

North End Re Ltd.

Financial Statements and Independent Auditors' Report
For the years ended December 31, 2023 and December 31, 2022

North End Re Ltd.

December 31, 2023 and December 31, 2022

Table of contents

	Page
Independent Auditor's Report	2
Financial Statements	
Balance Sheets	4
Statements of Operations	5
Statements of Comprehensive Income (Loss)	6
Statements of Changes in Shareholder's Equity	7
Statements of Cash Flows	8
Notes to the Financial Statements	
Note 1 The Company	9
Note 2 Summary of significant accounting policies	9
Note 3 Accounts receivable and other	14
Note 4 Other assets	14
Note 5 Investments	14
Note 6 Net investment income and investment related gains (losses)	17
Note 7 Net investment results from funds withheld	18
Note 8 Fair value of financial instruments	18
Note 9 Reinsurance funds withheld	23
Note 10 Accounts payable and other	24
Note 11 Common stock	24
Note 12 Accumulated other comprehensive loss	25
Note 13 Related party transactions	25
Note 14 Statutory requirements	27
Note 15 Other reinsurance expenses	27
Note 16 Income taxes	27
Note 17 Contingent liabilities and other financial commitments	27
Note 18 Subsequent events	28

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholder of
North End Re Ltd.

Opinion

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

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

Emphasis of Matter

We draw attention to Note 2 of the financial statements, which describes the adoption of new accounting standards effective January 1, 2023. Our opinion is not modified in respect of this matter.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a period of one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

INDEPENDENT AUDITOR'S REPORT (cont'd)

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte Ltd.

April 1, 2024

North End Re Ltd.

Balance Sheets

As at December 31, 2023 and December 31, 2022

(In thousands of United States dollars)

	<i>Note</i>	2023	2022
		\$	\$
Assets			
Available-for-sale fixed maturity securities	5, 8	103,722	102,396
Equity securities	5, 8	5,009	4,558
Short-term investments	8	—	9,897
Total investments		108,731	116,851
Cash and cash equivalents		11,984	6,576
Accrued investment income		1,091	805
Reinsurance funds withheld	9	1,543,677	1,619,285
Accounts receivable and other	3	11,444	30,328
Other assets	4	1,438	1,978
Total assets		1,678,365	1,775,823
Liabilities			
Deposit liabilities	9	1,577,129	1,655,542
Accounts payable and other	10	8,845	5,921
Loan payable		—	7,000
Total liabilities		1,585,974	1,668,463
Shareholder's equity			
Common stock	11	172,450	187,450
Retained deficit		(43,191)	(41,310)
Accumulated other comprehensive loss	12	(36,868)	(38,780)
Total shareholder's equity	14	92,391	107,360
Total liabilities and shareholder's equity		1,678,365	1,775,823

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

North End Re Ltd.

Statements of Operations

For the years ended December 31, 2023 and December 31, 2022

(In thousands of United States dollars)

	<i>Note</i>	2023	2022
		\$	\$
Revenue			
Net investment income	6	6,782	5,076
Investment related gains (losses)	6	422	(5,633)
Net investment results from funds withheld	7	60,756	50,787
Total revenue		67,960	50,230
Expenses			
Interest sensitive contract benefits		52,934	54,705
Other reinsurance expenses	15	4,965	4,419
Operating expenses		11,942	6,655
Total expenses		69,841	65,779
Net loss for the year		(1,881)	(15,549)

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

North End Re Ltd.

Statements of Comprehensive Income (Loss)

For the years ended December 31, 2023 and December 31, 2022

(In thousands of United States dollars)

	2023	2022
	\$	\$
Net loss for the year	(1,881)	(15,549)
Other comprehensive income (loss):		
Unrealized gains (losses) on available-for-sale investments	1,912	(41,362)
Comprehensive income (loss) for the year	31	(56,911)

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

North End Re Ltd.

Statements of Changes in Shareholder's Equity

For the years ended December 31, 2023 and December 31, 2022

(In thousands of United States dollars)

	<i>Note</i>	2023	2022
		\$	\$
Common stock	11		
Beginning of the year		187,450	150,050
Return of capital		(15,000)	—
Issuance of shares		—	37,400
End of the year		172,450	187,450
Retained earnings			
Beginning of the year		(41,310)	(25,761)
Net loss for the year		(1,881)	(15,549)
End of the year		(43,191)	(41,310)
Accumulated other comprehensive loss	12		
Beginning of the year		(38,780)	2,582
Other comprehensive gains (losses) for the year		1,912	(41,362)
End of the year		(36,868)	(38,780)
Total shareholder's equity		92,391	107,360

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

North End Re Ltd.

Statements of Cash Flows

For the years ended December 31, 2023 and December 31, 2022

(In thousands of United States dollars)

	2023	2022
	\$	\$
Operating activities		
Net loss for the year	(1,881)	(15,549)
Adjustments to reconcile net income to net cash from operating activities:		
Amortization of investments	(732)	(319)
Realized gains/(losses) on investments	(2)	3,685
Unrealized gains/(losses) on investments	(416)	1,946
Changes in non-cash balances related to operations:		
Deposit liabilities	(78,413)	(26,362)
Reinsurance funds withheld	75,608	21,281
Accrued investment income	(286)	135
Other working capital items	22,348	(27,920)
Cash generated from/(used in) operating activities	16,226	(43,103)
Investing activities		
Purchase of investments		
Available-for-sale fixed maturity securities	—	(14,985)
Equity securities	(33)	(6,505)
Short-term investments	(33,295)	(9,892)
Proceeds from sales and maturities of investments		
Available-for-sale fixed maturity securities	770	35,945
Short-term investments	43,740	—
Cash generated from investing activities	11,182	4,563
Financing activities		
(Return of Capital)/Issuance of shares	(15,000)	37,400
Borrowings from related parties	—	6,000
Repayment of borrowings from related parties	(7,000)	—
Cash (used in)/generated from financing activities	(22,000)	43,400
Cash and cash equivalents at the beginning of the year	6,576	1,716
Net increase in cash and cash equivalents during the year	5,408	4,860
Cash and cash equivalents at the end of the year	11,984	6,576
Supplementary cash flow disclosures	2023	2022
Dividend and interest income received	4,085	4,310

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

North End Re Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

(In thousands of United States dollars, except as otherwise noted)

1. The Company

North End Re Ltd. (the "Company") is a private limited company incorporated under the laws of Bermuda on July 13, 2018. The Company is a wholly-owned subsidiary of BAM Re Holdings Ltd. (the "Parent") which is wholly-owned by Brookfield Reinsurance Ltd. ("BNRE") (formerly Brookfield Asset Management Reinsurance Partners Ltd. ("BAM Re")).

The Company received its Class E reinsurance license on May 5, 2021, from the Bermuda Monetary Authority ("BMA"). The Company is licensed to conduct commercial long-term life and annuity reinsurance business with third-party direct insurers and reinsurers.

On September 3, 2021, the Company entered into a modified coinsurance retrocession agreement to reinsure multi-year guarantee fixed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of April 1, 2021, representing the date on which the Company had the reinsurance contractual obligation.

2. Summary of significant accounting policies

a) *Statement of Compliance*

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") which were in effect at January 1, 2023. The financial statements are prepared on a going concern basis and have been presented in United States dollars ("USD") rounded to the nearest thousand unless otherwise indicated.

b) *Accounting estimates and judgements*

The preparation of financial statements in accordance with U.S. GAAP requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates are subject to uncertainty and can therefore differ significantly from actual results. The reported amounts and disclosures most susceptible to changes in estimates and assumptions include the measurement of deposit liabilities, the fair value of financial assets determined using valuation techniques and the impairment of financial assets. Such estimates and assumptions are subject to inherent uncertainties, which may result in actual amounts differing from reported amounts.

c) *Adoption of new accounting standards*

Effective January 1, 2023, the Company converted from International Financial Reporting Standards ("IFRS") to U.S. GAAP as our accounting framework. Converting to U.S. GAAP meant the reassessment of the modified coinsurance retrocession agreement to determine whether it still met the criteria to be classified as an insurance contract. From the reassessment, it was concluded that the agreement did not meet the criteria to be classified as an insurance contract but an investment contract. Under U.S. GAAP, contracts determined to be investment contracts, are accounted for using deposit accounting. At transition as of January 1, 2022, the adoption of US GAAP resulted in a decrease of \$41,492 in retained earnings and an increase in deposit liabilities of the same amount.

ASU 2020-04 – On April 1, 2023, the Company adopted ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in this guidance provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The guidance only applies to contracts, hedging relationships, and other transactions that reference London Inter-Bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2024, with certain exceptions. The amendments are effective for contract modifications made between March 12, 2020 and December 31, 2024.

North End Re Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022
(In thousands of United States dollars, except as otherwise noted)

2. Summary of significant accounting policies (continued)

c) *Adoption of new accounting standards (continued)*

The Company's inventory of LIBOR exposures is primarily limited to floating rate bonds, alternative investments, and borrowings within joint venture investments. The transition from LIBOR did not have a material impact to the Company's financial statements. Accordingly, this ASU has not had a material impact on the Company's financial statements to date.

d) *Significant accounting policies*

i. Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with original maturities of 90 days or less. The Company held cash of \$201 and \$217 at December 31, 2023 and December 31, 2022 respectively. The Company held cash equivalents of \$11,783 and \$6,359 at December 31, 2023 and 2022 respectively. At December 31, 2023 and 2022, all cash balances were at major financial institutions earning interest.

ii. Investments

Available-for-sale fixed maturity securities - Primarily include bonds, asset backed securities ("ABS") and private debt securities. Available-for-sale fixed maturity securities, which may be sold prior to their contractual maturity, are classified as available-for-sale ("AFS") and are carried at fair value with changes in fair value recognized in other comprehensive gains.

For available-for-sale fixed maturity securities in an unrealized loss position, the Company first assesses whether it intends to sell the security or will be required to sell the security before recovery of its amortized cost basis. If either of these criteria are met, the security's amortized cost basis is written down to fair value through income in "investment related gains (losses)". For the years ended December 31, 2023, and 2022, no decline in the fair value of these investments below their amortized cost was determined to be other-than-temporary impairment.

Equity securities - Primarily include common stock, preferred stock and private equity. Equity securities are carried at fair value with changes in fair value recognized in "Investment related gains (losses)" within the Statements of Operations.

Short-term investments - These include highly liquid securities and other investments with original maturities of over 90 days and less than one year at the date of acquisition. Securities included within short-term investments are stated at fair value with changes in fair value recognized in other comprehensive gains.

iii. Credit loss allowances and impairments

Available-for-sale fixed maturity securities

For available-for-sale fixed maturity securities in an unrealized loss position, if the Company does not intend to sell the security or will not be required to sell the securities before recovery of its amortized cost basis, the Company evaluates whether the decline in fair value has resulted from credit loss or market factors. For the years ended December 31, 2023 and 2022, \$Nil credit loss allowances and impairments were recognized.

North End Re Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022
(In thousands of United States dollars, except as otherwise noted)

2. Summary of significant accounting policies (continued)

d) *Significant accounting policies (continued)*

Available-for-sale fixed maturity securities (continued)

In making this assessment, management first calculates the extent to which fair value is less than amortized cost, considers any changes to the rating of the security by a rating agency, and any specific conditions related to the security. If this qualitative assessment indicates that a credit loss may exist, the present value of projected future cash flows expected to be collected is compared to the amortized cost basis of the security. The net present value of the expected cash flows is calculated by discounting management's best estimate of expected cash flows at the effective interest rate implicit in the available-for-sale fixed maturity security when acquired.

If the present value of expected cash flows is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded through income in "Investment related gains (losses)" limited to the amount by which fair value is less than amortized cost. If the fair value is less than the net present value of its expected cash flows at the impairment measurement date, a non-credit loss exists which is recorded in Other Comprehensive Gains for the difference between the fair value and the net present value of the expected cash flows.

iv. *Accrued investment income*

Accrued investment income is presented separately on the Balance Sheets and excluded from the carrying value of the related investments, primarily fixed maturity securities and mortgage loans. The Company has made an accounting policy election not to measure an allowance for credit losses for accrued interest receivable on amortized cost investments and to directly write off the uncollectible balance.

v. *Reinsurance funds withheld*

Reinsurance funds withheld is a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements in which the Company acts as a reinsurer. The receivable represents assets that are held in custodial accounts that are legally segregated from the third-party ceding companies' general accounts and are managed by the Company. These assets are typically cash and cash equivalents and fixed income asset types. In the event of ceding companies' insolvency, the Company would need to assert a claim on the assets supporting the insurance contract liabilities. However, the Company has the ability to offset amounts owed to the ceding companies. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. Under a Modco arrangement, the ceding Company owns the assets backing the liabilities ceded and passes through to the reinsurer all the investment risk and returns. Based on DIG B36, an embedded derivative exists and following FAS133 this will be separated and measured at fair value in the Balance sheets and presented within "Reinsurance funds withheld". Changes in the fair value are included in the "Net investment results from funds withheld" in the Statements of Operations.

North End Re Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

(In thousands of United States dollars, except as otherwise noted)

2. Summary of significant accounting policies (continued)

d) *Significant accounting policies (continued)*

vi. *Property and equipment*

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any, and are included within "Other assets" within the Balance Sheets. Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of assets include the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use.

Depreciation of property and equipment commences when it is available for use. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of each component of the property and equipment. The estimated useful lives of the property and equipment are three to thirty years.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, on a straight-line basis. The right-of-use asset is depreciated on the straight-line basis over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes recognized on a prospective basis.

The Company reviews its property and equipment for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

vii. *Intangible asset*

Intangible assets consist of capitalized costs of estimated fair value of computer software. Intangible assets are included in "Other assets" within the Balance Sheets.

viii. *Deposit liabilities*

Reinsurance agreements that do not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk are accounted for as deposits. At initial recognition, the funds withheld or deposit liability is measured based on consideration paid or received, less any explicitly identified premiums or fees to be retained by the insurer or reinsurer. Any commission paid is recorded as a contra-liability offsetting the deposit liability and amortized to expense over the life of the agreements. The amount of the funds withheld or liability and any balances receivable from or payable to the cedant will be adjusted at subsequent reporting dates with the effective yield on the deposit to reflect actual payments to date and expected future payments with a corresponding credit or charge to interest sensitive contract benefits.

North End Re Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022
(In thousands of United States dollars, except as otherwise noted)

2. Summary of significant accounting policies (continued)

d) *Significant accounting policies (continued)*

ix. Reinsurance assumed

The Company closed a retrocession agreement on September 3, 2021, with a third-party insurance company to reinsure multi-year guarantee fixed indexed annuities.

The Company assumes insurance contracts under modified coinsurance arrangements ("Modco arrangements"). The Company generally has the right of offset on reinsurance contracts but has elected to present reinsurance settlement amounts due to and from the cedant on a gross basis.

Assets and liabilities assumed under Modco arrangements are presented net on the Balance Sheet. Since this treaty does not transfer significant insurance risk, it is recorded on a deposit method of accounting.

x. Loan payable

Interest-bearing loans outstanding are classified as loan payable. These amounts accrue monthly interest at a Secured Overnight Financing Rate ("SOFR") + spread rate.

xi. Net investment income

Interest income

Interest income on investments measured at amortized cost is calculated using the effective interest method.

Dividend income

Dividend income is recognized when the right to receive payments is established.

xii. Investment related gains (losses)

Investment related gains (losses) include realized gains and losses on fixed maturity securities, equity securities and short-term investments, representing the difference between net sale proceeds and the carrying value, marked to market gains or losses on equity securities carried at fair value, allowance for credit loss and foreign exchange gains (losses).

xiii. Net investment results from funds withheld

Net investment results from funds withheld include interest income, dividend income and realized gains and losses on funds withheld investments and changes in the fair value of the embedded derivative in the underlying reinsurance contracts.

xiv. Foreign currencies

Foreign currency denominated monetary assets and liabilities of the Company are translated using the rate of exchange prevailing at the reporting date, and non-monetary assets and liabilities measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenues and expenses are measured at average rates during the year.

North End Re Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

(In thousands of United States dollars, except as otherwise noted)

3. Accounts receivable and other

Accounts receivable as at December 31, 2023 were \$11,444 (2022 - \$30,328). These consisted of amounts due from related parties totaling \$11,379 (2022 - \$30,299) and other receivables totaling \$65 (2022 - \$29).

4. Other assets

As at December 31, 2023, the other assets balance was \$1,438 (2022 - \$1,978). This consisted of leasehold improvements totaling \$749 (2022 - \$939) and computer software totaling \$689 (2022 - \$1,039). The amortization of leasehold improvements during 2023 was \$191 (2022 - \$132). Amortization on computer software during 2023 was \$521 (2022 - \$Nil).

5. Investments

a) Available-for-sale fixed maturity securities

The amortized cost and fair value of fixed maturity securities are shown below:

As at December 31, 2023					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
	\$	\$	\$	\$	\$
Available-for-sale fixed maturity					
U.S. treasury and government	82,730	—	(29,376)	—	53,354
Corporate debt securities	43,924	—	(6,619)	—	37,305
Commercial mortgage-backed	6,610	—	(190)	—	6,420
Collateralized debt securities	7,328	—	(685)	—	6,643
Total investments in available-for-sale fixed maturity securities	140,592	—	(36,870)	—	103,722
As at December 31, 2022					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
	\$	\$	\$	\$	\$
Available-for-sale fixed maturity					
U.S. treasury and government	82,696	—	(28,988)	—	53,708
Corporate debt securities	43,788	—	(8,688)	—	35,100
Commercial mortgage-backed	6,988	—	(409)	—	6,579
Collateralized debt securities	7,708	—	(699)	—	7,009
Total investments in available-for-sale fixed maturity securities	141,180	—	(38,784)	—	102,396

North End Re Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022
(In thousands of United States dollars, except as otherwise noted)

5. Investments (continued)

a) Available-for-sale fixed maturity securities (continued)

The amortized cost and fair value, by contractual maturity, of available-for-sale fixed maturity securities are shown below

As at December 31,	2023		2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	\$	\$	\$	\$
Due in one year or less	—	—	—	—
Due after one year through five years	5,211	5,012	5,107	4,676
Due after five years through ten years	38,713	32,293	38,682	30,424
Due after ten years	96,668	66,417	97,391	67,296
Total	140,592	103,722	141,180	102,396

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

Proceeds from sales of available-for-sale fixed maturity securities, with the related gross realized gains and losses, are shown below:

As at December 31,	2023	2022
	\$	\$
Proceeds from sales of available-for-sale fixed maturity securities	770	35,945
Gross realized gains	4	51
Gross realized losses	(1)	(3,737)

North End Re Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022
(In thousands of United States dollars, except as otherwise noted)

5. Investments (continued)

a) Available-for-sale fixed maturity securities (continued)

The gross unrealized losses and fair value of available-for-sale fixed maturity securities, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position due to market factors are shown below (in thousands, except number of issues).

As at December 31, 2023						
	12 months or more			Total		
	Number of issues	Gross Unrealized Losses	Fair Value	Number of issues	Gross Unrealized Losses	Fair Value
Available-for-sale fixed maturity securities						
U.S. treasury and government	2	(29,376)	53,354	2	(29,376)	53,354
Corporate debt securities	3	(6,619)	37,305	3	(6,619)	37,305
Commercial mortgage-backed	2	(190)	6,420	2	(190)	6,420
Collateralized debt securities	1	(685)	6,643	1	(685)	6,643
Total	8	(36,870)	103,722	8	(36,870)	103,722

As at December 31, 2022						
	Less than 12 months			Total		
	Number of issues	Gross Unrealized Losses	Fair Value	Number of issues	Gross Unrealized Losses	Fair Value
Available-for-sale fixed maturity securities						
U.S. treasury and government	2	(28,988)	53,708	2	(28,988)	53,708
Corporate debt securities	3	(8,688)	35,100	3	(8,688)	35,100
Commercial mortgage-backed	2	(409)	6,579	2	(409)	6,579
Collateralized debt securities	1	(699)	7,009	1	(699)	7,009
Total	8	(38,784)	102,396	8	(38,784)	102,396

North End Re Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022
(In thousands of United States dollars, except as otherwise noted)

5. Investments (continued)

b) Equity securities, at fair value

The components of the change in net gains (losses) on equity securities recognized in Investment related gains (losses) in the Statements of Operations are shown below:

As at December 31,	2023	2022
	\$	\$
Unrealized gains (losses) on equity securities	418	(1,947)
Net gains (losses) on equity securities sold	—	—
Net gains (losses) on equity securities	418	(1,947)

6. Net investment income and investment related gains (losses)

Net investment income is shown below:

For the years ended December 31,	2023	2022
	\$	\$
Available-for-sale fixed maturity securities	4,486	4,570
Equity securities, at fair value	—	—
Short-term investments	551	2
Other invested assets	1,745	504
Total net investment income	6,782	5,076

Net realized and unrealized investment related gains (losses) are shown below:

For the years ended December 31,	2023	2022
	\$	\$
Available-for-sale fixed maturity securities		
Change in allowance for credit losses and impairments	—	—
Net realized gains (losses) on disposals	3	(3,686)
Equity securities and equity method discontinuation		
Net unrealized gains (losses)	418	(1,947)
Net realized gains (losses) on disposals	—	—
Other invested assets and short-term investments		
Net realized gains (losses) on disposals	1	—
Total investment related gains (losses), net	422	(5,633)

North End Re Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

(In thousands of United States dollars, except as otherwise noted)

7. Net Investment results from funds withheld

Net investment results from funds withheld assets are attributable to the Company and included in the net income for the year. Investment results from funds withheld assets shown on the Statements of Operations and comprised of the following:

For the years ended December 31,	2023	2022
	\$	\$
Interest income	76,992	62,927
Realized losses on investments	(3,779)	(39,333)
Unrealized (losses) gains on investments	(10,656)	31,134
Investment Management fees	(1,801)	(3,941)
Net Investment results from funds withheld	60,756	50,787

8. Fair value of financial instruments

The carrying amount and fair value of financial instruments are shown below:

As at December 31,	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Financial assets				
Available for-sale fixed maturity securities	103,722	103,722	102,396	102,396
Equity securities	5,009	5,009	4,558	4,558
Short-term investments	—	—	9,897	9,897
Reinsurance funds withheld	1,543,677	1,543,677	1,619,285	1,619,285
Total financial assets	1,652,408	1,652,408	1,736,136	1,736,136
Financial liabilities				
Loan payable	—	—	7,000	7,000
Total financial liabilities	—	—	7,000	7,000

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability. A fair value hierarchy is used to determine fair value based on a hypothetical transaction at the measurement date from the perspective of a market participant. The Company has evaluated the types of securities in its investment portfolio to determine an appropriate hierarchy level based upon trading activity and the observability of market inputs. The classification of assets or liabilities within the fair value hierarchy is based on the lowest level of significant input into its valuation. The input levels are defined as follows:

North End Re Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

(In thousands of United States dollars, except as otherwise noted)

8. Fair value of financial instruments (continued)

Level	Description
Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2	Quoted prices in markets that are not active or inputs that are observable directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities other than quoted prices in Level 1; quoted prices in markets that are not active; or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models and third-party evaluation, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Valuation Techniques for Financial Instruments Recorded at Fair Value

Available-for-sale fixed maturity securities — The Company utilizes pricing services to estimate fair value measurements. The fair value for available-for-sale fixed maturity securities that are disclosed as Level 1 measurements are based on unadjusted quoted market prices for identical assets that are readily available in an active market. The estimates of fair value for most available-for-sale fixed maturity securities, including municipal bonds, provided by the pricing service are disclosed as Level 2 measurements as the estimates are based on observable market information rather than market quotes. The pricing service utilizes market quotations for available-for-sale fixed maturity securities that have quoted prices in active markets. Since available-for-sale fixed maturity securities generally do not trade on a daily basis, the pricing service prepares estimates of fair value measurements for these securities using its proprietary pricing applications, which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. Additionally, an option adjusted spread model is used to develop prepayment and interest rate scenarios.

The pricing service evaluates each asset class based on relevant market information, credit information, perceived market movements and sector news. The market inputs utilized in the pricing evaluation, listed in the approximate order of priority, include: benchmark yields, reported trades, pricing source quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and economic events. The extent of the use of each market input depends on asset class and the market conditions. Depending on the security, the priority of the use of inputs may change or some market inputs may not be relevant. For some securities, additional inputs may be necessary.

The Company has reviewed the inputs and methodology used and the techniques applied by the pricing service to produce quotes that represent the fair value of a specific security. The review confirms that the pricing service is utilizing information from observable transactions or a technique that represents a market participant's assumptions. The Company does not adjust quotes received from the pricing service. The pricing service utilized by the Company has indicated that they will only produce an estimate of fair value if there is objectively verifiable information available.

North End Re Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

(In thousands of United States dollars, except as otherwise noted)

8. Fair value of financial instruments (continued)

Short-term investments — Short-term investments are primarily United States treasury bills rated AA+ and P-1 by Standard & Poor's and Moody's, respectively. These are carried at fair value and classified as Level 1 measurements.

Reinsurance Funds Withheld - embedded derivative - the embedded derivative is valued using the Market Value Calibration Approach. Under this approach, calibration at inception is done to adjust the loan pay-off pattern such that the loan cash flows, discounted using the forward rates, equals the market value of the assets at inception (excluding the difference between the book value of the assets and the book value of the loan at inception such as ceding commissions).

Level 3 Investments - The Company's valuation of financial instruments categorized as Level 3 in the fair value hierarchy are based on valuation techniques that use significant inputs that are unobservable or had a decline in market activity that obscured observability. The indicators considered in determining whether a significant decrease in the volume and level of activity for a specific asset has occurred include the level of new issuances in the primary market, trading volume in the secondary market, the level of credit spreads over historical levels, applicable bid-ask spreads, and price consensus among market participants and other pricing sources. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models and discounted cash flow methodology based on spread/yield assumptions.

The following summarizes the fair value, valuation techniques and unobservable inputs of the level 3 fair value measurements

Type of Asset	Valuation Techniques	Significant Unobservable Inputs
Private equity	<ul style="list-style-type: none">Discounted Cash FlowNAV	<ul style="list-style-type: none">Security structureLast Twelve Months ("LTM") Revenue Multiple²Next Calendar Year ("NCY") Revenue Multiple⁴NCY +1 EBITDA Multiple³LTM EBITDA Multiple¹
Embedded Derivative - Total Return Swap	<ul style="list-style-type: none">Multiple of cash flows	<ul style="list-style-type: none">Market value of private securities

1. Last Twelve Months ("LTM") EBITDA Multiple valuation metric shows earnings before interest, taxes, depreciation and amortization adjustments for the past 12-month period.
2. LTM Revenue Multiple valuation metric shows revenue for the past 12-month period.
3. Next Calendar Year ("NCY") EBITDA Multiple is the forecasted EBITDA expected to be achieved over the next calendar year.
4. NCY Revenue forecast revenue over the next calendar year.

North End Re Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022
(In thousands of United States dollars, except as otherwise noted)

8. Fair value of financial instruments (continued)

The fair value hierarchy measurements of the financial instruments are shown below:

As at December 31, 2023				
	Assets and Liabilities Carried at Fair Value by Hierarchy Level			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets	\$	\$	\$	\$
Available-for-sale fixed maturity securities				
U.S. treasury and government	53,354	—	53,354	—
Corporate debt securities	37,305	—	37,305	—
Commercial mortgage-backed securities	6,420	—	6,420	—
Collateralized debt securities	6,643	—	6,643	—
Total available-for-sale fixed maturity securities	103,722	—	103,722	—
Equity securities				
Private equity and other	5,009	—	—	5,009
Total equity securities	5,009	—	—	5,009
Short-term investments	—	—	—	—
Reinsurance funds withheld - embedded derivative	5,971	—	—	5,971
Total financial assets	114,702	—	103,722	10,980

North End Re Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022
(In thousands of United States dollars, except as otherwise noted)

8. Fair value of financial instruments (continued)

As at December 31, 2022				
	Assets and Liabilities Carried at Fair Value by Hierarchy Level			
	Total Fair Value	Level 1	Level 2	Level 3
Financial assets	\$	\$	\$	\$
Available-for-sale fixed maturity securities				
U.S. treasury and government	53,708	—	53,708	—
Corporate debt securities	35,100	—	35,100	—
Commercial mortgage-backed securities	6,579	—	6,579	—
Collateralized debt securities	7,009	—	7,009	—
Total available-for-sale fixed maturity securities	102,396	—	102,396	—
Equity securities				
Private equity and other	4,558	—	—	4,558
Total equity securities	4,558	—	—	4,558
Short-term investments	9,897	9,897	—	—
Reinsurance funds withheld - embedded derivative	16,626	—	—	16,626
Total financial assets	133,477	9,897	102,396	21,184

For financial assets measured at fair value on a recurring basis using Level 3 inputs for the years ended December 31, 2023 and December 31, 2022, reconciliations of the beginning and ending balances are shown below:

As at and for the year ended December 31,	2023	2022
	Equity securities	
	\$	\$
Balance, beginning of the year	4,558	—
Fair value changes in net income	418	(1,947)
Purchases	33	6,505
Balance, end of year	5,009	4,558

North End Re Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022
(In thousands of United States dollars, except as otherwise noted)

8. Fair value of financial instruments (continued)

As at and for the year ended December 31,	2023	2022
	Embedded Derivative	
	\$	\$
Balance, beginning of the year	16,626	(14,507)
Fair value changes in net income	(10,655)	31,133
Balance, end of year	5,971	16,626

There were no transfers into or out of Level 3 fair value hierarchy from Level 1 or Level 2 fair value hierarchies during the periods presented.

9. Reinsurance funds withheld

The Company's reinsurance transactions are majorly structured as Modco arrangements with reinsurance funds withheld.

The following table summarized the Company's reinsurance funds withheld, embedded derivatives and deposit liability balances by accounting classification.

As at December 31,	2023	2022
	Deposit accounting	
	\$	\$
Assets		
Reinsurance funds withheld, net	1,537,706	1,602,659
Embedded derivative	5,971	16,626
Reinsurance funds withheld, total	1,543,677	1,619,285
Liabilities		
Deposit liability	1,577,129	1,655,542
Deposit liability, total	1,577,129	1,655,542

The Company has an embedded derivative on its reinsurance funds withheld, which is required to be separated from the host contracts and reported on a fair value basis. The value of the embedded derivative as at December 31, 2023 was \$5,971 (2022 - \$16,626).

Embedded derivatives from Modco arrangements are fair valued using a total return swap ("TRS"). Initially, the Company utilized the Fixed Loan Rate method under the Market Value Calibration Approach to value the embedded derivative; however, during quarter three, the method used was revisited due to the significant macroeconomic activities. From the revision, the determination was made that the Multiple of Cashflows method was the most appropriate method to value the embedded derivative for a block of business in run-off.

North End Re Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

(In thousands of United States dollars, except as otherwise noted)

9. Reinsurance funds withheld (continued)

Changing the method of valuing the embedded derivatives was determined to be a change in accounting estimate as the embedded derivative continues to be accounted for in accordance with DIG B36 and valued as a TRS using the Market Value Calibration approach. The use of the Multiple of Cashflows method better estimates the embedded derivative. Furthermore, it better reflected the impacts of macroeconomic activity on both the value of the Company's investments and liabilities. The change in accounting estimate receives prospective treatment and disclosure requirements. If the Company had continued to fair value the embedded derivatives using the Fixed Loan Rate method, the fair value at September 30, 2023 would have been (\$3,056) versus \$16,515 under the Multiple of Cashflows method.

Assumption unlocking review

In keeping with the requirements of U.S. GAAP, the Company performed an assessment to determine the reasonableness of the assumptions supporting the reserve balance and whether these needed to be updated. The key assumptions included were surrender, premium deposits and mortality. From the assessment performed, it was concluded that the assumptions used continue to be appropriate and no assumption change was warranted.

10. Accounts payable and other

Accounts payable and other liabilities consist of the following:

As at December 31,	2023	2022
	\$	\$
Due to related parties	6,216	4,186
Accrued liabilities	2,482	1,707
Other	147	28
Accounts payable and other	8,845	5,921

These accounts payable and other liabilities are short-term in nature, and their fair values approximate carrying values.

11. Common stock

The Company is authorized to issue 985,000,000 (2022 - 1,000,000,000) common shares with a par value of \$1. The movement of shares issued and outstanding is as follows:

As at and for the year ended,	2023	2022
	Common stock	
	\$	\$
Outstanding, beginning of year	187,450	150,050
Issued (Repurchased)		
Issuances	—	37,400
Return of capital	(15,000)	—
Outstanding, end of year	172,450	187,450

North End Re Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022
(In thousands of United States dollars, except as otherwise noted)

12. Accumulated other comprehensive loss

The components of and changes in the accumulated other comprehensive loss ("AOCI") are shown below:

For the year ended December 31,	2023	2022
	Change in net unrealized gains (losses) on securities	
	\$	\$
Balance, beginning year	(38,780)	2,582
Unrealized gain (losses) arising during the year	1,912	(41,362)
Balance, end of the year	(36,868)	(38,780)

13. Related party transactions

During the year ended December 31, 2023, the Company entered into the following transactions with related parties. The transactions were all in the normal course of operations, and were recorded at exchange value, which approximates fair value.

As at December 31, 2023, the non-interest-bearing promissory note provided by the Parent Company was \$Nil (2022 - \$7,000). The note was repaid in full during the year.

For the year ended December 31, 2023, the Company paid BNRE Services (Barbados) Inc. \$415 (2022 - \$374), BNRE Canada Services Inc. \$451 (2022 - \$413) and BNRE US Services LLC \$1,235 (2022 - \$770) for administrative and other services.

For the year ended December 31, 2023, the Company incurred \$1,425 (2022 - \$3,116) to Brookfield Asset Management Insurance Advisor LLC and \$377 (2021 - \$824) to Brookfield Asset Management Insurance Advisor LP for management fees in keeping with the investment management agreement.

The Company and other subsidiaries of BNRE have access to credit facilities in respect of bilateral revolving credit facilities totaling \$550,000 (2022 - \$500,000) where by BNRE acts as guarantor and third-party financial institutions as lenders.

The Company and other subsidiaries of BNRE have access to revolving credit facility in the amount of \$400,000 provided by Brookfield Corporation

During the current year the Company purchased related party investments of \$51,600 (2022 - \$6,506). Related party investments totaling \$14,800 (2022 - \$Nil) were also sold during the year. Investment transactions with related parties are accounted for in the same manner as those with unrelated parties in the financial statements.

North End Re Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022

(In thousands of United States dollars, except as otherwise noted)

14. Statutory requirements

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

1. GAAP Financial Statements - financial statements prepared in accordance with an internationally recognized comprehensive base of accounting, and for which the Company has elected to prepare U.S. GAAP financial statements. These financial statements form the basis for the preparation of both the Statutory Financial Statements and the Economic Balance Sheet.
2. Statutory Financial Statements ("SFS") - equal to the GAAP financial statements adjusted for:
 - i. Prudential filters that include adjustments to eliminate non-admitted assets not considered admissible for solvency purposes.
 - ii. Directions or permitted practices issued by the BMA.
3. Economic Balance Sheet (EBS) - a balance sheet where assets are recorded based on GAAP fair values and insurance reserves are based on technical provisions comprised of a best estimate liability plus a risk margin. The best estimate liability may be calculated by applying the standard approach or the scenario based approach. Under the standard approach the discount rate for insurance reserves is a rate prescribed by the BMA. Under the scenario approach the discount rate for insurance reserves is based on the yield on eligible assets owned by the insurer as determined under the worst result of nine prescribed stressed conditions.

Under the Bermuda Insurance Act, the Company is required to maintain sufficient Available Economic Capital and Surplus to cover the Enhanced Capital Requirement ("ECR"). The ECR is the maximum of the Minimum Solvency Margin ("MSM") and BSCR requirements. The BMA imposes a target ECR coverage ratio of 120%. As at December 31, 2023, the Company met these requirements.

To enable the BMA to better assess the quality of the insurer's capital resources, a Class E insurer is required to disclose the makeup of its capital in accordance with a "3-tiered capital system". Highest quality capital is classified as Tier 1 Capital, lesser quality capital is classified as either Tier 2 or Tier 3 Capital. As of December 31, 2023, all of the Company's eligible capital used to meet the MSM and ECR was Tier 1 Capital.

Under the Bermuda Insurance Act, the Company is prohibited from paying a dividend in an amount exceeding 25% of the prior year's statutory capital and surplus i.e., \$26,345, unless at least two members of the Company's board of directors and its principal representative in Bermuda sign and submit to the BMA an affidavit attesting that a dividend in excess of this amount would not cause the Company to fail to meet its relevant margins. No dividends were paid out during the year.

As at December 31,	2023	2022
	\$	\$
Total Shareholder's Equity per GAAP's	92,391	107,360
Non-admitted assets ¹	(1,438)	(1,980)
Statutory capital and surplus	90,953	105,380

1. Non-admitted assets arose which are not admissible for the statutory capital and surplus.

North End Re Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022
(In thousands of United States dollars, except as otherwise noted)

15. Other reinsurance expenses

Other reinsurance expenses include the following:

For the year ended December 31,	2023	2022
	\$	\$
Federal excise tax	2,222	1,591
In-force expense allowance	2,743	2,828
Total other reinsurance expenses	4,965	4,419

Other reinsurance expenses relate to additional costs incurred in obtaining the insurance contracts.

16. Income taxes

On December 27, 2023, the government of Bermuda enacted a corporate income tax ("CIT") designed to align with the OECD's Pillar II/Global Minimum Tax initiative ("Pillar II"). Under the new regime, a 15% statutory income tax is now applicable to certain Bermuda tax resident entities and Bermuda permanent establishments that are constituent entities of a multinational group with consolidated annual revenue of at least €750M in at least 2 of the 4 preceding fiscal years. The CIT is effective for fiscal years beginning on or after January 1, 2025. It also introduces an economic transition adjustment ("ETA") which allows for an elective increase or decrease in the tax basis of assets and liabilities (excluding goodwill) held as of September 30, 2023 to fair value.

CIT is applicable to the Company since it is part of a multinational group that meets the revenue threshold. Management currently estimates that the Company will opt out of the ETA regime, therefore no deferred tax asset was recognized in the financial statements. Management will continue to monitor the developments throughout 2024, prior to commencement.

17. Contingent liabilities and other financial commitments

The Company, as lessee, entered into an operating lease for office space during the year ended December 31, 2022. This lease has a remaining term of 3 years and 11 months. Lease expense incurred for the year was \$47 (2022 - \$4).

As at December 31, 2023	
Lease Commitments	
	\$
2024	216
2025	203
2026	190
2027	164
Total Lease Commitments	773

Other than the above, the Company is not aware of any other commitments or guarantees that have not been adequately provided for as at December 31, 2023.

North End Re Ltd.

Notes to the Financial Statements

For the years ended December 31, 2023 and December 31, 2022
(In thousands of United States dollars, except as otherwise noted)

18. Subsequent events

Management has evaluated events occurring after December 31, 2023, through April 1, 2024, the date the financial statements were available to be issued and identified no further subsequent events for disclosure.