

**Hannover Life Reassurance Company of
America (Bermuda) Ltd.**

Consolidated Financial Statements

(With Report of Independent Auditors Thereon)

December 31, 2023 and 2022

Hannover Life Reassurance Company of America (Bermuda) Ltd.

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Report of Independent Auditors

To the Management and Board of Directors of Hannover Life Reassurance Company of America (Bermuda) Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Hannover Life Reassurance Company of America (Bermuda) Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2023 and 2022, and the related consolidated statements of income, of comprehensive income (loss), of changes in shareholder's equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated 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 International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 4.1 to the consolidated financial statements, the Company changed the manner in which it accounts for insurance contracts and the manner in which it accounts for financial instruments in 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern for at least, but not limited to, twelve months from the end of the reporting period, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

PricewaterhouseCoopers LLP

Tampa, Florida
May 31, 2024

Hannover Life Reassurance Company of America (Bermuda) Ltd.

Consolidated Balance Sheet

As of December 31, 2023 and 2022

(Expressed in thousands of US Dollars, unless noted in millions)

	Note	2023	2022 ¹	January 1, 2022 ¹
Assets				
Financial investments – at fair value through OCI	6	\$ 3,338,428	\$ 3,323,005	\$ 4,545,471
Financial investments – at fair value through profit or loss	6	153,683	170,647	161,470
Other invested assets	6	11,827	8,873	9,113
Total investments		3,503,938	3,502,525	4,716,054
Reinsurance recoverables on liability for incurred claims	8	112,360	41,322	43,447
Reinsurance recoverables on liability for remaining coverage	8	92,027	129,835	167,889
Recoverables on reinsurance contracts ceded		204,386	171,158	211,336
Reinsurance contracts issued in an asset position	8	80,181	245,996	385,126
Tax receivable		-	-	39,572
Deferred tax assets	13	83,188	137,153	36,670
Other assets	7	123,630	73,182	12,756
Cash and cash equivalents		52,827	46,553	84,629
Total Assets		\$ 4,048,149	\$ 4,176,566	\$ 5,486,144
Liabilities				
Liability for incurred claims LIC	8	\$ 1,522,131	\$ 1,294,554	\$ 1,481,474
Liability for remaining coverage LRC	8	610,373	1,234,364	2,063,131
Liabilities from reinsurance contracts issued		2,132,505	2,528,919	3,544,606
Reinsurance contracts ceded in a liability position	8	45,275	43,587	71,107
Financing liabilities	10	373,584	553,452	635,384
Tax liabilities	13	3,509	13,871	-
Other liabilities	9	235,499	185,177	128,779
Total liabilities		2,790,372	3,325,006	4,379,875
Shareholder's equity				
Shareholders' equity				
Common shares	11	2,500	2,500	2,500
Additional paid-in capital	11	1,575,405	1,561,405	1,483,905
Common shares and additional paid-in capital		1,577,905	1,563,905	1,486,405
Cumulative other comprehensive income				
Unrealized gains and losses on investments		(376,586)	(500,583)	190,125
Cumulative reinsurance finance income and expense		152,233	194,479	(11,959)
Total other comprehensive income (loss)		(224,352)	(306,104)	178,166
Retained earnings		(95,775)	(406,240)	(558,302)
Total shareholders' equity		1,257,777	851,560	1,106,268
Total liabilities and shareholder's equity		\$ 4,048,149	\$ 4,176,566	\$ 5,486,144

¹ Restated pursuant to IAS8 see note 4.1 for details of transition to IFRS 17 and IFRS 9.

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

Hannover Life Reassurance Company of America (Bermuda) Ltd.

Consolidated Statements of Income

As of December 31, 2023 and 2022

(Expressed in thousands of US Dollars, unless noted in millions)

	Note	2023	2022 ¹
Reinsurance revenue (gross)	12	\$ 2,565,686	\$ 2,571,403
Reinsurance service expenses (gross)		<u>(2,242,622)</u>	<u>(2,217,920)</u>
Reinsurance service result (gross)		323,064	353,483
Reinsurance revenue (ceded)		(211,042)	(138,262)
Reinsurance service expenses (ceded)		<u>237,596</u>	<u>132,208</u>
Net result from reinsurance contracts (ceded)		26,554	(6,054)
Reinsurance service result (net)		349,618	347,429
Net finance income or expenses from reinsurance contracts issued	12.2	(43,651)	(20,089)
Net finance income or expenses from reinsurance contracts ceded	12.2	<u>1,730</u>	<u>1,565</u>
Net reinsurance finance result before currency gains or losses		(41,922)	(18,524)
Ordinary investment income	12.1	164,263	147,559
Expected credit losses, impairment, depreciation and appreciation of investments	12.1	(4,150)	(7,290)
Change in fair value of financial instruments	12.1	33,239	40,573
Realized gains and losses on investments	12.1	(21,863)	5,711
Other investment expenses	12.1	<u>(4,772)</u>	<u>(10,142)</u>
Net income from investments		166,717	176,410
Administrative expenses	12.3	(67,019)	(74,472)
Other income	12.3	28,569	14,413
Other expenses	12.3	<u>(17,234)</u>	<u>(2,990)</u>
Other income / expenses		(55,684)	(63,049)
Operating profit / loss (EBIT)		418,729	442,266
Financing costs	10	<u>(20,356)</u>	<u>(17,519)</u>
Net income before taxes		398,373	424,747
Taxes	13	<u>(84,908)</u>	<u>(91,685)</u>
Net income		\$ 313,465	\$ 333,062

¹ Restated pursuant to IAS8 see note 4.1 for details of transition to IFRS 17 and IFRS 9.

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

Hannover Life Reassurance Company of America (Bermuda) Ltd.

Consolidated Statements of Comprehensive Income (Loss)

As of December 31, 2023 and 2022

(Expressed in thousands of US Dollars, unless noted in millions)

	2023	2022 ¹
Net income	\$ 313,465	\$ 333,062
Other comprehensive gain (loss)		
Items that may be subsequently classified to net income		
Change in fair value of financial investments through OCI	150,501	(865,307)
Tax expense	(26,503)	174,598
Net change in fair value of financial investments through OCI	<u>123,998</u>	<u>(690,709)</u>
Change in interest rates and financial risk	(53,476)	261,315
Tax expense	11,230	(54,876)
Net change interest rates and financial risk	<u>(42,246)</u>	<u>206,439</u>
Total comprehensive (loss) income for the year	<u>81,752</u>	<u>(484,270)</u>
Total comprehensive income (loss) attributable to: Equity holder of the Company	<u>\$ 395,217</u>	<u>\$ (151,208)</u>

¹ Restated pursuant to IAS8 see note 4.1 for details of transition to IFRS 17 and IFRS 9.

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

Hannover Life Reassurance Company of America (Bermuda) Ltd.

Consolidated Statements of Changes in Shareholder's Equity

As of December 31, 2023 and 2022

(Expressed in thousands of US Dollars, unless noted in millions)

	Share Capital	Retained Earnings	Additional Paid in Capital	Accumulated Other Comprehensive Income/(Loss)	Total Equity
At December 31, 2021 as reported	\$ 2,500	\$ 407,243	\$ 1,483,905	\$ 203,825	\$ 2,097,473
Effects from initial application of new accounting standards	-	(965,545)	-	(25,659)	(991,204)
At January 1, 2022 restated 1	2,500	(558,302)	1,483,905	178,166	1,106,268
Net income for the year	-	333,062	-	-	333,062
Net change in fair value of financial investments through OCI	-	-	-	(690,709)	(690,709)
Change in OCI insurance contracts	-	-	-	206,439	206,439
Additional paid-in capital	-	-	77,500	-	77,500
Dividends paid during the year	-	(181,000)	-	-	(181,000)
At December 31, 2022 1	\$ 2,500	\$ (406,240)	\$ 1,561,405	\$ (306,104)	\$ 851,560
At January 1, 2023	\$ 2,500	\$ (406,240)	\$ 1,561,405	\$ (306,104)	\$ 851,560
Net income for the year	-	313,465	-	-	313,465
Net change in fair value of financial investments through OCI	-	-	-	123,998	123,998
Change in OCI insurance contracts	-	-	-	(42,246)	(42,246)
Additional paid-in capital	-	-	14,000	-	14,000
Dividends paid during the year	-	(3,000)	-	-	(3,000)
At December 31, 2023	\$ 2,500	\$ (95,775)	\$ 1,575,405	\$ (224,352)	\$ 1,257,777

¹ Restated pursuant to IAS8 see note 4.1 for details of transactions to IFRS 17 and IFRS 9.

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

Hannover Life Reassurance Company of America (Bermuda) Ltd.

Consolidated Statements of Cash Flows

As of December 31, 2023 and 2022

(Expressed in thousands of US Dollars, unless noted in millions)

	2023	2022 ¹
I. Cash flow from operating activities		
Net income	\$ 313,465	\$ 333,062
Change in insurance contracts (gross)	(230,652)	(876,599)
Change in reinsurance contracts held (retroceded)	(31,540)	12,659
Change in other receivables/liabilities	40,594	97,712
Other non-cash expenses and income	(65,549)	271,417
Cash flow from operating activities	26,318	(161,749)
II. Cash flow from investing activities		
Outflows for acquisition of investments in affiliated companies and participating interests (not consolidated)	(3,379)	-
Inflows from disposal of investments in affiliated companies and participating interests (not consolidated)	425	240
Outflows for acquisition of investments valued at FV through OCI	(757,486)	(1,074,686)
Inflows from disposal of investments valued at FV through OCI	868,717	1,430,632
Outflows for acquisition of investments valued at FV through P&L	(1,586,232)	(43,298)
Inflows from disposal of investments valued at FV through P&L	1,600,950	24,056
Inflows from disposal of other invested assets	43,950	-
Other changes	695	(108)
Cash flow from investing activities	167,640	336,836
III. Cash flow from financing activities		
Cash inflow from financing liabilities / financial/puttable instruments	(178,000)	(115,200)
Cash outflow from financing liabilities / financial/puttable instruments	(20,684)	5,537
Cash inflow from capital measures	14,000	77,500
Cash outflow from dividends	(3,000)	(181,000)
Cash flow from financing activities	(187,684)	(213,163)
IV. Exchange rate differences on cash		
Cash and cash equivalents at the beginning of the period	46,553	84,628
Change in cash and cash equivalents	6,274	(38,075)
Cash and cash equivalents at the end of the period	\$ 52,827	\$ 46,553
Supplementary information on the cash flow statement		
Income taxes paid (on balance)	\$ 56,000	\$ 18,989
Interest received	224,650	334,538
Interest paid	(51,386)	(206,031)
Dividends	3,000	181,000
Notes payable	-	(181,000)

¹ Restated pursuant to IAS8 see note 4.1 for details of transactions to IFRS 17 and IFRS 9.

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

HANNOVER LIFE REASSURANCE COMPANY OF AMERICA (BERMUDA) LTD.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023, and 2022

(Expressed in thousands of US Dollars, unless noted in millions)

1. Corporate information

Hannover Life Reassurance Company of America (Bermuda) Ltd. (the “Company” and/or “HLRA Ber”) was incorporated on March 3rd, 2014 under the laws of Bermuda and is licensed as a long-term insurer (Class E), under the Insurance Act 1978 of Bermuda and related regulations, to carry on business as an insurance company. The Company is a wholly owned subsidiary of Hannover Finance, Inc. which is a wholly owned subsidiary of Hannover Re Holdings (UK) Limited, a company incorporated in the United Kingdom, which is wholly owned subsidiary of Hannover Ruck Beteiligung Verwaltungs-GmbH, a company incorporated in Germany, which is wholly owned subsidiary of Hannover Rückversicherung SE (the “Parent Company” or “Hannover Re SE”), a company incorporated in Germany. Hannover Re SE trades internationally under the brand name Hannover Re. Hannover Rückversicherung SE is a publicly traded company, which is majority owned (50.2%) by Talanx AG, which in turn is majority owned (with a stake of 79%) by HDI Haftpflichtverband der Deutschen Industrie V.a.G., a German mutual insurance company. The registered office is located at Canon’s Court, 22 Victoria Street, Hamilton, HM12, Bermuda.

The Company reinsures life, annuity, and health insurance business written by its client companies (cedants). The risks assumed generally reflect the risks inherent in the underlying insurance policies and include mortality risk, longevity risk, morbidity risk, investment risk and lapse and surrender risk. The Company is also assuming insurance risk in alternative forms, including swap contractual form, and then transforming the risk into traditional reinsurance contracts retroceded back to affiliates. The Company may also assume credit risk in respect of its client companies.

As a result of the U.S. Tax Cuts and Jobs Act of 2017 (“TCJA”), the Company and its affiliate, Hannover Life Reassurance Company of America (HLRUS), became subject to a new base erosion minimum tax (BEAT) in 2018. In response to this exposure, the Company restructured its reinsurance treaties during 2018, to recapture all retrocessions from foreign affiliates, and the Company assumed significant blocks of business from HLRUS that HLRUS recaptured from the foreign affiliates. The Company has Certified Reinsurer status from the Florida Office of Insurance Regulation, and a number of other states within the U.S.A.

On November 13, 2020, the Company received from Hannover Finance, Inc. a 100% investment in HLRUS and Sand Lake Re (“SLRe”) as an equity contribution. The value of the investment and corresponding increase in contributed capital totaled \$364 million. The transaction was accounted for as an acquisition under common control using the predecessor value method, in accordance with the requirements IFRS 10 “Consolidated Financial Statements”. The consolidated results are reported using the same valuation basis as the Parent Company. There were no shares of stock issued in the transaction.

On December 20, 2021 the Company acquired a 100% ownership of Annuity Reinsurance Cell A1 (“ARCA1”), a segregated account established under Kubera Insurance (SAC), a Bermuda licensed long-term insurer. The Company paid \$10 million for 10,000,000 Segregated Account Shares with a par value of \$1 each issued and fully paid on the transaction effective date. ARCA1 contributed \$11.3 million in assets to the consolidated results, \$1.3 million in contract deposits and \$10 million on other receivables.

2. Basis of preparation

2.1 Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations issued by the International Financial Reporting Interpretations Committee applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (“IASB”).

HANNOVER LIFE REASSURANCE COMPANY OF AMERICA (BERMUDA) LTD.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023, and 2022

(Expressed in thousands of US Dollars, unless noted in millions)

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following noted items in the balance sheet: Financial investments-at fair value through OCI, Financial instruments-at fair value through profit and loss. The balance sheet has been presented in order of decreasing liquidity.

2.3 Functional and presentation currency

The financial statements are presented in United States Dollars (“USD” or “\$”), which is also the Company’s functional currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses shown in the Financial Statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Reinsurance assets and liabilities are areas involving a higher degree of judgment and where estimates are significant to the financial statements. This is disclosed further in note 4 of these financial statements.

3. Consolidation

3.1 Consolidation principles

The consolidation is carried out according to the requirements of IFRS 10 “Consolidated Financial Statements” on the basis of a consistent consolidation model for all entities that identifies control as the single basis for verifying the consolidation requirement, irrespective of whether control is substantiated in company law, contractually or economically. The accompanying consolidated financial statements include the accounts of the Company, HLRUS, SLRe and ARCA1 (collectively referred to as the “Group”)

3.2 Consolidation of business transactions

Inter-company transactions, balances, income and expenses on transactions between consolidating companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Parent.

4. Summary of significant accounting policies

Since 2002, the standards adopted by the International Accounting Standards Board (IASB) have been referred to as “International Financial Reporting Standards (IFRS)”; the standards dating from earlier years still bear the name “International Accounting Standards (IAS)”. Standards are cited in our notes accordingly; in cases where the notes do not make explicit reference to a particular standard, the term IFRS is used.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

4.1 New accounting standards or accounting standards applied for the first time

With effect from 1 January 2023 the Company applied the accounting standards IFRS 17 “Insurance Contracts” and IFRS 9 “Financial Instruments” for the first time. Both standards were initially applied retrospectively in observance of any options or transitional arrangements. The opening balance sheet in consideration of the principles of IFRS 17 and IFRS 9 was drawn up as of January 1, 2022.

HANNOVER LIFE REASSURANCE COMPANY OF AMERICA (BERMUDA) LTD.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023, and 2022

(Expressed in thousands of US Dollars, unless noted in millions)

IFRS 17 "Insurance Contracts" replaces the existing transitional arrangements of IFRS 4 and establishes a comprehensive accounting framework for the recognition, measurement and disclosure of insurance contracts. In addition, IFRS 17 requires extensive new disclosures in the notes. The standard is to be applied to insurance contracts written ("insurance contracts issued", including reinsurance contracts written / issued), reinsurance contracts held ("insurance contracts ceded") and reinsurance contracts retroceded ("retrocession contracts held", "retrocessions") as well as investment contracts with discretionary participation features. Unless otherwise explicitly indicated, the term "insurance" includes reinsurance in the following explanatory remarks.

Before a contract is recognized pursuant to IFRS 17, we check whether the contract contains components that are to be separated and recognized separately according to the provisions applicable to them. The Company's business largely contains two categories of such components:

- cash flows related to embedded derivatives to be recognized separately under IFRS 9;
- cash flows related to distinct investment components that are similarly to be recognized under IFRS 9.

The standard introduces three new measurement models, the basis being the "general measurement model" (GMM). The "variable fee approach" (VFA) is a variant of the general measurement model for insurance contracts with a direct surplus participation and is not applicable to reinsurance business. The "premium allocation approach" (PAA) is a simplified method that can be used by insurers and reinsurers when certain criteria are met. The Company's portfolio contains both contracts that qualify for the premium allocation approach and – predominantly – contracts for which the general measurement model is to be applied. For operational reasons and in order to achieve consistent and comparable presentation and measurement within the portfolio of reinsurance contracts, the Company is applying the general measurement model to its entire business.

The general measurement model measures receivables and payables from reinsurance business by the fulfilment value plus the contractual service margin.

The fulfilment value constitutes the risk-adjusted present value of the rights and obligations from a reinsurance treaty and is comprised of the estimates of expected future cash flows, their discounting and an explicit risk adjustment for non-financial risks.

If the present value of the expected future cash inflows exceeds the present value of the expected future cash outflows plus the risk adjustment, an expected profit exists that is deferred within the contractual service margin (CSM) and spread across the coverage period. Initial balance sheet recognition of contracts expected to be profitable thus has no effect on profit or loss.

However, for groups of contracts where the sum of the present value of expected future cash outflows and the risk adjustment exceeds the present value of the expected future cash inflows, we recognize the loss expected at time of acquisition directly in profit or loss in the so-called "loss component".

The Company discounts all cash flows using currency-specific, risk-free yield curves that are adjusted to reflect the respective characteristics of the cash flows and the liquidity of the underlying insurance contracts ("bottom-up approach").

The risk adjustment for non-financial risk for a group of insurance contracts reflects the amount of compensation needed to carry the uncertainty surrounding the amount and timing of the cash flows that arise out of non-financial risks – such as the insurance risk itself, the cost risk and in particular the risk associated with policyholder behaviour.

HANNOVER LIFE REASSURANCE COMPANY OF AMERICA (BERMUDA) LTD.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023, and 2022

(Expressed in thousands of US Dollars, unless noted in millions)

The provisions of IFRS 17 open up the option of recognizing discounting effects within the non-financial risk adjustment not separately in the reinsurance finance result but rather together with the release of the risk adjustment within the technical result. The Company did not elect this option.

As a general principle, insurance and reinsurance contracts are grouped together and measured on an aggregated level. For this purpose, we define as a first step portfolios containing contracts with similar risks that are managed together. In a second step, we split these portfolios into groups of contracts according to profitability criteria and annual cohorts. With regard to the profitability expected at the time of initial recognition, a distinction is made between

- onerous contracts,
- contracts where there is no significant probability of them becoming onerous in subsequent periods and
- the remaining contracts; these are allocated to separate groups of contracts. Contracts issued within a calendar year are combined into annual cohorts.

The standard must be applied retrospectively unless this is impracticable (IFRS 17 C3). In this case, especially if an adequate data basis for full retrospective application is not available, it is possible to apply either a modified retrospective approach or a fair value approach on the level of the group of contracts.

Using adequately robust information that is available without unreasonable effort, the modified retrospective approach is intended to arrive at an overall result that approximates retrospective application.

Under the fair value approach, the contractual service margin of a group of contracts at the transition date is established as the difference between the fair value of this group calculated according to IFRS 13 and the corresponding fulfilment value calculated according to IFRS 17.

The Company is applying a retrospective approach or the fair value approach, differentiated according to certain groups of contracts. Measured by their net technical liability, the proportion of contracts for which the full retrospective approach was used was around 7% of the portfolio and the fair value approach were applied to 93% of the portfolio.

The application of IFRS 17 has a number of implications for the structure of the consolidated balance sheet. In addition to the changed technical items under the general measurement model, certain items that are currently reported separately are eliminated and recognized under the reinsurance liabilities in accordance with the general model. This is the case, for example, with the deferred acquisition costs, the reinsurance recoverables and funds withheld.

Furthermore, the standard fundamentally changes the consolidated statement of income and differentiates between the reinsurance result, which is composed of the reinsurance revenue and reinsurance service expenses, and the reinsurance finance income and expenses.

Gross written premium is no longer disclosed, instead being replaced with reinsurance revenue that is defined in such a way as to facilitate comparison with the revenue disclosures of other sectors. Neither savings / investment components nor certain ceding commissions can be recognized in the reinsurance revenue. Reinsurance revenue is instead reported when it is earned by recognising in each period the change in the liabilities for providing reinsurance coverage for which the reinsurance entity receives compensation, including the pro rata recognition of the contractual service margin in profit and loss, as well as the part of the premiums that covers acquisition costs.

Reinsurance finance income and expenses result from discounting effects and financial risks. In accordance with the option granted by IFRS 17, they can either be recognized entirely as profit or loss

HANNOVER LIFE REASSURANCE COMPANY OF AMERICA (BERMUDA) LTD.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023, and 2022

(Expressed in thousands of US Dollars, unless noted in millions)

in the statement of income or in part directly in equity. This “OCI option” can be exercised on the level of individual portfolios and is utilised by Hannover Re for a large part of its business.

IFRS 17 116 requires disclosures for groups of reinsurance contracts for which the option to recognize components of reinsurance finance income or expense directly in OCI on the date of transition was exercised and to which a portfolio of assets is directly allocated, the fair value changes of which are similarly recognized directly in OCI. The Company did not meet these criteria.

Changes in assumptions about future cash flows that do not relate to interest rates or financial risks are not recognized directly in the statement of income but are instead booked against the contractual service margin and hence spread across the remaining coverage period. Recognition in profit or loss is only immediate in the case of those groups of reinsurance contracts that are expected to be loss-making. If this adjustment to the contractual service margin exceeds its carrying amount, a loss component is established analogously to the initial recognition of groups of contracts that are expected to be loss-making and recognized directly in profit or loss. Conversely, it may happen that a contractual service margin is established in the context of subsequent measurement of a group of contracts originally classified as probably loss-making.

At the transition date of January 1, 2022, the initial application of IFRS 17 gave rise to the following changes in the measurement of key items in the balance sheet:

The amount of the technical liabilities and assets changes due to the concepts enshrined in the standard relating to the discounting of future cash flows, the establishment of the contractual service margin, loss components and risk adjustment and other measurement differences compared to IFRS 4, including for example the diverging definition of contract boundaries or the aforementioned grouping of contracts for measurement purposes.

An increase of \$1,235 million was recorded in the technical liabilities of the Company.

IFRS 9 “Financial Instruments” replaces IAS 39 “Financial Instruments: Recognition and Measurement” and contains new rules for classifying and measuring financial instruments, for recognition of impairment based on a new, forward-looking model of the expected losses and for the accounting of general hedge relationships.

Initial mandatory application of the standard was envisaged for annual reporting periods beginning on or after January 1, 2018. However, the IASB published “Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts” in September 2016 and “Amendments to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9” in June 2020. These amendments extended the temporary deferral of initial application of IFRS 9 “Financial Instruments” that had been granted to insurers and reinsurers (“deferral approach”) until January 1, 2023, with the result that IFRS 9 and IFRS 17 could first be applied by Hannover Re at the same time.

In order to be able to take advantage of the temporary deferral, it was necessary to demonstrate that the Company’s predominant activity is the issuance of insurance and reinsurance contracts within the scope of IFRS 4. The Company reviewed the application requirements based on the consolidated financial statement as at December 31, 2015 with a positive outcome and decided to make use of the option of temporary deferral. Since the review of the application requirements there has been no change in business activity that would have necessitated a re-evaluation of the predominant activity.

While the retrospective application of IFRS 17 provides for the presentation of comparative information for the 2022 financial year, this is not the case with initial application of IFRS 9. By issuing “Amendment to IFRS 17 Insurance Contracts; Initial Application of IFRS 17 and IFRS 9 – Comparative Information” in

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December 2021, the IASB therefore introduced a transition option relating to comparative information about financial assets that is presented on initial application of IFRS 17.

This option is intended to help entities avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the 2022 comparative year, thereby improving the usefulness of comparative information for users of financial statements. It allows for an overlay in the classification of financial assets in the comparative period that is presented on initial application of IFRS 17 ("overlay approach"). This overlay makes it possible to classify all financial assets, including those not connected with contracts within the scope of IFRS 17, on a case-by-case basis in the comparative period in a way that corresponds to how the entity expects to classify these assets on initial application of IFRS 9.

The Company applied this approach, including the provisions of IFRS 9 regarding impairment losses, consistently to all eligible financial instruments.

The classification of financial instruments according to IFRS 9 is guided, on the one hand, by the cash flow characteristics of the financial instruments and, on the other, by the business model used to manage the financial instruments. On the basis of these two criteria, financial instruments are allocated to one of three measurement categories, namely "amortized cost" (business model "hold"), "fair value through other comprehensive income" (FVTOCI) (business model "hold and sell") or "fair value through profit or loss" (FVTPL) (business model "trading"). In general, the business model "hold" is no longer applicable to the Company. In view of the nature of reinsurance business, the bulk of our portfolio of debt instruments is allocated to the business model "hold and sell". A large portion of the financial instruments shown in the investments is therefore classified in the category "fair value through other comprehensive income". The holding of these financial instruments decreased in the opening balance sheet as January 1, 2022 to \$19.8 million.

The new classification rules introduced by IFRS 9 also result in significantly more financial instruments in the investments being measured at fair value through profit or loss. As at January 1, 2022 the Company recognizes financial instruments in an amount of \$161,470 million at fair value through profit or loss (IAS 39:\$57,198 million). The bulk of this increase was attributable debt instruments that do not pass the SPPI ("solely payment of principal and interest") test due to their cash flow characteristics. This can lead to increased volatility in results in future financial years.

Reduced by the mitigating effect of deferred taxes, the transition to the accounting standards IFRS 9 and IFRS 17 as January 1, 2022 caused the reported shareholders' equity of the Company to decrease by altogether \$991.2 million. The reduction in the reported shareholders' equity as January 1, 2022 is opposed by the establishment of the contractual service margin as the present value of expected future earnings. For the Company this amounts to \$2,547 million before tax at the transition date and is thus far greater than the reduction in the reported shareholders' equity. This decrease was attributable in particular to measurement in the life and health reinsurance segment and was driven principally by the prevailing interest rate level at the transition date of 1 January 2022.

Along with the changes described in connection with initial application of IFRS 17 and IFRS 9, the following amendments to existing standards were applicable for the first time in the reporting period. These amendments did not have any significant implications for the consolidated financial statement:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

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4.2 Standards or changes in standards that have not yet entered into force or are not yet applicable

The IASB has issued the following standards, interpretations and amendments to existing standards with possible implications for the consolidated financial statement of the Company, application of which was not yet mandatory for the year under review and which are not being applied early by the Company. Initial application of these new standards is not expected to have any significant implications for the Company's net assets, financial position or results of operations:

Further IFRS Amendments and Interpretations

Publication	Title	Initial application to annual periods beginning on or after the following date:
January / July 2020	Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2024
September 2022	Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	1 January 2024
October 2022	Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants	1 January 2024
May 2023	Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements	1 January 2024
August 2023	Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	1 January 2025

4.3 Summary of major accounting policies

Classification of contracts: A contract is to be classified as a reinsurance contract issued or as a reinsurance contract held pursuant to FRS 17 if a significant insurance risk is thereby assumed or transferred. These contract types are treated according to the same rules, irrespective of whether the contracts were issued, acquired in connection with a merger or acquired as part of a transfer of contracts that do not constitute business operations. Contracts that may take the legal form of an insurance contract but do not transfer any significant insurance risk are classified as investment contracts. The recognition and measurement of such contracts follows the rules for the recognition of financial instruments according to IFRS 9.

Financial instruments are recognized and derecognized on acquisition or sale at the fulfilment date pursuant to IFRS 9. **Financial assets** are split into one of three categories on acquisition according to their cash flow characteristics and respective purpose: (i) amortized cost (AC), (ii) fair value through other comprehensive income (FVOCI) and (iii) fair value through profit or loss (FVPL). **Financial liabilities** are classified either as financial instruments at fair value through profit or loss or as financial instruments measured at amortized cost.

Debt instruments held are recognized at amortized cost (AC) and measured in subsequent periods at amortized cost using the effective interest rate method if the financial asset is held within a business model whose objective is collecting cash flows and the contractual cash flows consist of solely payments of principal and interest (SPPI). This business model is applied only in exceptional cases in the Hannover Re Group.

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Debt instruments are classified as financial instruments at fair value through other comprehensive income (FVOCI) if the financial asset is held within a business model whose objective is both collecting contractual cash flows and selling the financial asset and the contractual cash flows meet the SPPI criterion. Financial assets classified in the FVOCI category are measured at fair value, with all changes in fair value recognized in OCI allowing for accrued interest and deferred taxes and disclosed in shareholders' equity under the other reserves. Premiums and discounts are spread across the maturity using the effective interest rate method. A large part of the Company's investments fall under the business model with the objective of collecting cash flows and selling, because the investments are predominantly used to cover underwriting risks and sales are therefore influenced by the servicing of these obligations.

There is an option to designate equity instruments as FVOCI on initial recognition, without recycling to profit and loss. In this case, changes in fair value are recognized directly in OCI and not recycled to P&L even on disposal. As a general principle, the Company exercises this option for equities and unconsolidated participations.

The financial instruments measured at fair value through profit or loss (FVPL) include all equity instruments that were not designated as FVOCI without subsequent recycling to profit and loss as well as all debt instruments whose cash flows do not meet the SPPI criteria or are not held within the business models whose objective is collecting contractual cash flows or collecting cash flows and selling the instrument.

This includes first and foremost complex structured products, units in investment funds and private equity investments as well as short-term investments. In addition, all derivative assets are measured at fair value through profit or loss and, provided they have positive fair values, recognized in this category. Derivatives with negative fair values are recognized under the other liabilities. All securities measured at fair value through profit or loss are carried at the fair value on the closing date. If market prices that can be used as fair values are not available, the book values of the relevant financial instruments are determined using recognized measurement methods. All unrealized gains or losses from measurements of this type are recognized in profit or loss just like realized gains and losses and reported in the investment income.

Establishment of the fair value of financial instruments carried as assets or liabilities: We establish the fair value of financial instruments carried as assets or liabilities using the methods and models described below. The fair value of a financial instrument corresponds to the amount that the Company would receive or pay if it were to sell or settle the said financial instrument on the balance sheet date. Insofar as market prices are listed on markets for financial assets, their bid price is used; financial liabilities are valued at ask price. In other cases the fair values are established on the basis of the market conditions prevailing on the balance sheet date for financial assets with similar credit rating, duration and return characteristics or using recognized models of mathematical finance. The Company uses a number of different valuation models for this purpose. The details are set out in the table above. Financial assets for which no publicly available prices or observable market data can be used as inputs (financial instruments belonging to fair value hierarchy level 3) are for the most part measured on the basis of proven valuations drawn up by knowledgeable, independent experts, e. g. net asset value, the plausibility of which has previously been subjected to systematic review. For further information please see our explanatory remarks on the fair value hierarchy in section 6.

Impairments: The impairment rules set out in IFRS 9 apply to all debt instruments recognized at amortized cost or at fair value through other comprehensive income. Expected credit losses (ECL) as well as potential impairments and those actually established at the measurement date are calculated and presented in accordance with a three-stage model:

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- Stage 1 consists of debt instruments in respect of which it is assumed that the credit risk has not significantly increased since initial recognition. The risk provision for such instruments is measured using, among other things, the default probabilities for the next 12 months.
- Stage 2 consists of debt instruments that are not credit-impaired, but whose credit risk has increased significantly since initial recognition. The significant increase in the credit risk is established primarily on the basis of the credit rating specific to the individual instrument or using alternative quantitative and qualitative information, a credit risk assessment and forward-looking information. The risk provision is calculated using the default probabilities for the entire remaining maturities of the instruments.
- Stage 3 consists of all debt instruments that are classified as credit-impaired.

For all three stages, the risk provision to be made and its reversal are determined at the reporting date and individually for each specific instrument. The resulting expense and income are recognized in the statement of income.

The determination of the risk provision to be made for Stages 1 and 2 is based on the potential default amount weighted by the risk of default. The following three parameters are primarily considered here:

- the probability of default (PD),
- the loss given default (LGD) and
- the exposure at default (EAD).

Year-specific probabilities of default are used for Stage 2 to establish the ECL for the entire remaining maturities of the assets. These input factors are regularly recalibrated to reflect the forecast development of macroeconomic conditions in accordance with the requirements of IFRS 9 through the use of region- and period-specific point-in-time (PIT) factors. If a debt instrument is classified as credit-impaired and hence carried in Stage 3, measurement of the risk provision is based on the fair value at the balance sheet date.

Upon acquisition, all financial instruments are initially allocated to Stage 1. In cases where the credit risk has significantly increased, they are transferred to Stage 2. Given that allocation to a stage is dependent on the rating at the time of acquisition, shares in a financial instrument acquired at different times can be allocated to both Stage 1 and Stage 2. A significant increase in the credit risk triggering the transfer from Stage 1 to Stage 2 exists if the financial instrument has a current issuer rating in the non-investment-grade range and the rating of the instrument has been downgraded at least twice since initial recognition. The Company uses the optional simplification under which financial instruments with a low credit risk are not allocated to Stage 2 if they still have an investment-grade issuer rating.

The allocation of financial instruments to Stage 3, on the other hand, is made on the basis of the counterparty's default status.

If a significant increase in the credit risk exists but the financial instrument was not classified as credit-impaired, the financial instrument in question remains in Stage 2. If none of the aforementioned stage transfer criteria applies any longer and the financial instrument is not credit-impaired, it is allocated to Stage 1. In the event of credit impairment, it is allocated to Stage 3. If a previously credit-impaired financial instrument is no longer considered to be credit-impaired, it is reclassified to Stage 2 or Stage 1 depending on applicability of the stage-specific criteria.

An overview of the impairments on financial instruments can be found in section 6.1 "Investments".

Netting of financial instruments: Financial assets and liabilities are only netted and recognized in the appropriate net amount if a corresponding legal claim (reciprocity, similarity and maturity) exists or is expressly agreed by contract, in other words if the intention exists to offset such items on a net basis or to effect this offsetting simultaneously.

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Other invested assets: The other invested assets are participating interests in entities over which we are unable to exercise a significant influence or control. Subsidiaries that are not consolidated for reasons of materiality are also included in this item. These interests are normally measured at fair value in OCI.

Cash and cash equivalents; Are carried at face value. Cash collateral that we have received for the hedging of positive fair values of derivatives is shown under other liabilities.

Repurchase agreements (repo transactions): Fully collateralised, term repurchase agreements (repos) are entered into as a supplementary liquidity management tool. In this context the Group sells securities and at the same time commits to repurchase them at a later date for an agreed price. Given that the material risks and opportunities associated with the financial instruments remain within the Hannover Re group, we continue to recognize these assets. The repurchase commitment arising out of the payment received is accounted for under "other liabilities"; any difference between the amount received for the transfer of the securities and the amount agreed for their repurchase is spread across the term of the repo using the effective interest rate method and shown in investment income.

Reinsurance recoverables on technical reserves: Shares of our retrocessionaires in the technical reserves are calculated according to the contractual conditions on the basis of the gross technical reserves. An appropriate impairment is taken to allow for objective substantial indications of credit risks that are based on an event after initial recognition and suggest impairment, insofar as this can be reliably measured. For further information please refer to the subsection "Retrocession contracts" in this section.

Deferred tax assets: IAS 12 "Income Taxes" requires that assets-side deferred taxes be established if assets have to be recognized in a lower amount or liabilities in a higher amount in the consolidated balance sheet than in the tax balance sheet and if these temporary differences will lead to reduced tax burdens in the future. In principle, temporary differences result from the valuation differences between the tax balance sheets drawn up in accordance with national standards and the IFRS balance sheets of the companies included in the consolidated financial statement drawn up in accordance with uniform group standards as well as from consolidation processes. Deferred tax assets and liabilities are not established if they arise out of assets or liabilities, the book value of which upon first-time recognition diverges from their initial tax base.

Deferred tax assets are also recognized on tax loss carry-forwards and tax credits. Insofar as the deferred taxes refer to items carried directly in equity, the resulting deferred taxes are also recognized directly in equity. Value adjustments are taken on deferred tax assets as soon as realization of the receivable no longer appears likely. Deferred taxes are measured according to the tax regulations specific to the country concerned that are applicable or have been adopted as at the closing date.

Deferred tax assets may only be netted with deferred tax liabilities if an enforceable right exists to net actual tax refund claims with actual taxes owing. A precondition here is that the deferred tax assets and deferred tax liabilities refer to income taxes that are levied by the same revenue authority either for (i) the same taxable entity or for (ii) different taxable entities. In this regard, there must be an intention – in every future period in which the discharge or realization of substantial amounts of deferred tax liabilities / deferred tax assets is to be expected – either to bring about the settlement of the actual taxes owing and refund claims on a net basis or to discharge the liabilities at the same time as the claims are realized.

Technical reserves, general measurement model – initial measurement: On initial recognition the Company measures a group of reinsurance contracts as the sum of

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- the fulfilment value, which is comprised of estimates of expected future cash flows, an adjustment that reflects the time value of money and the associated financial risks as well as a risk adjustment for non-financial risks, and
- the contractual service margin (CSM).

In the recognition of the corresponding technical reserves a fundamental distinction is made between a pre-claims phase (liability for remaining coverage; LRC) and a claims phase after occurrence of the insured event (liability for incurred claims; LIC).

Fulfilment value – cash flows: Components of the cash flows to be included are, among others, premium payments, payments to cedants, costs for acquisition and management of the contracts as well as for settlement of incurred claims. In this context, the cash flows included in the measurement model at each balance sheet date always constitute the Company's current estimate and expectation in connection with the fulfilment of obligations.

Time value of money – discounting: The Company discounts all cash flows with currency-specific, risk-free yield curves that are adjusted to reflect the respective characteristics of the cash flows and the liquidity of the underlying insurance contracts (bottom-up approach). The illiquidity premium used is based on risk-adjusted spreads of corporate and government bonds. These adjustments, which take the form of a supplementary illiquidity premium per currency, satisfy the following requirements / assumptions:

- The illiquidity of the underlying insurance contracts is defined through the predictability of the resulting cash flows, since the harder it is to predict a cash flow, the less it lends itself to coverage with illiquid assets.
- All characteristics of an insurance contract (or a group of insurance contracts) can be fully described and measured through the characteristics of its resulting cash flows.
- The uncertainties in cash flows that may be caused by volatility in financial market parameters are captured in the estimation of expected future cash flows, instead of implicitly reflecting them through adjustment of the risk-free and completely illiquid yield curve in the illiquidity premium.
- The illiquidity premiums are estimated on the basis of liquidity premiums for financial assets observable on the market that are adjusted to reflect the illiquidity characteristics of the cash flows on the liabilities side. The illiquidity premiums used in this context are based on risk-adjusted spreads of corporate and government bonds.

Risk adjustment for non-financial risk: The non-financial risk adjustment for a group of insurance contracts reflects the amount of compensation needed to carry the uncertainty surrounding the amount and timing of the cash flows that arise out of non-financial risks – such as the insurance risk itself, the cost risk and in particular the risk associated with policyholder behaviour. The Company uses a “pricing margin approach” to determine the risk adjustment and regularly reviews the risk adjustment to ensure that it is always consistent with the compensation required to carry the risk. The approach refers to the fact that the question of the necessary compensation for the uncertainty of the cash flows is already answered in connection with the premium calculation. The loadings on the cash flows determined here form the risk adjustment pursuant to IFRS 17. Applying this approach and allowing for risk diversification among the companies belonging to the Hannover Re Group, the confidence level for our technical reserves at the balance sheet date is 71.1% (2022: 70.6%).

Contractual service margin (CSM): The contractual service margin defers a profit expected at the time of acquisition and spreads it according to provision of the service across the coverage period. Specifically, this means:

- If the present value of the expected cash inflows exceeds the present value of the expected cash outflows plus the risk adjustment, an expected profit exists that we recognize in the contractual service margin. Initial balance sheet recognition of contracts expected to be profitable thus has no effect on profit or loss.

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- Subsequent measurement of the contractual service margin reflects the rendering of a service in the form of insurance contract service. The insurance contract service consists of the benefit paid in case of occurrence of the insured event and the policyholder's participation in income generated on the capital market through investment of paid insurance premiums. An amount is released from the CSM to profit or loss in the corresponding reporting periods as a service fee for rendering of this service and recognized in the statement of income as part of the insurance revenue. So-called "coverage units" are used to measure this service in a reporting period.
- These coverage units are based on the quantities of benefits provided at the end of the reporting period relative to those expected to be provided over the entire contract duration in order to determine the service rendered for the period. We select the coverage units for each insurance transaction in such a way that they optimally reflect the service provided in each case.

Loss component: For groups of contracts where the sum of the present value of expected future cash outflows and the risk adjustment exceeds the present value of the expected future cash inflows, we recognize the loss expected at time of acquisition directly in profit or loss in the so-called "loss component".

General measurement model – subsequent measurement: The book value of a group of insurance contracts at each closing date is the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC).

- The liability for remaining coverage consists of the fulfilment value relating to future payments allocated to the group of contracts at this time as well as the CSM for the group at the closing date.
- The liability for incurred claims consists of the fulfilment value for incurred claims plus expenditures not yet paid, including claims already incurred but not yet reported.

The fulfilment value plus the estimates of current assumptions made by the Company in earlier interim consolidated financial statements is updated at the end of each reporting period based on current estimates of the amount, timing and uncertainty of expected future cash flows and discount rates. The Company splits the insurance finance income and expenses between profit and loss ("P&L") and other comprehensive income ("OCI"). Systematic allocation is ensured through use of the discount rate on initial recognition.

Changes in cash flows: Changes that relate to future payments and adjust the CSM include, among others:

- Changes to estimates of the present value of expected future cash flows in the LRC, with the exception of the changes described in the next paragraph;
- Variances between an investment component that is expected to be payable in the period and the investment component that is actually payable in the period. These variances are established through comparison (i) of the investment component actually payable in the period with (ii) the payment in the period that was expected at the beginning of the period, plus any insurance finance income or expenses in relation to the expected payment, before it becomes payable;
- Changes to the risk adjustment for non-financial risks that relate to future services;
- Experience-based adjustments due to premiums booked in the period that relate to future services, and associated cash flows such as acquisition costs and premium-based taxes.

The following changes do not result in an adjustment of the CSM and are therefore recognized directly in P&L:

- Changes in the fulfilment value due to the effects of the time value of money, the financial risks and changes in this regard;
- Changes in the fulfilment value in connection with the LIC;

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- Experience-based adjustments due to premiums booked in the period that do not relate to future services, and associated cash flows such as acquisition costs and premium-based taxes;

The CSM of each group of contracts is calculated on each closing date as explained below. This means that the year-end results are not influenced by the treatment of accounting-related estimates made in earlier interim financial statements. The book value of the CSM at the closing date corresponds to the book value at the start of the year, adjusted for:

- the CSM of new contracts added to the group in the financial year;
- the interest accretion on the book value of the CSM with the interest rate determined on initial recognition (locked-in rate);
- changes in the fulfilment value connected with cash flows that relate to the fulfilment of future services. These are recognized through adjustment of the CSM for as long as the CSM is available. If an increase in the fulfilment value exceeds the CSM, the excess amount is recognized in insurance service expenses and a loss component is recognized;
- the impact of any exchange rate differences;
- the release of the CSM through insurance revenue that was calculated after allowance for all adjustments.

Retrocession contracts: The accounting policies described above are also applied as a general principle to reinsurance contracts held. Retroceded business is additionally subject to the special recognition and measurement principles described below. As with business assumed, the rules refer in each case to the aggregation level of a group of contracts.

The Company reports reinsurance contracts held at the earlier of the following points in time:

- At the beginning of the coverage period of the contracts held, or
- At the time when a group of onerous underlying assumed contracts is recognized.

In the case of ceded reinsurance contracts with pro-rata coverage (predominantly proportional reinsurance), recognition does not take place until the date on which the underlying assumed contracts are recognized if this date falls after the inception of the coverage period of the ceded contracts.

On each balance sheet date the Company estimates the future cash flows and their discounting based on current assumptions. The assumptions are consistent with the assumptions chosen for measurement of the underlying issued reinsurance contracts.

The risk adjustment for non-financial risk with respect to business retroceded is determined as the part of the risks effectively transferred to the retrocessionaire. In this regard, the Company always strives for the greatest possible consistency with the determination of the risk adjustment for non-financial risks for the underlying gross business.

In contrast to the recognition of issued reinsurance contracts, the CSM for ceded reinsurance contracts can be positive or negative.

In the case of prospective retrocession contracts, both a net profit and net costs are to be deferred on acquisition of the retrocession across the coverage period. Changes in fulfilment values are offset against the contractual service margin, insofar as these changes relate to future services. If, however, the changes in estimates are attributable to measurement adjustments to the underlying contracts recognized in profit or loss, we recognize their effect on the measurement of the ceded reinsurance contracts directly in profit or loss. This facilitates consistent mapping of the gross business with the ceded insurance contracts. The contractual service margin is spread across the remaining duration of the coverage period in the context of subsequent measurement on the basis of coverage units.

In contrast, in the case of retroactive retrocession contracts relating to insured events that occurred prior to acquisition of the retrocession, the net costs from acquisition of the retrocession are expensed in profit

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or loss. Expected net profits, on the other hand, are spread across the run-off period of the underlying contracts in a contractual service margin by selecting appropriate coverage units.

Loss-recovery component: The Company establishes a loss-recovery component if a loss is reported for ceded gross business on account of onerous contracts. The loss component to be expensed for the gross business is thereby opposed with a loss-recovery component recognized in income proportionate to the expected relief. In this way, allowance is also made in the balance sheet for an effective retrocession and as a result only a non-reinsured loss from the gross business remains in profit and loss in the respective period. Reversals of the loss-recovery component cause the contractual service margin to be adjusted, provided these reversals do not involve changes in the fulfilment values of the group of ceded reinsurance contracts. In the context of subsequent measurement, the loss-recovery component is adjusted for changes in the loss component of the underlying reinsurance contracts. All in all, the loss-recovery component is of minor importance in the Company's book of business.

Derecognition and contract modification: Contracts are derecognized when they are extinguished or their terms and condition are changed in such a way as to fundamentally impact the economic characteristics of the contractual properties. If this is not the case, the contract modification results in a change in the estimated fulfilment values.

Investment components: The investment component of an insurance contract is defined as the amount that an entity must repay to the policyholder even if the insured event does not occur. Investment components are not included in the reinsurance revenue or in the insurance service expenses, but rather are recognized in accordance with IFRS 9. Investment components include, for example, the inflows and outflows of savings elements in life primary insurance and certain commissions paid to cedants.

Deferred tax liabilities: In accordance with IAS 12 "Income Taxes" deferred tax liabilities must be recognized if assets are to be recognized in a higher amount or liabilities in a lower amount in the consolidated balance sheet than in the tax balance sheet and if these temporary differences will lead to additional tax loads in the future; please see our explanatory remarks on deferred tax assets.

Other liabilities: We include not only the sundry non-technical provisions but also minority interests in partnerships. Direct minority interests in partnerships, i.e. liabilities to holders of minority shares in partnerships arising out of a long-term capital commitment which are puttable by the holder of the interest, are recognized as debt pursuant to IAS 32 and measured at amortized cost.

Financing liabilities: Consist of liabilities from lease contracts and above all long-term debt and notes payable. In some instances these involve subordinated liabilities that can only be satisfied after the claims of other creditors in the event of liquidation or bankruptcy. Both long-term debt and notes payable are measured at amortized cost using the effective interest rate method. The transaction costs as well as premiums/discounts arising in connection with the issuance of bonds are amortized and recognized together with the nominal interest as financing costs. Lease liabilities are initially measured at the present value of essentially all lease payments that are not variable or dependent on an index or (interest) rate. The discount factor used is the implicit interest rate of the lease contract or the lessee's incremental borrowing rate.

Financial liabilities including long-term debt and notes payable, insofar as they do not involve liabilities from derivatives and the financial obligations from investment contracts measured at fair value through profit or loss, are carried at amortized cost. The amortized cost is determined from the historic cost after allowance for amounts repayable, the amortisation of premiums and discounts recognized in profit and loss in accordance with the effective interest rate method and any impairment losses and reversal of impairment losses. The Company measures liabilities from derivatives at fair value. Interest accretion on these financial liabilities is shown under the financing costs.

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Shareholder's equity: The items "common shares" and "additional paid-in capital" are comprised of the amounts paid in by the shareholders of Hannover Rück SE on its shares. In addition to the statutory reserves of Hannover Rück SE and the allocations from net income, the retained earnings consist of reinvested profits generated by The Group in previous periods. What is more, in the event of a retrospective change of accounting policies, the adjustment for previous periods is recognized in the opening balance sheet value of the retained earnings and comparable items of the earliest reported period. Unrealized gains and losses from the fair value measurement of financial instruments measured at fair value through OCI are carried in cumulative other comprehensive income under unrealized gains and losses on investments. Translation differences resulting from the currency translation of separate financial statements of foreign subsidiaries are similarly recognized in OCI under cumulative foreign currency translation adjustments.

Disclosures about financial instruments: IFRS 7 "Financial Instruments: Disclosures" requires more extensive disclosures according to classes of financial instruments. In this context, the term "class" refers to the classification of financial instruments according to their risk characteristics. A minimum distinction is required here between measurement at amortized cost or at fair value. A more extensive or divergent distinction should, however, be geared to the purpose of the corresponding disclosures in the notes. Essentially, the following classes of financial instruments are established, additionally broken down as appropriate into the underlying valuation models:

- Debt instruments (directly held)
- Equity instruments (directly held)
- Fund investments and other callable financial instruments
- Derivatives
- Other invested assets
- Short-term investments
- Real estate investments (directly held)
- Certain financial instruments in the balance sheet item "Other assets"
- Certain financial instruments in the balance sheet item "Other liabilities"
- Long-term debt
- Notes payable

This grouping into classes is not, however, solely determinative for the type and structure of each disclosure in the notes. Rather, guided by the underlying business model of reinsurance, the disclosures are made on the basis of the facts and circumstances existing in the financial year and in light of the principle of materiality.

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Reinsurance revenue: The Company books reinsurance revenue when it renders services in connection with groups of reinsurance contracts. In this context, the reinsurance revenue of the reporting period represents the sum of the changes in the LRC resulting from the rendering of services in this period for which the Company expects a consideration. The reinsurance revenue is defined in such a way as to bring about comparability with revenue reporting in other industries and derives from the following revenue sources:

- Expenditures incurred in the reporting period for reinsured losses and other insurance services (excluding repayments of investment components and amounts allocable to a potential loss component)
- Changes in the risk adjustment for non-financial risks in relation to services in the current reporting period.
- CSM release, measured by the coverage units provided.
- Other amounts, including experience-based adjustments to premium received for services in the current or in past periods.

No insurance revenue is recognized in the amount of the investment components because this involves those parts of the premium that are always paid back to the cedant, irrespective of whether or not the insured event occurs. At the Company, this particularly includes certain commissions paid to cedants. The reduction of the revenue by the amount of the investment components has no influence on the reinsurance service result because the insurance service expenses are also correspondingly reduced.

Reinsurance service result: The reinsurance service expenses include, in particular, the incurred claims (excluding repayments of investment components) as well as the management and acquisition expenses. The acquisition expenses are allocated systematically to the respective periods of the coverage duration and recognized in the same amount as reinsurance revenue and as reinsurance service expenses. Within the reinsurance service result, the profit components from contracts retroceded are shown as separate items distinct from the gross reinsurance revenue and gross reinsurance service expenses from issued business.

In the reinsurance finance result, the reinsurance finance income and expenses include the effects from the discounting of the present value of net cash flows, the risk adjustment for non-financial risks and the contractual service margin. We recognize the effects of changes in interest rates, on the other hand, largely outside profit and loss in the OCI within shareholders' equity. In our consolidated statement of income we present the net reinsurance finance result both before and after currency effects. We first present the reinsurance finance result in accordance with IFRS 17 including currency effects. In order to clarify the matching currency coverage of the technical liabilities by investments, the currency effects are subsequently eliminated from the reinsurance finance result pursuant to IFRS 17 and shown separately in the net currency result.

Revenue from contracts with customers is realized when control of the promised goods or services is transferred to the customer. The amount of revenue realized corresponds to the consideration that the Company expects to receive in return for the transfer of goods or services to the customer. Under its contracts that fall within the scope of application of IFRS 15 the Company generally acts as a principal, because it normally controls the services or goods before transferring them to the customer.

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Taxes: The taxes are comprised of the actual tax load on corporate profits of the Group to which the applicable local tax rates are applied, as well as changes in deferred tax assets and liabilities. Income and expenses arising out of interest or penalties payable to the revenue authorities are shown under other income / expenses. The calculation of the deferred tax assets and liabilities is based on tax loss carry-forwards, unused tax credits and temporary differences between the book values of assets and liabilities in the consolidated balance sheet of the Company and their carrying amounts in the tax balance sheet. Further information on deferred taxes is provided in our remarks on deferred tax assets and liabilities.

5. Nature and extent of risks

In the context of its business operations, the Company enters into a variety of risks. These risks are deliberately accepted, steered and monitored in order to be able to act on the associated opportunities. In this context, crucial importance is attached to risk management in order to ensure that, among other things, risks to the reinsurance portfolio remain calculable and also exceptional significant losses do not have an unduly adverse impact on the results of the Company.

5.1 Risk management system

The Company's risk management system is designed to be commensurate to the nature, scale, and complexity of the risks inherent in the business. The Company's approach to risk management is summarized by the following key operations:

- Risk identification
- Risk controlling
- Risk measurement
- Risk monitoring

All stages of the risk management cycle are steered by the Company's Board of Directors and officers of the Company including the Chief Risk Officer.

5.2 Risk governance

The system of governance around the Company's risk management system is comprised of a local governance framework which sits within the broader Hannover Re Group Risk Management framework. The local governance framework is underpinned by the following committees:

- The Company Board of Directors
- Risk Committee
- Operational Council
- Audit Committee

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The Hannover Re Group Risk Management function provides an additional level of governance that is independent of the local Company's operations.

5.3 Insurance risk

5.3.1 Key risks and mitigation measures

The Company's main insurance risks are:

- Mortality risk
- Morbidity risk
- Mortality Catastrophe risk
- Lapse risk
- Interest Rate risk
- Longevity risk
- Disability risk

The Company's exposure to insurance risk is mitigated through the existence of Underwriting Guidelines which specify limits and thresholds to ensure that risk is accepted on a basis that is in line with the Company's risk appetite.

Mortality risk

Mortality risk is currently the primary insurance risk and is defined as an adverse deviation in mortality rates from expected. The Company is exposed to mortality and longevity risk through the reinsurance of life and annuity insurance business from its cedants. The reinsurance structures may include traditional structures such as risk premium reinsurance and stop loss reinsurance, alongside less traditional structures such as mortality swaps. The Company's risk management system mandates maximum retention limits and has retrocession arrangements in place to accept risk in excess of the retention limit.

Morbidity risk

Morbidity risk is the actuarial risk that the state of health of a person is adversely impacted by illness, disease, injury or frailty and that higher costs are triggered by medical treatment, long-term care, or protracted periods of disability. The Company is exposed to morbidity risk through the reinsurance of health and long-term care business. The reinsurance structures may include traditional structures such as coinsurance, risk premium reinsurance and stop loss reinsurance, alongside less traditional structures such as morbidity cost swaps. The Company's risk management system mandates exposure limits and monitoring of morbidity risks.

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Mortality Catastrophe risk

Due to the mortality exposure described in the previous section, the Company is also exposed to mortality catastrophe risk, namely pandemic risk.

Lapse risk

The Company's exposure to lapse risk including mass lapse risk is primarily due to its engagement in financial reinsurance and stop-loss transactions which typically relies on the persistence of the underlying business. The Company is party to a range of cash and non-cash financing structures. Treaties are structured to mitigate the extent of the Company's exposure to lapse risk.

Interest rate risk

Interest rate risk refers to an unfavorable change in the value of financial assets held in the portfolio due to changes in the general interest rate level. Interest rate risk arises primarily from the Company's investments in fixed-income securities. Declining interest rates lead to increases in the fair value of the fixed-income securities while rising interest rates lead to decreases in the fair value.

The reinsurance contracts written by the Company define future cash flow obligations that may be assessed with a reasonable degree of actuarial certainty. It is therefore possible for the investment portfolio to be closely matched to these obligations by currency, maturity, and type. The Company monitors its interest rate risk by reviewing these obligations regularly. The Company matches its interest rate risk on an economic basis. A maturity analysis of the Company's financial assets and liabilities is provided under note 16.

Longevity risk

Longevity entails the risk that the mortality contained in the actuarial assumptions does not correspond to the actual mortality and that payments have to be rendered and funded for a longer duration than had been assumed.

Disability risk

Disablement entails the risk that benefit payments for disability do not correspond to the actual experience and for this reason, increased benefit obligations have to be met.

5.3.2 Sensitivity to insurance risks

The Company assesses its exposure to insurance risk through an internal economic model best estimate liability analysis, which is subsequently used as a key input for the economic balance sheet and to determine an economic capital allocation to each risk. The Company calculates the best estimate liability under a Solvency II basis quarterly for the Hannover re Group reporting purposes and Bermuda economic balance sheet basis at least annually. The methodology and assumptions used for the Group Solvency II reporting are in line with European Insurance and Occupational Pensions Authority ("EIOPA") Principles.

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The table below shows the sensitivity of the Company's best estimate liability as at December 31, 2022 under a range of insurance stresses.

USD' 000s	Best Estimate	Increase / Decrease	% Change
	(Asset) / Liability	in Best Estimate (Asset) / Liability	
Best Estimate	645,267.78		
RFY-50bps	699,840.46	54,572.68	8.46%
RFY+50bps	608,002.83	(37,264.95)	-5.78%
RFY-100bps	773,995.75	128,727.97	19.95%
RFY+100bps	580,991.13	(64,276.65)	-9.96%
Mortality+10%	1,436,067.31	790,799.53	122.55%
Mortality+15%	1,631,806.25	986,538.47	152.89%
Mortality +50% 1st year	1,120,629.59	475,361.81	73.67%
Mortality +100% 1st year	1,466,328.44	821,060.66	127.24%
Mortality+1.5‰	1,135,115.46	489,847.68	75.91%
LapseMass40%/70%	1,506,586.02	861,318.24	133.48%
Lapse-10%	531,721.14	(113,546.64)	-17.60%
Lapse+10%	751,067.84	105,800.06	16.40%
Lapse-50%	(594,665.09)	(1,239,932.87)	-192.16%
Lapse+50%	1,045,542.97	400,275.18	62.03%
Longevity business: Mortality-15%	770,494.91	125,227.13	19.41%
Longevity business: Mortality-20%	820,133.40	174,865.62	27.10%
Disability/Morbidity +25%	969,948.57	324,680.79	50.32%
Disability/Morbidity+35%/+25% and Reco	1,000,810.39	355,542.61	55.10%
MortalityImprovements -50%	1,732,102.35	1,086,834.57	168.43%
noMortalityImprovements	3,245,002.13	2,599,734.35	402.89%

5.3.3 Concentrations of insurance risk

The Company defines concentration of insurance risk as the risk of exposure to increased losses associated with an inadequately diversified insurance portfolio. Exposure to concentration risk on individual lives is not material and mitigated through the Company's retention limit set forth in the underwriting guidelines.

The process for identifying and monitoring insurance risks (including concentrations) is initiated by The Parent Company Group Risk Management ("GRM") and conducted annually by the Company's Risk Management function. The results are codified in a central repository for systematic identification of material risks to the risk strategy including assessment of materiality, and serves as an important tool to identify and prioritize risks for monitoring and management efforts.

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5.4 Market risk

The Company's investment portfolio currently consists in large part of fixed-income securities, and hence default and spread risks account for the bulk of the market risk. The Company is also exposed to changes in interest rates due to the impact on liability valuations. Since asset and liability cash flows are both impacted by changes in interest rates, an integrated approach is used to assess interest rate risk on the entity's net economic value. The Company minimizes interest rate risk through the matching of durations of fixed-income securities and the related insurance contracts' liabilities.

The table below shows the sensitivity to changes in interest rates on the Company's fixed-income and derivative securities investment portfolio:

	2023		2022	
	P&L	Equity	P&L	Equity
Fixed-income securities				
+100 basis point shift in yield curves	\$ (678)	\$ (273,927)	\$ (795)	\$ (248,044)
-100 basis point shift in yield curves	993	324,833	1,142	284,814
Derivative Securities				
+100 basis point shift in yield curves	\$ 4,988	\$ -	\$ 5,464	\$ -
-100 basis point shift in yield curves	(4,537)		(4,964)	

5.5 Credit risk

In addition to credit risk within the investment portfolio, the Company is exposed to the counterparty risk of loss in value caused by the default or delay of outstanding obligations from other business partners including cedants and retrocessionaires. Counterparty exposure is assessed across the Company's asset portfolio and across reinsurance agreements and can result, for example, from a loss in future profit or recovery of initial ceding allowance on a cedant default. This risk is controlled through the Company's underwriting guidelines by the existence of maximum exposure limits per cedant.

Credit risk is minimized to retrocessionaires through the fact that assets for risk business are retained within the Company on a funds withheld basis.

Our investments entail credit risks that arise out of the risk of a failure to pay (interest and/or capital repayment) or a change in the credit status (rating downgrade) of issuers of securities. We attach equally vital importance to exceptionally broad diversification as we do credit assessment conducted on the basis of the quality criteria set out in the investment guidelines. We measure credit risks in the first place using the standard market risk components, especially the probability of default and the potential amounts of loss – making allowance for any collateral and the ranking of the individual instruments depending on their effect in each case.

We then assess the credit risk first on the level of individual securities (issues) and in subsequent steps on a combined basis on the insurer level. In order to limit the risk of counterparty default, we set various limits on the insurer and issue level as well as the form of dedicated rating quotas. A comprehensive system of risk reporting ensures timely reporting to the functions entrusted with the Parent Company risk management.

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The following table reflects the rating structure of amounts from reinsurers' share of technical contracts provisions and fixed-income securities using Standard & Poor's or A.M. Best Moody's ratings:

	2023							Other	Total
	AAA	AA	A	BBB	BB	B	C		
Financial investments - at fair value through OCI	96,190	1,361,028	689,332	847,964	53,040	10,091	1,645	279,139	3,338,428
Financial investments - at fair value through profit and loss	596	5	17,735	6,893				128,454	153,683
Other invested assets								11,827	11,827
Recoverables on reinsurance contracts - ceded		48,821	181	157,267				(1,883)	204,386
Recoverables on reinsurance contracts - issued in an asset position		21,509	22,240	1,875				34,556	80,181

	2022							Other	Total
	AAA	AA	A	BBB	BB	B	C		
Financial investments - at fair value through OCI	960,787	431,572	640,521	937,446	64,677	9,508	-	278,495	3,323,005
Financial investments - at fair value through profit and loss	735	25	4,034	6,973				158,880	170,647
Other invested assets								8,873	8,873
Recoverables on reinsurance contracts - ceded		9,208	126	157,671				4,153	171,158
Recoverables on reinsurance contracts - issued in an asset position		193,122	15,189	693				36,991	245,996

5.6 Liquidity risk

Liquidity risk is the risk of being unable to meet financial obligations when they become due. Liquidity risk is controlled through the Company's investment guidelines which stipulates minimum liquidity requirements as a proportion of the total invested portfolio. Liquidity risk arising from insurance contracts is managed through the use of financial projections and forecasts to ensure the Company is able to meet its expected liquidity requirements.

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6. Investments under own management

Investments are classified and measured in accordance with IFRS 9 “Financial Instruments”. The Company classifies investments according to the following categories at fair value through OCI and at fair value through profit and loss, while measurements at amortized cost is applied only in exceptional cases. The allocation and measurement of investments is guided by the respective investment intent (business model) and the type of cash flows. Investments also include other invested assets.

The following table shows the regional origin of the investments.

Regional origin	2023	2022
Germany	\$ 80,501	\$ 73,432
United Kingdom	44,569	41,668
France	18,451	15,651
Other	119,647	98,200
Europe	\$ 263,168	\$ 228,951
USA	3,025,023	3,066,783
Other	45,581	42,102
North America	\$ 3,070,604	\$ 3,108,885
Asia	55,736	51,676
Australia	31,352	29,800
Australasia	\$ 87,087	\$ 81,476
Africa	629	-
Other	82,450	83,213
Total	\$ 3,503,938	\$ 3,502,525

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Maturities of fixed income and variable-yield securities

Financial Investments - at fair value through OCI	2023		2022	
	Amortized cost	Fair value ¹	Amortized cost	Fair value ¹
Due in one year	\$ 63,877	\$ 63,321	\$ 191,553	\$ 188,929
Due after one through two years	116,824	115,360	82,766	80,131
Due after two through three years	155,197	147,583	104,004	98,485
Due after three through four years	118,892	113,871	182,327	169,363
Due after four through five years	186,975	179,344	141,522	131,068
Due after five years through ten years	840,716	763,166	943,624	823,113
Due after more than ten years	2,291,197	1,955,782	2,262,657	1,831,916
Total	\$ 3,773,678	\$ 3,338,428	\$ 3,908,453	\$ 3,323,005

Financial Investments - at fair value through profit and loss	2023		2022	
	Amortized cost	Fair value ¹	Amortized cost	Fair value ¹
Due in one year	\$ 32	\$ 32	\$ 1,110	\$ 1,110
Due after one through two years	5	5	35	35
Due after two through three years	-	-	24	25
Due after three through four years	587	596	-	-
Due after four through five years	1,631	1,637	724	735
Due after five years through ten years	-	-	1,890	1,897
Due after more than ten years	75,467	73,388	95,580	93,297
No Maturity	78,025	78,025	73,549	73,549
Total	\$ 155,747	\$ 153,683	\$ 172,912	\$ 170,647

¹Including accrued interest.

The stated maturities may in individual cases diverge from the contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

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Amortized cost, unrealized gains and losses, accrued interest and fair value through OCI as well as their fair value

	2023				
	Cost or amortized	thereof accrued	Unrealised gains	Unrealised losses	Fair value
	cost incl. accrued	interest			
Financial investments - at fair value through OCI					
<i>Debt instruments</i>					
US treasury notes	\$ 1,056,040	\$ 5,358	\$ 11,265	\$ (173,011)	\$ 894,294
Debt securities issued by semi-governmental entities	492,318	5,306	8,483	(51,158)	449,644
Corporate securities	1,920,438	20,342	3,409	(203,792)	1,720,055
Others	343,358	6,753	53	(68,975)	274,435
Total	\$ 3,812,154	\$ 37,759	\$ 23,210	\$ (496,936)	\$ 3,338,428

	2022				
	Cost or amortized	thereof accrued	Unrealised gains	Unrealised losses	Fair value
	cost incl. accrued	interest			
Financial investments - at fair value through OCI					
<i>Debt instruments</i>					
US treasury notes	\$ 1,093,694	\$ 5,475	\$ 96	\$ (183,588)	\$ 910,201
Debt securities issued by semi-governmental entities	422,822	4,895	424	(65,623)	357,623
Corporate securities	2,078,144	20,997	774	(296,532)	1,782,386
Others	352,854	7,695	-	(80,060)	272,795
Total	\$ 3,947,514	\$ 39,061	\$ 1,294	\$ (625,803)	\$ 3,323,005

The carrying amounts of the debt instruments is arrived at from the amortized cost including accrued interest as well as the unrealized gains and losses.

Included in others are loan and notes receivables.

Fair values before and after accrued interest as well as accrued interest from financial instruments at fair value through profit and loss.

	2023	2022	2023	2022	2023	2022
	Fair value before accrued interest		Accrued interest		Fair value	
Debt instruments						
Debt securities issued by semi-governmental entities	\$ 587	\$ 724	\$ 9	\$ 11	\$ 596	\$ 735
Corporate securities	84,870	84,585	85	141	84,955	84,725
Others	48,576	63,164	674	1,714	49,250	64,878
Total	135,181	148,472	767	1,866	135,949	150,338
Derivative instruments	18,072	19,395	810	914	18,882	20,309
Total	16,924	19,395	810	914	17,735	20,309
Total	\$ 152,106	\$ 167,867	\$ 1,577	\$ 2,780	\$ 153,683	\$ 170,647

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The carrying amounts of the financial instruments at fair value through profit or loss correspond to their fair values including accrued interest.

The Company recognized in this category as at the balance sheet data primarily debt instruments and investment funds that do not meet the solely payments of principal and interest (“SPPI”) test due to the characteristics of their cash flows

Changes in expected loss provisions (“ECL”)

	2023								
	Opening balance	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Additions	Disposals	Utilisations	Others	Closing balance
Stage 1	\$ 3,652	\$ 451	\$ (149)	\$ -	\$ 208	\$ 401	\$ -	\$ (441)	\$ 3,320
Stage 2	1,104	(451)	1,089	(1,214)	-	479	-	1,964	2,014
Stage 3	6,472	-	(940)	1,214	-	-	-	3,298	10,044
Simplified impairment model	15	-	-	-	-	-	-	6	21
Total	\$ 11,243	\$ -	\$ (0)	\$ -	\$ 208	\$ 880	\$ -	\$ 4,828	\$ 15,399

	2022								
	Opening balance	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Additions	Disposals	Utilisations	Others	Closing balance
Stage 1	\$ 3,015	\$ -	\$ (261)	\$ (52)	\$ 459	\$ 833	\$ -	\$ 1,324	\$ 3,652
Stage 2	923	-	261	(1,627)	-	983	-	2,531	1,104
Stage 3	-	-	-	1,679	-	-	-	4,793	6,472
Simplified impairment model	11	-	-	-	-	-	-	3	15
Total	\$ 3,949	\$ -	\$ -	\$ -	\$ 459	\$ 1,816	\$ -	\$ 8,651	\$ 11,243

Rating structure of fixed income securities

	2023								
	AAA	AA	A	BBB	BB	B	C	Other	Total
Financial investments - at fair value through OCI	\$ 96,190	\$ 1,361,028	\$ 689,332	\$ 847,964	\$ 53,040	\$ 10,091	\$ 1,645	\$ 279,139	\$ 3,338,428
Financial investments - at fair value through profit and loss	596	5	17,735	6,893	-	-	-	128,454	153,683
Total Investments	\$ 96,786	\$ 1,361,033	\$ 707,067	\$ 854,857	\$ 53,040	\$ 10,091	\$ 1,645	\$ 407,593	\$ 3,492,111

	2022								
	AAA	AA	A	BBB	BB	B	C	Other	Total
Financial investments - at fair value through OCI	\$ 960,787	\$ 431,572	\$ 640,521	\$ 937,446	\$ 64,677	\$ 9,508	\$ -	\$ 278,495	\$ 3,323,005
Financial investments - at fair value through profit and loss	735	25	4,034	6,973	-	-	-	158,880	170,647
Total Investments	\$ 961,522	\$ 431,597	\$ 644,555	\$ 944,419	\$ 64,677	\$ 9,508	\$ -	\$ 437,374	\$ 3,493,652

The maximum credit risk of the items shown here corresponds to their carrying amounts.

Included in other ratings are not rated, C- and lower rated securities.

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Fair value hierarchy

For the purposes of the disclosure requirements pursuant to IFRS 13 “Fair Value Measurement”, the financial assets and liabilities are to be assigned to a three-level fair value hierarchy. This hierarchy, which reflects characteristics of the price data and inputs used for measurement purposes, is structured as follows:

- Level 1: Assets or liabilities measured at (unadjusted) prices quoted directly in active and liquid markets.
- Level 2: Assets or liabilities which are measured using observable market data and are not allocable to level 1. Measurement is based, in particular, on prices for comparable assets and liabilities that are traded on active markets, prices on markets that are not considered active as well as inputs derived from such prices or market data.
- Level 3: Assets or liabilities that cannot be measured or can only be partially measured using observable market inputs. The measurement of such instruments draws principally on valuation models and methods.

The following table shows the breakdown of the financial assets and liabilities recognized at fair value into the three-level fair value hierarchy.

	2023			
	Level 1	Level 2	Level 3	Total
Financial investments – at fair value through OCI				
Debt instruments	\$ -	\$ 3,063,993	\$ 274,435	\$ 3,338,428
Total	-	3,063,993	274,435	3,338,428
Financial investments – at fair value through profit or loss				
Debt instruments	-	7,526	49,250	56,776
Derivative instruments	-	1,147	17,735	18,882
Investment funds	-	-	78,025	78,025
Total	-	8,673	145,010	153,683
Other invested assets			11,827	11,827

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	2022			Total
	Level 1	Level 2	Level 3	
Financial investments – at fair value through OCI				
Debt instruments	\$ -	\$ 3,050,211	\$ 272,795	\$ 3,323,005
Total	-	3,050,211	272,795	3,323,005
Financial investments – at fair value through profit or loss				
Debt instruments	-	11,912	64,878	76,790
Derivative instruments	-	-	20,309	20,309
Investment funds	-	-	73,549	73,549
Short-term investments	-	-	-	-
Total	-	11,912	158,735	170,647
Other invested assets			8,873	8,873

The following table provides a reconciliation of the fair values of financial instruments included in level 3 at the beginning of the financial year with the fair values as at the end of the financial year.

	2023				
	Financial investments – at fair value through OCI	Financial investments – at fair value through profit or loss			
	Debt instruments	Debt instruments	Derivative instruments	Investment funds	Other invested assets
Net book value at 31 December of the previous year	\$ 272,795	\$ 64,878	\$ 20,309	\$ 73,548	\$ 8,873
Income and expenses recognized in the statement of income	-	(257)	33,155	(987)	-
Income and expenses recognized directly in shareholders' equity	10,521	-	-	-	-
Purchases	7,865	-	-	21,091	3,379
Sales	(16,745)	(15,371)	(35,729)	(15,627)	(425)
Other changes	0	-	-	-	-
Net book value at 31 December of the year under review	\$ 274,435	\$ 49,250	\$ 17,735	\$ 78,025	\$ 11,827

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	2022				
	Financial investments – at fair value through profit or loss				
	Debt instruments	Debt instruments	Derivative instruments	Investment funds	Other invested assets
Net book value at 31 December of the previous year	\$ 317,126	\$ 59,609	\$ 26,345	\$ 57,198	\$ 9,113
Income and expenses recognized in the statement of income	-	-	35,389	(1,827)	-
Income and expenses recognized directly in shareholders' equity	(60,489)	-	-	-	-
Purchases	32,322	5,269	-	36,160	-
Sales	(16,164)	(17,983)	(41,426)	(17,983)	(240)
Other changes	-	-	-	-	-
Net book value at 31 December of the year under review	\$ 272,795	\$ 64,878	\$ 20,309	\$ 73,548	\$ 8,873

The breakdown of income and expenses recognized in the statement of income in the financial year in connection with financial assets and liabilities assigned to level 3 is as follows:

	2023				
	Financial investments – at fair value through profit or loss				
	Debt instruments	Debt instruments	Derivative instruments	Investment funds	Other invested assets
Total in the financial year					
Ordinary investment income	-	-	-	-	-
Realized gains and losses on investments	-	-	-	-	-
Change in fair value of financial instruments	-	(257)	33,155	(987)	-
Thereof attributable to financial instruments included in the portfolio at 31 December					
Ordinary investment income	-	-	-	-	-
Change in fair value of financial instruments	-	-	-	(987)	-

	2022				
	Financial investments – at fair value through profit or loss				
	Debt instruments	Debt instruments	Derivative instruments	Investment funds	Other invested assets
Total in the financial year					
Ordinary investment income	-	-	-	-	-
Realized gains and losses on investments	-	-	-	-	-
Change in fair value of financial instruments	-	-	35,389	(1,827)	-
Thereof attributable to financial instruments included in the portfolio at 31 December					
Ordinary investment income	-	-	-	-	-
Change in fair value of financial instruments	-	-	-	(1,827)	-

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7. Other Assets

	<u>2023</u>	<u>2022</u>
Fee Income	\$ 35,327	\$ 29,922
Due from Kubera	24,666	16,945
Other receivables	24,180	-
Receivables from advance payments and services	3,472	3,545
Own-use real estate	413	2,092
Fixtures, fittings and equipment	425	248
Sundry assets	35,146	20,429
Total	\$ 123,630	\$ 73,182

Fixtures, fittings and equipment included in 2023 right of use \$34K, and tangible assets of \$231K, (2022-right of use \$51K, and tangible assets of \$0)

Fixtures, fittings, and equipment

	<u>2023</u>	<u>2022</u>
Beginning book vlaue	\$ 30,921	\$ 32,120
Additions	85	108
Disposals	(1,011)	(1,307)
Gross book value	29,995	30,921
Cumulative depreciation	(30,725)	(31,883)
Disposals	1,011	1,307
Depreciation	(121)	(149)
Cumulative depreciation	(29,835)	(30,725)
Net book value previous year	197	237
Net book value current year	\$ 160	\$ 197

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8. Technical assets and liabilities

The reinsurance recoverable on the liability for incurred claims and the liability for remaining coverage are based on the contractual arrangements of the underlying reinsurance treaties.

To show the net technical liabilities remaining in the retention, the following table presents a summary comparison of the gross liabilities with the corresponding reinsurance recoverable, which are shown as assets in the balance sheet.

	2023			2022		
	Issued	Retroceded	Net	Issued	Retroceded	Net
Liability for incurred claims (LIC)	\$ 1,522,131	\$ 112,360	\$ 1,409,772	\$ 1,294,554	\$ 41,322	\$ 1,253,232
Liability for remaining coverage (LRC)	610,373	92,027	518,347	1,234,364	129,835	1,104,529
Total	\$ 2,132,505	\$ 204,386	\$ 1,928,119	\$ 2,528,919	\$ 171,158	\$ 2,357,761

The liability for incurred claims is in principle calculated based on the information supplied by ceding companies. Additional IBNR reserves are established for losses that have already been incurred but not yet reported. The movement in the liability for remaining coverage is shown in the following tables. The presentation differentiates in each case between reinsurance contracts issued and held.

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Movement in carrying amount of liabilities for remaining coverage and for incurred claims – reinsurance contracts issued.

	2023			
	LRC excluding loss component	Loss component	LIC	Total
Opening balance - assets	\$ 305,986	\$ (9,456)	\$ (50,534)	\$ 245,996
Opening balance - liabilities	1,232,115	2,250	1,294,554	2,528,919
Opening balance - net	926,129	11,706	1,345,088	2,282,923
Insurance revenue				
Contracts under the fair value approach	(2,499,795)	-	-	(2,499,795)
Other contracts	(66,007)	115	-	(65,892)
Reinsurance revenue	(2,565,802)	115	-	(2,565,686)
Reinsurance service expenses				
Incurring claims and other reinsurance service expenses	-	(16,582)	2,243,495	2,226,913
Amortization of insurance acquisition cash flows	1,475	-	-	1,475
Losses and reversal of losses on onerous contracts	-	9,056	-	9,056
Adjustments to liabilities for incurred claims	-	(228)	5,407	5,179
Reinsurance service expenses	1,475	(7,526)	2,248,902	2,242,622
Investment component				
Investment component	(179,637)	-	179,637	-
Investment component	(179,637)	-	179,637	-
Reinsurance finance result	-	-	-	-
Reinsurance finance result before currency gains / losses plus changes through OCI	90,662	164	1,716	92,542
Reinsurance finance result	90,662	164	1,716	92,542
Other changes total	(4)	113	-	108
Cash flows				
Premiums received	2,243,679	-	-	2,243,679
Claims and other reinsurance service expenses paid, including investment components	-	-	(2,241,720)	(2,241,720)
Insurance acquisition cash flows paid	(2,145)	-	-	(2,145)
Cash flows total	2,241,534	-	(2,241,720)	(186)
Closing balance - assets	92,208	(535)	(11,492)	80,181
Closing balance - liabilities	606,565	3,809	1,522,131	2,132,505
Closing balance - net	\$ 514,357	\$ 4,344	\$ 1,533,623	\$ 2,052,324

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	2022			
	LRC excluding loss component	Loss component	LIC	Total
Opening balance - assets	\$ 419,645	\$ -	\$ (34,519)	\$ 385,126
Opening balance - liabilities	2,063,131	-	1,481,474	3,544,605
Opening balance - net	1,643,486	-	1,515,993	3,159,479
Insurance revenue				
Contracts under the fair value approach	(2,591,440)	-	-	(2,591,440)
Other contracts	20,038	-	-	20,038
Reinsurance revenue	(2,571,402)	-	-	(2,571,402)
Reinsurance service expenses				
Incurring claims and other reinsurance service expenses	682	(6,254)	2,170,990	2,165,418
Amortization of insurance acquisition cash flows	1,575	-	-	1,575
Losses and reversal of losses on onerous contracts	(682)	17,951	-	17,269
Adjustments to liabilities for incurred claims	-	-	33,657	33,657
Reinsurance service expenses	1,575	11,697	2,204,647	2,217,919
Investment component				
Investment component	(160,758)	-	160,758	-
Investment component	(160,758)	-	160,758	-
Reinsurance finance result	-	-	-	-
Reinsurance finance result before currency gains / losses plus changes through OCI	(233,729)	9	(3,770)	(237,490)
Reinsurance finance result	(233,729)	9	(3,770)	(237,490)
Other changes total	(0)	-	(0)	(0)
Cash flows				
Premiums received	2,248,843	-	-	2,248,843
Claims and other reinsurance service expenses paid, including investment components	-	-	(2,532,540)	(2,532,540)
Insurance acquisition cash flows paid	(1,886)	-	-	(1,886)
Cash flows total	2,246,957	-	(2,532,540)	(285,583)
Closing balance - assets	305,986	(9,456)	(50,534)	245,996
Closing balance - liabilities	1,232,115	2,250	1,294,554	2,528,919
Closing balance - net	\$ 926,129	\$ 11,706	\$ 1,345,088	\$ 2,282,923

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Movement in carrying amounts by measurement components-reinsurance contracts issued.

	2023						
	EPV of future cash flows	Risk adjustment for non-financial risk	CSM			Loss component	Total
			Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts		
Opening balance - assets	\$ 691,372	\$ (9,300)	\$ -	\$ (146,334)	\$ (289,742)	\$ -	\$ 245,996
Opening balance - liabilities	(636,659)	1,311,072	-	1,700,609	153,897	-	2,528,919
Opening balance - net	(1,328,031)	1,320,372	-	1,846,943	443,639	-	2,282,923
Reinsurance service result - changes relate to current service							
CSM recognized in the profit or loss for services provided total	-	-	-	(239,804)	(112,962)	-	(352,766)
Change in risk adjustment for non-financial risk expired total	-	(325,093)	-	-	-	-	(325,093)
Experience adjustments total	340,445	-	-	-	-	-	340,445
Reinsurance service result - changes relate to current service total	340,445	(325,093)	-	(239,804)	(112,962)	-	(337,414)
Reinsurance service result - changes relate to future service							
Contracts initially recognized in the year total	(75,788)	375	-	-	75,413	-	0
Changes in estimates that adjust the CSM total	(392,126)	(28,940)	-	329,587	91,479	-	(0)
Changes in estimates that result in losses and reversal of losses on onerous contracts total	10,609	(1,553)	-	-	-	115	9,171
Reinsurance service result - changes relate to future service total	(457,305)	(30,118)	-	329,587	166,892	-	9,171
Reinsurance service result - changes that relate to past service							
Adjustments to liabilities for incurred claims	7,027	(1,620)	-	-	-	(228)	5,179
Reinsurance service result - changes that relate to past service total	7,027	(1,620)	-	-	-	-	5,179
Reinsurance service result - Investment components (should be zero)							
Decrease LRC and Increase LIC - Transfer of investment component incurred total	-	-	-	-	-	-	-
Reinsurance service result - Investment components total	-	-	-	-	-	-	-
Reinsurance finance result							
Net finance expenses from reinsurance contracts total	(102,630)	149,160	-	34,325	11,687	-	92,542
Effects of movements in exchange rates total	-	-	-	-	-	-	-
Reinsurance finance result total	(102,630)	149,160	-	34,325	11,687	-	92,542
Other changes total	-	-	-	-	-	108	108
Cash flows							
Premiums received	2,243,679	-	-	-	-	-	2,243,679
Claims and other reinsurance service expenses paid, including investment components	(2,241,720)	-	-	-	-	-	(2,241,720)
Reinsurance acquisition cash flows paid total	(2,145)	-	-	-	-	-	(2,145)
Other cashflows total	-	-	-	-	-	-	-
Cash flows total	(186)	-	-	-	-	-	(186)
Closing balance total	-	-	-	-	-	-	-
Closing balance - assets	600,729	(4,473)	-	(167,850)	(348,229)	4	80,181
Closing balance - liabilities	(939,951)	1,108,228	-	1,803,201	161,027	-	2,132,505
Closing balance - net	\$ (1,540,680)	\$ 1,112,701	\$ -	\$ 1,971,051	\$ 509,256	\$ (4)	\$ 2,052,324

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	2022						
	EPV of future cash flows	Risk adjustment for non-financial risk	CSM			Loss component	Total
			Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts		
Opening balance - assets	\$ 1,699,914	\$ (10,558)	\$ -	\$ (1,027,896)	\$ (276,334)	\$ -	\$ 385,126
Opening balance - liabilities	921,292	1,587,722	-	1,020,286	15,305	-	3,544,605
Opening balance - net	(778,622)	1,598,280	-	2,048,182	291,639	-	3,159,479
Reinsurance service result - changes relate to current service							
CSM recognised in the profit or loss for services provided total	-	-	-	(193,226)	(81,960)	-	(275,186)
Change in risk adjustment for non-financial risk expired total	-	(21,325)	-	-	-	-	(21,325)
Experience adjustments total	(108,580)	-	-	-	-	-	(108,580)
Reinsurance service result - changes relate to current service total	(108,580)	(21,325)	-	(193,226)	(81,960)	-	(405,091)
Reinsurance service result - changes relate to future service							
Contracts initially recognised in the year total	(209,678)	1,050	-	-	209,310	-	682
Changes in estimates that adjust the CSM total	(241,516)	242,910	-	(23,530)	22,136	-	0
Changes in estimates that result in losses and reversal of losses on onerous contracts total	17,254	15	-	-	-	-	17,269
Reinsurance service result - changes relate to future service total	(433,940)	243,975	-	(23,530)	231,446	-	17,951
Reinsurance service result - changes that relate to past service							
Adjustments to liabilities for incurred claims	35,283	(1,626)	-	-	-	-	33,657
Reinsurance service result - changes that relate to past service total	35,283	(1,626)	-	-	-	-	33,657
Reinsurance service result - Investment components (should be zero)							
Decrease LRC and Increase LIC - Transfer of investment component incurred total	-	-	-	-	-	-	-
Reinsurance service result - Investment components total	-	-	-	-	-	-	-
Reinsurance finance result							
Net finance expenses from reinsurance contracts total	243,411	(498,932)	-	15,517	2,514	-	(237,490)
Effects of movements in exchange rates total	-	-	-	-	-	-	-
Reinsurance finance result total	243,411	(498,932)	-	15,517	2,514	-	(237,490)
Other changes total	-	-	-	-	-	-	(0)
Cash flows							
Premiums received	2,248,843	-	-	-	-	-	2,248,843
Claims and other reinsurance service expenses paid, including investment components	(2,532,540)	-	-	-	-	-	(2,532,540)
Reinsurance acquisition cash flows paid total	(1,886)	-	-	-	-	-	(1,886)
Other cashflows total	-	-	-	-	-	-	-
Cash flows total	(285,584)	-	-	-	-	-	(285,583)
Closing balance total	-	-	-	-	-	-	-
Closing balance - assets	691,372	(9,300)	-	(146,334)	(289,742)	-	245,996
Closing balance - liabilities	(636,659)	1,311,072	-	1,700,609	153,897	-	2,528,919
Closing balance - net	\$ (1,328,031)	\$ 1,320,372	\$ -	\$ 1,846,943	\$ 443,639	\$ -	\$ 2,282,923

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Movement in carrying amount of liabilities for remaining coverage and for incurred claims – reinsurance contracts held.

	2023			
	Remaining coverage without loss recovery	Loss recovery	Incurred claims	Total
Opening balance - assets	\$ 129,835	\$ -	\$ 41,322	\$ 171,158
Opening balance - liabilities	108,085	-	(64,499)	43,587
Opening balance - net	21,750	-	105,821	127,571
Reinsurance service result - Net expenses from reinsurance contracts held				
Allocation of reinsurance premiums paid	(211,046)	-	-	(211,046)
Incurred claims and other insurance service expenses	(0)	-	236,810	236,810
Amortization of reinsurance acquisition cash flows	(0)	-	-	(0)
Losses and reversal of losses on onerous contracts	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	790	790
Other net expenses from reinsurance contracts held	-	-	-	-
Reinsurance service result - Net expenses from reinsurance contracts held total	(211,046)	-	237,600	26,554
Reinsurance service result - Investment components				
Investment components excluded from reinsurance revenue and reinsurance service expenses	481	-	5	485
Reinsurance service result - Investment components total	481	-	5	485
Reinsurance service result - Effect of changes in non-performance risk of reinsurers				
Effect of changes in non-performance risk of reinsurers	(17,521)	-	17,521	-
Reinsurance service result - Effect of changes in non-performance risk of reinsurers total	(17,521)	-	17,521	-
Reinsurance finance result				
Net finance expenses from reinsurance contracts	(2,747)	-	(108)	(2,855)
Effects of movements in exchange rates	-	-	-	-
Reinsurance finance result total	(2,747)	-	(108)	(2,855)
Other changes total	(0)	-	(0)	(0)
Cash flows				
Premiums paid	198,480	-	-	198,480
Claims and other reinsurance service expenses received, including investment components	-	-	(190,639)	(190,639)
Reinsurance acquisition cash flows paid	-	-	-	-
Other cashflows	-	-	-	-
Cash flows total	198,480	-	(190,639)	7,840
Closing balance - assets	92,027	-	112,360	204,386
Closing balance - liabilities	103,111	-	(57,835)	45,275
Closing balance - net	\$ (11,084)	\$ -	\$ 170,195	\$ 159,111

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	2022			Total
	Remaining coverage without loss recovery	Loss recovery	Incurred claims	
Opening balance - assets	\$ 167,889	\$ -	\$ 43,447	\$ 211,336
Opening balance - liabilities	140,606	-	(69,499)	71,107
Opening balance - net	27,283	-	112,947	140,229
Reinsurance service result - Net expenses from reinsurance contracts held				
Allocation of reinsurance premiums paid	(138,262)	-	-	(138,262)
Incurred claims and other insurance service expenses	0	-	112,174	112,174
Amortization of reinsurance acquisition cash flows	-	-	-	-
Losses and reversal of losses on onerous contracts	-	-	-	-
Adjustments to liabilities for incurred claims	-	-	20,034	20,034
Other net expenses from reinsurance contracts held	-	-	-	-
Reinsurance service result - Net expenses from reinsurance contracts held total	(138,262)	-	132,208	(6,054)
Reinsurance service result - Investment components				
Investment components excluded from reinsurance revenue and reinsurance service expenses	163	-	-	164
Reinsurance service result - Investment components total	163	-	0	164
Reinsurance service result - Effect of changes in non-performance risk of reinsurers				
Effect of changes in non-performance risk of reinsurers	(18,580)	-	18,580	-
Reinsurance service result - Effect of changes in non-performance risk of reinsurers	(18,580)	-	18,580	-
Reinsurance finance result				
Net finance expenses from reinsurance contracts	5,438	-	(137)	5,301
Effects of movements in exchange rates	-	-	-	-
Reinsurance finance result total	5,438	-	(137)	5,301
Other changes total	0	-	-	0
Cash flows				
Premiums paid	145,872	-	-	145,872
Claims and other reinsurance service expenses received, including investment components	-	-	(157,778)	(157,778)
Reinsurance acquisition cash flows paid	-	-	-	-
Other cashflows	-	-	-	-
Cash flows total	145,872	-	(157,778)	(11,906)
Closing balance - assets	129,835	-	41,322	171,158
Closing balance - liabilities	108,085	-	(64,499)	43,587
Closing balance - net	\$ 21,750	\$ -	\$ 105,821	\$ 127,571

¹ Restated pursuant to IAS 8

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Movement in carrying amount by measurement components – reinsurance contracts held.

	2023						Total
	EPV of future cash flows	Risk adjustment for non-financial risk	CSM			Cash inflows net gain	
			Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts		
Opening balance - assets	\$ 263,085	\$ 22,938	\$ -	\$ 11,185	\$ (126,051)	\$ -	\$ 171,158
Opening balance - liabilities	143,051	(29,276)	-	(69,660)	(529)	-	43,587
Opening balance - net	120,034	52,214	-	80,845	(125,522)	-	127,571
Reinsurance service result - changes relate to current service							
CSM recognized in the profit or loss for services provided	-	-	-	(7,373)	(3,096)	-	(10,469)
Change in risk adjustment for non-financial risk expired	-	(10,658)	-	-	-	-	(10,658)
Experience adjustments	46,405	-	-	-	-	-	46,405
Other changes that relate to current service	-	-	-	-	-	-	-
Reinsurance service result - changes relate to current service total	46,405	(10,658)	-	(7,373)	(3,096)	-	25,279
Reinsurance service result - changes relate to future service							
Contracts initially recognized in the year	(2,157)	-	-	-	2,157	-	-
Changes in recoveries of losses on onerous underlying contracts	-	-	-	-	-	-	-
Changes in estimates that adjust the CSM	44,556	3,317	-	(50,442)	2,568	-	(0)
Changes in estimates that result in losses and reversal of losses on onerous contracts	-	-	-	-	-	-	-
Reinsurance service result - changes relate to future service total	42,399	3,317	-	(50,442)	4,726	-	(0)
Reinsurance service result - changes that relate to past service							
Adjustments to liabilities for incurred claims	790	0	-	-	-	-	790
Reinsurance service result - changes that relate to past service	790	0	-	-	-	-	790
Reinsurance service result - Effect of changes in non-performance risk of reinsurers							
Effect of changes in non-performance risk of reinsurers	485	-	-	-	-	-	485
Reinsurance service result - Effect of changes in non-performance risk of reinsurers total	485	-	-	-	-	-	485
Reinsurance service result - Investment components total							
Decrease LRC and Increase LIC - Transfer of investment component incurred	-	-	-	-	-	-	-
Reinsurance service result - Investment components total	-	-	-	-	-	-	-
Reinsurance finance result							
Net finance expenses from insurance contracts	(7,937)	4,150	-	1,256	(324)	-	(2,855)
Effects of movements in exchange rates	-	-	-	-	-	-	-
Reinsurance finance result total	(7,937)	4,150	-	1,256	(324)	-	(2,855)
Other changes							
Other changes	(0)	-	-	-	-	-	(0)
Other changes total	(0)	-	-	-	-	-	(0)
Cash flows							
Premiums paid	198,480	-	-	-	-	-	198,480
Claims and other insurance service expenses received, including investment components	(190,639)	-	-	-	-	-	(190,639)
Reinsurance acquisition cash flows paid	-	-	-	-	-	-	-
Other cashflows	-	-	-	-	-	-	-
Cash flows total	7,840	-	-	-	-	-	7,840
Closing balance - assets	299,060	18,335	-	12,944	(125,953)	-	204,386
Closing balance - liabilities	89,043	(30,688)	-	(11,343)	(1,737)	-	45,275
Closing balance - net	\$ 210,017	\$ 49,024	\$ -	\$ 24,287	\$ (124,216)	\$ -	\$ 159,111

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	2022						
	EPV of future cash flows	Risk adjustment for non-financial risk	CSM			Cash inflows net gain	Total
			Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts		
Opening balance - assets	\$ 451,197	\$ 28,818	\$ -	\$ 12,557	\$ (281,236)	\$ -	\$ 211,336
Opening balance - liabilities	165,668	(32,817)	-	(61,744)	0	-	71,107
Opening balance - net	285,529	61,636	-	74,301	(281,236)	-	140,229
Reinsurance service result - changes relate to current service							
CSM recognized in the profit or loss for services provided	-	-	-	(3,495)	213	-	(3,282)
Change in risk adjustment for non-financial risk expired	-	(1,687)	-	-	-	-	(1,687)
Experience adjustments	(21,282)	-	-	-	-	-	(21,282)
Other changes that relate to current service	-	-	-	-	-	-	-
Reinsurance service result - changes relate to current service total	(21,282)	(1,687)	-	(3,495)	213	-	(26,252)
Reinsurance service result - changes relate to future service							
Contracts initially recognized in the year	(889)	103	-	-	786	-	(0)
Changes in recoveries of losses on onerous underlying contracts	-	-	-	-	-	-	-
Changes in estimates that adjust the CSM	(172,389)	7,506	-	9,583	155,300	-	0
Changes in estimates that result in losses and reversal of losses on onerous contracts	-	-	-	-	-	-	-
Reinsurance service result - changes relate to future service total	(173,278)	7,609	-	9,583	156,086	-	0
Reinsurance service result - changes that relate to past service							
Adjustments to liabilities for incurred claims	20,018	16	-	-	-	-	20,034
Reinsurance service result - changes that relate to past service	20,018	16	-	-	-	-	20,034
Reinsurance service result - Effect of changes in non-performance risk of reinsurers							
Effect of changes in non-performance risk of reinsurers	164	-	-	-	-	-	164
Reinsurance service result - Effect of changes in non-performance risk of reinsurers total	164	-	-	-	-	-	164
Reinsurance service result - Investment components total							
Decrease LRC and Increase LIC - Transfer of investment component incurred	-	-	-	-	-	-	-
Reinsurance service result - Investment components total	-	-	-	-	-	-	-
Reinsurance finance result							
Net finance expenses from insurance contracts	20,789	(15,360)	-	456	(585)	-	5,301
Effects of movements in exchange rates	-	-	-	-	-	-	-
Reinsurance finance result total	20,789	(15,360)	-	456	(585)	-	5,301
Other changes							
Other changes	0	-	-	-	-	-	0
Other changes total	0	-	-	-	-	-	0
Cash flows							
Premiums paid	145,872	-	-	-	-	-	145,872
Claims and other insurance service expenses received, including investment components	(157,778)	-	-	-	-	-	(157,778)
Reinsurance acquisition cash flows paid	-	-	-	-	-	-	-
Other cashflows	-	-	-	-	-	-	-
Cash flows total	(11,906)	-	-	-	-	-	(11,906)
Closing balance - assets	263,085	22,938	-	11,185	(126,051)	-	171,158
Closing balance - liabilities	143,051	(29,276)	-	(69,660)	(529)	-	43,587
Closing balance - net	\$ 120,034	\$ 52,214	\$ -	\$ 80,845	\$ (125,522)	\$ -	\$ 127,571

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Contracts initially recognized – reinsurance contracts issued.

	2023	
	Profitable contracts issued	Onerous contracts issued
Expected present value of cash outflows	\$ 36,862	\$ -
Insurance acquisition cash flows	2,716	-
Expected present value of cash inflows	(115,366)	-
Risk adjustment	375	-
Contractual service margin	75,413	-
Loss component	-	-

	2022	
	Profitable contracts issued	Onerous contracts issued
Expected present value of cash outflows	\$ 99,310	\$ -
Insurance acquisition cash flows	2,387	-
Expected present value of cash inflows	(311,374)	-
Risk adjustment	1,050	-
Contractual service margin	209,309	-
Loss component	-	682

Contracts initially recognized – reinsurance contracts held.

	2023	
	Contracts retroceded without loss recovery component	Contracts retroceded with loss recovery component
Expected present value of cash inflows	\$ -	\$ -
Insurance acquisition cash flows	-	-
Expected present value of cash outflows	(2,157)	-
Risk adjustment	-	-
Contractual service margin	2,157	-
Loss recovery amount	-	-

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	2022	
	Contracts retroceded without loss recovery component	Contracts initiated with loss recovery component
Expected present value of cash inflows	\$ 41,290	\$ -
Insurance acquisition cash flows	8	-
Expected present value of cash outflows	(42,187)	-
Risk adjustment	103	-
Contractual service margin	786	-
Loss recovery amount	-	-

No significant portfolios were acquired in the reporting period. Separate disclosure of the measurement components would be required for such portfolios on initial recognition.

Maturities of the technical cash flows

IFRS 17 “Insurance Contracts” requires information which helps to clarify the amount and timing of cash flows expected from reinsurance contracts. In the following tables we have shown these cash flows broken down by the expected remaining times to maturity. As part of the maturity analysis, we have differentiated between the cash flows of reinsurance contracts issued and those of reinsurance contracts held.

Maturities of the remaining contractual net cash flows is as follows:

	2023		2022	
	Remaining contractual undiscounted net cash flows		Remaining contractual undiscounted net cash flows	
	Reinsurance contracts issued	Reinsurance contracts held	Reinsurance contracts issued	Reinsurance contracts held
Less than one year	\$ 424,257	\$ (99,333)	\$ 326,199	\$ (69,022)
One to two years	(186,684)	(4,004)	(75,261)	(789)
Two to three years	(223,650)	(160,676)	(256,893)	3,676
Three to four years	(206,655)	1,314	(161,116)	(139,632)
Four to five years	(204,715)	3,406	(155,842)	3,497
Due after five through ten years	(950,765)	16,224	(795,873)	27,368
Due after ten through twenty years	(1,312,907)	34,299	(1,239,421)	54,423
Due after twenty years	1,166,593	(15,378)	1,152,943	13,170
	<u>(1,494,526)</u>	<u>(224,149)</u>	<u>(1,205,265)</u>	<u>(107,310)</u>
Discounting	(46,155)	14,132	(122,766)	(12,724)
Total	\$ (1,540,680)	\$ (210,017)	\$ (1,328,031)	\$ (120,034)

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Maturities of the contractual service margin

The following table shows the future development of the CSM from our reinsurance contracts held and issued.

	2023		2022	
	Contractual service margin		Contractual service margin	
	Reinsurance contracts issued	Reinsurance contracts retroceded	Reinsurance contracts issued	Reinsurance contracts retroceded
Due in one year	\$ 270,439	\$ (11,125)	\$ 268,219	\$ (10,506)
Due after one through two years	252,246	5,192	229,508	(3,585)
Due after two through three years	221,286	125,359	212,541	1,134
Due after three through four years	200,109	(2,469)	180,845	114,198
Due after four through five years	188,544	(2,493)	165,138	(5,087)
Due after five through ten years	772,303	(9,908)	666,411	(22,521)
Due after ten through twenty years	595,142	(8,433)	580,993	(28,971)
Due after twenty years	730,975	6,697	619,858	(14,189)
	<u>3,231,044</u>	<u>102,820</u>	<u>2,923,513</u>	<u>30,472</u>
Discounting	(750,736)	(2,890)	(632,931)	14,205
Total	\$ 2,480,307	\$ 99,929	\$ 2,290,582	\$ 44,677

9. Other Liabilities

Other liabilities consist of the following:

	2023	2022
Liabilities from derivatives	\$ 20,294	\$ 19,992
Repurchase agreement	44,115	-
Interest	9,419	7,880
Deferred income and prepayments received	14,991	16,942
Sundry non-technical provisions	17,315	14,378
Sundry liabilities	129,365	125,985
Total	\$ 235,499	\$ 185,177

With regard to the liabilities from derivatives in an amount of \$20.3 million (2022: \$20 million), please see our explanatory remarks on derivative financial instruments in section 14.

We entered term repurchase agreements (repos) as a supplementary liquidity management tool. The asset portfolios exchanged in this context are fully collateralised.

The sundry liabilities further include accounts payable of \$111 million that were not allocated to underwriting items. (2022: \$112 million)

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Development of sundry non-technical provisions

	2022	Additions	Utilisation	Release	2023
Provisions for:					
Holiday entitlements and overtime	\$ 290	\$ (20)	\$ -	\$ -	\$ 270
Management and staff bonuses	8,766	1,869	-	-	10,636
Other	5,321	1,087	-	-	6,409
Total	\$ 14,378	\$ 2,937	\$ -	\$ -	\$ 17,315

Maturities of the sundry non-technical provisions

	2023	2022
Due in one year	\$ 13,179	\$ 10,441
Due after one through five years	4,136	3,937
Due after five years	-	-
No maturity	-	-
Total	\$ 17,315	\$ 14,378

10. Financing Liabilities

The following table provides a listing of the subordinated loans held by the Company as of December 31, 2023

Lender	Principal ('000s)	Interest Rate	Inception	Maturity	Interest accrued ('000s)	Interest paid current year ('000s)
Hannover Ruck	238,000	5.97%	March 27, 2018	April 15, 2038	12,640	11,100
Hannover Ruck	50,000	3.18%	September 22, 2016	September 22, 2046	1,612	1,612
Hannover Ruck	75,000	3.48%	December 23, 2016	December 23, 2046	2,646	2,646
Hannover RE (Ireland)	5,000	2.51%	January 20, 2016	March 15, 2065	127	127
Hannover RE (Ireland)	5,000	2.86%	July 1, 2016	March 15, 2065	145	145
	\$ 373,000				\$ 17,170	\$ 15,631

The carrying amounts of the loans and lease liabilities are close approximation of their fair value, which is estimated at December 31, 2023, and 2022 to be \$373.6 million and \$553.5 million, respectively. All principal payments are only due upon maturity.

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Maturities of financial liabilities

	2023						Total
	Less than three months	Three months to one year	One to five years	Five to ten years	Ten to twenty years	More than twenty years	
Long-term debt	\$ -	\$ -	\$ -	\$ -	\$ 238,000	\$ 135,000	\$ 373,000
Notes payable	-	-	-	-	-	-	-
Lease liabilities	204	361	18	-	-	-	584
Total	\$ 204	\$ 361	\$ 18	\$ -	\$ 238,000	\$ 135,000	\$ 373,584

	2022						Total
	Less than three months	Three months to one year	One to five years	Five to ten years	Ten to twenty years	More than twenty years	
Long-term debt	\$ -	\$ -	\$ -	\$ -	\$ 238,000	\$ 135,000	\$ 373,000
Notes payable	-	178,000	-	-	-	-	178,000
Lease liabilities	159	1,694	599	-	-	-	2,452
Total	\$ 159	\$ 179,694	\$ 599	\$ -	\$ 238,000	\$ 135,000	\$ 553,452

11. Shareholder's equity

The common shares of the Company amount to 2.5 million shares of \$1 par value each. Unrealized gains and losses from the fair value measurement of financial instruments and insurance contracts at fair value through OCI carried in accumulated other comprehensive (loss) income of \$(224.4) million (2022: \$(306.1) million).

On December 31, 2023, the Company paid a dividend of \$3 million.

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12. Reinsurance Revenue

Reinsurance revenue gross was \$2.6 billion (2022: \$2.6 billion) for the period ended December 31, 2023 and originates from cedants based in the United States of America.

Components of the reinsurance revenue gross is as follows:

	<u>2023</u>	<u>2022</u>
Expected incurred claims and other insurance expenses	\$ 1,990,689	\$ 2,207,735
CSM recognized for services provided	352,766	275,186
Release of risk adjustments for non-financial risk	328,200	27,411
Experience adjustments for past or current services	(107,444)	59,496
Recovery of insurance acquisition cash flow	1,475	1,575
Total	\$ 2,565,686	\$ 2,571,403

12.1 Investment results

Investment results are as follows:

	<u>2023</u>	<u>2022</u>
Dividends	\$ 610	\$ 378
Interest income	136,214	130,737
Other investment income	27,439	16,443
Ordinary investment income	164,263	147,559
Expected credit losses	(4,150)	(7,290)
Change in fair value of financial instruments	33,239	40,573
Realized gains on investments	786	27,322
Realized losses on investments	(22,649)	(21,611)
Other investment expenses	(4,772)	(10,142)
Net income from investments	\$ 166,717	\$ 176,410

Interest income on investments

	<u>2023</u>	<u>2022</u>
Financial investments – at fair value through OCI	\$ 135,649	\$ 130,159
Financial investments – at fair value through profit or loss	565	579
Total	\$ 136,214	\$ 130,737

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Net gains and losses on investments

Net investment income, excluding investment expenses (see note 16 for discussion on investment expenses), was \$171.5 million (2022: \$186.6 million) for the period ended December 31, 2023 and consist of the following components:

	2023				
	Ordinary investment income	Expected credit losses, impairment, depreciation and appreciation of investments	Change in fair value of financial instruments	Realized gains and losses on investments	Net income from assets under own management *
Financial investments - at fair value through OCI	\$ 147,601	\$ (4,150)	\$ (257)	\$ (21,863)	\$ 121,331
Financial investments - at fair value through profit or loss	16,662	-	341	-	17,003
Other invested assets	-	-	33,155	-	33,155
Other	-	-	-	-	-
Total	\$ 164,263	\$ (4,150)	\$ 33,239	\$ (21,863)	\$ 171,489

	2022				
	Ordinary investment income	Expected credit losses, impairment, depreciation and appreciation of investments	Change in fair value of financial instruments	Realized gains and losses on investments	Net income from assets under own management *
Financial investments - at fair value through OCI	\$ 139,543	\$ (7,290)		\$ 5,711	\$ 137,964
Financial investments - at fair value through profit or loss	7,959	-	5,184	-	\$ 13,143
Other invested assets	-	-	35,389		\$ 35,389
Other	56				\$ 56
Total	\$ 147,558	\$ (7,290)	\$ 40,573	\$ 5,711	\$ 186,552

* Excluding other investment expenses

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12.2 Insurance finance income and expenses

	2023	2022
Investment income	202,063	220,679
Investment expenses	(35,346)	(44,269)
Investment result	166,717	176,410
Amounts recognized in OCI	150,501	(865,307)
Total investment return	317,218	(688,897)
Finance income or expenses from reinsurance contracts (gross)		
Interest accreted	(41,081)	(21,356)
Changes in interest rates and other financial assumptions	(51,462)	258,846
Total finance income or expenses from reinsurance contract (gross)	(92,543)	237,490
thereof recognized in profit or loss	(43,652)	(20,090)
thereof recognized in other comprehensive income	(48,891)	257,579
Finance income or expenses from reinsurance contracts (retroceded)		
Interest accreted	2,666	2,237
Changes in interest rates and other financial assumptions	(5,521)	3,064
Total finance income or expenses from reinsurance contracts (retroceded)	(2,855)	5,301
thereof recognized in profit or loss	1,731	1,566
thereof recognized in other comprehensive income	(4,584)	3,736
Total Reinsurance finance income and expenses	(95,398)	242,791
thereof recognized in profit or loss	(41,921)	(18,524)
thereof recognized in other comprehensive income	(53,476)	261,315

12.3 Other income and expenses

Other income and expenses totaled \$55 million (2022: \$63 million) and consist of the following:

	<u>2023</u>	<u>2022</u>
Other income		
Income from services	\$ 27,050	\$ 13,544
Other interest income	1,517	870
Sundry income	1	-
	<u>\$ 28,569</u>	<u>\$ 14,413</u>
Other expenses		
Expenses for the company as a whole	67,019	74,472
Expenses for services	10,456	10,782
Other interest expenses	6,304	(7,795)
Depreciation, amortization, impairments	6	3
Sundry expenses	468	-
	<u>\$ 84,253</u>	<u>\$ 77,462</u>
Total	<u>\$ (55,685)</u>	<u>\$ (63,049)</u>

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13. Taxes on income

Corporation tax is provided based on the profit or loss for the year. The Company is subject to USA corporation tax on qualifying trading operations at a rate of 21%. Corporation tax is recognized in the Statements of Comprehensive Income as part of the profit or loss. The Company made an irrevocable election under Section 953(d) of the U.S. Internal Revenue Code of 1986, as amended, to treat the Company as a domestic insurance company for U.S. federal income tax purposes. As such, the Company will be subject to U.S. federal income tax on its income as if it is a U.S. corporation.

On December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax Act of 2023, which will apply a 15% corporate income tax to certain Bermuda businesses beginning on January 1, 2025. Upon the enactment of this legislation, the Company recorded a deferred tax asset of \$161.8 million. A full valuation allowance of the same amount was recorded as incremental Bermuda taxes are not anticipated to be incurred for purposes of utilizing the future deductions.

On August 16, 2022, the Inflation Reduction Act of 2022 ("Act") was signed into law in the U.S. The Act includes a new corporate alternative minimum tax ("CAMT"), effective in 2023, that is based on the Company's adjusted IFRS income. The Company is subject to the CAMT but does not expect to incur a material CAMT tax liability for the 2023 tax year.

A deferred tax asset is recognized in respect of temporary differences between the carrying amount of assets and liabilities for condensed financial reporting purposes and the amounts used for taxation purposes. The deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted at the reporting date. Deferred tax assets are netted against deferred tax liabilities where there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The breakdown of actual and deferred income taxes is as follows:

	<u>2023</u>	<u>2022</u>
Actual tax for the year under review	\$ 46,158	\$ 72,447
Deferred taxes due to temporary differences	38,749	19,238
Total	\$ 84,908	\$ 91,685

Current income tax payable on December 31, 2023, is \$3.5 million (2022: income tax payable \$13.9 million).

The following table presents a breakdown of the deferred tax assets and liabilities into the balance sheet items from which they are derived.

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	<u>2023</u>	<u>2022</u>
Deferred tax assets		
Derivative assets	\$ 9,561	\$ -
Net operating losses	27,380	72,009
General expenses	-	1,589
Deferred acquisition costs	19,753	23,657
Bermuda net deferred taxes	161,827	-
Investments	226,292	180,425
Subtotal	444,813	277,680
Less: unrecognized deferred tax assets	(167,070)	(9,474)
Total deferred tax assets	277,743	268,206
Deferred tax liabilities		
Derivative assets	-	(12,276)
General expenses	(2,545)	-
Liabilities from reinsurance business	(191,846)	(118,307)
Depreciable fixed assets	(164)	(470)
Total deferred tax liabilities	(194,555)	(131,053)
Net deferred tax asset (liability)	\$ 83,188	\$ 137,153

Beginning with the 2022 tax year, the Company filed a U.S. consolidated federal tax return with HLRA Ber as the parent and HLRUS, Sand Lake Re, Inc. and ARCA1 as members of the consolidated group. The net deferred tax asset of \$83.2 million includes deferred tax assets in an amount of \$27.4 million that relates to carried forward tax losses which belong to HLRAB Ber. During 2023, the Company reduced its partial valuation allowance on capital deferred tax assets by \$4.3 million to \$5.2 million (down from \$9.5 million in 2022). The valuation allowance is in relation to capital deferred tax assets that management concluded were not more likely than not fully recoverable. For ordinary deferred tax assets, management believes that sufficient taxable temporary differences and future taxable profits will continue to be available to offset the carried forward tax losses. As such, the Company concluded that it is more likely than not that the ordinary deferred tax assets will be fully recoverable in the future.

As discussed above, the Company established a full valuation allowance of \$161.8 million against its Bermuda net DTAs.

Currently, there are no income tax contingency accruals established pursuant to IAS 12.

The amount of cumulative tax benefit in other comprehensive income is \$57.1 million, which is net of a valuation allowance of \$2.0 million, for unrealized losses on available-for-sale securities and changes in interest rates and financial risk. (2022: \$72.4 million benefit to other comprehensive income for unrealized losses on available-for-sale securities and changes in interest rates and financial risk)

The reconciliation of expected income tax expense with the actual expense is as follows:

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	<u>2023</u>	<u>2022</u>
Profit before taxes on income	\$ 83,656	\$ 89,110
Non-deductible expenses	328	229
Bermuda net deferred taxes	(161,827)	-
Change in unrecognized deferred tax asset	162,698	2,358
Other	51	(12)
Actual Expense for Income Taxes	<u>\$ 84,908</u>	<u>\$ 91,685</u>

14. Derivative financial instruments

	<u>2023</u>		<u>2022</u>	
	<u>Derivative Assets</u>	<u>Derivative Liabilities</u>	<u>Derivative Assets</u>	<u>Derivative Liabilities</u>
Derivative instruments	\$ 17,735	\$ (20,294)	\$ 20,309	\$ (19,992)
Total derivatives	<u>\$ 17,735</u>	<u>\$ (20,294)</u>	<u>\$ 20,309</u>	<u>\$ (19,992)</u>

Derivative assets are classified as financial instruments – at fair value through profit and loss.

Derivative instruments

Transactions where the Company offers their contracting parties' coverage for risks from possible future payment obligations arising out of hedging instruments are also to be classified as derivative financial instruments. The payment obligations result from contractually defined events and relate to the development of an underlying group of primary insurance contracts with statutory reserving requirements. The contracts are to be categorized and recognized as stand-alone credit derivatives pursuant to IFRS 9. These derivative financial instruments are carried in financial instruments - at fair value through profit and loss included in the consolidated balance sheet. The net fair value of these instruments as of December 31, 2023 was \$17.7 million (2022: \$20.3 million).

The Company's derivatives transfer insurance risks and consist of structured transactions that finance statutory reserves (so-called Triple-X or AXXX reserves) of U.S. ceding companies, and these transactions are accounted for as financial instruments under IFRS 9.

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Details of the structured transactions at December 31, 2023 and 2022 are the following (amounts in \$ millions):

Transacti on No.	Effective Date	Initial Term (years)	2023				
			Notional Value	Peak Notional Value	Fair Value Asset	Fair Value Liability	Fair Value Net
1	07/31/14	15	\$ 1,387.0	\$ 918.0	\$ 14.4	\$ 14.4	\$ -
2	09/30/14	25	948.6	1,110.3	45.8	28.1	17.7
3	12/12/14	20	74.4	107.2	2.4	2.4	-
4	02/18/15	20	75.0	1,000.0	21.2	21.2	-
5	12/31/16	15	152.0	296.6	1.7	1.7	-
6	03/29/17	20	770.0	500.0	11.8	11.8	-
7	07/01/17	15	723.1	1,015.5	8.0	8.0	-
8	12/31/13	20	505.2	900.0	7.7	7.7	-
9	09/30/14	15	-	-	5.8	5.8	-
10	08/31/23	20	411.4	607.6	42.1	42.1	-
Total			\$ 5,046.6	\$ 6,455.2	\$ 160.9	\$ 143.2	\$ 17.7

Transacti on No.	Effective Date	Initial Term (years)	2022				
			Notional Value	Peak Notional Value	Fair Value Asset	Fair Value Liability	Fair Value Net
1	07/31/14	15	\$ 1,444.9	\$ 1,512.0	\$ 17.7	\$ 17.7	\$ -
2	09/30/14	25	937.6	1,110.3	50.6	30.3	20.3
3	12/12/14	20	74.7	107.2	2.3	2.3	-
4	02/18/15	20	25.0	1,000.0	22.2	22.2	-
5	12/31/16	15	158.8	158.8	2.1	2.1	-
6	03/29/17	20	770.0	1,000.0	12.4	12.4	-
7	06/29/17	20	-	-	-	-	-
8	07/01/17	15	804.2	1,020.0	10.0	10.0	-
9	12/31/13	20	564.0	900.0	8.7	8.7	-
10	09/30/14	15	451.7	410.9	6.3	6.3	-
Total			\$ 5,232.0	\$ 7,219.3	\$ 132.3	\$ 111.0	\$ 20.3

The fair value of the above derivatives is calculated using a discounted cash flow method, representing the present value of expected future cash flows from fee revenue over a reasonable estimated period discounted at the risk-free term structure of U.S. dollar forward rates (based on swaps) prevailing at the time of the valuation. These fair value amounts are recognized as a derivative receivable at fair value through profit and loss and derivative liabilities at fair value through profit and loss on the balance sheet. The change in value in subsequent periods is dependent upon the risk experience. Income recognized under these contracts is \$34 million (2022: \$44.6 million) and reflected in Change in fair value of financial instruments on the Statements of Income.

Total Return Swap

Transaction	Maturity	2023 Total Return Swap	2022 Total Return Swap
1	July 15, 2028	\$ -	\$ -
2	February 15, 2042	20,294	19,191
3	February 15, 2045	(1,147)	801
		\$ 19,147	\$ 19,992

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Total Return Swaps with affiliate

The Company has entered into three derivative transactions with an affiliate, Hannover Ruck SE, which are total return swaps. Under the total return swap agreements, the performance of the Company's investments in U.S. Treasury Inflation Protected Securities ("TIPS") is exchanged for the performance of an equivalent notional amount of U.S. Treasury Bonds ("USTB") having similar maturity dates. Settlements between the parties are made semi-annually for differences in the investment performance of the TIPS and the USTB. At December 31, 2023, and December 31, 2022, the Company held \$100 million par value of TIPS having a contractual maturity date of February 15, 2042 and \$35 million par value of TIPS having a contractual maturity date of February 15, 2045.

During 2023, the Company received net settlement payments of \$3,042 under the total return swap agreement for the TIPS maturing in 2042 and \$593 under the total return swap agreement for the TIPS maturing in 2045. On December 31, 2023, the Company recognized a liability of \$20,294 and an asset of \$1,147 from the fair values of the total return swap agreement for the TIPS maturing in 2042 and 2045, respectively.

During 2022, the Company received net settlement payments of \$35 under the total return swap agreement for the TIPS maturing in 2042 and made net settlement payments of \$537 under the total return swap agreement for the TIPS maturing in 2045. At December 31, 2022, the Company recognized a liability of \$19,191 and \$801 from the fair values of the total return swap agreement for the TIPS maturing in 2042 and 2045, respectively.

In January 2022, the Company and Hannover Ruck SE agreed to terminate the first total return swap agreement. The TIPS maturing in 2028 were sold and the Company recognized a gain on the sale of \$16,716. Additionally, the Company recognized a gain from the extinguishment of its derivative liability of \$7,740. The Company made a final settlement payment of \$4,881 upon termination of the first total swap agreement.

15 Related party disclosures

The Company reinsures life assurance business written by its client companies (cedants) and business assumed from affiliates. The risks assumed generally reflect the risks inherent in the underlying life assurance policies and include mortality risk, morbidity risk, investment risk and lapse and surrender risk. The Company also assumes life insurance risk in alternative forms, including capital market risks.

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	2023			2022		
	Hannover Finance, Inc. (Parent)	Companies Related Through Common Control	Total	Hannover Finance, Inc. (Parent)	Companies Related Through Common Control	Total
Income Statement						
Business assumed						
Reinsurance Revenue	\$ -	\$ (5,924)	\$ (5,924)	\$ -	\$ (5,658)	\$ (5,658)
Reinsurance service expense	-	0.00	0.00	-	-	-
Reinsurance service result	-	(5,924)	(5,924)	-	(5,658)	(5,658)
Business Ceded						
Reinsurance expenses	-	18,317	18,317	-	14,607	14,607
Income from reinsurance contracts held	-	(25,939)	(25,939)	-	(4,312)	(4,312)
Net result from reinsurance contracts held	-	(7,622)	(7,622)	-	10,295	10,295
Reinsurance service result (net)	-	(13,546)	(13,546)	-	-	-
Insurance finance income / expense	-	(165)	(165)	-	(1,223)	(1,223)
Net investment income	-	(319)	(319)	-	169	169
Total expenses	(60)	6,064	6,004	-	-	-
Other (income)/expenses	-	(10,139)	(10,139)	-	(6,209)	(6,209)
Finance cost	-	20,310	20,310	1,391	16,015	17,406
Net income	(60)	2,205	2,145	1,391	13,390	14,781
Balance Sheet						
Assets						
Reinsurance recoverables on liability for incurred claims	-	26,295	26,295	-	3,530	3,530
Reinsurance recoverables on liability for remaining coverage	-	8,020	8,020	-	2,711	2,711
Recoverables on reinsurance contracts ceded	-	34,316	34,316	-	6,241	6,241
Reinsurance contracts issued in an asset position	-	-	-	-	-	-
Liabilities						
Liability for incurred claims LIC	-	-	-	-	-	-
Liability for remaining coverage LRC	-	(2,070)	(2,070)	-	(2,954)	(2,954)
Liability from reinsurance contracts issued	-	(2,070)	(2,070)	-	(2,954)	(2,954)
Reinsurance contracts ceded in a liability position	-	(14,359)	(14,359)	-	(15,235)	(15,235)
Loans and borrowings	-	(382,419)	(382,419)	-	(558,880)	(558,880)

16. Other investment expenses

The Company has an investment management agreement in place with a related party to manage the Company's investment portfolio. Investment management fees incurred during the year amounted to \$4.8 million (2022: \$10.1 million).

17. Statutory requirements

As a Class E insurer, the Company must at all times maintain a solvency margin and an enhanced capital requirement in accordance with the provisions of the Insurance Act. Each year, the Company is required to file with the Bermuda Monetary Authority (the "Authority") a capital and solvency return within four months of its relevant financial year end (unless specifically extended).

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The prescribed form of capital and solvency return, primarily comprises the Insurer's Statutory Financial Return, Bermuda Solvency Capital Requirement ("BSCR"), and associated schedules including Form 4 EBS and various other schedules as prescribed in the 1978 Act, The Insurance Accounts Rules 2016, The Insurance (Prudential Standards) (Class C, Class D and Class E Solvency Requirement) Rules 2011, Insurance (Eligible Capital) Rules 2012, and Insurance (Public Disclosure) Rules 2015. The BSCR includes a standardized model used to measure the risk associated with an insurer's assets, liabilities and premiums, and a formula to take account of insurance related risk exposure. The Minimum Margin of Solvency ("MMS") is calculated on predetermined calculations as included in The Insurance Accounts Rules 2016.

Insurer's Enhanced Capital Requirements ("ECR") is calculated as the higher of the capital requirements as measured by the BSCR and MMS. The Authority requires all Class E insurers to maintain their capital at a target level which is 120% of ECR.

As at December 31, 2023, the Company's statutory capital and reserves exceeded all calculated minimum regulatory requirements.

The Company is prohibited from declaring or paying a dividend if its Class E statutory capital and surplus is less than its ECR, or if it is in breach of its solvency margin, or if the declaration or payment of such dividend would cause such breach. Further, the Company, as a Class E insurer, is prohibited from declaring or paying any dividend of more than 25% of its total statutory capital and surplus, (as shown on its statutory balance) unless it files (at least seven days before payment of such dividends) with the BMA an affidavit stating that it will continue to meet its relevant margins. The Company must obtain the BMA's prior approval for a reduction by 15% or more of the total statutory capital as set forth in its previous year's financial statements. These restrictions on declaring or paying dividends and distributions under the Insurance Act are in addition to those under the Companies Act 1981, which apply to all Bermuda companies.

Actual statutory capital and surplus, as determined using statutory accounting principles, along with a reconciliation to IFRS equity is as follows:

	<u>2023</u>
Total statutory capital and surplus	\$ 1,495,777
Non admitted assets	-
Statutory capital and surplus	<u>1,495,777</u>
Surplus note	238,000
Total IFRS Shareholder's equity	<u><u>\$ 1,257,777</u></u>

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18. Expenditures on personnel

The expenditures on insurance business, claims expenses (claims settlement and expenditures on the administration of investments include the following personnel expenditures:

	<u>2023</u>	<u>2022</u>
Wages and salaries	\$ 55,536	\$ 48,126
Social security contributions and expenditure on provisions and assistance		
Social security contributions	\$ 3,248	\$ 2,913
Expenditures for pension provision	5,211	4,848
Expenditures for assistance	5,779	5,263
	<u>14,238</u>	<u>13,023</u>
Total personnel expenditures	\$ 69,774	\$ 61,149

a. Defined contribution plan

The Company has defined contribution plan based on length of service and the employee's income or level of contributions. The expense recognized for these obligations in the financial year in accordance with IAS 19 "Employee Benefits" was \$5.2 million (2022: \$5.0)

19. Leases

The Company leases various office premises, technical facilities and office equipment. The following items were recognized in the consolidated balance sheet as of December 31, 2023 in other assets and other liabilities in connection with leases.

	<u>2023</u>	<u>2022</u>
Own-use property	\$ 413	\$ 2,092
Fixtures, fittings and equipment	34	52
Lease liabilities	584	2,452

The following amounts were recognized in the consolidated statement of income in financing cost in connection with the leases.

	<u>2023</u>	<u>2022</u>
Own-use real estate	\$ 1,678	\$ 1,795
Fixtures, fittings and equipment	18	18
Total	<u>\$ 1,696</u>	<u>\$ 1,813</u>

The interest expense for lease liabilities for 2023 totaled \$46 thousand and \$113 thousand for 2022. The total amounts payable for leases in 2023 came to \$584 thousand (2022: \$2.5 million).

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Notes to the Consolidated Financial Statements

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The Company holds four leases at the end of December 31, 2023. The last one is set to expire by August 2025.

	<u>Amounts</u>
2024	\$ 566
2025	18
2026	-
Future minimum lease payments	-
	<u>\$ 584</u>

20. Assets on Deposit or Pledge as Collateral

As security for technical liabilities, the Company has established trust accounts. The securities held in the trust accounts are shown as financial instruments and other invested assets in the balance sheet. At December 31, 2023 and 2022, the amounts were as follows:

Asset Category	<u>December 31, 2023</u>		
	<u>Gross Restricted</u>		
	<u>Total General Account</u>		
	<u>Current Year</u>	<u>Total from Prior Year</u>	<u>Increase (Decrease)</u>
On deposit with states	\$ 752	\$ 1,049	\$ (297)
FHLB Capital Stock	11,827	8,873	2,954
Pledged as reinsurance collateral - bonds	114,780	117,800	(3,020)
Total restricted assets	<u>\$ 127,359</u>	<u>\$ 127,722</u>	<u>\$ (363)</u>

Asset Category	<u>December 31, 2022</u>		
	<u>Gross Restricted</u>		
	<u>Total General Account</u>		
	<u>Current Year</u>	<u>Total from Prior Year</u>	<u>Increase (Decrease)</u>
On deposit with states	\$ 1,049	\$ 1,276	\$ (227)
FHLB Capital Stock	8,873	9,113	(240)
Pledged as reinsurance collateral - bonds	117,800	203,111	(85,311)
Total restricted assets	<u>\$ 127,722</u>	<u>\$ 213,500</u>	<u>\$ (85,778)</u>

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21. Subsequent events

Management has evaluated subsequent events through the date of the issuance of these financial statements, May 31, 2024, and other than as discussed below, determined that there were no events or transactions during this period that were required to be recorded or disclosed in the financial statements.

The financial statements have been approved by the Management on May 31, 2024.