

**Providence Life Assurance Company
(Bermuda) Ltd.**

(Incorporated in Bermuda)

Financial Statements

December 31, 2023

(expressed in thousands of U.S. dollars)

Providence Life Assurance Company (Bermuda) Ltd.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Providence Life Assurance Company (Bermuda) Ltd.

Opinion

We have audited the financial statements of Providence Life Assurance Company (Bermuda) Ltd. (the "Company"), which comprise the balance sheet as of December 31, 2023 and 2022, and the related statements of income and comprehensive income, changes in shareholder's equity, and cash flows for the year 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 U.S. generally accepted accounting principles.

Basis for opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' 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 audit. 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 U.S. generally accepted accounting principles, 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 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 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 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 scepticism 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.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
June 28, 2024

Providence Life Assurance Company (Bermuda) Ltd.

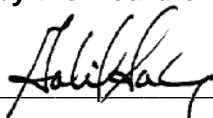
Balance Sheet

As at December 31, 2023

(expressed in thousands of U.S. dollars)

	2023 \$	2022 \$
Assets		
Cash and cash equivalents (note 3)	348	43
Investments (note 3)	449	420
Policy Loans	12,957	8,161
Premiums receivable (note 5)	-	278
Reinsurance receivable (note 7)	41	107
Separate accounts- Segregated assets at fair value (note 8)	255,068	237,437
Reinsurance recoverable (note 12)	566	566
Policy reserves (note 12)	111	105
Deferred acquisition costs (note 9)	687	691
Deferred tax assets, net (note 19)	797	617
Other receivables	-	177
Other assets	93	132
Total assets	271,117	248,734
Liabilities		
Reserves for unreported claims (note 11)	567	567
Policy Loan liabilities	12,953	8,156
Separate accounts- Segregated liabilities (note 8)	255,068	237,437
Insurance balance payable	183	-
Reinsurance premium payable (note 13)	217	210
Unearned premiums (note 14)	86	76
Commissions payable (note 15)	82	28
Accounts payable and accrued liabilities (note 16)	617	240
Total liabilities	269,773	246,714
Shareholder's equity		
Capital stock - authorised, issued and fully paid for cash, 250 million shares of a par value of \$1 each	250	250
Contributed surplus	2,034	2,034
Retained earnings	(940)	(264)
	1,344	2,020
Total liabilities and shareholder's equity	271,117	248,734

Approved by the Board of Directors



Director



Director

Providence Life Assurance Company (Bermuda) Ltd.

Statement of Income and Comprehensive Income

For the year ended December 31, 2023

(expressed in thousands of U.S. dollars)

	2023 \$	2022 \$
Revenues		
Reinsurance premiums assumed	156	142
Reinsurance premiums ceded	(2,598)	(2,383)
Net premiums ceded	(2,442)	(2,241)
Policy charges and fee income	3,604	3,472
Net change in unearned premiums	(4)	25
Investment income (note 3)	29	(35)
Total revenue	1,187	1,221
Expenses		
Movement in deferred acquisition costs	(4)	(35)
Commissions	(403)	(354)
Policy administration	(210)	(221)
General and administrative expenses	(1,426)	(1,119)
Total expenses	(2,043)	(1,729)
Net loss	(856)	(508)
Income Taxes		
Current	-	
Deferred benefit	180	107
Net loss for the year	(676)	(401)
Comprehensive loss for the year	(676)	(401)

Providence Life Assurance Company (Bermuda) Ltd.

Statement of Changes in Shareholder's Equity

For the year ended December 31, 2023

(expressed in thousands of U.S. dollars)

	Capital stock \$	Additional paid in Capital \$	Retained earnings \$	Accumulated other comprehensive income/(loss) \$	Total \$
Balance - January 01, 2023	250	2,034	(264)	-	2,020
Total comprehensive loss for the year	-	-	(676)	-	(676)
Balance - December 31, 2023	250	2,034	(940)	-	1,344

Providence Life Assurance Company (Bermuda) Ltd.

Statement of Cash Flows

For the year ended December 31, 2023

(expressed in thousands of U.S. dollars)

	2023 \$	2022 \$
Cash flows from operating activities		
Net loss for the year	(676)	(401)
Adjustments for non-cash items		
Unrealized (gains)/loss on investments	(29)	35
Adjustments to reconcile net income to net cash (used by)/ provided by operating activities:		
Policy Loans	1	-
Premiums receivable	278	1
Reinsurance receivable	66	(72)
Reinsurance recoverable	-	(42)
Policy reserves	(6)	-
Deferred acquisition costs	4	35
Deferred tax assets, net	(180)	(107)
Other receivable	177	-
Other assets	39	8
Provision for unpaid claims and claim expenses	-	14
Insurance balance payable	183	-
Reinsurance premium payable	7	(131)
Unearned premiums	10	3
Commissions payable	54	(5)
Accounts payable and accrued liabilities	377	(101)
Net cash provided by/(used) in operating activities	305	(763)
Cash flows from investing activities		
Proceeds on disposal of investments	-	100
Purchases of investments	-	-
Net cash provided by/(used) in investing activities	-	100
Cash flow used in financing activity		
Dividends paid	-	-
Net cash used in financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	305	(663)
Cash and cash equivalents - Beginning of year	43	706
Cash and cash equivalents - End of year	348	43

Providence Life Assurance Company (Bermuda) Ltd.

Notes to Financial Statements

December 31, 2023

(expressed in thousands of U.S. dollars)

1. *Nature of the business*

Providence Life Assurance Company (Bermuda) Ltd. or "Providence" formerly Pramerica of Bermuda Life Assurance Company Ltd. or "Pramerica" ("the Company") was incorporated under the laws of Bermuda on April 22, 2008 and is licensed as a long-term insurer under the Insurance Act 1978 of Bermuda and amendments thereto (the "Legislation"). The Company was a wholly owned subsidiary of Northstar Group (Bermuda) Ltd. ("Parent Company" or "Northstar"), which is incorporated in Bermuda. The Company has no subsidiaries that require consolidation.

Effective April 14, 2020, the Company reinsured certain contracts issued by Pruco Life Insurance Company ("Pruco Life"), the segregated accounts on a 100% modified coinsurance basis and the policy risk on a 10% coinsurance basis. In accordance with the terms of modified coinsurance agreement, the segregated account assets and liabilities are recorded on the ceding company's (Pruco Life) balance sheet and not by the reinsurer (Providence).

On November 30, 2020 Providence merged with Delaware Life Insurance and Annuity Company (Bermuda) Ltd. ("DLIAC") pursuant to the provisions of Bermuda Companies Act 1981, with Providence being the surviving entity. DLIAC was a wholly owned subsidiary of Delaware Life (Bermuda) Holdings, Inc. ("DL Bermuda Holdings") and was licensed as a class C insurer under the Insurance Act 1978 of Bermuda and amendments thereto (the "Legislation"). DLIAC's principal activities were related to the issuance of private placement variable universal life insurance ("PPVUL") and private placement variable annuities (PPVA) to high net worth clients living outside Bermuda.

Pursuant to the terms of a share purchase agreement dated 10 February 2021, 95% of the shares in Northstar Group (Bermuda) Ltd. were transferred to Alpha Group (Bermuda) Ltd ("Ultimate Parent Company").

The Company writes private placement variable universal life insurance ("PPVUL") and private placement variable annuities ("PPVA") coverages for policy owners who choose to purchase this product in Bermuda other than Bermuda residents. The Company reinsures the mortality risk, that is, the Policy Risk Amount, under these policies with its former affiliate, The Prudential Insurance Company of America ("Prudential Insurance") and other third party-reinsurers. The reinsurance is comprised of both proportional and nonproportional reinsurance. The proportional reinsurance is on a Yearly Renewable Term ("YRT") basis. For each policy covered under this Agreement, the Company reinsures 90% of the policy risk amount related to the first \$1,000 of face amount and 100% of the policy risk amount related to face amounts in excess of \$1,000. The nonproportional reinsurance will be on a Stop Loss basis. Whenever the aggregate number of claims on the portion retained by the Company under the YRT reinsurance exceeds two in a single calendar year, the reinsurer will reimburse the Company for such excess. Prudential Insurance is rated A+ by A.M. Best and AA- by Standard & Poor's.

2. *Significant accounting policies*

(a) **Basis of preparation**

The accompanying financial statements for the year ended December 31, 2023 have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). For the year ended December 31, 2022, the Company prepared a set of financial statements in accordance with International Financial Reporting Standards ("IFRS"). There were no changes to equity noted as a result of this change in financial reporting framework.

(b) **Premiums**

Premiums received, net of premium loads, are booked to the policyholders' directed separate account fund option.

Providence Life Assurance Company (Bermuda) Ltd.

Notes to Financial Statements

December 31, 2023

(expressed in thousands of U.S. dollars)

3. **Significant accounting policies** (continued)

(c) **Reinsurance Premiums**

The Company generally reports reinsurance activity on a gross basis. In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding insurance to other insurance and reinsurance companies. Reinsurance treaties do not relieve the Company from its obligations and failure of reinsurers to honor their obligations could result in losses for the Company. The Company regularly evaluates the financial condition of the insurance and reinsurance companies from which it assumes and to which it cedes reinsurance. Consequently, allowances would be established for amounts deemed uncollectible. At December 31, 2023, no allowances were deemed necessary.

(d) **Cash and Cash Equivalents**

Cash and Cash Equivalents include cash on hand, amounts due from banks, certain money market investments, and other debt issues with maturities of three months or less when purchased.

(e) **Investment Income**

Combined Investment Income - Net is recognised when it accrues and is comprised of reinvested dividends and net asset value changes and is recorded in the Investment Income line of the Statement of Income and Comprehensive Income.

(f) **Policy Reserves**

No Long-term Business Insurance Reserve is required. The Company follows U.S. GAAP Principles for Variable Universal Life policies and Private Placement Variable Annuities. These policies contain no general account guarantees; only the Separate Account Liability is held.

(g) **Policy Charges and Fee Income**

Policy charges and fee income represent revenues recognised from universal life products consisting of policy charges for cost of insurance, policy administration charges and surrender fees charged to policyholders. Fee and other revenues are recognised as revenues in the period in which they are assessed against policyholders, unless the fees are designed to compensate for services to be provided in the future.

(h) **Deferred Acquisition Costs ("DAC")**

Costs that are related directly to the successful acquisition of new and renewal insurance business are deferred to the extent such costs are deemed recoverable from future profits. Such DAC primarily includes non-level renewal or trail commissions, costs of policy issuance and underwriting, and certain other expenses that are directly related to successfully negotiated contracts. DAC is amortised using the present value of estimated gross profits expected to be realised over the life of the group of policies, as required per the authoritative guidance.

(i) **Income Taxes**

The Company elected to be treated as a U.S. domestic insurance company for U.S. federal tax purposes and is therefore, subject to income taxation in the United States. The Company follows the applicable assets and liabilities method for recording income taxes. The Company files a separate US tax return. Deferred income taxes are recognised, based on enacted rates, when assets and liabilities have different values for financial statement and tax reporting purposes. A valuation allowance is recorded to reduce a deferred tax asset to the amount expected to be realised. No valuation allowance is recorded as of December 31, 2023.

(j) **Separate Accounts- Segregated Assets and Liabilities**

Separate accounts- segregated assets represent segregated funds, which are invested for certain policyholders. The assets consist of policyholder directed fund options. The Net Asset Value (NAV) is used as a practical expedient to estimate the fair value of those assets. The value of interests in these funds is based on the underlying investments that include equities, debt, and other investments. The assets of each

Providence Life Assurance Company (Bermuda) Ltd.

Notes to Financial Statements

December 31, 2023

(expressed in thousands of U.S. dollars)

2. **Significant accounting policies** (continued)

account are legally segregated and are generally not subject to claims that arise out of any other business of the Company. Investment risks associated with market value changes are borne by the policyholders. The separate accounts- segregated liabilities are measured in a consistent manner to the separate accounts- segregated assets and are recorded under the liability section of the Balance Sheet. The Company has not made minimum guarantees for any of the accounts. This accounting is consistent with the guidance for these products as outlined in ASC 944-80.

(k) **Policy Loans**

Policy loans are funds provided to policyholders and are carried at the amount of outstanding principal balance plus accrued interest. Policy loans are collateralised by the related insurance policies and do not exceed the net cash surrender value of the policies. The majority of policy loans do not have a stated maturity and the balances and accrued interest are repaid with proceeds from the policyholder's account balance.

(l) **Property, Plant and Equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment comprises any costs directly attributable to the acquisition of the item. Depreciation charges on an item of property, plant and equipment are recognised on a straight-line basis over its estimated useful life. The estimated useful life of the motor vehicle belonging to the company is 5 years. The estimated useful life, residual value and depreciation method is considered at each reporting date. A change in such accounting estimate is accounted for prospectively.

(m) **Risks and Uncertainties**

The business operations are influenced by many factors, including general economic conditions, governmental monetary and fiscal policies and policies of the Bermuda Monetary Authority. The level of sales of insurance products are influenced by many factors, including general market rates of interest, the strength, weakness and volatility of equity markets and terms and conditions of competing products. The company is also exposed to market risk and mortality/longevity risk. Market volatility may result in increased risks related to death benefits, as well as reduced fee income on variable product assets held in separate accounts.

(n) **Future Application of Accounting Standards**

In August 2018, the FASB issued Accounting Standard Update (ASU) 2018-12, often referred to as targeted improvements for long duration contracts (LDTI), with the objective of making targeted improvements to the existing recognition, measurement, presentation and disclosure requirements for long-duration contracts issued by an insurance entity. The standard prescribes significant and comprehensive changes to recognition, measurement, presentation and disclosure in the financial statements.

The Company is required to adopt these updates on January 1, 2025. Certain provisions of the update are required to be adopted on a fully retrospective basis, while others may be adopted on a modified retrospective basis. The Company has not early adopted and is currently evaluating the impact of this guidance on the financial statements.

3. **Investments**

The Company's investment is held in a bond fund and are classified as fair value through profit or loss and are carried at fair value as at the Balance Sheet date.

Investment income consists of interest income on cash and cash equivalents and movement in unrealized gains/(losses) on investments. The Company records interest income when earned.

Providence Life Assurance Company (Bermuda) Ltd.

Notes to Financial Statements

December 31, 2023

(expressed in thousands of U.S. dollars)

3. Investments (continued)

Net investment income for the year comprises:

	2023	2022
	\$	\$
Interest and dividend income	17	18
Movement in unrealised gains/(losses) on investments	12	(53)
Net investment income/(loss)	29	(35)

4. Fair Value Measurements

The Company has adopted the provisions of ASC 820 for all its investments. ASC 820 establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under ASC 820 are described below:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 – Model derived valuations in which one or more significant inputs or significant value drivers, are unobservable.

As required by ASC 820, when the inputs used to measure fair value fall within different levels of hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. Thus, a Level 3 fair value measurement may include inputs that are observable (Level 1 and 2) and unobservable (Level 3).

The carrying values of cash and cash equivalents, insurance balances receivable, accrued interest income, prepaid expenses, insurance balances payable and accounts payable and accrued expenses approximate their fair values due to the short-term nature of the balances.

Fair value hierarchy

The following table presents the Company's investments and segregated accounts, measured at fair value in the balance sheet and categorised by hierarchy.

December 31, 2023:

	Total	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Cash and cash equivalents	348	348	-	-
Investments	449	449	-	-
Segregated accounts assets*	255,068	195,385	9,064	50,619
	255,865	196,182	9,064	50,619

Providence Life Assurance Company (Bermuda) Ltd.

Notes to Financial Statements

December 31, 2023

(expressed in thousands of U.S. dollars)

4. Fair Value Measurements (continued)

December 31, 2022:

	Total \$	Level 1 \$	Level 2 \$	Level 3 \$
Cash and cash equivalents	43	43	-	-
Investments	420	420	-	-
Segregated accounts assets*	237,437	181,238	7,885	48,314
	<u>237,900</u>	<u>181,701</u>	<u>7,885</u>	<u>48,314</u>

* The segregated account liabilities follow the similar fair value leveling as the segregated account assets.

There were no transfers between the levels during the financial year.

The valuation approach for fair value assets categorized as Level 2 and Level 3 are generally by using fair values provided by Custodians utilized by the Company for its Segregated Accounts portfolio. These Custodians utilize reputable independent pricing services and valuations provided by investment fund managers. The independent pricing services used by the Company's Custodians obtain actual transaction prices for securities that have quoted prices in active markets. The independent pricing services used by the Company's custodian have their own proprietary method for determining the fair value of securities that are not actively traded. In general, these methods involve the use of "matrix pricing" in which the independent pricing service uses observable market inputs including, but not limited to, reported trades, benchmark yields, broker/dealer quotes, interest rates, prepayment speeds, default rates and such other inputs as are available from market sources to determine a reasonable fair value. Segregated account assets principally includes investments categorized as level 1 and some categorized as level 3 which valued largely based on financial statements and inputs provided by third-party asset managers of the respective funds.

5. Concentrations of credit risk

Investments and cash and cash equivalents are mainly placed with approved financial institutions such as corporate account by a Bermuda bank (S&P credit rating: A-) and investment in the bond fund is held in a United States bank (S&P credit rating: A-).

6. Accounts and premiums receivable

The Company had fees due from policyholders of \$Nil (2022: \$278) as of December 31, 2023.

7. Reinsurance receivable

The Company had a receivable from Prudential Insurance of \$41 (2022: \$107) as of December 31, 2023. This balance is not collateralised.

8. Separate accounts- Segregated assets and liabilities

The Company had separate account- segregated assets and liabilities of \$255,068 (2022: \$237,437) as of December 31, 2023.

The aggregate fair value of assets and liabilities, by major investment category, supporting separate accounts follows.

Providence Life Assurance Company (Bermuda) Ltd.

Notes to Financial Statements

December 31, 2023

(expressed in thousands of U.S. dollars)

8. *Separate accounts- Segregated assets and liabilities (continued)*

Asset Type	2023 \$	2022 \$
Due from broker	8	8
Cash and cash equivalents	12,899	19,180
Fixed income	8,832	31,176
Equities	50,826	102,074
Investment in funds	161,477	65,550
Private placements	15,576	14,305
Direct investments	5,450	5,144
Total	255,068	237,437

The balances of and changes in the separate account- segregated assets and liabilities follows:

	2023 \$	2022 \$
Balance at January 1	237,437	270,957
Policy charges	(2,986)	(3,047)
Withdrawals	(10)	(9,792)
Purchases	7,244	22,875
Sales	(12,754)	(20,427)
Investment performance	26,137	(23,129)
Balance at December 31	255,068	237,437

9. *Deferred acquisition costs*

DAC is calculated using the following methodology:

- Only commissions in excess of the ultimate commission rates are being amortized (as opposed to all commissions)
- Amortization is done in proportion to the estimated profits, as opposed to a straight line 99-years amortization.

Assumptions used for future profit projections:

- Separate accounts return 8% per year
- No new premium deposited
- Mortality equal to mortality for reinsurance premium
- 5% lapse per year

Providence Life Assurance Company (Bermuda) Ltd.

Notes to Financial Statements

December 31, 2023

(expressed in thousands of U.S. dollars)

9. *Deferred acquisition costs (continued)*

The Company had deferred acquisition costs of \$687 (2022: \$691) as of December 31, 2023.

	2023	2022
	\$	\$
January 1	691	726
Deferrals	91	92
Amortisation	(102)	(94)
Adjustment to the DAC	(44)	(84)
Interest	51	51
Accumulated DAC balance at December 31	<u>687</u>	<u>691</u>

10. *Other receivables*

The Company had an other receivable balance of \$Nil (2022: \$177) at December 31, 2023.

11. *Reserves for unreported claims*

The Company had reserves for unreported claims of \$567 (2022: \$567) as of December 31, 2023. The reserves for unreported claims are calculated using best estimates. The estimates are made using reinsurance premium as a proxy for mortality.

12. *Policy Reserves and reinsurance recoverable*

The Company's policy reserves and reinsurance recoverable balance of \$677 (2022: \$671) represents the ceded policy reserve which is actuarially calculated to estimate the present value of future death benefits payable, assuming that the policyholder dies before the valuation date. These amounts are recoverable from reinsurers on premium paid in advance for the DLIAC PPVUL policies. The reinsurance premium is paid in advance on a policy basis. Therefore at December 31, 2023 there is an average of half a month's worth of premium paid to reinsurers that is for coverage that will occur after year-end. The value of the amounts recoverable from these premiums is calculated using half a month's mortality times the net amount of risk, using the 1980 CSO mortality table.

13. *Reinsurance premium payable*

The Company had \$217 (2022: \$210) of reinsurance payable to Prudential Insurance and other 3rd Party Reinsurers as of December 31, 2023.

14. *Unearned premiums*

Policyholders' Funds on Deposit totaled \$86 (2022: \$76) as of December 31, 2023. This liability represents unearned revenues on premiums received.

Providence Life Assurance Company (Bermuda) Ltd.

Notes to Financial Statements

December 31, 2023

(expressed in thousands of U.S. dollars)

15. *Commissions payable*

Commissions payable amounted to \$82 (2022: \$28) at December 31, 2023. This liability represents accrued commission to broker-dealers who sell the Company's products as of balance sheet date.

16. *Accounts payable and accrued liabilities*

Accounts payable and accrued liabilities amounted to \$617 (2022: \$240) at December 31, 2023. Included in the balance is amount due to affiliates of \$373 (2022: \$Nil) that is non-interest bearing and payable on demand.

17. *Statutory Capital and Surplus*

Under The Insurance Act 2016 of Bermuda, amendments thereto and related regulations ("The Insurance Act"), the Company is required to prepare Statutory Financial Statements and to file a Statutory Financial Return. The Insurance Act also requires the Company to meet certain minimum capital and surplus requirements. The Company's statutory capital and surplus as at December 31, 2023 of \$1,325 (2022: \$1,987) was in excess of the minimum amount required under the Insurance Act. The Company is also required to maintain a minimum liquidity ratio under the Insurance Act. As at December 31, 2023, this minimum liquidity ratio was met.

18. *Related party transactions*

Included within general and administrative expenses are expenses incurred by the Company that are associated with the directors and key management personnel of the Company amounting to \$351 (2022: \$378), transaction fees charged by the Parent company for \$Nil (2022: \$Nil) and management fees charged by the Ultimate Parent Company of \$413 (2022: \$200)

At December 31, 2023, there was an amount due to affiliates of \$373 (2022: \$Nil), which is included in the accounts payable and accrued liabilities.

19. *Income taxes*

Bermuda

Under current Bermuda Law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company had previously received a Tax Assurance from the Minister of Finance in Bermuda that in the event of any such taxes being imposed, the Company will be exempted from taxation until the year 2035. Of note, the Bermuda Corporate Income Tax (CIT) disregards the existence of previously issued Tax Assurance Certificates for Bermuda businesses which are within the scope of being subject to Bermuda CIT. However, it is not anticipated that the CIT will affect the Company since the Company has made an irrevocable election under Section 953(d) of the Internal Revenue Code of 1986, as amended, to be taxed as a US domestic corporation. As a result of this "domestic election", the Company is subject to U.S. taxation on its worldwide income as if it was a U.S. corporation. The Company accounts for income taxes under the provision of ASC 740.

United States

The Company made an irrevocable election under Section 953(d) of the Internal Revenue Code of 1986 to treat the Company as a domestic insurance company for United States federal income tax purposes. As a result of the "domestic election", the Company is subject to U.S. taxation on its worldwide income as if it were a U.S. corporation.

Providence Life Assurance Company (Bermuda) Ltd.

Notes to Financial Statements

December 31, 2023

(expressed in thousands of U.S. dollars)

19. Income taxes (continued)

The following is a summary of the components of the federal income tax expense in the Company's statement of income for the year ended December 31, 2023

	2023	2022
	\$	\$
Income tax benefit		
Current	-	-
Deferred	180	107
Total income tax benefit	<u>180</u>	<u>107</u>

Income taxes attributable to the Company's statements of income are different from the amounts determined by multiplying income before federal income taxes by the expected federal income tax rate of 21%. The following is a summary of the difference between the expected income tax expense that the Company recorded for the year ended December 31, 2023:

	2023	2022
	\$	\$
Income tax benefit		
Expected Income tax expense	180	107
Permanent Differences	-	-
Total income tax benefit	<u>180</u>	<u>107</u>

Net deferred tax assets or liabilities represent the tax effects of temporary difference between the carrying amounts of assets and liabilities used for financial reporting purposes and the amounts used for income tax reporting purposes.

The components of the Company's net deferred tax assets as of December 31, 2023 were as follows:

	2023	2022
	\$	\$
Deferred tax assets		
Deferred Acquisition Costs	47	104
Tax loss carry forwards	750	513
Total deferred tax assets	<u>797</u>	<u>617</u>

The Company's net deferred tax assets at December 31, 2023 are comprised of gross deferred tax assets related to Deferred Acquisition Costs and a net operating loss carry forward of \$3,574 that is subject to an 80% limitation of the Company's taxable income and does not expire.

The Company performs the required recoverability (realisability) test in terms of its ability to realise its recorded net deferred tax assets. In making this determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and recent financial operations. In projecting future taxable income and sources of capital gains, the Company utilises historical and current operating results and incorporates assumptions including the amount of future federal and state pre-tax operating income, the reversal of temporary differences, and the implementation of prudent and feasible tax planning strategies. The Company considers it is probable that the deferred tax asset will be recognized

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Notes to Financial Statements

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(expressed in thousands of U.S. dollars)

19. Income taxes *(continued)*

The Company will file a separate U.S. federal income tax return for the tax year ended December 31, 2023, subject to examination by the tax authorities.

At 31 December 2023, the Company had no unrecognized deferred tax assets.

20. Subsequent events

The Company has evaluated subsequent events through June 28, 2024, which is the date that the financial statements were available to be issued. No other subsequent events were noted.