

Financial Statements and Report  
of Independent Certified Public Accountants

**Oceanview Bermuda Reinsurance Ltd.**

For the Years Ended December 31, 2023 and  
2022

# Contents

|  | <b>Page</b> |
|--|-------------|
| Report of Independent Certified Public Accountants | 1           |
| Balance Sheets                                     | 3           |
| Statements of Operations                           | 4           |
| Statements of Changes in Stockholders' Equity      | 5           |
| Statements of Cash Flows                           | 6           |
| Notes to Financial Statements                      | 7           |

---

**GRANT THORNTON LLP**

90 State House Square, 10th Floor  
Hartford, CT 06103-3702

**D** +1 860 781 6700

**F** +1 860 240 4360

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
Oceanview Bermuda Reinsurance Ltd.

**Opinion**

We have audited the financial statements of Oceanview Bermuda Reinsurance Ltd. (a Bermuda limited corporation) (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

**Basis for opinion**

We conducted our audits of the financial statements 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 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 one year after the date the financial statements are available to be issued.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

not a guarantee that an audit conducted in accordance with 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 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 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.

*Grant Thornton LLP*

Hartford, Connecticut  
April 30, 2024

Oceanview Bermuda Reinsurance Ltd.

**BALANCE SHEETS**

**December 31,**

*(U.S. Dollars in Thousands, Except Share and Per Share Data)*

|  | 2023              | 2022              |
|--|-------------------|-------------------|
| <b>Assets:</b>   |                   |                   |
| Cash and cash equivalents  | \$ 47,227         | \$ 5,656          |
| Funds withheld asset, at fair value  | 443,906           | 458,660           |
| Accounts receivable  | 39                | -                 |
| Interest receivable  | 1,001             | -                 |
| Income tax receivable  | 2,055             | -                 |
| Deferred tax asset, net  | -                 | 4,109             |
| Other  | 16                | -                 |
| Total assets   | <u>\$ 494,244</u> | <u>\$ 468,425</u> |
| <b>Liabilities:</b>  |                   |                   |
| Insurance reserves, at fair value  | \$ 428,773        | \$ 446,091        |
| Accounts payable and accrued expenses  | 535               | 4,137             |
| Deferred tax liability, net  | 2,663             | -                 |
| Total liabilities  | <u>431,971</u>    | <u>450,228</u>    |
| <b>Stockholders' Equity:</b>   |                   |                   |
| Common stock, par value \$1.00 per share, 250,000 shares authorized, issued, and outstanding | 250               | 250               |
| Additional paid-in capital   | 36,599            | 18,000            |
| Retained earnings (accumulated deficit)  | 25,424            | (53)              |
| Total stockholders' equity   | <u>62,273</u>     | <u>18,197</u>     |
| Total liabilities and stockholders' equity   | <u>\$ 494,244</u> | <u>\$ 468,425</u> |

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

Oceanview Bermuda Reinsurance Ltd.

STATEMENTS OF OPERATIONS

For the years ended December 31,

(U.S. Dollars in Thousands)

|   | 2023             | 2022           |
|---|------------------|----------------|
| Revenue:  |                  |                |
| Income from reinsurance including investment result on funds withheld asset | \$ 45,913        | \$ -           |
| Net investment income   | 1,042            | -              |
| Revenue total   | <u>46,955</u>    | <u>-</u>       |
| Expenses:   |                  |                |
| Interest sensitive contract benefits  | 13,915           | -              |
| General and administrative  | 524              | 25             |
| Professional fees   | 267              | 42             |
| Total expenses  | <u>14,706</u>    | <u>67</u>      |
| Income (loss) before income taxes   | <u>32,249</u>    | <u>(67)</u>    |
| Income tax provision (benefit)  | 6,772            | (14)           |
| Net income (loss)   | <u>\$ 25,477</u> | <u>\$ (53)</u> |

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

Oceanview Bermuda Reinsurance Ltd.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31,

(U.S. Dollars in Thousands, Except Share and Per Share Data)

|                              | Number<br>of shares | Common Stock,<br>\$1.00<br>par value | Additional<br>Paid-in<br>Capital | Retained Earnings<br>(Accumulated Deficit) | Total     |
|------------------------------|---------------------|--------------------------------------|----------------------------------|--|-----------|
| Balance at December 31, 2021 | 250,000             | \$ -                                 | \$ -                             | \$ -                                       | \$ -      |
| Net loss                     | -                   | -                                    | -                                | (53)                                       | (53)      |
| Capital contributions        | -                   | 250                                  | 18,000                           | -  | 18,250    |
| Balance at December 31, 2022 | 250,000             | \$ 250                               | \$ 18,000                        | \$ (53)                                    | \$ 18,197 |
| Net income                   | -                   | -                                    | -                                | 25,477                                     | 25,477    |
| Capital contributions        | -                   | -                                    | 18,599                           | -  | 18,599    |
| Balance at December 31, 2023 | 250,000             | \$ 250                               | \$ 36,599                        | \$ 25,424                                  | \$ 62,273 |

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

Oceanview Bermuda Reinsurance Ltd.

**STATEMENTS OF CASH FLOWS**  
**For the years ended December 31,**  
*(U.S. Dollars in Thousands)*

|  | <u>2023</u>      | <u>2022</u>     |
|--|------------------|-----------------|
| Cash flows from operating activities:  |                  |                 |
| Net income (loss)  | \$ 25,477        | \$ (53)         |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |                  |                 |
| Income from reinsurance, change in fair value on funds withheld                                    | (2,564)          | -               |
| Deferred taxes, net  | 6,772            | (4,109)         |
| Net change in:   |                  |                 |
| Payments for ceding commission on funds withheld contract  | -                | (12,569)        |
| Accounts receivable  | (39)             | -               |
| Interest receivable  | (1,001)          | -               |
| Income tax receivable  | (2,055)          | -               |
| Other assets   | (16)             | -               |
| Accounts payable and accrued expenses  | (3,602)          | 4,137           |
| Net cash provided by (used in) operating activities  | <u>22,972</u>    | <u>(12,594)</u> |
| Cash flows from financing activities:  |                  |                 |
| Capital contribution   | <u>18,599</u>    | <u>18,250</u>   |
| Net cash provided by financing activities  | <u>18,599</u>    | <u>18,250</u>   |
| Net increase in cash and cash equivalents  | 41,571           | 5,656           |
| Cash, cash equivalents and restricted cash, beginning of year                                      | 5,656            | -               |
| Cash, cash equivalents and restricted cash, end of year  | <u>\$ 47,227</u> | <u>\$ 5,656</u> |
| Supplemental disclosure of cash flow information:  |                  |                 |
| Deposits on investment type contracts through reinsurance agreement                                | \$ -             | \$ 458,660      |

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



NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

NOTE A - ORGANIZATION

Oceanview Bermuda Reinsurance Ltd. ("OBR" or the "Company") is an exempted company incorporated in Bermuda on October 21, 2021 which began operations on December 28, 2022. The Company is 75% owned by Oceanview Reinsurance Ltd. ("OVRe"), a Bermuda exempted company incorporated on April 20, 2018, with limited liability, and 25% owned by Oceanview U.S. Holdings Parent LLC ("OVUSHP"), a U.S. Delaware limited liability company incorporated on January 12, 2022. Both OVRe and OVUSHP are directly held subsidiaries of Oceanview Holdings Ltd. ("OVH"), a Bermuda exempted company incorporated on February 22, 2018. The parent of OVH is Bayview Opportunity V Oceanview L.P. (the "Fund"), a Bermuda limited partnership. The general partner of the Fund is a wholly-owned subsidiary of Bayview Asset Management, LLC ("Bayview"). The Company was formed for the purpose of providing traditional reinsurance, including individual and group life and annuity reinsurance. On December 28, 2022, the Company obtained its certificate of registration as a Class E insurer under the Insurance Act 1978 from the Bermuda Monetary Authority ("BMA").

Oceanview Asset Management, LLC ("OAM" or the "Management Company" and a wholly-owned subsidiary of Bayview), a Delaware limited liability company, provides investment advice and directs the investments of the Company ("Portfolio Assets"). See Note F – Related Party Transactions.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adhered to in the preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates include the valuation of funds withheld asset and insurance reserves. Actual results could differ from the estimates.

Cash and Cash Equivalents

The Company considers highly liquid securities and other investments with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents. At December 31, 2023 and 2022, substantially all cash balances were at major financial institutions earning interest and certain cash amounts were in bank accounts insured by the FDIC up to \$250,000. The Company is exposed to losses in excess of the FDIC insured amount.

Reinsurance

The Company assumes insurance and investment contracts under funds withheld coinsurance agreements. The Company follows reinsurance accounting for these contracts that provide indemnification against loss or liability relating to insurance risk (risk transfer). To meet risk transfer requirements, a reinsurance agreement must transfer insurance risk arising from uncertainties about both underwriting and timing risks. Assets and liabilities assumed under funds withheld coinsurance are presented gross on the balance sheets.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

Funds Withheld Reinsurance Contracts at Fair Value

In accordance with the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) ASC 825, *Financial Instruments*, the Company elected to carry assets and liabilities associated with reinsurance contracts at fair value. This election is made on a contract-by-contract basis. For those contracts for which this election is made, assets and liabilities associated with the reinsurance contract are carried at fair value with the change in the fair value of the assets and the liabilities recorded in income from reinsurance on the statements of operations.

The Company’s funds withheld asset consists of one arrangement with an affiliated insurer (refer to Note C – Funds Withheld Asset and Note F – Related Party Transactions for further details). Under this arrangement, the Company assumed via reinsurance certain insurance reserves with premiums withheld by the cedant under provisions of the reinsurance agreement. Although the assets in funds withheld are legally owned by the cedant, the assets are separated from the general account of the cedant and all economic rights and obligations of the assets accrue to the Company. The withheld premium is invested in accordance with the reinsurance treaty and the Company’s investment guidelines. The Company carries the funds withheld asset at fair value based on the fair value of the underlying assets.

The fair value related to reinsurance liabilities is determined using the income approach allowed under ASC 820. The income approach uses present value techniques to convert future amounts (premiums, policyholder benefits, expense allowances, commissions, and other contractual inflows and outflows) to a single present amount. The objective of the measurement is to arrive at the value of the reinsurance contracts indicated by market expectations on the effective date of the financial statements.

The liability cashflows associated with the funds withheld reinsurance contracts are generated using best-estimate assumptions for mortality, surrender, partial withdrawals, and expenses. In these cashflows, policies are terminated through surrenders and maturities, where surrenders represent the voluntary terminations of policies by policyholders and maturities are determined by policy contract terms. Surrender assumptions are based upon cedant experience adjusted for expected future economic conditions.

The Company uses market yields on the underlying assets plus risk margins to develop discount rates for the present value technique. The discount rates are composed of:

- Risk-free rate, plus
- Non-performance risk spread, less
- Risk margin to reflect uncertainty

The non-performance risk spread is associated with the risk that the liability obligations will not be fulfilled. This is derived from the spread earned on the underlying assets and reflects the Company’s own credit risk.

The risk margin is reflective of the uncertainty of risks associated with the cashflows and non-performance risk spread.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

Income Taxes

The Company has elected to be taxed as a U.S. taxpayer under section 953(d) of the Internal Revenue Code (“IRC”). The Company accounts for U.S. federal income tax in accordance with ASC 740, *Income Taxes*, which requires that deferred income tax balances be recognized based on the differences between the financial statement and income tax bases of assets and liabilities using the enacted income tax rates. The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Deferred income taxes arise from taxable or deductible temporary differences between the financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740. The guidance provides an interpretation of how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. As required, the Company recognizes the financial statement benefit of a tax position only after determining that the U.S. tax authority, The Internal Revenue Service (“IRS”), would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the IRS. At December 31, 2023 and 2022, the Company did not record an accrual for any material uncertain tax positions.

The Company's 2022 federal tax return is open for examination by the IRS. Tax regulations are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. The Company's policy is to classify interest and penalties related to income taxes (if any) as other operating expenses within the statements of operations.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses*. This new guidance replaces the incurred loss impairment methodology with one that reflects expected credit losses. The measurement of expected credit losses should be based on historical loss information, current conditions, and reasonable and supportable forecasts. The guidance also requires enhanced disclosures. This guidance was effective for the Company as of January 1, 2023. The Company adopted this new accounting standard and the adoption had no material impact on the consolidated financial statements.

**NOTE C - FUNDS WITHHELD ASSET**

At December 31, 2023 and 2022, the Company's funds withheld asset was comprised of one agreement which relates to reinsurance with an affiliated insurer under common control, Oceanview Life and Annuity Company (“OVLAC”), rated “A” by A.M. Best. See Note F – Related Party Transactions for further details.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2023 and 2022

At December 31, 2023, the Company's funds withheld asset was comprised of the following underlying assets (U.S. Dollars in thousands):

|                                | Total      | % of Total |
|--------------------------------|------------|------------|
| Commercial mortgage loans      | \$ 53,173  | 12.0%      |
| Preferred shares               | 87,535     | 19.7%      |
| Government and Corporate bonds | 221,081    | 49.8%      |
| Structured securities          | 80,814     | 18.2%      |
| Derivatives                    | 936        | 0.2%       |
| Cash                           | 367        | 0.1%       |
|                                | \$ 443,906 | 100.0%     |

At December 31, 2022, the Company's funds withheld asset was comprised of the following underlying assets (U.S. Dollars in thousands):

|   | Total      | % of Total |
|---|------------|------------|
| Commercial mortgage loans                   | \$ 55,075  | 12.0%      |
| Preferred shares                            | 27,258     | 5.9%       |
| Government and Corporate bonds <sup>1</sup> | 48,190     | 10.5%      |
| Structured securities <sup>2</sup>          | 84,016     | 18.3%      |
| Derivatives                                 | 594        | 0.1%       |
| Cash  | 243,527    | 53.1%      |
|   | \$ 458,660 | 100.0%     |

<sup>1</sup>Includes underlying assets presented as US corporate bonds in the 2022 financial statements

<sup>2</sup>Includes underlying assets presented as non-agency mortgage backed securities in the 2022 financial statements

NOTE D - FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurement and Disclosures*, provides a framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. Investments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values as follows:

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2023 and 2022

Level 1 – Valuation is based on unadjusted quoted prices in active markets for identical assets and liabilities that are accessible at the reporting date.

Level 2 – Valuation is determined from pricing inputs that are other than quoted prices in active markets that are either directly or indirectly observable as of the reporting date. Observable inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 – Valuation is based on unobservable inputs that are significant to the fair value measurement and includes situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value generally require significant management judgment or estimation.

The balance of assets and liabilities measured at fair value as of December 31, 2023, is as follows (U.S. dollars in thousands):

| Assets                     | Level 1          | Level 2           | Level 3           | Total             |
|----------------------------|------------------|-------------------|-------------------|-------------------|
| Funds withheld asset       | \$ 34,517        | \$ 338,459        | \$ 70,930         | \$ 443,906        |
| Total assets at fair value | <u>\$ 34,517</u> | <u>\$ 338,459</u> | <u>\$ 70,930</u>  | <u>\$ 443,906</u> |
| Liabilities                | Level 1          | Level 2           | Level 3           | Total             |
| Insurance reserves         | \$ -             | \$ -              | \$ 428,773        | \$ 428,773        |
| Total liabilities          | <u>\$ -</u>      | <u>\$ -</u>       | <u>\$ 428,773</u> | <u>\$ 428,773</u> |

The balance of assets and liabilities measured at fair value as of December 31, 2022, is as follows (U.S. dollars in thousands):

| Assets                          | Level 1           | Level 2           | Level 3           | Total             |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| Funds withheld asset            | \$ 243,527        | \$ 160,058        | \$ 55,075         | \$ 458,660        |
| Total assets at fair value      | <u>\$ 243,527</u> | <u>\$ 160,058</u> | <u>\$ 55,075</u>  | <u>\$ 458,660</u> |
| Liabilities                     | Level 1           | Level 2           | Level 3           | Total             |
| Insurance reserves              | \$ -              | \$ -              | \$ 446,091        | \$ 446,091        |
| Total liabilities at fair value | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ 446,091</u> | <u>\$ 446,091</u> |

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2023 and 2022

The following summarizes the quantitative inputs and assumptions used for items categorized as Level 3 of the fair value hierarchy as of December 31, 2023 (U.S. dollars in thousands):

| Investment Type  | Fair Value | Valuation Technique            | Unobservable Input                           | Weighted Average |
|--|------------|--------------------------------|--|------------------|
| Funds withheld asset – structured securities                   | \$ 15,971  | Discounted cash flows          | Discount rate                                | 5.5%             |
| Funds withheld asset – corporate bonds                         | \$ 1,786   | Discounted cash flows          | Discount rate                                | 9.9%             |
| Funds withheld asset – large balance commercial mortgage loans | \$ 12,529  | Weighted average credit spread | Weighted average spread                      | 3.8%             |
| Funds withheld asset – small balance commercial mortgages      | \$ 40,644  | Discounted cash flows          | Weighted average spread                      | 4.5%             |
|  |            |                                | Probability of default                       | 12.3%            |
|  |            |                                | Loss severity                                | 34.1%            |
| Insurance reserves, at fair value                              | \$ 428,773 | Income approach (ASC 820)      | Weighted average non-performance risk spread | 3.2%             |
|  |            |                                | Risk margin to reflect uncertainty           | 0.5%             |

The following summarizes the quantitative inputs and assumptions used for items categorized as Level 3 of the fair value hierarchy as of December 31, 2022 (U.S. dollars in thousands):

| Investment Type   | Fair Value | Valuation Technique       | Unobservable Input                           | Weighted Average |
|---|------------|---------------------------|--|------------------|
| Funds withheld asset – small balance commercial mortgages | \$ 55,075  | Discounted cash flows     | Weighted average spread                      | 4.1%             |
|   |            |                           | Probability of default                       | 11.0%            |
|   |            |                           | Loss severity                                | 24.0%            |
| Insurance reserves, at fair value                         | \$ 446,091 | Income approach (ASC 820) | Weighted average non-performance risk spread | 2.5%             |
|   |            |                           | Risk margin to reflect uncertainty           | 0.5%             |

*Transfers between levels*

During the year ended December 31, 2023, the Company transferred \$17.8 million in assets into Level 3 classification. During the year ended December 31, 2022, there were no transfers between levels.

*Purchases of fair value assets*

During the year ended December 31, 2023, the Company did not purchase any assets classified as Level 3. For the year ended December 31, 2022, the Company purchased \$55.1 million in assets classified as Level 3.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2023 and 2022

NOTE E - INCOME TAXES

The provision for income tax is as follows (U.S. dollars in thousands):

|                                      | December 31,    |                |
|--------------------------------------|-----------------|----------------|
|                                      | 2023            | 2022           |
| Current                              |                 |                |
| Federal                              | \$ -            | \$ 4,095       |
| State                                | -               | -              |
| Subtotal                             | -               | 4,095          |
| Deferred                             |                 |                |
| Federal                              | 6,772           | (4,109)        |
| State                                | -               | -              |
| Subtotal                             | 6,772           | (4,109)        |
| Provision (benefit) for income taxes | <u>\$ 6,772</u> | <u>\$ (14)</u> |

The reconciliation of the income tax provision is as follows (U.S. dollars in thousands):

|   | December 31,    |                |
|---|-----------------|----------------|
|   | 2023            | 2022           |
| Tax provision (benefit) at statutory rate | \$ 6,772        | \$ (14)        |
| Tax effect of:                            |                 |                |
| Permanent differences                     | -               | -              |
| Change in valuation allowance             | -               | -              |
| Provision (benefit) for income taxes      | <u>\$ 6,772</u> | <u>\$ (14)</u> |

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2023 and 2022

Deferred income tax represents the tax effect of the differences between the book and tax bases of assets and liabilities. Net deferred income tax assets and liabilities consisted of (U.S. dollars in thousands):

|   | December 31,      |                 |
|---|-------------------|-----------------|
|   | 2023              | 2022            |
| Deferred income tax assets:               |                   |                 |
| Discounted reserves                       | \$ 6,616          | \$ 6,481        |
| Net operating loss                        | 2,601             | -               |
| Accrued expenses                          | 5                 | 2               |
| Total deferred income tax assets          | <u>9,222</u>      | <u>6,483</u>    |
| Deferred income tax liabilities:          |                   |                 |
| GAAP-to-Stat adjustments                  | 11,885            | 2,374           |
| Total deferred income tax liabilities     | <u>11,885</u>     | <u>2,374</u>    |
| Net deferred income tax asset (liability) | <u>\$ (2,663)</u> | <u>\$ 4,109</u> |

At December 31, 2023 and 2022, the Company had net operating loss carry forwards of \$2,601 thousand and \$0, respectively. At December 31, 2023 and 2022, the Company had no carryforwards for general business credit and foreign tax credit. At December 31, 2023 and 2022, the Company had no liability for unrecognized tax benefits and was not under audit by the IRS or any state authority. The Company is filing a stand alone U.S. federal income tax return in accordance with the provisions of the IRC.

On August 16, 2022, the U.S. government signed into law the Inflation Reduction Act (the "Act"). Effective for tax years beginning after December 31, 2022, the Act includes a new corporate alternative minimum tax ("CAMT") on certain corporations. The Company files a standalone U.S Federal tax return and does not meet the average "adjusted financial statement income" threshold for CAMT purposes. As such, the Company is a nonapplicable reporting entity and is not subject to pay CAMT. As of December 31, 2023, the Company is not required to calculate or recognize a payable for CAMT in 2023 and will not have a CAMT credit carryforward.

On December 27, 2023, the government of Bermuda enacted the Corporate Income Tax Act 2023 ("the Act"). The Act introduces a 15% corporate income tax on Bermuda businesses that are part of an In Scope Multinational Enterprise Group ("MNE Group"), effective for fiscal years beginning on or after January 1, 2025, with a five-year deferred effective date for certain MNE groups with a limited international footprint. The Act defines an In Scope MNE Group as an MNE Group if, with respect to any fiscal year beginning on or after the commencement date, the MNE Group has annual revenue of EUR 750 million or more in the financial statements of the ultimate parent entity for at least two of the four fiscal years immediately preceding such fiscal year. The Company's annual revenue on the financial statements has been under the EUR 750 million requirement. Pursuant to the In Scope MNE Group definition in the legislation, the Company (collectively with its subsidiaries) has determined as of the reporting date it will not be in scope for Bermuda Corporate Income Tax.



NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2023 and 2022

NOTE F - RELATED PARTY TRANSACTIONS

The Company has various intercompany agreements with affiliates of Bayview for the provision of various services including investment management, executive and administrative oversight, legal, data processing, bookkeeping, service operations, internal audit, and other services.

Affiliate Expenses

For executive and administrative oversight services, the Company paid to OVRRe \$418 thousand and \$0 for the years ended December 31, 2023 and 2022, respectively.

Reinsurance Agreements

The Company has entered into one funds withheld reinsurance agreement with OVLAC, an affiliate insurance company domiciled in the State of Alabama. Refer to Note C – Funds Withheld Asset for further details.

NOTE G – STOCKHOLDERS' EQUITY

*Authorized and issued share capital*

The authorized and issued share capital of the Company is \$250,000 divided into 250,000 ordinary shares, par value \$1 each.

*Additional paid in capital*

During the years ended December 31, 2023 and 2022, the Company received \$18.6 million and \$18 million, respectively, in additional contributions from its stockholders.

NOTE H - RISKS AND UNCERTAINTIES

In the normal course of business, the Company encounters economic and regulatory risks which are described below.

Regulatory Risk

Regulatory risk is the risk of loss due to changes in regulations or non-compliance with existing regulations. The Company's business plan requires it to maintain its license as a Class E insurer in Bermuda. Failure to maintain this license in good standing would adversely affect the Company. Similarly, inability to comply with a changing legal and regulatory environment could also subject the Company to penalties, unanticipated costs or interruption to the Company's operations. The Company mitigates this risk through timely production of regulatory compliance deliverables, regular and open communication with the Bermuda regulator, discussions with internal and external counsels and other third parties as and when necessary, annual compliance assessment with the Bermuda Insurance Code of Conduct, and participation in industry trade association to monitor regulatory developments.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

As a Class E insurer, the Company is subject to Bermuda's Insurance Act 1978 ("Bermuda Insurance Act") as well as other applicable Bermuda law and regulations. Among other requirements, Class E insurers must at all times maintain Minimum Margin of Solvency ("MMS") and Enhanced Capital Requirement ("ECR") in accordance with the Bermuda Insurance Act. Class E insurers must maintain MMS that is the greater of: (1) \$8 million; (2) 2% of the first \$500 million of assets plus 1.5% of applicable assets above \$500 million; or (3) 25% of the ECR. The ECR is based on the Economic Balance Sheet ("EBS") framework and the Bermuda Solvency Capital Requirement ("BSCR") which is Bermuda's risk-based capital requirement. In addition to the MMS requirement, a Class E insurer must maintain available statutory economic capital and surplus that equals or exceeds its ECR. The Company was in compliance with such laws and regulations as of December 31, 2023.

Fixed Income Investment Risk

Fixed income investment risk is the risk of change in the value of fixed rate securities due to change in interest rates and credit spreads, and the risk that an issuer of a security or obligation becomes impaired or defaults, resulting in a financial loss.

The Management Company works within the investment policy and guidelines approved by the Company's Board of Directors (the "Board"). Additionally, investment guidelines are also agreed with cedants as part of reinsurance contracts. These guidelines provide detailed composition and allocation limits and have been agreed with the Management Company. Any breaches are reported to the Company's management and the Board for their review and commentary. In addition, the Board also monitors overall investment risks. Credit spread risk is managed by having a robust Asset-Liability Management ("ALM") policy and procedures in place. OBR's credit securities are of high credit quality and most of its liabilities are renewable over the short term with adjustable crediting rates and priced-in minimum crediting rate guarantees. Therefore, changes in credit spreads can be passed on to the policyholders upon renewal.

Interest Rate and Liquidity Risk

Interest rate and liquidity risk is the risk that changes in interest rates adversely and disproportionately impact the value of interest-sensitive assets relative to the value of the liabilities. This risk is mitigated by OAM working within the contractually agreed and Board-approved investment guidelines and policies.

The Company has an ALM program that minimizes asset-liability mismatch risk through duration matching, and combined with a hedging program, ensures that interest rate sensitivities are maintained within acceptable ranges.

Concentration Risk

Concentration risk is the risk of high concentration of exposure to counterparties and credit risk associated with those counterparties. This risk is mitigated through concentration limits on asset classes and rating categories. Further, concentration limits within each asset class are applied and are set based on the relevant characteristics of the class. For example, residential mortgage loans have concentration limits based on geographic location, property type, etc. Concentration limits for corporate credit are based on allocation limits applied to a given sector and obligor. OBR's investment policy and guidelines specify the concentration limits that the Company abides by.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

Lapse and Expense Risk

Lapse risk is the risk of loss because of adverse deviation of actual to expected policyholder surrenders and partial withdrawals. This risk is mitigated through appropriate pricing and analysis (including sensitivity testing) of cedant's lapse experience at the pricing stage. After the treaty has been onboarded, the risk is monitored and mitigated through analysis of actual to expected lapse experience, profit and loss attribution to lapse activity, lapse stress and scenario testing, and industry benchmarking. Lapses are very sensitive to crediting rates. Regular monitoring and benchmarking of crediting rates is carried out and crediting rates are set at a competitive level.

Expense risk is the risk of deviation in operational expenses from expected. Actual vs budgeted operational expenses are monitored regularly. A detailed analysis of operational and administrative expenses by category is carried out and variances reviewed to ensure operational expenses are managed within the budget. Inflation is monitored and appropriately allowed for in the budget, pricing process, and reserves.

Mortality Risk

Mortality risk is the risk of adverse fluctuations in or deterioration of mortality experience relative to expectations.

This risk is mitigated through appropriate pricing and analysis (including sensitivity testing) of the cedant's mortality experience at the pricing stage. After the treaty has been onboarded, analysis of actual to expected mortality experience, profit and loss attribution to mortality, and mortality stress and scenario testing, help monitor and mitigate the risk.

Operational Risk

Operational risk is the risk of losses caused by flawed or failed processes, policies, systems, or events that disrupt business operations. In addition, the Company also includes reputational, corporate governance, finance, legal, and strategic risks under the operational risk umbrella.

**NOTE I - COMMITMENTS AND CONTINGENCIES**

The Company is not involved in any material claims or legal actions as at April 30, 2024. Management is not aware of any claims or legal actions that would have a material adverse effect on the Company's financial position, results of operations or cash flows.

**NOTE J - SUBSEQUENT EVENTS**

The Company has evaluated events and transactions that occurred during the period from the balance sheet through April 30, 2024, the date the Company's financial statements were available to be issued. There were no events or transactions that occurred during the period that materially impacted the amounts or disclosures in the Company's financial statements.