

May 30, 2024

Report of Independent Auditors

To the Board of Directors of Acadia Life Limited

Opinions

We have audited the accompanying condensed financial statements of Acadia Life Limited (the “Company”), which comprise the condensed balance sheets and condensed statements of capital and surplus as of December 31, 2023 and December 31, 2022 and the related condensed statements of income for the years then ended, including the related notes (collectively referred to as the “condensed financial statements”).

Unmodified opinion on regulatory basis of accounting

In our opinion, the accompanying condensed financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and December 31, 2022 and the results of its operations for the years then ended in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial Statements (the “Legislation”).

Adverse opinion on U.S. generally accepted accounting principles

In our opinion, because of the significance of the matter discussed in the Basis for adverse opinion on U.S. generally accepted accounting principles section of our report, the accompanying condensed financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2023 and 2022, or the results of its operations for the years then ended.

Basis for Opinions

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

Basis for adverse opinion on U.S. generally accepted accounting principles

As described in Note 3 to the condensed financial statements, the condensed financial statements are prepared by the Company on the basis of the financial reporting provisions of the Legislation, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Bermuda Monetary Authority.

The effects on the condensed financial statements of the variances between the regulatory basis of accounting described in Note 3 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of management for the condensed financial statements

Management is responsible for the preparation and fair presentation of the condensed financial statements in accordance with the financial reporting provisions of the Legislation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the condensed financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed 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 condensed financial statements are available to be issued.

Auditors' responsibilities for the audit of the condensed financial statements

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

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

- Exercise professional judgement and maintain professional scepticism throughout the audit.
- Identify and assess the risks of material misstatement of the condensed 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 condensed financial statements.
- Obtain an understanding of internal controls 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 condensed financial statements.
- Conclude whether, in our judgement, 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 (Bermuda) Limited

**Grant Thornton (Bermuda) Limited
Chartered Professional Accountants
Hamilton, Bermuda**

CONDENSED CONSOLIDATED BALANCE SHEET

ACADIA LIFE LIMITED

As at **December 31, 2023**

expressed in ['000s] **United States Dollars**

| LINE No. | 2023 | 2022 |
|---|---------|--------|
| 1. CASH AND CASH EQUIVALENTS | 821 | 1,866 |
| 2. QUOTED INVESTMENTS: | | |
| (a) Bonds and Debentures | | |
| i. Held to maturity | | |
| ii. Other | | |
| (b) Total Bonds and Debentures | - | - |
| (c) Equities | | |
| i. Common stocks | | |
| ii. Preferred stocks | | |
| iii. Mutual funds | | |
| (d) Total equities | - | - |
| (e) Other quoted investments | | |
| (f) Total quoted investments | - | - |
| 3. UNQUOTED INVESTMENTS: | | |
| (a) Bonds and Debentures | | |
| i. Held to maturity | | |
| ii. Other | | |
| (b) Total Bonds and Debentures | - | - |
| (c) Equities | | |
| i. Common stocks | | |
| ii. Preferred stocks | | |
| iii. Mutual funds | | |
| (d) Total equities | - | - |
| (e) Other unquoted investments | | |
| (f) Total unquoted investments | - | - |
| 4. INVESTMENTS IN AND ADVANCES TO AFFILIATES | | |
| (a) Unregulated entities that conduct ancillary services | - | - |
| (b) Unregulated non-financial operating entities | - | - |
| (c) Unregulated financial operating entities | | |
| (d) Regulated non-insurance financial operating entities | | |
| (e) Regulated insurance financial operating entities | - | - |
| (f) Total investments in affiliates | - | - |
| (g) Advances to affiliates | 152 | 101 |
| (h) Total investments in and advances to affiliates | 152 | 101 |
| 5. INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE: | | |
| (a) First liens | | |
| (b) Other than first liens | | |
| (c) Total investments in mortgage loans on real estate | - | - |
| 6. POLICY LOANS | | |
| 7. REAL ESTATE: | | |
| (a) Occupied by the company (less encumbrances) | | |
| (b) Other properties (less encumbrances) | | |
| (c) Total real estate | - | - |
| 8. COLLATERAL LOANS | | |
| 9. INVESTMENT INCOME DUE AND ACCRUED | | |
| 10. ACCOUNTS AND PREMIUMS RECEIVABLE: | | |
| (a) In course of collection | 89 | 98 |
| (b) Deferred - not yet due | | |
| (c) Receivables from retrocessional contracts | | |
| (d) Total accounts and premiums receivable | 89 | 98 |
| 11. REINSURANCE BALANCES RECEIVABLE: | | |
| (a) Foreign affiliates | | |
| (b) Domestic affiliates | | |
| (c) Pools & associations | | |
| (d) All other insurers | | |
| (e) Total reinsurance balance receivable | - | - |
| 12. FUNDS HELD BY CEDING REINSURERS | | |
| 13. SUNDRY ASSETS: | | |
| (a) Derivative instruments | | |
| (b) Segregated accounts companies - long-term business - variable annuities | 2,734 | 3,269 |
| (c) Segregated accounts companies - long-term business - other | 112,603 | 92,236 |
| (d) Segregated accounts companies - general business | | |
| (e) Deposit assets | | |
| (f) Deferred acquisition costs | | |
| (g) Net receivables for investments sold | | |
| (h) Other Sundry Assets (Specify) - Prepaid Assets | 37 | 44 |
| (i) Other Sundry Assets (Specify) - Deferred Tax Asset | - | - |
| (j) Other Sundry Assets (Specify) Income Tax Receivable | - | - |
| (k) Total sundry assets | 115,374 | 95,549 |

CONDENSED CONSOLIDATED BALANCE SHEET

ACADIA LIFE LIMITED

As at **December 31, 2023**

expressed in ['000s] **United States Dollars**

| LINE No. | | 2023 | 2022 |
|--|---|---------|--------|
| 14. | LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS | | |
| (a) | Letters of credit | | |
| (b) | Guarantees | | |
| (c) | Other instruments | | |
| (e) | Total letters of credit, guarantees and other instruments | - | - |
| 15. | TOTAL | 116,436 | 97,614 |
| TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS | | | |
| 16. | UNEARNED PREMIUM RESERVE | | |
| (a) | Gross unearned premium reserves | | |
| (b) | Less: Ceded unearned premium reserve | | |
| | i. Foreign affiliates | | |
| | ii. Domestic affiliates | | |
| | iii. Pools & associations | | |
| | iv. All other insurers | | |
| (c) | Total ceded unearned premium reserve | - | - |
| (d) | Net unearned premium reserve | - | - |
| 17. | LOSS AND LOSS EXPENSE PROVISIONS: | | |
| (a) | Gross loss and loss expense provisions | | |
| (b) | Less : Reinsurance recoverable balance | | |
| | i. Foreign affiliates | | |
| | ii. Domestic affiliates | | |
| | iii. Pools & associations | | |
| | iv. All other reinsurers | | |
| (c) | Total reinsurance recoverable balance | - | - |
| (d) | Net loss and loss expense provisions | - | - |
| 18. | OTHER GENERAL BUSINESS INSURANCE RESERVES | | |
| 19. | TOTAL GENERAL BUSINESS INSURANCE RESERVES | - | - |
| LONG-TERM BUSINESS INSURANCE RESERVES | | | |
| 20. | RESERVE FOR REPORTED CLAIMS | | |
| 21. | RESERVE FOR UNREPORTED CLAIMS | | |
| 22. | POLICY RESERVES - LIFE | | |
| 23. | POLICY RESERVES - ACCIDENT AND HEALTH | | |
| 24. | POLICYHOLDERS' FUNDS ON DEPOSIT | - | |
| 25. | LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS | | |
| 26. | OTHER LONG-TERM BUSINESS INSURANCE RESERVES | - | |
| 27. | TOTAL LONG-TERM BUSINESS INSURANCE RESERVES | | |
| (a) | Total Gross Long-Term Business Insurance Reserves | - | - |
| (b) | Less: Reinsurance recoverable balance on long-term business | | |
| | (i) Foreign Affiliates | | |
| | (ii) Domestic Affiliates | | |
| | (iii) Pools and Associations | | |
| | (iv) All Other Insurers | | |
| (c) | Total Reinsurance Recoverable Balance | - | - |
| (d) | Total Net Long-Term Business Insurance Reserves | - | - |
| OTHER LIABILITIES | | | |
| 28. | INSURANCE AND REINSURANCE BALANCES PAYABLE | 97 | 88 |
| 29. | COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE | 33 | 29 |
| 30. | LOANS AND NOTES PAYABLE | | |
| 31. | (a) INCOME TAXES PAYABLE | | |
| | (b) DEFERRED INCOME TAXES | | |
| 32. | AMOUNTS DUE TO AFFILIATES | 2 | 6 |
| 33. | ACCOUNTS PAYABLE AND ACCRUED LIABILITIES | 177 | 120 |
| 34. | FUNDS HELD UNDER REINSURANCE CONTRACTS: | | |
| 35. | DIVIDENDS PAYABLE | | |

CONDENSED CONSOLIDATED STATEMENT OF INCOME
ACADIA LIFE LIMITED

 As at **December 31, 2023**
 expressed in ['000s] **United States Dollars**

| LINE No. | | 2023 | 2022 |
|----------|---|-------|------|
| | GENERAL BUSINESS UNDERWRITING INCOME | | |
| 1. | GROSS PREMIUMS WRITTEN | | |
| | (a) Direct gross premiums written | | |
| | (b) Assumed gross premiums written | | |
| | (c) Total gross premiums written | - | - |
| 2. | REINSURANCE PREMIUMS CEDED | | |
| 3. | NET PREMIUMS WRITTEN | - | - |
| 4. | INCREASE (DECREASE) IN UNEARNED PREMIUMS | | |
| 5. | NET PREMIUMS EARNED | - | - |
| 6. | OTHER INSURANCE INCOME | | |
| 7. | TOTAL GENERAL BUSINESS UNDERWRITING INCOME | - | - |
| | GENERAL BUSINESS UNDERWRITING EXPENSES | | |
| 8. | NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED | | |
| 9. | COMMISSIONS AND BROKERAGE | | |
| 10. | TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES | - | - |
| 11. | NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS | - | - |
| | LONG-TERM BUSINESS INCOME | | |
| 12. | GROSS PREMIUMS AND OTHER CONSIDERATIONS: | | |
| | (a) Direct gross premiums and other considerations | 1,187 | 797 |
| | (b) Assumed gross premiums and other considerations | | |
| | (c) Total gross premiums and other considerations | 1,187 | 797 |
| 13. | PREMIUMS CEDED | 872 | 735 |
| 14. | NET PREMIUMS AND OTHER CONSIDERATIONS: | | |
| | (a) Life | 315 | 63 |
| | (b) Annuities | | |
| | (c) Accident and health | | |
| | (d) Total net premiums and other considerations | 315 | 63 |
| 15. | OTHER INSURANCE INCOME | 154 | 415 |
| 16. | TOTAL LONG-TERM BUSINESS INCOME | 469 | 478 |
| | LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES | | |
| 17. | CLAIMS - LIFE | - | 50 |
| 18. | POLICYHOLDERS' DIVIDENDS | | |
| 19. | SURRENDERS | | |
| 20. | MATURITIES | | |
| 21. | ANNUITIES | | |
| 22. | ACCIDENT AND HEALTH BENEFITS | | |
| 23. | COMMISSIONS | 40 | 46 |
| 24. | OTHER | | |
| 25. | TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES | 40 | 96 |
| 26. | INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES): | | |
| | (a) Life | | |
| | (b) Annuities | | |
| | (c) Accident and health | | |
| | (d) Total increase (decrease) in policy reserves | - | - |
| 27. | TOTAL LONG-TERM BUSINESS EXPENSES | 40 | 96 |
| 28. | NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS | 429 | 382 |

CONDENSED CONSOLIDATED STATEMENT OF INCOME

ACADIA LIFE LIMITED

As at December 31, 2023
expressed in ['000s] United States Dollars

| LINE No. | | 2023 | 2022 |
|----------|--|---------|-------|
| 29. | COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS | 429 | 382 |
| | UNDERNOTED ITEMS | | |
| 30. | COMBINED OPERATING EXPENSE | | |
| | (a) General and administration | 585 | 556 |
| | (b) Personnel cost | 142 | 222 |
| | (c) Other | 900 | |
| | (d) Total combined operating expenses | 1,627 | 778 |
| 31. | COMBINED INVESTMENT INCOME - NET | - | - |
| 32. | COMBINED OTHER INCOME (DEDUCTIONS) | 122 | 160 |
| 33. | COMBINED INCOME BEFORE TAXES | (1,076) | (236) |
| 34. | COMBINED INCOME TAXES (IF APPLICABLE): | | |
| | (a) Current | - | - |
| | (b) Deferred | - | - |
| | (c) Total | - | - |
| 35. | COMBINED INCOME BEFORE REALIZED GAINS (LOSSES) | (1,076) | (236) |
| 36. | COMBINED REALIZED GAINS (LOSSES) | | |
| 37. | COMBINED INTEREST CHARGES | | |
| 38. | NET INCOME | (1,076) | (236) |

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

ACADIA LIFE LIMITED

As at **December 31, 2023**
expressed in ['000s] **United States Dollars**

| LINE No. | | 2023 | 2022 |
|----------|--|---------------|-----------------|
| 1. | CAPITAL: | | |
| (a) | Capital Stock | | |
| | (i) Common Shares | 250 | 250 |
| | authorized | 250 | |
| | value | \$ 1,000,000 | |
| | fully paid | 250 | |
| | | shares of par | each issued and |
| | | | shares |
| | (ii) | | |
| | (A) Preferred shares: | | |
| | authorized | 1 | |
| | value | \$ 1,000 | |
| | fully paid | 1 | |
| | | shares of par | each issued and |
| | | | shares |
| | aggregate liquidation value for — | | |
| | 2023 | | |
| | 2022 | | |
| | (B) Preferred shares issued by a subsidiary: | | |
| | authorized | | |
| | value | | |
| | fully paid | | |
| | | shares of par | each issued and |
| | | | shares |
| | aggregate liquidation value for — | | |
| | 2023 | | |
| | 2022 | | |
| | (iii) Treasury Shares | | |
| | repurchased | | |
| | value | | |
| | | shares of par | each issued |
| (b) | Contributed surplus | 4,550 | 4,550 |
| (c) | Any other fixed capital | | |
| | (i) Hybrid capital instruments | | |
| | (ii) Guarantees and others | | |
| | (iii) Total any other fixed capital | - | - |
| (d) | Total Capital | 4,800 | 4,800 |
| 2. | SURPLUS: | | |
| (a) | Surplus - Beginning of Year | (2,934) | (2,698) |
| (b) | Add: Income for the year | (1,076) | (236) |
| (c) | Less: Dividends paid and payable | | |
| (d) | Add (Deduct) change in unrealized appreciation (depreciation) of investments | | |
| (e) | Add (Deduct) change in any other surplus | - | - |
| (f) | Surplus - End of Year | (4,010) | (2,934) |
| 3. | MINORITY INTEREST | | |
| 4. | TOTAL CAPITAL AND SURPLUS | 790 | 1,866 |

ACADIA LIFE LIMITED

NOTES TO THE CONDENSED CONSOLIDATED GENERAL PURPOSE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023

Matters to be set forth in a General Note to the Financial Statements

1. GENERAL NOTES

Acadia Life Limited (the "Company") is a Class C long-term insurer incorporated in Bermuda under the provisions set out in the "Acadia Life Limited Act 2004," a private act of the Bermuda Legislature ("The Act"). The Company is 51% owned by Acadia Holding Corporation (the "Parent"), a company incorporated in the state of Delaware of the United States of America, which is wholly owned by the Cindy Goldberg Revocable Trust, and 49% by LIA Holding Company, Inc., a Delaware (USA) corporation, the sole shareholder of which is Ricardo Calderon, the CEO and a Director of the Company.

2. NATURE OF RISKS

The Company was incorporated in Bermuda on January 30, 1997 and operates under the provisions of a Class C long-term insurer's license. This license enables the Company to transact insurance business, other than domestic business, from within Bermuda. It engages in issuing deferred variable annuity contracts and variable life insurance policies to persons who are not residents of Bermuda. The Company does have a special license allowing it to sell to Bermuda Trusts, considered Bermudian.

Reinsurance on the life insurance products has been obtained from a third party equal to the net amount at risk less a retained amount equal to \$10,000 or \$50,000 per policy. Most of the purchased reinsurance coverage is obtained through traditional reinsurance contracts. The amount of reinsurance benefit for each month is calculated as the Net Amount at Risk per policy at the end of such month minus the initial amount retained by the Company. The Net Amount at Risk is defined to be the death benefit minus the cash value. Reinsurance of the Net Amount at Risk may be limited to the lesser of five times the initial Net Amount at Risk, \$20,000,000, or no greater than the initial and ultimate face amount established at the time of policy issue, less the Company's retention due to policy revisions. The Company remains liable to its policyholders for the portion reinsured to the extent that the reinsurer does not meet the obligations assumed under the reinsurance agreements.

Certain policies issued after November 2004, use a proprietary program for reinsurance, developed by Acadia Life, known as "Private Reinsurance." Private Reinsurance utilizes U.S. life insurance carriers for the net amount at risk above \$50,000 per life.

ACADIA LIFE LIMITED

NOTES TO THE CONDENSED CONSOLIDATED GENERAL PURPOSE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023

The Company utilizes segregated accounts for the benefit of its contract owners under the terms and regulations of The Act. The contracts offer a death benefit, and their cash values vary with the value of the underlying investments of the segregated accounts less mortality, administrative and other expenses and charges assessed by the Company in accordance with the terms of the contracts.

3. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the U.S. adjusted for filters prescribed by Insurance Account Rules 2016 and Related Regulations and are not intended to be presented in conformity with generally accepted accounting principles.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with principles prescribed or permitted by the Insurance Act 1978 and related Insurance Account Rules 2016. Significant accounting policies are as follows:

a) *Segregated account assets and segregated account liabilities*

Segregated account investments are recorded at market value or at amounts assigned by the custodian. The funds in the segregated accounts are not part of the Company's general funds and are not available to meet the general obligations of the Company.

The segregated account assets and liabilities represent funds administered by the Company for the benefit of variable life and variable annuity contract holders to meet specific investment objectives. Segregated account assets recorded on line 13(b) and 13(c) consist primarily of marketable securities, mutual funds, and other fund investments reported at fair value as well as policy loans reported at the outstanding loan balance which approximates fair value. Investment income, unrealized capital gains and losses, and realized capital gains and losses in the segregated accounts accrue to the account holders and are recognized in segregated account liabilities on line 36(b). Revenues and expenses related to the segregated account assets and segregated account liabilities, to the extent of benefits paid or provided to the segregated account policyholders, are excluded from the amounts reported in the statutory statement of income.

ACADIA LIFE LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED
GENERAL PURPOSE FINANCIAL STATEMENTS**

AS AT DECEMBER 31, 2023

Segregated account assets also include policy loans to variable life contract holders recorded at their current outstanding balance which approximates fair value. At issuance, policy loans are fully secured by the cash value of the policy and accrue interest based upon a fixed interest rate ranging from 2.35% to 2.75%. The policy loans remain as an investment of the account owners until they are either repaid by the account owners or recovered from the death proceeds of the policy.

Revenues and expenses related to the segregated account assets and policyholders' funds in deposit, to the extent of benefits paid or provided to segregated account policyholders, are excluded from the condensed statement of income.

The Company bears the mortality risk related to the variable life insurance contracts to the extent that death benefits exceed contract owner account values. Segregated account assets can only be used to satisfy segregated account liabilities and are not available to satisfy general obligations of the Company.

b) *Cash and cash equivalents*

The Company considers all cash accounts and highly liquid debt instruments purchased with an original maturity of three months or less at date of purchase to be cash and cash equivalents.

c) *Other insurance income*

The Company charges an asset-based charge, generally not exceeding 2% per annum, to the deferred variable annuity and variable life policyholders based on total assets in the segregated accounts. In addition, policyholders may be subject to a surrender charge upon a partial or total surrender of the policy. The asset-based charge is recorded on an accrual basis. Earned fees not yet received are included in policy charges and accounts receivable. The portion of income that relates to future periods is recorded on line 29 of the condensed consolidated balance sheet.

d) *Commission Fees*

Brokerage fees represent producer acquisition costs which are calculated monthly based on the account value at a specific point in time. These fees are accounted for on an accrual basis.

ACADIA LIFE LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED
GENERAL PURPOSE FINANCIAL STATEMENTS**

AS AT DECEMBER 31, 2023

e) *Taxes*

Acadia Life accounts for income taxes under the provisions of ASC No. 740 (formerly SFAS No. 109), “Accounting for Income Taxes.” Under the asset and liability method of ASC 740, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred income tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC No. 740, the effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date, and deferred income tax assets are not recognized in accordance with the Insurance Act.

Additional disclosures are included in Note 31.

f) *Premium income*

The Company recognizes premium income by assessing a mortality charge on the contract holder’s variable life contract and is based upon the costs incurred to reinsure the mortality risk plus a profit surcharge. Premium income is recognized as earned. The portion of premium income that relates to future periods is recorded on line 29 net of prepaid reinsurance premiums.

g) *Reinsurance*

In the ordinary course of business, the Company seeks to reduce the loss that arises from the mortality risk related to the variable life insurance policies by reinsuring certain levels of risk with other reinsurers. Such reinsurance arrangements also provide for greater diversification of business and provide additional capacity for growth. Reinsurance premiums ceded are recorded on an accrual basis.

ACADIA LIFE LIMITED

NOTES TO THE CONDENSED CONSOLIDATED GENERAL PURPOSE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023

h) *Other income*

Policy loans remain an investment of the segregated accounts earning the account owners 2.0% per annum. The Company charges interest of 2.35% to 2.75% on the outstanding policy loans. The Company recognizes the interest assessed less the interest credited to the account owners as long-term business investment income in the statement of operations as earned.

The Company charges an investment management fee ranging from 10 to 50 basis points on the assets in insurance dedicated funds invested in by the variable life and variable annuity contracts within the segregated accounts. These fees are recognized as long term investment income in the statement of operations as earned.

5. BASIS OF RECOGNITION OF INCOME

Premium income - see note 4(f)

Investment income – interest income earned on bank accounts is recorded on an accrual basis.

Commission income - N/A

6 - 7 N/A

8. N/A

9 - 12 N/A

13 - 14 N/A (All investments are recorded in the Segregated Accounts.)

15. RELATED PARTY TRANSACTIONS

The Company and its Parent have entered into a management agreement with Marsh IAS Management Services (Bermuda) Ltd. (the “Manager”), who in turn entered into a sub-management agreement with MAS Services LLC (“MAS Services”), a company related through common ownership. MAS Services provides certain administrative, processing, accounting, occupancy costs and related services to the Company on behalf of the Manager. The Company compensates the Manager and MAS Services for these services. During the year, the Company incurred \$152,789 (2022- \$229,940) for the cost of services rendered by MAS Services, which is included in combined operating expense on the condensed statement of income. The Company had net of payables of \$1,221 (2022 -net of receivables \$1,467) due to MAS Services at December 31, 2023.

ACADIA LIFE LIMITED

NOTES TO THE CONDENSED CONSOLIDATED GENERAL PURPOSE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2023

The Company entered into an agreement with MAS Advisors, LLC (“MAS Advisors”), an SEC Registered Investment Advisor. MAS Advisors provides asset management services for the Company to ensure that the separate accounts are in accordance with the requirements imposed by applicable laws and Company policies. MAS Advisors also performs due diligence services for invested assets and asset managers of the separate accounts. Ricardo Calderon, Chief Executive Officer and a member of the Board of Directors of the Company, is a Principal of MAS Advisors and serves as its Chief Compliance Officer. MAS Advisors receives management and administrative support from MAS Services. During the year, the Company incurred \$205,923 (2022 - \$209,912) for the cost of these services, which is included in combined operating expense on the condensed statement of income. There were net payables of \$622 (2022 – \$5,742) due to MAS Advisors at December 31, 2023.

Additionally, at December 31, 2023, the Company has a balance receivable from two (2022 – one) related parties in the aggregate of \$152,287 (2022 - \$99,515). The parties are related through common ultimate control. The amounts receivables are unsecured, non-interest bearing and due on demand.

16. SUBSEQUENT EVENT AND UNCERTAINTIES

The Company is currently not writing any new insurance business and has no plans to do so. The Company is currently exploring options to move the existing policies with the aim to cease insurance operations, liquidate, and wind up the company.

17.

During 2022, the Company received an onsite audit by the BMA of its AML ATF and Sanctions policies and procedures. On March 14th, 2023, the Company received a “without prejudice” letter from the BMA advising the Company of the BMA’s intention to impose penalties in relation to their onsite audit. Effective August 5, 2023, the Company entered into a settlement agreement with the BMA and settled the penalty amount to \$900,000. The payment of the fee is included in line 30 of other expenses.

ACADIA LIFE LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED
GENERAL PURPOSE FINANCIAL STATEMENTS**

AS AT DECEMBER 31, 2023

Matters to be set forth in Notes to the Consolidated Statement of Capital and Surplus

1(a) Capital Stock

Capital stock is comprised of 250,000 authorized, issued and fully paid common shares with a par value of US \$1.00 each.

During 2018, the member and directors approved and authorized the creation of a new class of share. The new share class comprises 1 authorized, issued and fully paid redeemable preference share with a par value of US \$1.00. Preference shares are non-voting and entitled to such non-cumulative dividends as the directors may from time to time declare. In the event of winding up, dissolution, or distribution of capital, the holder of the preference share shall not be entitled to participate in the surplus assets of the Company.

1(b) Contributed Surplus

There were no contributions in 2023 nor 2022.

2(c) Dividends

There were no dividends paid during 2022 nor 2023.

Matters to be set forth in Notes to the Consolidated Balance Sheet

1 - 3 N/A

4. See note 15 to the Matters to be set forth in a General Notes to the Financial Statements.

5 - 9 N/A

10. ACCOUNTS AND PREMIUMS RECEIVABLE

The accounts receivable includes accrued fees due from the segregated accounts of \$88,947 and \$97,641 as of December 31, 2023 and 2022, respectively.

11 - 12 N/A

ACADIA LIFE LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED
GENERAL PURPOSE FINANCIAL STATEMENTS**

AS AT DECEMBER 31, 2023

13. SUNDRY ASSETS

The Company records all respective separate account transactions on a trade date basis. The underlying investments held by variable life, variable annuity contract holders, and preferred shareholders are accounted for as segregated account assets and segregated account liabilities (lines 13(b), (c) and 36(b), respectively) and are recorded at fair value based on the most recent valuation date as provided by independent investment managers, mutual funds, or custodians.

On December 31, 2023 and 2022 segregated account assets and segregated account liabilities were as follows:

| | 2023 | 2022 |
|--------------------------------------|-----------------------|-------------------|
| Marketable Securities and Funds | 104,487,586 | 84,054,205 |
| Policy Loans | 10,849,919 | 11,450,829 |
| Total Segregated Account Assets | <u>\$ 115,337,505</u> | <u>95,505,034</u> |
| Total Segregated Account Liabilities | <u>115,337,505</u> | <u>95,505,034</u> |

The maximum amount of loans available to a variable life or variable annuity contract holder is 90% of the contract's cash surrender value. An interest charge of 2.35% to 2.75% per annum, offset by the interest credited to the contract holder, is accrued monthly. Policy loans are secured by assets held within the related segregated account and the related contract holder's death benefit.

14. N/A

16. See Part I, note 4(f)

17 – 24 N/A

25- 27 N/A

28. INSURANCE AND REINSURANCE PAYABLE

Reinsurance premiums of \$97,036 and \$88,086 payable at year-end for the Fourth Quarter of 2023 and 2022 respectively due to three different unrelated carriers.

ACADIA LIFE LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED
GENERAL PURPOSE FINANCIAL STATEMENTS**

AS AT DECEMBER 31, 2023

29. COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE

Asset Based Administration fees of \$9,641 and \$5,707 payable at year-end 2023 and 2022 respectively to various producers. In addition, net commissions payable includes net unearned commissions of \$23,209 and \$22,887 as at December 31, 2023 and 2022 respectively. Net unearned commissions for December 31, 2023, includes, unearned premiums of \$246,452, net of prepaid reinsurance premiums ceded of \$259,109. Amounts are included as unearned commissions due to the nature of the reimbursement of reinsurance premiums ceded from policyholders, with the net amount as commission to the Company.

30. N/A

31. TAXES

Income taxes payable

The Company has elected to be treated as a U.S. domestic insurance company for United States federal income tax purposes under Section 953(d) of the Internal Revenue Code of 1986, as amended. As a result of this election, the Company is subject to U.S. taxation on its worldwide income as if it were a U.S. Corporation.

As of December 31, 2023, there is a tax receivable of \$0.

Deferred income taxes

| | <u>2023</u> | <u>2022</u> |
|--|--------------------|--------------------|
| Net Operating Loss Carryover | \$ 1,749,154 | \$ 1,672,505 |
| Alternative Minimum Tax | -0- | -0- |
| Allowance for Doubtful Accounts | 69,035 | 69,035 |
| Unearned Revenue | <u>4,824</u> | <u>4,806</u> |
| Deferred income tax asset before valuation allowance | 1,823,012 | 1,746,346 |
| Less: Valuation allowance | <u>(1,823,012)</u> | <u>(1,746,346)</u> |
| Deferred Income Tax Asset | <u>\$ 0</u> | <u>\$ 0</u> |

A valuation allowance is recorded if it is more likely than not that any portion of the deferred tax asset will not be realized.

During 2023 and 2022, the assumed tax rate used to calculate deferred taxes was 21%.

ACADIA LIFE LIMITED

**NOTES TO THE CONDENSED CONSOLIDATED
GENERAL PURPOSE FINANCIAL STATEMENTS**

AS AT DECEMBER 31, 2023

32. AMOUNTS DUE TO AFFILIATES

Amounts due to affiliates are unsecured, interest free and due on demand. 2023 balance due includes amounts to MAS of \$1,221 (2022 - \$nil) and MAS Advisors for \$623 (2022 - \$5,742) for fees not yet transferred at year-end.

33. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The amount includes accounts payable and accrued liabilities payable at year-end for general operating expenses.

34-35. N/A

36. See Note 13

37. N/A

Matters to be set forth in Notes to the Consolidated Statement of Income

6. N/A

15. OTHER INSURANCE INCOME

Amount of \$154,250 and \$415,079 constitute fees earned on segregated assets for Insurer's charges, Administration Fees, Asset Based Charges in 2023 and 2022, respectively.

32. COMBINED OTHER INCOME

This constitutes fees earned for Policy Loan Interest and Management Fees.

36. N/A