsurers on a YRT basis. The Company has materially mitigated exposure to YRT reinsurance risk except for liquidation or rehabilitation of other reinsurers. The average rating of these reinsurers is A+.

	2023	2022
Gross inforce value of assumed block	$ 4,586,472	$ 4,935,091
Inforce value subject to inuring reinsurance	$ (1,523,790)	$ (1,800,697)
Assumed inforce value	$ 3,062,682	$ 3,134,394

Reinsurance recoverables are presented net of the allowance for credit losses and the allowance for credit loss on inuring reinsurance exposures is presented as a standalone liability within Other reinsurance liabilities on the balance sheet. Changes in the allowance for credit losses are reported in Claims and policy benefits on the statements of comprehensive income (loss). Reinsurance recoverables deemed uncollectible are charged against the allowance for credit losses.

7. CLAIMS AND POLICY BENEFITS

The components of claims and policy benefits as reported on the statement of comprehensive income (loss) for the years ended December 31 are as follows:

(Expressed in thousands of U.S. dollars, except share amounts)

	2023	2022
Change in additional reserves	$ (263,221)	$ (25,231)
Change in IBNR	$ (16,778)	$ 27,029
Claims Paid	$ 135,797	$ 88,674
Surrenders	$ (350)	$ (11)
Provision for credit loss - recoverables	$ (473)	$ —
Realized/unrealized amortization on additional reserves[1]	$ 47,857	$ (171,637)
Claims and policy benefits	$ (97,168)	$ (81,176)

[1]The realized/unrealized amortization on additional reserves is an adjustment related to the realized and unrealized gains/losses on fixed income trading securities.

8. INCOME TAXES

Under prior Bermuda law, the Company was not required to pay taxes in Bermuda on income or realized capital gains. The Company had received an undertaking from the Minister of Finance in Bermuda that, in the event of any taxes being imposed, the Company would be exempt from taxation in Bermuda until March 2035.

The Corporate Income Tax 2023 was enacted in Bermuda on December 27, 2023. Following a five-year exclusion period, the Company expects to be subject to the new tax regime starting from January 1, 2030, at a rate of 15% reduced by creditable foreign taxes. A net deferred tax asset of approximately $37,148 related to transition tax adjustments has been calculated using the enacted rate for temporary differences that will be reversed once the regime comes into effect.

Income tax benefit attributable to deferred tax on the transition tax adjustment for the years ended December 31, 2023 and 2022, is as follows:

	2023	2022
Current tax expense (benefit)	$ —	$ —
Deferred tax (benefit) expense	(37,148)	—
Income tax (benefit) expense	$ (37,148)	$ —

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities at December 31, 2023 and 2022, are presented in the following table:

	2023	2022
Deferred income tax assets:		
Bermuda Economic Transition Tax Adjustment	37,148	—
Total deferred tax assets	37,148	—
Deferred income tax liabilities:		
Total deferred tax liabilities	—	—
Valuation allowance	—	—
Net deferred tax asset	$ 37,148	$ —

The Company has operated in a manner so that it should be treated as not being engaged in a US trade or business or otherwise subject to US tax. However, because definitive identification of activities which constitute being engaged in a trade or business in the US is not provided by the Internal Revenue Code of 1986, regulations or court decisions, there can be no assurance that the Internal Revenue Service will not contend that the Company is engaged in a US trade or business or otherwise subject to taxation. If the Company was considered to be engaged in a trade or business in the US, the Company could be subject to the US tax at regular corporate tax rates on its taxable income, if any, that is effectively connected with the US trade or business plus an additional 30% branch profits tax on such income remaining, if any, after regular corporate taxes, in which case, there could be a significant adverse effect on the Company's results of operations and its financial condition.

9. STATUTORY REQUIREMENTS AND DIVIDEND RESTRICTIONS

The Company is subject to insurance laws and regulations of Bermuda by the Bermuda Monetary Authority (BMA). These regulations include restrictions that limit the amount of dividends or other distributions available to shareholders without prior approval of the insurance regulatory authorities.

Under Bermuda law, the following statutory conditions must all be met prior to a distribution to shareholders:

1. The value of the assets backing the Company's insurance liabilities, as certified by the Company's approved actuary, must be greater than the Company's reserves (also certified) after the distribution (Insurance Act, Section 24);
2. Company must be solvent after payment of the dividend, i.e. the realizable value of its assets must be greater than its liabilities (Companies Act, Section 54);
3. BMA approval is required for dividends exceeding 25% of the Company's statutory capital and surplus, per its previous year's statutory balance sheet (Insurance Act, Section 31B);
4. BMA approval is required for any distribution exceeding 15% of the Company's statutory capital, per its previous year's statutory financial statements (Insurance Act, Section 31C); and,
5. After the distribution, the Company's capital must be above regulatory margins (Insurance Act, Sections 31B and 31C).

The Company is to obtain the BMA prior approval before paying any dividends based on Statutory Financials modifications approved under Section 6C(1) of the Insurance Act 1978.

10. RELATED PARTY TRANSACTIONS

The Company is party to Service Agreements with affiliates, Wilton Re Services, Inc., (Wilton Services) and Wilton Reinsurance Bermuda Ltd. (WREB). Under both agreements, Wilton Services and WREB provides certain accounting, actuarial and administrative services to the Company (the Services Agreements). During 2023 and 2022, the Company incurred $4,545 and $3,193, respectively, of expenses for these services. Amounts payable to affiliates of $2,428 and $1,707 at December 31, 2023 and 2022, respectively, were primarily related to the Services Agreements recorded in other liabilities on the balance sheet.

11. SHAREHOLDERS' EQUITY

Authorized Shares

Upon incorporation, the Company issued 250,000 common shares at $1.00 per share for a total of $250,000.

Dividends

On November 30, 2023, the Company declared a dividend of $65,000 payable to its shareholder WRL. The dividend was paid using cash on December 15, 2023.

12. COMMITMENTS AND CONTINGENCIES

Collateral Arrangements

The Company is required as a result of specific contractual undertakings, to maintain amounts in trust to secure performance of contract liabilities. This arrangement includes a trust maintained in connection with the indemnity reinsurance contract noted in Note 3 – Closed Block Reinsurance. The Company retains investment management responsibility for these collateral assets subject to compliance with agreed investment guidelines. The aggregate market value of investments maintained by the Company pursuant to this arrangement as of December 31, 2023 and 2022, was $1,237,328 and $1,226,179, respectively.

Legal Proceedings

In the normal course of business, the Company is involved in litigation, principally from claims made under insurance policies and contracts. The ultimate disposition of such litigation is not expected to have a material adverse effect on the Company's financial condition, liquidity or results of operations. At the current time the Company is not a party to any pending litigation.

Capital Maintenance Agreement

Effective April 5, 2019, the Company entered into a Capital Maintenance Agreement (CMA) with WRL. Under the CMA terms, WRL agrees to maintain in the Company, "Available Statutory Economic Capital and Surplus" in excess of 125% of its "Enhanced Capital Requirement" at all times as defined in the Insurance (Prudential Standards) (Class C, D and Class E Solvency Requirement) Rules 2011, up to an aggregate amount of $100,000.

13. FAIR VALUE

The Company has categorized its assets and liabilities recorded at fair value, based on the priority of the inputs to the valuation technique, into a three-level hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded at fair value on the balance sheet are categorized as follows:

Level 1 Unadjusted quoted prices for identical assets or liabilities in an active market.

The types of financial investments included in Level 1 are listed equities, mutual funds, money market funds, US Treasury Securities and non-interest bearing cash. listed equities, mutual funds, money market funds, US Treasury Securities and non-interest-bearing cash.

Level 2 Pricing inputs other than quoted prices in active markets which are either directly or indirectly observable as of the reporting date, and fair value determined through the use of models or other valuation methods. Such inputs may include benchmarking prices for similar assets in active, liquid markets, quoted prices in markets that are not active and observable yields and spreads in the market. Level 2 valuations may be obtained from independent sources for identical or comparable assets or through the use of valuation methodologies using observable market-corroborated inputs. Prices from third-party pricing services are validated through analytical reviews.

The types of financial instruments included in Level 2 include publicly traded issues such as US and foreign corporate securities, residential and commercial mortgage-backed securities, and preferred stocks among others.

Level 3 Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. They reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability. Market standard techniques for determining the estimated fair value of certain securities that trade infrequently may rely on inputs that are not observable in the market or cannot be derived from or corroborated by market observable data. Prices are determined using valuation methodologies such as discounted cash flow models and other techniques. Management believes these inputs are consistent with what other market participants would use when pricing similar assets.

The types of financial investments included in Level 3 include privately placed fixed maturities.

(Expressed in thousands of U.S. dollars, except share amounts)

Recurring Fair Value Measurements

The assets and liabilities measured at fair value on a recurring basis and their placement in the fair value hierarchy are summarized below at:

December 31, 2023	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Invested assets:				
U.S. government and agencies	267,998	211,979	56,019	—
State and political subdivisions	52,632	—	52,632	—
Foreign sovereign	802	—	802	—
Corporate securities	743,699	—	729,645	14,054
Residential mortgage-backed securities	113,252	—	113,252	—
Commercial mortgage-backed securities	176,242	—	176,242	—
Asset-backed securities	56,640	—	56,640	—
Collateralized debt obligations	33,534	—	33,534	—
Total fixed maturities	1,444,799	211,979	1,218,766	14,054
Preferred stock	8,872	—	8,872	—
Total fixed maturity and equity securities	1,453,671	211,979	1,227,638	14,054
Other invested assets [1]	10,906	—	10,906	—
Total	$ 1,464,577	$ 211,979	$ 1,238,544	$ 14,054

[1]Component of Other invested assets not measured at fair value on a recurring basis is equity method investment life settlement contracts of $40,316.

December 31, 2022	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Invested assets:				
U.S. government and agencies	268,714	214,543	54,171	—
State and political subdivisions	50,536	—	50,536	—
Foreign sovereign	828	—	828	—
Corporate securities	755,978	—	741,558	14,420
Residential mortgage-backed securities	111,716	—	111,716	—
Commercial mortgage-backed securities	182,845	—	182,845	—
Asset-backed securities	58,935	—	58,935	—
Collateralized debt obligations	44,281	—	44,281	—
Total fixed maturities	1,473,833	214,543	1,244,870	14,420
Preferred stock	9,674	—	9,674	—
Total fixed maturity and equity securities	1,483,507	214,543	1,254,544	14,420
Other invested assets [1]	10,386	—	10,386	—
Total	$ 1,493,893	$ 214,543	$ 1,264,930	$ 14,420

[1]Component of Other invested assets not measured at fair value on a recurring basis is equity method investment life settlement contracts of $43,842.

Fixed Maturity and Equity Securities

Publicly traded fixed maturity securities included in fixed maturity and equity securities are valued based on quoted market prices or broker prices. Private placement securities included in fixed maturity and equity securities are valued based on the credit quality and duration of marketable securities deemed comparable by the Company's investment advisor, which may be of another issuer. In some cases, discounted cash flow analysis may be used.

U.S. Government and Agencies, State and Political Subdivisions, Foreign Sovereign and Corporate Securities

US Treasury securities, which trade based on quoted prices for identical assets in an active market, are included in Level 1.

The fair value of Level 2 bonds and securities is predominantly priced by third-party pricing services and broker quotes. Their pricing models typically utilize the following inputs: principal and interest payments, treasury yield curve, credit spreads from new issue and secondary trading markets, early redemption or call features, benchmark securities and reported trades.

Level 3 bonds and securities primarily represent investments in privately placed bonds, credit tenant loans and other less liquid corporate and municipal bonds for which prices are not readily available. To determine a fair value, the Company may rely on modeling for market valuation using both observable and unobservable inputs. These inputs are entered into industry standard pricing models to determine the final price of the security. These inputs typically include: projected cash flows, discount rate, industry sector, underlying collateral, credit quality of the issuer, maturity, embedded options, recent new issuance, comparative bond analysis, and seniority of debt.

The extent of the use of each market input depends on the asset class, market conditions and the relevant market data available. Depending on the security, these inputs may change, some market inputs may not be relevant or additional inputs may be necessary.

The fair value of corporate bonds classified as Level 3 is sensitive to changes in the interest rate spread over the corresponding US Treasury rate. This spread represents a risk premium that is affected by company-specific and market factors. An increase in the spread can be caused by a perceived increase in credit risk of a specific issuer and/or an increase in the overall market risk premium associated with similar securities.

Mortgage-Backed Securities, Asset-Backed Securities and Collateralized Debt Obligations

This category consists of residential mortgage-backed securities, commercial mortgage-backed securities, and other asset-backed securities, such as credit card and automobile receivables, home equity loans, manufactured housing bonds and collateralized debt obligations. Level 2 securities are priced from information provided by third-party pricing services and independent broker quotes. For mortgage-backed and asset-backed securities, valuation is based primarily on matrix pricing or other similar techniques using standard market inputs including spreads for actively traded securities, spreads off benchmark yields, expected prepayment speeds and volumes, current and forecasted loss severity, credit rating, weighted average coupon, weighted average maturity, average delinquency rates, geographic region, debt-service coverage ratios and issuance-specific information including, but not limited to: collateral type, payment terms of the underlying assets, payment priority within the tranche, structure of the security, deal performance, vintage of loans and insurance guarantees.

The Company has included mortgage-backed and asset-backed securities with less liquidity in Level 3, these securities are primarily privately placed transactions with little transparency to the market or other securities with limited or inactive trading markets. Significant inputs cannot be derived principally from or corroborated by observable market data. The significant unobservable inputs used in the fair value measurement of these securities typically include: discounted cash flows, credit rating of issuer, debt coverage ratios, type and quality of underlying collateral, prepayment rates, probability of default and loss severity in the event of default.

Included in the pricing of mortgage-backed and asset-backed securities are estimates of the rate of future prepayments of principal over the remaining life of the securities. Such estimates are derived based on the securities' underlying structure and rates of prepayments previously experienced at the interest rate levels projected for the underlying collateral. Changes in significant inputs used in the fair value measurement, such as the paydown rate (the projected annual rate of principal reduction), may affect the fair value of the securities. For example, a decrease in the paydown rate would increase the projected weighted average life and increase the sensitivity of the fair value to changes in interest rates.

Preferred Stock

The fair values of preferred stocks are primarily based upon quoted market prices in active markets and are classified within Level 1 in the fair value hierarchy. The fair values of preferred stocks, for which quoted market prices are not readily available, are based on prices obtained from independent pricing services and are generally classified within Level 2 in the fair value hierarchy. Privately placed transactions with little transparency to the market or other equities with limited or inactive trading markets may rely on modeling for market valuation using both observable and unobservable inputs. These are generally classified within Level 3 in the fair value hierarchy.

Other Invested Assets

Surplus Debentures

Surplus debentures are similar to corporate securities. The fair values of surplus debentures are primarily based on prices obtained from independent pricing services or may be obtained from independent third-party dealers in the absence of quoted market prices. They are generally classified within Level 2 in the fair value hierarchy.

Changes of Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company obtains its Level 3 fair value measurements from independent, third-party pricing sources. The Company does not develop the significant inputs used to measure the fair value of these assets and liabilities, and the information regarding the significant inputs is not readily available to the Company. Independent broker-quoted fair values are non-binding quotes developed by market makers or broker-dealers obtained from third-party sources recognized as market participants. The fair value of a broker-quoted asset or liability is based solely on the receipt of an updated quote from a single market maker, or a broker-dealer recognized as a market participant as the Company does not adjust broker quotes when used as the fair value measurement for an asset or liability. In addition, some prices are determined based on discounted cash flow models.

The Company's policy is to recognize transfers into and out of levels within the fair value hierarchy at the end of the period in which the actual event or change in circumstances that caused the transfer occurs.

(Expressed in thousands of U.S. dollars, except share amounts)

For all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3), the following table presents select activity for the years ended December 31, 2023 and 2022:

	2023			2022		
Invested Assets	**Purchases**	**Transfer Into**	**Transfer Out of**	**Purchases**	**Transfer Into**	**Transfer Out of**
Corporate securities	—	—	—	17,656	—	—
Asset-backed securities	—	—	—	—	—	(252)
Total invested assets	$ —	$ —	$ —	$ 17,656	$ —	$ (252)

14. SUBSEQUENT EVENTS

The Company has evaluated the impact of subsequent events through April 25, 2024, representing the date at which the consolidated financial statements were available to be issued.

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