



Aspida Life Re Ltd.

Financial Statements

December 31, 2023 and 2022

With Report of Independent Auditors

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Report of Independent Auditors

The Board of Directors
Aspida Life Re Ltd.

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company 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 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 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 Ltd.

Hamilton, Bermuda
April 24, 2024

Aspida Life Re Ltd.

Balance Sheets
December 31, 2023 and December 31, 2022

(Expressed in thousands USD)

	December 31,	
	2023	2022
ASSETS		
Investments:		
Fixed maturity securities, available for sale, at fair value (amortized cost of \$934,052 at December 31, 2023 and \$208,985 at December 31, 2022)	\$ 940,039	\$ 195,102
Funds withheld at interest (portion at fair value: 2023 - \$(280,971) and 2022 - \$(523,755))	8,329,558	4,888,510
Investment funds	2,903	—
Short-term investments	3,964	—
Derivative assets	61,907	34,348
Total investments	<u>9,338,371</u>	<u>5,117,960</u>
Cash and cash equivalents	146,163	91,027
Restricted cash and cash equivalents	5,535	49,425
Accrued investment income	11,792	1,650
Reinsurance recoverable	218,334	296,376
Deferred policy acquisition costs and value of business acquired	227,197	196,960
Deferred sales inducements	1,852	4,900
Deferred tax asset	17,886	—
Other assets	2,071	2,164
Total Assets	<u><u>9,969,201</u></u>	<u><u>5,760,462</u></u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Interest sensitive contract liabilities (portion at fair value: 2023- \$264,756, and 2022 - \$223,916)	\$ 9,307,636	\$ 5,643,584
Future policy benefits	79,622	57,604
Payables for reinsurance	50,726	29,600
Ceding commission payable	54,946	61,412
Payable to affiliates and related parties	14,439	14,282
Payable for securities	1,347	1,666
Other liabilities	1,916	4,033
Total liabilities	<u><u>9,510,632</u></u>	<u><u>5,812,181</u></u>
Shareholder's Equity:		
Common stock (\$1.00 par value, 375 shares authorized, 375 shares issued and outstanding at December 31, 2023 and 2022)	375	375
Additional paid-in-capital	730,685	417,007
Accumulated other comprehensive income (loss)	2,829	(13,880)
Retained deficit	(275,320)	(455,221)
Total shareholder's equity (deficit)	<u><u>458,569</u></u>	<u><u>(51,719)</u></u>
Total Liabilities and Shareholder's Equity	<u><u>\$ 9,969,201</u></u>	<u><u>\$ 5,760,462</u></u>

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

Aspida Life Re Ltd.

**Statements of Operations and Comprehensive Income (Loss)
For the years ended December 31, 2023 and December 31, 2022**

(Expressed in thousands USD)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Revenues:		
Product charges	\$ 22,056	\$ 16,032
Net investment income	38,425	3,534
Investment related gains (losses)	602,966	(455,799)
Total revenues	663,447	(436,233)
Benefits and expenses:		
Interest sensitive contract benefits	311,641	(23,183)
Future policy and other policy benefits	22,092	26,000
Amortization of deferred sales inducements	3,123	443
Amortization of deferred acquisition costs and value of business acquired	105,575	(8,336)
Policy and other operating expenses	55,716	27,565
Total benefits and expenses	498,147	22,489
Net income (loss) before income taxes	\$ 165,300	\$ (458,722)
Deferred income tax benefit	(17,886)	—
Net income (loss)	\$ 183,186	\$ (458,722)
Statements of Comprehensive Income (Loss)		
Net income (loss)	183,186	(458,722)
Unrealized gain (loss) on available-for-sale securities	16,709	(13,547)
Other comprehensive income (loss)	16,709	(13,547)
Comprehensive income (loss)	\$ 199,895	\$ (472,269)

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

Aspida Life Re Ltd.

**Statement of Shareholder's Equity (Deficit)
For the years ended December 31, 2023 and December 31, 2022**

(Expressed in thousands USD)

	Common Stock	Additional Paid-in-Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive (Loss) Income	Total Shareholder's Equity (Deficit)
Balance at December 31, 2021	\$ 375	\$ 257,007	\$ 3,501	\$ (333)	\$ 260,550
Net loss	—	—	(458,722)	—	(458,722)
Other comprehensive loss	—	—	—	(13,547)	(13,547)
Capital contributions received	—	160,000	—	—	160,000
Balance at December 31, 2022	375	417,007	(455,221)	(13,880)	(51,719)
Net income	—	—	183,186	—	183,186
Other comprehensive income	—	—	—	16,709	16,709
Capital contributions received	—	313,678	—	—	313,678
Adoption of ASU 2016-13	—	—	(3,285)	—	(3,285)
Balance at December 31, 2023	\$ 375	\$ 730,685	\$ (275,320)	\$ 2,829	\$ 458,569

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

Aspida Life Re Ltd.

**Statements of Cash Flows
For the years ended December 31, 2023 and December 31, 2022**

(Expressed in thousands USD)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Cash flows from operating activities		
Net income (loss)	\$ 183,186	\$ (458,722)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of deferred acquisition costs and value of business acquired	115,798	(8,336)
Amortization of deferred sales inducements	3,123	443
Net amortization of net investment premiums, discounts and other	(3,298)	391
Payment from reinsurance agreements, net	—	6,824
Net recognized (gains) losses on investments and derivatives	(25,111)	31,306
Policy acquisition costs deferred	(150,652)	(81,726)
Change in operating assets and liabilities:		
Funds withheld receivable at fair value	(656,764)	548,746
Reinsurance recoverable	244	(264,890)
Change in tax assets	(17,886)	—
Other assets	93	(1,025)
Interest sensitive contract liabilities	976,840	205,103
Future policy benefits	22,018	25,112
Payables for reinsurance	(6,516)	18,902
Payable to affiliates and related parties	41,034	9,248
Other liabilities	(2,117)	1,856
Net cash provided by operating activities	479,992	33,232
Cash flows from investing activities		
Sales, maturities, and repayments of:		
Available-for-sale securities	8,274	7,833
Derivative instruments and other investment assets	25,319	31,695
Short-term investments	999	—
Purchases of:		
Available-for-sale securities	(741,663)	(154,905)
Derivative instruments and other investment assets	(26,686)	(26,736)
Short term investments	(4,906)	—
Investment funds	(2,903)	—
Other investing activities, net	19	11,071
Net cash used in investing activities	(741,547)	(131,042)
Cash flows from financing activities		
Capital contributions	272,801	160,000
Net cash provided by financing activities	272,801	160,000
Net increase in cash and cash equivalents	11,246	62,190
Cash and cash equivalents at beginning of period ⁽¹⁾	140,452	78,262
Cash and cash equivalents at end of period ⁽¹⁾	\$ 151,698	\$ 140,452
Supplementary Information		
Non-Cash Transactions		
Deposits on investment-type policies and contracts through reinsurance agreements	\$ 3,263,569	\$ 2,483,579
Withdrawals on investment-type policies an contracts through reinsurance agreements	574,972	268,615
Ceding commission on reinsurance agreements	—	54,588
Market value of hedges held as part of reinsurance agreements	—	1,735
Adoption of ASU 2016 -13	3,285	—
Non-cash capital contributions	40,877	—

(1) - Cash and cash equivalents includes restricted cash and cash equivalents

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

Aspida Life Re Ltd.
Notes to the Financial Statements

Note 1. Description of Business

Aspida Life Re Ltd. (“We”, the “Company” or “Aspida Re”), a Bermuda domiciled company, is a wholly owned subsidiary of Aspida Holdings Ltd., an indirect subsidiary of Ares Management Corporation (“Ares”). Aspida Re provides third party reinsurance solutions covering a variety of products including fixed, deferred and pay-out annuities.

The Company registered with the Bermuda Monetary Authority (the “BMA”) as a Class E long-term insurer from a Class C reinsurer on December 18, 2020, under the Insurance Act 1978 of Bermuda.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Use of Estimates – The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments when facts and circumstances dictate. These estimates are based on information available as of the date of the financial statements therefore; actual results could differ from those estimates and assumptions.

Our principal estimates impact:

- The fair value of investments;
- Impairment of investments and allowances for expected credit losses;
- Valuation of derivatives, including embedded derivatives;
- Deferred acquisition costs (“DAC”), deferred sales inducements (“DSI”) and value of business acquired (“VOBA”);
- Future policy benefit reserves;
- Interest sensitive contracts; and
- Valuation of deferred tax assets.

Investments – Fixed Maturity Securities – Fixed maturity securities include U.S. government and corporate bonds, commercial mortgage-backed securities (“CMBS”), residential mortgage-backed securities (“RMBS”) and asset-backed securities (“ABS”). We classify fixed maturity securities as available-for-sale (“AFS”) at the time of purchase and subsequently carry them at fair value. Fair value hierarchy and valuation methodologies are discussed in *Note 5 – Fair Value. Classification* is dependent on a variety of factors including our expected holding period, election of the fair value option and asset and liability matching.

AFS Securities – All of the Company’s fixed-maturity securities are classified as AFS and reported at fair value on the Balance Sheets with unrealized gains and losses, net of allowances for expected credit losses, tax and adjustments to DAC, DSI and VOBA and future policy benefits, if applicable, in accumulated other comprehensive income (loss) (“AOCI”) on the Balance Sheets. Sales of securities are determined on a specific identification basis. Interest income is recognized when earned using an effective yield method based on the economic life of the securities, giving effect to amortization of premium and accretion of discount. The amortization of premium and accretion of discount also takes into consideration call and maturity dates.

We typically record these transactions on a trade date basis, with any unsettled trades presented within other assets or other liabilities on the Balance Sheets. Bank loans, investment funds, and private placements are recorded on a settlement date basis.

Funds Withheld at Interest – Funds withheld at interest represents a receivable for amounts contractually withheld by ceding companies in accordance with funds withheld (“FWH”) and modified coinsurance (“MODCO”) reinsurance agreements in which the Company acts as reinsurer. Generally, assets equal to

Note 2. Summary of Significant Accounting Policies (Continued)

statutory reserves are withheld and legally owned by the ceding company. Any excess or shortfall is settled periodically as detailed within each reinsurance agreement. Although the assets in funds withheld are legally owned by the ceding company, the assets are held separately from the general account of the cedants and all economic rights and obligations on the assets accrue to the Company. The underlying agreements typically contain embedded derivatives as discussed below.

Investment Funds – We invest in certain non-fixed income, alternative investments in the form of limited partnerships or similar legal structures (investment funds). For investment funds in which we do not hold a controlling financial interest, and therefore are not required to consolidate, we typically account for these investments using the equity method, where the cost is recorded as an investment in the fund. Adjustments to the carrying amount reflect our pro rata ownership percentage of the operating results as indicated by net asset value (“NAV”) in the investment fund financial statements, which can be on a lag of up to three months when investee information is not received in a timely manner. We record our proportionate share of investment fund income within net investment income on the Statements of Operations and Comprehensive Income (Loss). Contributions paid or distributions received by us are recorded directly to the investment fund balance as an increase to carrying value or as a return of capital, respectively.

Short-term Investments – Short-term investments consist of financial instruments with maturities of greater than three months but less than twelve months when purchased. Short-term debt securities are accounted for as AFS consistent with our policies for those investments. Fair values are determined consistent with methodologies described in *Note 5 – Fair Value* for the respective investment type.

Investment Income – We recognize investment income as it accrues or is legally due. Investment income on fixed maturity securities includes coupon interest, as well as the amortization of any premium and the accretion of any discount. Realized gains and losses on sales of investments are included in investment related gains (losses) on the Statements of Operations and Comprehensive Income (Loss). Investment expenses are included in investment related gains and losses on the Statements of Operations and Comprehensive Income (Loss). Realized gains and losses on investments sold are determined based on a specific identification method.

Credit Losses – Reinsurance Recoverables – We establish an allowance for expected credit losses at the time of purchase or acquisition for assets in scope, primarily composed of the Company’s reinsurance assets. The allowance for expected credit losses represents the portion that we do not expect to collect due to credit losses over the asset’s contractual life, considering past events, current conditions, and reasonable and supportable forecasts of future economic conditions.

We use a quantitative probability of default and loss given default methodology to develop our estimate of expected credit loss. We develop the estimate individually at the inception of the reinsurance agreement as each contract is with an individual ceding insurer that have different sizes and financial conditions, with different terms and contract maturities. In addition, each counterparty has its own credit risk characteristics. Allowance estimates are highly dependent on expectations of future economic conditions and macroeconomic forecasts, which involve significant judgment and subjectivity. We use quantitative methods to develop the allowance for expected credit losses. Key inputs into the model include data pertaining to the insurer’s history of reinsurer default rates and associated issuer credit ratings. Additionally, the model incorporates management’s expectations around future economic conditions and macroeconomic forecasts over a reasonable and supportable forecast period. These inputs are subject to a review process by management. Management also considers qualitative adjustments to the model output to the extent that any relevant information regarding the collectability of the asset is available and not already considered in the quantitative model.

The initial allowance for the Company’s reinsurance recoverables at January 1, 2023 was \$3.3 million and recorded through retained deficit on the Balance Sheets and recognized as adoption of ASU 2016-13 on the Statement of Shareholder’s Equity (Deficit). Subsequent changes in the allowance are recorded through the provision for credit losses within interest sensitive contract liabilities on the Statements of Operations and Comprehensive Income (Loss). For the year ended December 31, 2023 the Company recorded a benefit of

Note 2. Summary of Significant Accounting Policies (Continued)

\$0.8 million to the provision for credit losses. Upon determining that all or a portion of the asset is uncollectible, which is generally when all efforts for collection are exhausted, the amortized cost is written off against the existing allowance. Any write off in excess of the existing allowance is recorded through the provision for credit losses within interest sensitive contract liabilities on the Statements of Operations and Comprehensive Income (Loss). For the year ended December 31, 2023, there were no amounts determined to be uncollectible.

Credit Losses – Available-for-Sale Securities – We evaluate AFS securities with a fair value that has declined below amortized cost to determine how the decline in fair value should be recognized. If we determine, based on the facts and circumstances related to the specific security, that we intend to sell a security or it is more likely than not that we would be required to sell a security before the recovery of its amortized cost, any existing allowance for expected credit losses is reversed and the amortized cost of the security is written down to fair value. If neither of these conditions exist, we evaluate whether the decline in fair value has resulted from a credit loss or other factors.

For structured AFS securities, before performing a detailed quantitative present value of expected cash flows calculation, the Company first determines whether a security's potential credit loss could be material to the Company's financial condition and results given the cost/benefit principle. As such, any structured AFS debt securities meeting or exceeding established materiality thresholds are evaluated for potential credit losses using a quantitative present value of expected cash flows assessment. All other unrealized losses on structured AFS debt securities are recorded within other comprehensive gain, as any potential credit losses are deemed immaterial.

A structured security's cash flow estimates are based on security-specific facts and circumstances that may include collateral characteristics, expectations of delinquency and default rates, loss severity, prepayments and structural support, including subordination and guarantees. The expected cash flows are discounted at the effective interest rate implicit to the security at the date of purchase or the current yield to accrete a structured security. For securities with a contractual interest rate that varies based on changes in an independent factor, such as an index or rate, the effective interest rate is calculated based on the factor as it changes over the life of the security. Inherently under the discounted cash flow model, both the timing and amount of expected cash flows affect the measurement of the allowance for expected credit losses.

For non-structured AFS securities, the Company completes a qualitative assessment based on whether the security is in an unrealized loss in greater than 20% of the security's book value or if the security's external credit rating has been downgraded below an A credit rating (using S&P rating system or its equivalent) since the prior reporting period and is in a 10% or greater unrealized loss position. If upon completion of this analysis it is determined that a potential credit loss exists, an allowance for expected credit losses is established equal to the amount by which the present value of expected cash flows is less than amortized cost, limited by the amount by which fair value is less than amortized cost. A non-structured security's cash flow estimates are derived from scenario-based outcomes of expected corporate restructurings or the disposition of assets using security-specific facts and circumstances including timing, security interests and loss severity. The allowance for expected credit losses is remeasured each period for the passage of time, any change in expected cash flows, and changes in the fair value of the security. All impairments, whether intent or requirement to sell or credit-related, are recorded through a charge to the provision for credit losses within investment related gains (losses) on the Statements of Operations and Comprehensive Income (Loss). All changes in the allowance for expected credit losses are recorded through the provision for credit losses within investment related gains (losses) on the Statements of Operations and Comprehensive Income (Loss). The allowance is never reversed to a negative amount and is limited by the amount that fair value is less than the amortized cost basis.

The Company has elected not to measure an allowance for credit losses or impairment on its accrued interest. Rather, the Company writes off uncollectible accrued interest receivable once it is more than 90 days past due through credit loss expense in investment related gains (losses). For the year ended December 31, 2023, the Company did not record any allowance for credit losses related to AFS securities. The Company recognized

Note 2. Summary of Significant Accounting Policies (Continued)

\$0.8 million of impairments related to its AFS securities in investment related gains (losses) and recorded no recoveries, write offs charge against the allowance, or additional provisions for expected credit losses during the year ended December 31, 2023.

Variable Interest Entities – An entity that does not have sufficient equity to finance its activities without additional financial support, or in which the equity investors, as a group, do not have the characteristics typically afforded to common shareholders is a variable interest entity (VIE). The determination as to whether an entity qualifies as a VIE depends on the facts and circumstances surrounding each entity and may require significant judgment.

We are required to consolidate a VIE if we are the primary beneficiary, defined as the variable interest holder with both the power to direct the activities that most significantly impact the VIE's economic performance and rights to receive benefits or obligations to absorb losses that could be potentially significant to the VIE. We determine whether we are the primary beneficiary of an entity based on a qualitative assessment of the VIE's capital structure, contractual terms, nature of the VIE's operations and purpose and our relative exposure to the related risks of the VIE.

For entities that we do not consolidate but can exercise significant influence over the entities' operating and financing decisions, we record our investment under the equity method. See *Note 3 - Investments* for discussion of our interest in entities that meet the definition of a VIE.

Derivative Instruments – We invest in equity options to hedge the risks associated with our indexed annuity products and reinsurance agreements. Equity options are financial instruments with values that are derived from financial indices. Derivative assets and liabilities are carried at fair value on the Balance Sheets. We record these transactions on a trade date basis, with any unsettled trades recorded within other assets or other liabilities on the Balance Sheets.

Embedded Derivatives – We reinsure products, primarily fixed indexed annuity products, that contain embedded derivatives. If we determine the embedded derivative has economic characteristics 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, the embedded derivative is bifurcated from the host contract and accounted for separately, unless the fair value option is elected on the host contract. Under the fair value option, bifurcation of the embedded derivative is not necessary as the entire contract is carried at fair value with all related gains and losses recognized in investment related gains (losses) on the Statements of Operations and Comprehensive Income (Loss). Embedded derivatives are carried on the Balance Sheets at fair value in the same line item as the host contract.

Fixed indexed annuity contracts allow the policyholder to elect a fixed interest rate return or an equity market component for which interest credited is based on the performance of certain equity market indices. The equity market option is an embedded derivative. The benefit reserve is equal to the sum of the fair value of the embedded derivative and the host (or guaranteed) component of the contracts. The fair value of the embedded derivatives is computed as the present value of benefits attributable to the excess of the projected policy contract values over the projected minimum guaranteed contract values. The projections of policy contract values are based on assumptions for future policy growth, which include assumptions for expected index credits on the next index crediting date, expected future equity option costs in subsequent renewal periods, interest rates and policyholder behavior assumptions including lapses, partial withdrawals, mortality and the use of benefit riders. The projections of minimum guaranteed contract values include the same assumptions for policyholder behavior as were used to project policy contract values. The embedded derivative cash flows are discounted using a rate that reflects our own credit rating. The host contract is established at contract inception or in the case of an acquisition, the purchase date, as the initial account value less the initial fair value of the embedded derivative and accreted over the policy's life. The host contract accretion rate is calculated as of the policy issue date or purchase date, whichever is later, and remains locked in thereafter. Changes in the fair

Note 2. Summary of Significant Accounting Policies (Continued)

value of embedded derivatives associated with fixed indexed annuities, are included in interest sensitive contract benefits on the Statements of Operations and Comprehensive Income (Loss).

Additionally, reinsurance agreements written on a FWH or MODCO basis contain embedded derivatives. We have determined that the right to receive the total return on the assets supporting the funds withheld at interest represents a total return swap with a floating rate leg. The fair value of embedded derivatives on funds withheld and MODCO agreements is computed as the unrealized gain (loss) on the underlying assets and is included within funds withheld at interest on the Balance Sheets for assumed and ceded agreements. The change in the fair value of the embedded derivatives is recorded in investment related gains (losses) on the Statements of Operations and Comprehensive Gain (Loss). Assumed earnings from funds withheld at interest, and changes in the fair value of embedded derivatives are reported in operating activities on the Statement of Cash Flows. Contributions to and withdrawals from funds withheld at interest are reported in operating activities on the Statements of Cash Flows.

Reinsurance – We assume investment contracts under coinsurance, FWH and MODCO bases. Assets and liabilities assumed are presented gross on the Balance Sheets. The change in assumed reserves is presented net in interest sensitive contract benefits on the Statements of Operations and Comprehensive Income (Loss). Amounts owed to/from ceding companies are presented net on a treaty-by-treaty basis in reinsurance recoverable and payables for reinsurance on the Balance Sheets.

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 risk. We attempt to minimize our counterparty credit risk through the structuring of the terms of our reinsurance agreements, including the use of trusts, and we monitor credit ratings of counterparties for signs of declining credit quality. When a ceding company does not report information on a timely basis, we record accruals based on the best available information at the time, which includes the reinsurance agreement terms and historical experience.

Cash and Cash Equivalents – Highly liquid securities and other investments with an original or remaining maturity of three months or less at the date of purchase are considered to be cash equivalents. The Company held cash of \$1.6 million and \$56.0 million at December 31, 2023 and 2022 respectively. The Company held cash equivalents of \$144.6 million and \$35.0 million at December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, substantially all cash balances were at major financial institutions earning interest. At times the Company's cash balances exceed those that are federally insured. To date, the Company has not recognized any losses caused by uninsured balances.

Restricted Cash and Cash Equivalents – Restricted cash and cash equivalents consists of balances held in trust as part of certain reinsurance agreements to secure statutory reserves and liabilities of the insured parties. The Company held restricted cash equivalents of \$5.5 million and \$49.4 million at December 31, 2023 and 2022, respectively. Restricted cash and cash equivalents is reported as a separate line item on the Balance Sheets but is included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the Statements of Cash Flows.

Deferred Policy Acquisition Costs, and Value of Business Acquired and Deferred Sales Inducements – Costs related directly to the successful acquisition of new, or renewal of, insurance or investment contracts are deferred to the extent they are recoverable from future premiums or gross profits. These costs consist of commissions and policy issuance costs, as well as sales inducements credited to policyholder account balances, and are included in deferred acquisition costs, deferred sales inducements and value of business acquired on the Balance Sheets. We perform periodic tests, including at issuance, to determine if the deferred costs are recoverable. If we determine that the deferred costs are not recoverable, we record a cumulative charge to the current period. Costs deferred and recognized as DAC or DSI are amortized over the lives of the policies, based upon the proportion of the present value of actual and expected deferred costs to the present value of actual and expected gross profits to be earned over the lives of the policies.

Note 2. Summary of Significant Accounting Policies (Continued)

We establish VOBA for blocks of insurance contracts acquired through the acquisition of insurance entities. We record the fair value of the liabilities assumed in two components: reserves and VOBA. Reserves are established using our best estimate assumptions consistent with the policies described below for interest sensitive contract liabilities and future policy benefits. VOBA is the difference between the fair value of the liabilities and the reserves. VOBA can be either positive or negative. Any negative VOBA is recorded within the associated reserves. Positive VOBA is recorded in deferred policy acquisition costs and value of business acquired on the Balance Sheets. We perform periodic tests to determine if the VOBA remains recoverable. If we determine that VOBA is not recoverable, we record a cumulative charge to the current period.

VOBA associated with investment contracts without significant revenue streams from sources other than investment of the policyholder funds is amortized using the effective interest method. Negative VOBA is amortized at a constant rate in relation to applicable net policyholder liabilities.

Interest Sensitive Contract Liabilities – Investment contracts include fixed indexed and traditional fixed annuities in the accumulation phase. We carry liabilities for fixed annuities at the account balances without reduction for potential surrender or withdrawal charges. Liabilities for immediate annuities without significant mortality risk are calculated as the present value of future liability cash flows and policy maintenance expenses discounted at contractual interest rates. For a discussion regarding our indexed products, refer above to the embedded derivative discussion. Changes in interest sensitive contract liabilities, excluding deposits and withdrawals, are recorded in interest sensitive contract benefits or product charges on the Statements of Operations and Comprehensive Income (Loss).

Future Policy Benefits – Liabilities for nonparticipating long-duration contracts are established using accepted actuarial valuation methods which require the use of assumptions related to expenses, investment yields, mortality, morbidity and persistency, with a provision for adverse deviation, at the date of issue or acquisition. We base other key assumptions, such as mortality and morbidity, on industry standard data adjusted to align with actual company experience, if necessary.

We reinsure deferred annuity contracts which contain guaranteed lifetime withdrawal benefit (“GLWB”) and guaranteed minimum death benefit (“GMDB”) riders. We establish future policy benefits for GLWB and GMDB riders by estimating the expected value of withdrawal and death benefits in excess of the projected policyholder account balances. We recognize the excess proportionally over the accumulation period based on total actual and expected assessments. The methods we use to estimate the liabilities have assumptions about policyholder behavior, which includes lapses, withdrawals and utilization of benefit riders; mortality, expected yield on investments supporting the liability; and market conditions affecting the account balance growth.

Ceding Commission Payable – During the year ended December 31, 2022, the Company entered into a reinsurance treaty in which it is stated that a ceding commission of \$68.2 million is payable from the Company, as reinsurer, to the cedant. The commission is to be paid in ten equal annual installments of \$6.8 million and two of the ten installments have been paid as of December 31, 2023. The remaining amount payable is \$54.7 million, of which \$6.8 million is considered short-term and is due to be paid within 12 months of December 31, 2023. The amount payable is presented as a separate line item on the Balance Sheets and met the criteria to be recorded as DAC. Therefore, there is a corresponding asset recorded in deferred policy acquisition costs and value of business acquired on the Balance Sheets.

Due to Related Parties – Amounts reported as due to related parties arise from operational, administrative and asset management services provided by certain affiliates. See *Note 10 - Related Parties*.

Legal Matters and Contingencies – The Company records legal fees and accruals in accordance with Accounting Standards Codification (“ASC”) Topic 450, *Contingencies*. Contingencies arising from regulatory judgments, claims, assessments, guarantees, litigation, recourse reserves, fines, penalties, and other sources are recorded when deemed probable and reasonably estimable. Appropriate disclosure is made when a loss

Note 2. Summary of Significant Accounting Policies (Continued)

contingency is considered material and is either (i) probable but not reasonably estimable; or (ii) reasonably possible but not probable.

Recognition of Revenues and Related Expenses – Revenues for investment contracts, including surrender charges, market value adjustments, and GLWB/GMDB rider fees, are earned when assessed against policyholder account balances during the period. Interest credited to policyholder account balances and the change in fair value of embedded derivatives within fixed indexed annuity contracts is included in interest sensitive contract benefits on the Statements of Operations and Comprehensive Income (Loss).

Advertising Expenses – Advertising costs are expensed as incurred. Total advertising costs were \$0.01 million and \$0.04 million for the years ended December 31, 2023, and 2022, respectively. Advertising costs are recorded in “Policy and other operating expenses” within the Statements of Operations and Comprehensive Income (Loss).

Audit and Audit Related fees – Audit and audit related fees are expensed as incurred. Total audit and audit related fees were \$0.7 million and \$0.5 million for the years ended December 31, 2023, and 2022, respectively. Audit and audit related fees are recorded in policy and other operating expenses within the Statements of Operations and Comprehensive Income (Loss). There were no non-audit related fees paid to the Company’s external auditors during the years ended December 31, 2023 or 2022.

Income taxes – On December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax Act of 2023 (“Bermuda CITA”). The Bermuda CITA introduces a 15% corporate income tax (“CIT”) on Bermuda businesses that are part of an in-scope Multinational Enterprise (“MNE”) group. A group is an in-scope MNE group if, with respect to any fiscal year beginning on or after the commencement date, the group had annual revenue of EUR €750.0 million or more in the consolidated financial statements of the ultimate parent entity for at least two of the four fiscal years immediately preceding such fiscal year. The commencement date for the CIT is January 1, 2025.

The Company has evaluated the impact that this new legislation has on its financial statements for the year ended December 31, 2023 (based on information available at the financial statement date) and recorded a deferred tax asset based on provisions in the Bermuda CIT which allow an opening tax benefit for historical losses. The deferred tax asset of \$17.9 million is presented separately on the Balance Sheets with a contra benefit also recorded separately on the Statements of Operations and Comprehensive Income (Loss). The Company expects to be subject to current taxes for Bermuda CIT beginning in tax year 2026 based on applicable guidance, specifically the revenue threshold safe harbor provisions.

Reclassifications – Certain reclassifications have been made in the Statements of Operations and Comprehensive Income (Loss) and certain comparative footnote tables to conform with current year presentation. Such reclassifications had no impact on net income.

Recent accounting pronouncements – On March 12, 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-04, *Reference Rate Reform (Topic 848) – Facilitation of the effects of Reference Rate Reform on Financial Reporting* and amendments thereto. The new guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, derivative contracts (including derivative instruments that use interest rates for margining, discounting, or contract price alignment), and other transactions affected by reference rate reform if certain criteria are met. The expedients and exceptions provided by the amendments do not apply to contract modifications made or hedging relationships entered into or evaluated after December 31, 2022, with exceptions for certain hedging relationships. The amendments were available for election from March 12, 2020, through December 31, 2022. No such amendments were elected during the year ended December 31, 2022.

In August 2018, the FASB issued ASU 2018-12, *Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*, and amendments thereto. The new guidance will

Aspida Life Re Ltd.
Notes to the Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

significantly change how insurers account for long-duration contracts. The amendments will change existing recognition, measurement, presentation, and disclosure requirements. Issues addressed in the new guidance include: 1) a requirement to review and, if there is a change, update assumptions for the liability for future policy benefits at least annually, and to update the discount rate assumption quarterly, 2) accounting for market risk benefits at fair value, 3) simplified amortization for deferred acquisition costs, and 4) enhanced financial statement presentation and disclosures. The guidance is effective for fiscal periods beginning after December 15, 2024 (the Company's fiscal year ended December 31, 2025) and certain provisions are required to be adopted on a fully retrospective basis, while others may be adopted on a modified retrospective basis. The Company is currently evaluating the impact of this guidance on its financial statements.

Note 3. Investments

AFS Securities – The following tables summarize the amortized cost, gross unrealized gains and unrealized losses, and estimated fair value of our AFS investments by security type at December 31, 2023 and 2022:

Amounts presented in thousands (USD)

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government and agencies	\$ —	\$ —	\$ —	\$ —
U.S. state, municipal and political subdivision	5,475	—	(605)	4,870
U.S. corporate bonds	651,442	14,837	(8,430)	657,849
ABS	175,663	2,875	(602)	177,936
CMBS	29,120	54	(2,285)	26,889
RMBS	72,352	1,189	(1,046)	72,495
Total	\$ 934,052	\$ 18,955	\$ (12,968)	\$ 940,039

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government and agencies	\$ 500	\$ —	\$ (23)	\$ 477
U.S. state, municipal and political subdivision	5,528	—	(823)	4,705
U.S. corporate bonds	154,605	476	(10,165)	144,916
ABS	14,708	59	(424)	14,343
CMBS	30,421	18	(2,457)	27,982
RMBS	3,223	—	(544)	2,679
Total	\$ 208,985	\$ 553	\$ (14,436)	\$ 195,102

The amortized cost and fair value of AFS securities are shown by contractual maturity below:

Amounts presented in thousands (USD)

	December 31, 2023	
	Amortized Cost	Fair Value
Due in one year or less	\$ 9,264	\$ 9,181
Due after one year through five years	252,948	253,803
Due after five years through ten years	255,465	259,620
Due after ten years	139,240	140,115
ABS, CMBS, RMBS	277,135	277,320
Investments, available for sale	\$ 934,052	\$ 940,039

Actual maturities can differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Aspida Life Re Ltd.
Notes to the Financial Statements

Note 3. Investments (Continued)

Unrealized Losses on AFS Securities – The following tables summarize the fair value and gross unrealized losses for which an allowance for credit losses has not been recorded, AFS securities are aggregated by class of security and length of time the fair value has remained below amortized cost:

Amounts presented in thousands (USD)

	December 31, 2023					
	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. government and agencies	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
U.S. state, municipal and political subdivision	4,870	(605)	—	—	4,870	(605)
U.S. corporate	46,282	(7,320)	102,727	(1,110)	149,009	(8,430)
ABS	4,760	(364)	35,535	(238)	40,295	(602)
CMBS	18,100	(2,065)	5,084	(220)	23,184	(2,285)
RMBS	2,206	(365)	10,802	(681)	13,008	(1,046)
Total	\$ 76,218	\$ (10,719)	\$ 154,148	\$ (2,249)	\$ 230,366	\$ (12,968)

	December 31, 2022					
	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. government and agencies	\$ —	\$ —	\$ 476	\$ (23)	\$ 476	\$ (23)
U.S. state, municipal and political subdivision	1,995	(397)	2,709	(426)	4,704	(823)
U.S. corporate	60,004	(4,297)	31,214	(5,868)	91,218	(10,165)
ABS	5,355	(424)	—	—	5,355	(424)
CMBS	25,242	(2,457)	—	—	25,242	(2,457)
RMBS	2,678	(544)	—	—	2,678	(544)
Total	\$ 95,274	\$ (8,119)	\$ 34,399	\$ (6,317)	\$ 129,673	\$ (14,436)

At December 31, 2023, the Company held one hundred and sixty-six AFS securities that were in an unrealized loss position. Seventy eight of these securities were in an unrealized loss position longer than 12 months. At December 31, 2022, the Company held one hundred and twenty-eight AFS securities that were in an unrealized loss position. Forty three of the AFS securities were in an unrealized loss position longer than 12 months.

Unrealized losses on AFS securities are primarily attributed to changes in market interest rates since acquisition. We did not recognize the unrealized losses in income as we intend to hold these securities and it is not more likely than not we will be required to sell a security before the recovery of its amortized cost.

At December 31, 2023, the Company did not record any allowances for credit losses for AFS securities.

Aspida Life Re Ltd.
Notes to the Financial Statements

Note 3. Investments (Continued)

Net Investment Income – Net investment income by asset class consists of the following:

Amounts presented in thousands (USD)

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Investment income:		
AFS	\$ 38,301	\$ 3,315
Cash, cash equivalents and short-term investments	40	—
Other	84	219
Net investment income	<u>\$ 38,425</u>	<u>\$ 3,534</u>

Investment Related Gains (Losses) – The Company's investment related gains (losses) are net of investment expenses and include the difference between the amortized cost and proceeds from the sale and redemption of AFS securities, net of impairment losses and expenses recorded through income. Investment related gains (losses) are also generated from changes in the fair values of derivatives and embedded derivatives.

Investment related gains (losses) by asset class consists of the following:

Amounts presented in thousands (USD)

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Fixed maturity AFS securities:		
Realized gains on investment activity	\$ 309	\$ 10
Realized losses on investment activity	(598)	(258)
Net gains (losses) on AFS	<u>(289)</u>	<u>(248)</u>
Derivative gains (losses), net	32,269	(54,720)
Embedded derivatives gains (losses), net	609,045	(379,083)
Less: Investment expenses	(37,266)	(21,748)
Impairments on AFS securities	(793)	—
Total investment related gains (losses), net	<u>\$ 602,966</u>	<u>\$ (455,799)</u>

Funds Withheld at Interest – Funds withheld at interest represents a receivable for amounts contractually withheld by ceding companies in accordance with MODCO and FWH agreements in which we act as the reinsurer. Generally, assets equal to statutory reserves are withheld and legally owned by the ceding company.

The funds withheld at interest is composed of the host contract and an embedded derivative. We are subject to the investment performance on the withheld assets with the total return directly impacting the host contract and the embedded derivative. The change in the embedded derivative in our reinsurance agreements, which is similar to a total return swap on the income generated by the underlying assets held by the ceding companies, is recorded in investment related gains (losses). Although we do not directly control the underlying investments in the funds withheld at interest, in each instance the ceding company has hired Ares Insurance Services (“AIS”) to manage the withheld assets in accordance with our investment guidelines.

Aspida Life Re Ltd.
Notes to the Financial Statements

Note 3. Investments (Continued)

The following summarizes the underlying investment composition of the funds withheld at interest at December 31, 2023 and 2022 respectively:

Amounts presented in thousands (USD)

	December 31, 2023	
	Carrying Value	Percent
U.S. Government and agencies	\$ 75,007	0.9%
States, municipalities and territories	149,231	1.8%
Foreign corporate securities and foreign governments	5,753	0.1%
Corporate securities	2,602,662	31.2%
Residential mortgage backed securities	1,360,410	16.3%
Commercial mortgage backed securities	563,485	6.8%
Other asset backed securities	2,918,376	35.0%
Equity securities	277,800	3.3%
Short-term investments	29,781	0.4%
Cash and cash equivalents	128,639	1.5%
Derivative instruments	4,863	0.1%
Investment Funds	213,551	2.6%
Total funds withheld at interest, including related party	\$ 8,329,558	100%

	December 31, 2022	
	Carrying Value	Percent
U.S. Government and agencies	\$ 243,780	5.0%
States, municipalities and territories	147,279	3.0%
Foreign corporate securities and foreign governments	5,617	0.1%
Corporate securities	1,386,345	28.4%
Residential mortgage backed securities	605,344	12.4%
Commercial mortgage backed securities	222,953	4.6%
Other asset backed securities	1,565,978	32.0%
Equity securities	320,030	6.5%
Short-term investments	—	0.0%
Cash and cash equivalents	247,491	5.1%
Derivative instruments	1,507	0.0%
Investment Funds	142,186	2.9%
Total funds withheld at interest, including related party	\$ 4,888,510	100%

Aspida Life Re Ltd.
Notes to the Financial Statements

Note 3. Investments (Continued)

Investment Funds – Our investment fund portfolio consists of funds that employ various strategies and include investments in various LLPs. Investment funds can meet the definition of VIEs, which are discussed further in *Note 2 – Summary of Significant Accounting Policies*. Our investment funds do not specify timing distributions on the funds' underlying asset and maximum loss exposures is equal to carrying value plus unfunded commitments. At December 31, 2023 and 2022 maximum loss exposure was \$7.6 million and \$0.0 million respectively.

The following summarizes our investment funds, including related parties and consolidated VIEs:

Amounts presented in thousands (USD)

	December 31, 2023		December 31, 2022	
	Carrying Value	Percent of total	Carrying Value	Percent of total
Investment funds				
Limited partnerships	\$ 2,903	100 %	\$ —	— %
Total investment funds - including related parties	<u>\$ 2,903</u>	<u>100 %</u>	<u>\$ —</u>	<u>— %</u>

Note 4 - Derivatives

We use a variety of derivative instruments to manage liability risks associated with our indexed annuity products. None of the Company's derivative instruments are classified as hedges for accounting purposes and, accordingly, all changes in the fair value of derivatives are included in investment related gains (losses) on the Statements of Operations and Comprehensive Income (Loss).

The following table presents the notional amount and fair value of derivative instruments:

Amounts presented in thousands (USD)

	December 31, 2023			December 31, 2022		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Derivatives not designated as hedges						
Equity options	\$ 1,042,852	\$ 61,907	\$ —	\$ 901,028	\$ 34,348	\$ —
Embedded Derivatives:						
Funds withheld receivable		(280,971)	—		(523,755)	—
Interest sensitive contract		—	264,756		—	223,916
Total derivatives not designated as hedges		<u>\$ (219,064)</u>	<u>\$ 264,756</u>		<u>\$ (489,407)</u>	<u>\$ 223,916</u>

Derivatives Not Designated as Hedges

Equity options – We use equity indexed options to economically hedge fixed indexed annuity products that guarantee the return of principal to the policyholder and credit interest based on a percentage of the gain in a specified market index, primarily the S&P 500. To hedge against adverse changes in equity indices, we enter into contracts to buy equity indexed options. The contracts are net settled in cash based on differentials in the indices at the time of exercise and the strike price.

Embedded derivatives – We have embedded derivatives which are required to be separated from their host contracts and reported as derivatives. Host contracts include reinsurance agreements structured on MODCO or FWH basis and indexed annuity products.

Credit Risk – We may be exposed to credit-related losses in the event of counterparty nonperformance on derivative financial instruments. Generally, the current credit exposure of our derivative contracts is the fair

Aspida Life Re Ltd.
Notes to the Financial Statements

Note 4. Derivative Instruments (Continued)

value at the reporting date less any collateral received from the counterparty. We manage credit risk related to over-the-counter derivatives by entering into transactions with creditworthy counterparties.

A summary of the gains (losses) included in the Statements of Operations and Comprehensive Income (Loss) related to the Company's derivative instruments is presented below:

Amounts presented in thousands (USD)

	<u>Year Ended December 31, 2023</u>	<u>Year Ended December 31, 2022</u>
Derivatives:		
Equity options	\$ 32,267	\$ (54,720)
Embedded derivatives funds withheld	609,045	(379,083)
Amounts recognized in investment related gains	<u>641,312</u>	<u>(433,803)</u>
Interest sensitive contract liabilities ⁽¹⁾	(40,840)	85,869
Total gains (losses) on derivatives not designated as hedges	<u>\$ 600,472</u>	<u>\$ (347,934)</u>

(1) - Amounts are included within interest sensitive contract benefits on the statement of operations and comprehensive income (loss).

Note 5. Fair Value Measurements

Fair value is the price we would receive to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants. We determine fair value based on the following fair value hierarchy:

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

Level 2 – Quoted prices for inactive markets or valuation techniques that require observable direct or indirect inputs for substantially the full term of the asset or liability. Level 2 inputs include the following:

- i. Quoted prices for similar assets or liabilities in active markets;
- ii. Observable inputs other than quoted market prices; and
- iii. Observable inputs derived principally from market data through correlation or other means.

Level 3 - Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These valuations use critical assumptions not readily available to market participants. Level 3 valuations are based on market standard valuation methodologies, including discounted cash flows, matrix pricing or other similar techniques.

Net Asset Value – Investment funds are typically measured using NAV as a practical expedient in determining fair value and are not classified in the fair value hierarchy. Our carrying value reflects our pro rata ownership percentage as indicated by NAV in the investment fund's financial statements.

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.

The Company measures the fair value of its securities based on assumptions used by market participants in pricing the security. The most appropriate valuation methodology is selected based on the specific characteristics of the fixed maturity security and the Company will then consistently apply the valuation methodology to measure the security's fair value. The Company's fair value measurement is based on a market approach, which utilizes prices and other relevant information generated by market transactions involving identical or comparable securities. Sources of inputs to the market approach include third-party pricing services, independent broker quotations, or pricing matrices. The Company uses observable and unobservable inputs in its valuation methodologies. Observable inputs include benchmark yields, reported trades, broker-

Aspida Life Re Ltd.
Notes to the Financial Statements

Note 5. Fair Value Measurements (Continued)

dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data. In addition, market indicators and industry and economic events are monitored, and further market data will be acquired when certain thresholds are met.

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

The fair value measurement of the call option derivatives is determined via market observable information. The market observable inputs are the market value of the option.

The Company's assets and liabilities measured at fair value on a recurring basis are summarized according to the fair value hierarchy as follows:

Amounts presented in thousands (USD)

	December 31, 2023				
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV	Total
Assets:					
Available-for-sale securities:					
U.S. government and agency	\$ —	\$ —	\$ —	\$ —	\$ —
U.S. state, municipal and political subdivision	—	4,870	—	—	4,870
U.S. corporate	—	657,849	—	—	657,849
ABS	—	177,936	—	—	177,936
CMBS	—	26,889	—	—	26,889
RMBS	—	72,495	—	—	72,495
Total AFS securities	<u>\$ —</u>	<u>\$ 940,039</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 940,039</u>
Derivative assets	—	61,907	—	—	61,907
Investment funds	—	—	—	2,903	2,903
Cash and equivalents	146,163	—	—	—	146,163
Restricted cash	5,535	—	—	—	5,535
Funds withheld receivable - embedded derivative	—	—	(280,971)	—	(280,971)
Total	<u>\$ 151,698</u>	<u>\$ 1,001,946</u>	<u>\$ (280,971)</u>	<u>\$ 2,903</u>	<u>\$ 875,576</u>
Liabilities:					
Interest sensitive contract liability - embedded derivative	—	—	264,756	—	264,756
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 264,756</u>	<u>\$ —</u>	<u>\$ 264,756</u>

Aspida Life Re Ltd.
Notes to the Financial Statements

Note 5. Fair Value Measurements (Continued)

	December 31, 2022				
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV	Total
Assets:					
Available-for-sale securities:					
U.S. government and agency	\$ —	\$ 477	\$ —	\$ —	\$ 477
U.S. state, municipal and political subdivision	—	4,705	—	—	4,705
U.S. corporate	—	144,916	—	—	144,916
ABS	—	14,343	—	—	14,343
CMBS	—	27,982	—	—	27,982
RMBS	—	2,679	—	—	2,679
Total AFS securities	<u>\$ —</u>	<u>\$ 195,102</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 195,102</u>
Derivative assets	—	34,348	—	—	34,348
Cash and equivalents	91,027	—	—	—	91,027
Restricted cash	49,425	—	—	—	49,425
Funds withheld receivable - embedded derivative	—	—	(523,755)	—	(523,755)
Total	<u>\$ 140,452</u>	<u>\$ 229,450</u>	<u>\$ (523,755)</u>	<u>\$ —</u>	<u>\$ (153,853)</u>
Liabilities:					
Interest sensitive contract liability - embedded derivative	—	—	223,916	—	223,916
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 223,916</u>	<u>\$ —</u>	<u>\$ 223,916</u>

Fair Value Valuation Methods – We used the following valuation methods and assumptions to estimate fair value:

AFS securities – We obtain the fair value for most marketable securities without an active market from a commercial pricing service. These are classified as Level 2 assets. The pricing services incorporate a variety of market observable information in their valuation techniques, including benchmark yields, trading activity, credit quality, issuer spreads, bids, offers and other reference data. This category typically includes corporate bonds, and US agency and government guaranteed securities, ABS, CMBS and RMBS.

Derivatives – Derivative contracts can be exchange traded or over-the-counter. Exchange-traded derivatives typically fall within Level 1 of the fair value hierarchy depending on trading activity. Over-the-counter derivatives are valued using valuation models or an income approach using third-party broker valuations. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates and correlation of the inputs. We consider and incorporate counterparty credit risk in the valuation process through counterparty credit rating requirements and monitoring of overall exposure. We also evaluate and include our own nonperformance risk in valuing derivatives. The majority of our derivatives trade in liquid markets; therefore, we can verify model inputs and model selection does not involve significant management judgment. These are typically classified within Level 2 of the fair value hierarchy.

Cash and cash equivalents, including restricted cash and cash equivalents – The carrying amount for cash equals fair value. We estimate the fair value for cash equivalents based on quoted market prices. These assets are classified as Level 1.

Funds withheld at interest embedded derivative – We estimate the fair value of the embedded derivative based on the change in the fair value of the assets supporting the funds withheld receivable under MODCO and FWH reinsurance agreements. As a result, the fair value of the embedded derivative is classified as Level 3 based on the valuation methods used for the assets held supporting the reinsurance agreements.

Aspida Life Re Ltd.
Notes to the Financial Statements

Note 5. Fair Value Measurements (Continued)

Interest sensitive contract liabilities embedded derivative – Embedded derivatives related to interest sensitive contract liabilities with fixed indexed annuity products are classified as Level 3. The valuations include significant unobservable inputs associated with economic assumptions and actuarial assumptions for policyholder behavior.

Level 3 Financial Instruments – The following are reconciliations for Level 3 assets and liabilities measured at fair value on a recurring basis:

Amounts presented in thousands (USD)

	December 31, 2023						Fair Value at December 31, 2023
	Fair Value at January 1, 2023	Gains (Losses) Included in Income	Gains (Losses) Included in OCI	Purchases, Issuances, and Sales	Settlements	Transfers In (Out)	
Assets							
Funds withheld receivables	(523,755)	242,784	—	—	—	—	(280,971)
Total Level 3 Assets	<u>\$ (523,755)</u>	<u>\$ 242,784</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (280,971)</u>
Liabilities							
Interest sensitive contract liabilities-embedded derivatives	223,916	(40,840)	—	—	—	—	264,756
Total Level 3 Liabilities	<u>\$ 223,916</u>	<u>\$ (40,840)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 264,756</u>
December 31, 2022							
	Fair Value at January 1, 2022	Gains (Losses) Included in Income	Gains (Losses) Included in OCI	Purchases, Issuances, and Sales	Settlements	Transfers In (Out)	Fair Value at December 31, 2022
Assets							
Funds withheld receivables	9,255	(533,010)	—	—	—	—	(523,755)
Total Level 3 Assets	<u>\$ 9,255</u>	<u>\$ (533,010)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (523,755)</u>
Liabilities							
Interest sensitive contract liabilities -embedded derivatives	309,785	85,869	—	—	—	—	223,916
Total Level 3 Liabilities	<u>\$ 309,785</u>	<u>\$ 85,869</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 223,916</u>

Significant Unobservable Inputs – Significant unobservable inputs occur when we could not obtain or corroborate the quantitative detail of the inputs. This applies to fixed maturity securities and certain derivatives. Additional significant unobservable inputs are described below.

Interest sensitive contract liabilities – embedded derivative – Significant unobservable inputs we use in the fixed indexed annuities embedded derivative of the interest sensitive contract liabilities valuation include:

1. Nonperformance risk – For contracts we issue, we use the credit spread, relative to the US Department of the Treasury (Treasury) curve based on our public credit rating as of the valuation date. This represents our credit risk for use in the estimate of the fair value of embedded derivatives.
2. Option budget – We assume future hedge costs in the derivative's fair value estimate. The level of option budgets determines the future costs of the options and impacts future policyholder account value growth.
3. Policyholder behavior – We regularly review the lapse and withdrawal assumptions (surrender rate). These are based on our initial pricing assumptions updated for actual experience. Actual experience may be limited for recently issued products.

Aspida Life Re Ltd.
Notes to the Financial Statements

Note 5. Fair Value Measurements (Continued)

The following table summarizes the unobservable inputs for AFS securities and the embedded derivatives of fixed indexed annuities:

Amounts presented in thousands (USD)

December 31, 2023						
Fair Value	Valuation Technique	Significant Unobservable Inputs	Minimum	Maximum	Weighted Average of Inputs	Impact of increase in input on fair value
Interest sensitive contract liabilities - fixed indexed annuities embedded derivatives	Option budget method	Nonperformance risk	1.3%	1.3%	1.3%	Decrease
		Option budget	0.6%	6.2%	2.1%	Increase
		Surrender rate	3.8%	11.6%	6.4%	Decrease
December 31, 2022						
Fair Value	Valuation Technique	Significant Unobservable Inputs	Minimum	Maximum	Weighted Average of Inputs	Impact of increase in input on fair value
Interest sensitive contract liabilities - fixed indexed annuities embedded derivatives	Option budget method	Nonperformance risk	1.7%	1.7%	1.7%	Decrease
		Option budget	0.4%	5.8%	2.3%	Increase
		Surrender rate	4.4%	13.9%	7.5%	Decrease

Fair Value of Financial Instruments Not Carried at Fair Value – The following represents our financial instruments not carried at fair value on the Balance Sheets:

Amounts presented in thousands (USD)

December 31, 2023						
	CV	FV	NAV	Level 1	Level 2	Level 3
Financial Assets						
Funds withheld at interest	8,610,529	8,610,529	—	—	—	8,610,529
Investment funds	—	—	2,903	—	—	2,903
Total Financial Assets Not Carried at Fair Value	\$ 8,610,529	\$ 8,610,529	\$ 2,903	\$ —	\$ —	\$ 8,613,432
Financial Liabilities						
Interest sensitive contract liabilities	9,115,373	9,115,373	—	—	—	9,115,373
Total Financial Liabilities Not Carried at Fair Value	\$ 9,115,373	\$ 9,115,373	\$ —	\$ —	\$ —	\$ 9,115,373
December 31, 2022						
	CV	FV	NAV	Level 1	Level 2	Level 3
Financial Assets						
Funds withheld at interest	5,412,265	5,412,265	—	—	—	5,412,265
Total Financial Assets Not Carried at Fair Value	\$ 5,412,265	\$ 5,412,265	\$ —	\$ —	\$ —	\$ 5,412,265
Financial Liabilities						
Interest sensitive contract liabilities	5,470,904	5,470,904	—	—	—	5,470,904
Total Financial Liabilities Not Carried at Fair Value	\$ 5,470,904	\$ 5,470,904	\$ —	\$ —	\$ —	\$ 5,470,904

Aspida Life Re Ltd.
Notes to the Financial Statements

Note 5. Fair Value Measurements (Continued)

We estimate the fair value for financial instruments not carried at fair value using the same methods and assumptions as those we carry at fair value. The financial instruments presented above are reported at carrying value on the Balance Sheets; however, in the case of funds withheld at interest and interest sensitive contract liabilities the carrying amount approximates fair value.

Net Asset Value – Our funds withheld at interest portfolio includes investments in certain non-fixed income, alternative investments in the form of limited partnerships or similar legal structures. Such investments are typically measured using NAV as a practical expedient in determining fair value and are not classified in the fair value hierarchy.

Note 6. Reinsurance

Reinsurance treaties typically provide for recapture rights on the part of the ceding company for certain events of default. Additionally, some agreements require us to place assets in trust accounts for the benefit of the ceding entity. The required minimum assets are equal to or greater than statutory reserves, as defined by the individual treaties, and were \$974.8 million and \$316.6 million as of December 31, 2023, and 2022, respectively. Although we own the assets placed in trust, their use is restricted based on the trust agreement terms and recorded within fixed maturity securities, available for sale at fair value, cash and cash equivalents, and restricted cash and cash equivalents on the Balance Sheets. If the statutory book value of the assets, or in certain cases fair value, in a trust decline because of impairments or other reasons, we may be required to contribute additional assets to the trust.

During the year ended December 31, 2022, we entered into a modified coinsurance FWH agreement to reinsure blocks of deferred annuities. No such reinsurance transactions were entered in to during the year ended December 31, 2023. The following summarizes that agreement at inception:

Amounts presented in thousands (USD)

	December 31, 2022
Liabilities assumed	\$ 294,621
Assets received	249,704
Less: ceding commission paid	(6,824)
Net cost of reinsurance	<u>\$ 51,741</u>
DAC	51,741
Net cost of reinsurance	<u>\$ 51,741</u>

DAC balances are amortized over the life of the reinsurance agreements on a basis consistent with our DAC amortization policy.

The following summarizes our reinsurance recoverable net of recorded expected credit losses by counterparties in excess of 10% of the total balance sheet amount at December 31, 2023 and 2022:

Amounts presented in thousands (USD)

	Years Ended December 31,	
	2023	2022
F&G Life Insurance Company	\$ 200,681	\$ 275,851
Other ⁽¹⁾	17,652	20,525
	<u>\$ 218,333</u>	<u>\$ 296,376</u>

(1)- Represents all other counterparties, with no single one having a carrying value in excess of 10% of total recoverable.

Aspida Life Re Ltd.
Notes to the Financial Statements

Note 6. Reinsurance (Continued)

Allowance for Credit Losses – The following represents the expected credit losses of reinsurance recoverables at December 31, 2023:

Amounts presented in thousands (USD)

	December 31, 2023				
	Allowance for expected credit losses at January 1, 2023	Initial credit losses	Current period provision	Recoveries, write offs recorded losses on PCD securities	Allowance for expected credit losses at December 31, 2023
Reinsurance recoverables	—	\$ (3,285)	\$ (893)	\$ —	\$ (4,178)
Total	—	(3,285)	(893)	—	(4,178)

Note 7. Deferred Acquisition Costs, Deferred Sales Inducements, and Value of Acquired Business

The following represents a roll forward of deferred acquisition costs, deferred sales inducements, and value of business acquired:

Amounts presented in thousands (USD)

	DAC	DSI	VOBA	Total
Balance at December 31, 2021	\$ 47,385	\$ 5,343	\$ 9,267	\$ 61,995
Additions	134,579	—	—	134,579
Amortization	4,230	(443)	1,499	5,286
Balance at December 31, 2022	186,194	4,900	10,766	201,860
Additions	140,354	75	—	140,429
Amortization	(106,835)	(3,123)	(3,282)	(113,240)
Balance at December 31, 2023	\$ 219,713	\$ 1,852	\$ 7,484	\$ 229,049

The expected amortization of VOBA for the next five years is as follows:

Amounts presented in thousands (USD)

Year	VOBA Asset Amortization
2024	\$ 1,983
2025	2,051
2026	1,042
2027	(573)
2028	(484)

Note 8. Equity

The Company has one class of common stock, which represents 100% of the Company's total voting shares. The Company is authorized to issue, and has issued, 375,000 shares at a par value of \$1.00 (one dollar) each. All issued shares are owned by the Company's direct parent, Aspida Holdings Ltd.

The Company received capital contributions of \$313.7 million and \$160.0 million during the years ended December 31, 2023, and 2022, respectively. Of the \$313.7 million of contributions received, \$40.9 million was contributed through a non-cash the assumption of a liability. There were no such transactions for the year ended December 31, 2022.

Aspida Life Re Ltd.
Notes to the Financial Statements

Note 8. Equity (Continued)

Accumulated Other Comprehensive Income (Loss) – The following provides the details and changes in AOCI:

Amounts presented in 000's

	Unrealized investment (losses) gains on AFS securities	DAC adjustments on AFS securities	Accumulated other comprehensive (loss) income
Balance at December 31, 2021	\$ (333)	\$ —	\$ (333)
Other comprehensive loss	(13,547)	—	(13,547)
Balance at December 31, 2022	(13,880)	—	(13,880)
Other comprehensive income (loss)	19,865	(3,156)	16,709
Balance at December 31, 2023	<u>\$ 5,985</u>	<u>\$ (3,156)</u>	<u>\$ 2,829</u>

Note 9. Statutory Requirements

The Company is licensed by the BMA as a Class E long-term insurer and is subject to the Insurance Act 1978, as amended (“Bermuda Insurance Act”) and regulations promulgated thereunder. Effective January 1, 2016, the BMA implemented the Economic Balance Sheet (“EBS”) framework into the Bermuda Solvency and Capital Requirement (“BSCR”) for commercial insurers which was granted equivalency to the European Union’s Directive (2009/138/EC) (“Solvency II”) in March 2016. Under this framework a Class E long-term insurer must produce three sets of financial statements:

1. U.S. GAAP Financial Statements – Financial statements prepared in accordance with an internationally recognized comprehensive basis of accounting, and for which the Company has elected to prepare U.S.GAAP financial statements. These financial statements form the basis for the preparation of both the Statutory Financial Statements and the Economic Balance Sheet.
2. Statutory Financial Statements (“SFS”) – Equal to the U.S. GAAP financial statements adjusted for:
 - a. Prudential filters that include adjustments to eliminate non-admitted assets including goodwill and other similar intangible assets not considered admissible for solvency purposes and include certain assets and liabilities that are generally off-balance sheet under general purpose reporting. These include items such as guarantees and other instruments that do not relate to the insurer’s own insurance contracts.
 - b. Directions or permitted practices issued by the BMA.
3. Economic Balance Sheet (“EBS”) – A balance sheet where assets are recorded based on U.S. GAAP fair values and insurance reserves are based on technical provisions comprised of a best estimate liability plus a risk margin. The best estimate liability may be calculated by applying the standard approach or the scenario approach. Under the standard approach the discount rate for insurance reserves is a rate prescribed by the BMA. Under the scenario approach the discount rate for insurance reserves is based on the yield on eligible assets owned by the insurer as determined under the worst result of nine prescribed stressed conditions. We utilized the scenario approach. The EBS is not subject to stand-alone audit procedures.

The Minimum Solvency Margin (“MSM”) is a prescribed regulatory capital floor as a function of business volume. The Enhanced Capital Requirement (“ECR”) is the maximum of the MSM and the BSCR requirements. The BMA imposes a target ECR coverage ratio of 120%.

The purpose of the BSCR for the Authority is to ensure the solvency and financial stability of insurance and reinsurance companies operating within Bermuda. The BSCR is a risk-based capital framework that assesses the capital adequacy of insurers based on the risks they face, including insurance, market, credit, and

Aspida Life Re Ltd.
Notes to the Financial Statements

Note 9. Statutory Requirements (Continued)

operational risks. By setting minimum capital requirements commensurate with the risks undertaken by insurers, the BSCR aims to protect policyholders and maintain confidence in the Bermuda insurance market.

The BSCR regime is currently in a transition phase with the new capital regime which came into effect January 1, 2019 (“2019 rules”) replacing the previous capital regime (“2018 rules”). The transitional period is effective for 10 years beginning 2019, and as of December 31, 2023, the reported BSCR (transitional BSCR”) is based on 50% of the 2018 rules and 50% of the 2019 rules.

Under the Bermuda Insurance Act, the Company is required to maintain minimum EBS capital and surplus levels to meet the ECR. The Company’s MSM is equal to the greater of \$8.0 million or, 2% of the first \$500.0 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. For the years ended December 31, 2023, and 2022 the Company was in excess of the minimum levels required.

The following represents the EBS capital and surplus and BSCR ratio at December 31, 2023 and 2022:

Amounts presented in thousands (USD)

	EBS capital & surplus		BSCR ratio	
	December 31,		December 31,	
	2023	2022	2023	2022
Aspida Life Re Ltd.	\$ 777,496	\$ 436,662	214%	207%

** EBS capital and surplus and the BSCR ratio represent best estimates as at the time of reporting and are not subject to audit procedures. Changes are expected between disclosed figures and final BSCR as filed.*

To enable the BMA to better assess the quality of the insurer’s capital resources, a Class E long-term insurer is required to disclose the makeup of its capital in accordance with a “3-tiered capital system”. Highest quality capital is classified as Tier 1 Capital, lesser quality capital is classified as either Tier 2 or Tier 3 Capital. As of December 31, 2022, all of the Company’s eligible capital used to meet the MSM and ECR was Tier 1 Capital.

Under the EBS framework, statutory financial statements are generally equivalent to U.S. GAAP financial statements, with the exception of permitted practices granted by the BMA.

For the years ended December 31, 2023 and 2022, the Company was granted a permitted practice that caused a variance between the U.S. GAAP Shareholder’s Equity and Statutory Capital and Surplus of \$321.4 and \$498.2 million, respectively.

This variance is driven by the FWH agreements the Company is party to as reinsurer. While U.S. GAAP reports the transaction as a derivative at fair value, the Company has received an exemption under Section 6C of the Insurance Act of 1978 (“the Act”) from the Bermuda Monetary Authority to account for the FWH on the statutory financial statements as reinsurance. Given this modification, the fixed maturity securities were recorded at amortized cost, while on the U.S. GAAP basis, it was recorded at fair value.

Aspida Life Re Ltd.
Notes to the Financial Statements

Note 9. Statutory Requirements (Continued)

The following table represents the Company's Statutory capital and surplus:

Amounts presented in thousands (USD)

	December 31,	
	2023	2022
Total shareholder's equity per GAAP	\$ 458,569	\$ (51,719)
Non-admitted assets ⁽¹⁾	(17,964)	(140)
Total effect of permitted practice ⁽²⁾	321,387	498,209
Statutory capital and surplus	<u>\$ 761,992</u>	<u>\$ 446,350</u>

1. *Non-admitted assets arose which are not admissible for the statutory capital and surplus. Such assets are comprised of prepaid expenses and deferred tax assets.*
2. *For the fiscal year ended December 31, 2023 and 2022, the Company was granted a permitted practice that allowed for, on a Bermuda Statutory Basis, assets supporting the Company's embedded derivatives associated with the FWH portfolio to be reported at amortized cost.*

No dividends were paid during the years ending December 31, 2023 or 2022.

Note 10. Commitment and Contingencies

At times, the Company may be involved in various claims and legal actions arising in the ordinary course of business. Management believes that proceedings arising in the ordinary course of business will not have a material adverse impact on the financial position of the Company.

At December 31, 2023, the Company's funds withheld at interest account relating to one cedant required a deposit of \$2.9 million to remain in compliance with the treaty requirements. The account balance was funded during February, 2024, to remain in compliance with treaty requirements.

The Company, as lessee, entered into an operating lease for office space during the year ended December 31, 2022. This lease has a remaining term of 2 years and 5 months at December 31, 2023. Lease expense incurred for the year ended December 31, 2023, was \$0.4 million.

Lease expenses expected to be incurred over the remaining lease term are as follows:

Amounts presented in thousands (USD)

	Commitments
2024	\$ 291
2025	291
2026	146
Total lease commitments	<u>\$ 728</u>

Aspida Life Re Ltd.
Notes to the Financial Statements

Note 10. Commitment and Contingencies (Continued)

The Company has certain restricted assets which are related to reinsurance trusts established in accordance with coinsurance, FWH and MODCO treaty agreements and account control agreements. Total restricted assets included on the Balance Sheets at December 31, 2023 and 2022 are as follows:

Amounts presented in thousands (USD)

	December 31,	
	2023	2022
AFS securities	\$ 940,039	\$ 195,102
Restricted cash	5,535	49,425
Short-term investments	3,964	—
Derivatives	61,907	34,348
Total restricted assets	<u>\$ 1,011,445</u>	<u>\$ 278,875</u>

Note 11. Related Party

The Company contracts with Ares Insurance Solutions, LLC (“AIS”) to manage substantially all of its investments. AIS provides a full suite of services that includes: direct investment management; asset sourcing and allocation; mergers and acquisition sourcing, and strategic support and advice. AIS also provides certain operational support services for our investment portfolio including investment compliance, legal and risk management support. For the years ended December 31, 2023, and 2022, the Company incurred management fee expenses of \$41.1 million and \$21.1 million, respectively, and these amounts are included in investment related gains (losses) on the Statements of Operations and Comprehensive Income (Loss). As of December 31, 2023, and 2022, management fees payable of \$9.2 million and \$12.1 million, respectively, are included within payable to affiliates and related parties on the Balance Sheets.

The Company is provided with operational and administrative services from an affiliated entity whereby the total cost of such services incurred by the affiliated entity is allocated to the Company, and other affiliates, based on a formal allocation agreement. Total expenses allocated to the Company were \$15.7 million and \$4.2 million for the years ending December 31, 2023 and 2022, respectively, and are presented in policy and other operating expenses on the Statements of Operations and Comprehensive Income (Loss). At December 31, 2023 and 2022, amounts payable to the affiliated entity were \$5.2 million and \$2.1 million, respectively, and are included in payable to affiliates and related parties on the Balance Sheets.

At December 31, 2023 and 2022, the Company held \$347.6 million and \$225.3 million, respectively of investments in related party assets consisting of investment funds and other securities for which an affiliate is the manager of the underlying securitization vehicles or owns equity through its funds in the underlying borrower. These investments are included on the Balance Sheets in funds withheld at interest. Related to these investments the Company has unfunded commitments of \$149.6 million at December 31, 2023. We expect these commitments will be invested over the next 3 years, however, commitments could become due upon request.

Through March 31, 2024 the Company received capital contributions of \$40.0 million from parent Company Aspida Holdings Ltd. to support ongoing growth initiatives.

Note 12. Subsequent Events

Management has evaluated events occurring after December 31, 2023, through April 24, 2024, the date the financial statements were available to be issued and identified no further subsequent events for disclosure.