ADVANTAGE INTERNATIONAL LIFE BERMUDA LIMITED

Consolidated Financial Statements
(With Independent Auditor's Report Thereon)

As of and for the years ended December 31, 2023 and December 31, 2022

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Advantage International Life Bermuda Limited:

Opinion

We have audited the consolidated financial statements of Advantage International Life Bermuda Limited and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated income statements, statements of equity and non-controlling interest, and cash flows for the year ended December 31, 2023 and 2022, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

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

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 18 to the financial statements, since the Company is a member of a controlled group of affiliated companies, its results may not be indicative of those of a stand-alone entity. Our opinion is not modified with respect to this matter.

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 that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Deloitte & Touche LLP

June 28, 2024

Stamp No. E559663
Affixed to original.

LICENCE NO. 230
EXPIRES: DECEMBER 1, 2025
WE STATE THAT NONE OF OUR PARTNERS IS A STOCKHOLDER DIRECTOR OR EMPLOYEE OF THE CORPORATION.

ADVANTAGE INTERNATIONAL LIFE BERMUDA LIMITED

Consolidated Balance Sheet

As of December 31, 2023 and December 31, 2022
(Expressed in thousands of Bermuda Dollars)

	Note	December 31, 2023	December 31, 2022
Assets			
Cash and short-term investments	3	$ 11,269	$ 7,694
Equity investments, available-for-sale, at fair value	4	8,871	8,193
Reinsurer's cost asset	6	673	739
Income tax receivable		26	26
Fees receivable	7	1,402	1,515
Prepaid and other assets	9	253	80
Total general assets		22,494	18,247
Separate account assets	5,20	370,040	379,223
Separate account - Other assets		1,714	2,160
Total assets		**$ 394,248**	**$ 399,630**
Liabilities			
Liability for future policyholder’s benefits	8	$ 6,384	$ 6,274
Due to related parties	18	534	777
Reinsurance balances payable	10	786	991
Fund held on behalf of third parties	11	5,543	3,662
Accounts payable and accrued liabilities	12	668	622
Total general liabilities		13,915	12,326
Separate account liabilities	20	370,040	379,223
Separate account - Other liabilities		1,714	2,160
Total liabilities		**385,669**	**393,709**
Equity			
Share capital		250	250
Additional paid-in-capital		550	550
Contributed surplus		20,365	17,865
Accumulated deficit		(12,835)	(12,946)
Total equity attributable to shareholders		8,330	5,719
Attributable to non-controlling interest		249	202
Total equity		**8,579**	**5,921**
Total equity and liabilities		**$ 394,248**	**$ 399,630**

The accompanying notes form part of these consolidated financial statements.

Approved by:

George Jones

Stuart Jessop

Consolidated Income Statement

For the years ended December 31, 2023 and December 31, 2022
(Expressed in thousands of Bermuda Dollars)

	Note		2023		2022
Revenue					
Policy charges and fee income	15	$	4,791	$	5,350
Net premiums ceded			(2,641)		(3,624)
Net investment income	4		1,275		(1,676)
Total revenue		$	**3,425**	$	**50**
Expenses					
Gross policy benefits	16		474		(46)
Commission expenses			438		303
Operating expenses	17		2,355		2,001
Amortization of intangibles			-		2
Total expenses			3,267		2,260
Net income (loss) for the year		$	**158**	$	**(2,210)**
Net income (loss) for the year attributable to:					
Shareholder			111		(2,259)
Non-controlling interest			47		49
		$	**158**	$	**(2,210)**

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Equity and Non-controlling Interest

For the years ended December 31, 2023 and December 31, 2022
(Expressed in thousands of Bermuda Dollars, except the number of shares)

	2023	2022
	$	**$**
Share capital		
Authorized:		
250,000 common shares of $1.00 each	250	250
Issued and outstanding:		
250,000 common shares of $1.00 each	**250**	**250**
Additional paid-in capital		
Balance, beginning and end of the year	**550**	**550**
Contributed surplus		
Balance, beginning of the year	17,865	15,365
Additional contribution	2,500	2,500
Balance, end of year	**20,365**	**17,865**
Accumulated deficit		
Balance, beginning of year	(12,946)	(10,687)
Net income (loss) for the year	111	(2,259)
Balance, end of year	**(12,835)**	**(12,946)**
Total equity attributable to shareholders	$ **8,330**	$ **5,719**
Attributable to non-controlling interest		
Balance, beginning of year	202	153
Net income for the year	47	49
Balance, end of year	**249**	**202**
Total equity	$ **8,579**	$ **5,921**

As at December 31, 2023, Advantage Insurance Inc. contributed additional cash of $2.5 million (2022: $2.5m).

The accompanying notes form part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the year ended December 31, 2023 and nine months ended December 31, 2022
(Expressed in thousands of Bermuda Dollars)

	2023	2022
Cash flows from operating activities		
Net income (loss) for the year	$ 158	$ (2,210)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Amortization of intangible assets	-	2
Net realized and unrealized loss (gains) on investments	(646)	2,116
Interest income received	(226)	(425)
Dividend income received	(33)	(9)
Investment income received	(371)	-
	(1,118)	**(526)**
Net changes in operating balances		
Reinsurance balance receivable	(173)	(4)
Income tax receivable	-	(26)
Fees receivable	114	(526)
Reinsurer's cost asset	66	(549)
Liability for future policyholder's benefits	110	
Due to related parties	(243)	359
Reinsurance balances payable	(206)	(150)
Fund held on behalf of third parties	1,881	24
Accounts payable and accrued liabilities	47	182
	1,596	**(627)**
Dividend income	33	9
Interest income	226	425
Investment income	371	-
Net cash provided by (used in) operating activities	**1,108**	**(719)**
Cash flows from investing activities		
Purchase of investments	(33)	(6,410)
Sale and maturity of investments	-	8,932
Net cash (used in) provided by investing activities	**(33)**	**2,522**
Cash flows from financing activities		
Cash contribution	2,500	2,500
Net cash provided by financing activities	**2,500**	**2,500**
Net increase in cash and short-term investments	3,575	4,303
Cash and short-term investments, beginning of year	7,694	3,391
Cash and short-term investments, end of year	**$ 11,269**	**$ 7,694**

The accompanying notes form part of these consolidated financial statements.

1. Business overview

Advantage International Life Bermuda Limited (the Company), was incorporated on July 3, 1996 and is domiciled in Bermuda. The Company's registered office is 31 Victoria Street, Hamilton, HM 10, Bermuda. The Company is a wholly owned subsidiary of Advantage Insurance Inc. (the Parent).

The Company is a member of a controlled group of affiliated companies, its results may not be indicative of those of a stand-alone entity.

The Company is a shareholder of the following subsidiaries:

Name of subsidiary	% of ownership held	% of ownership held by non-controlling interest	Country of Incorporation and Place of Business
Bermuda Life Worldwide Limited ("BLWL")	100%	–	Bermuda
Advantage International Life Insurance Limited ("AILIL")	74%	26%	Bermuda

These consolidated financial statements which comprise the Company and its subsidiaries, collectively are referred to as the "Group". The Group's voting rights percentages are the same as the ownership percentages.

Certain entities of the Group offer private placement variable universal life insurance and deferred annuity products in and from Bermuda to trusts, private companies and other eligible entities for the benefit of high net worth individuals who are either tax resident in the Unites States (U.S.) or other jurisdictions. The Group does not offer products to local, Bermuda-resident individuals. Each operating entity of the Group benefit either directly from, or as a registered affiliate under, the Argus International Life Insurance Limited Consolidation and Amendment Act 2008. The Act provides for the legal segregation of each policy's assets through a separate account linked to each policy, which provides additional protection against potential claims arising from policy holders of other separate accounts or of the Group itself. The Group also includes a closed book of fixed interest universal life policies on individuals who are not tax resident in the U.S. These policies do not benefit from a separate accounts structure or the protections provided thereunder.

2. Significant accounting policies

2.1 Basis of presentation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as set out in the FASB Accounting Standards Codification® ("ASC") published by the Financial Accounting Standards Board ("the FASB"). These consolidated financial statements include the balance sheet and income statement of the Company and its majority owned and controlled subsidiaries, defined as 50% or above of the voting rights of shares held. All material intercompany accounts and transactions have been eliminated in consolidation.

The preparation of the consolidated financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The most significant estimates are those used in determining valuation of policyholder liabilities, valuation of investments and separate account assets and income taxes. Additional details around these principle estimates and assumptions are discussed in the significant accounting policies that follow and related footnote disclosures.

2. Significant accounting policies (continued)

2.1 Basis of presentation (continued)

Certain comparative figures have been reclassified to conform current year presentation.

All amounts are in Bermuda dollars, which is the Group's functional currency, and which is on par with U.S. dollars.

These consolidated financial statements were approved by management and available for issuance on June 28, 2024. Subsequent events have been evaluated through this date.

2.2 Consolidation

The Group uses the acquisition method to account for the acquisition of subsidiaries. At the date of acquisition, the Group recognizes the identifiable assets acquired, liabilities assumed and any non-controlling interest (NCI) as part of the overall business combination transaction at their fair value. Transaction costs incurred in connection with a business combination is expensed as incurred.

The group applies a) the Variable Interest Model and b) the Voting Model, as consolidation principles. The Variable Interest Model applies to an entity in which the equity does not have characteristics of a controlling financial interest. An entity that is not a variable interest entity (VIE) is referred to as a voting interest entity.

Variable interest entities

The Group accounts for variable interest entities, or VIEs, in accordance with FASB ASC Topic 810 Consolidation, which requires the consolidation of all VIEs by the primary beneficiary, that being the investor that has the power to direct the activities of the VIE and will absorb a majority of the VIE's expected losses or residual returns.

The Group determines whether it is the primary beneficiary of a VIE by performing an analysis that principally considers: (i) the VIE's purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders; (ii) the VIE's capital structure; (iii) the terms between the VIE and its variable interest holders and other parties involved with the VIE; (iv) which variable interest holders have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; (v) which variable interest holders have the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE; and (vi) related party relationships. The Company reassesses its initial determination of whether the Group is the primary beneficiary of a VIE upon changes in facts and circumstances that could potentially alter the Group's assessment.

The Group does not have VIEs as of December 31, 2023 and December 31, 2022 and has a controlling interest via majority ownership and voting rights in its subsidiaries as defined above.

2.3 Non-controlling interest

Non-controlling interest represents the portion of equity in the consolidated subsidiary not attributable, directly or indirectly, to the Group. The ownership interest in consolidated subsidiary held by parties other than the Group have been presented in the consolidated balance sheet, as a separate component of shareholder's equity.

2. Significant accounting policies (continued)

2.4 Cash and short-term investments

Cash and short-term investments in the consolidated balance sheet include short-term highly liquid investments with a maturity of less than 90 days from the date of acquisition. Amounts included are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

2.5 Investments and net investment income

The Company's investments are composed of equity investments.

Equity investments are presented at fair value in the consolidated balance sheet. Equity investments are recorded at fair value as adjusted for return of capital or additional investment. These investments are recorded in the consolidated balance sheets at their fair value, with any unrealized gains or losses, calculated by reference to cost, included in income in the consolidated income statement.

Net investment income is comprised of interest and dividend income, realized gains and losses on sales of investments, impairment losses and changes in valuation allowances net of investment management fees. Interest income is recognized as it accrues and is calculated using the effective interest rate method. Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed stocks and the notification date for equity instruments.

2.6 Separate assets and liabilities

Separate account assets are reported at fair value or net asset value and represent segregated funds that are invested for policyholders. These assets and liabilities consist primarily of cash equivalents, market quoted securities, private equity securities, unlisted investment funds, other assets, private annuities, and separate account policy loans. The assets of each separate account are legally segregated from the general assets of the Group and all other separate accounts and are (i) protected from claims made against the Group and (ii) only available to meet claims against the policy to which the separate account relates and protected from claims made on all other policies.

Separate account policy loans are loans made by the Group to a policyholder or policy beneficiary (borrower) that are collateralized by the surrender value of the life insurance policy. Separate account policy loans are stated at the amount of the outstanding principal amount plus the accrued but unpaid interest due from the borrower.

Interest is charged on the outstanding policy loans and is further credited to the separate account of the associated life insurance policy. The loan amount accrued but unpaid loan interest is included within the separate account liabilities.

There are no fixed terms of repayment for a policy loan and (i) upon death of relevant life insured under a policy, the death benefit proceeds will be reduced by the amount of any outstanding loans and accrued interest payable at the date of death; and (ii) upon a surrender of a policy, the cash surrender value will be determined after the offset of the amount of the any outstanding loans and accrued interest payable at the date of surrender.

When policy assets are illiquid and may not be readily converted to cash on a timely basis, the Group may distribute the illiquid assets in kind to satisfy the payment then due under the terms of the policy.

2. Significant accounting policies (continued)

2.6 Separate assets and liabilities (continued)

Separate account liabilities represent an amount by policy and in total, equal to the separate account assets by policy and in total that would be payable upon a claim for benefits due under any one policy or as surrender value. The Group reports separately, as assets and liabilities, investments held in separate accounts and liabilities of the separate accounts that are legally recognized by applicable insurance law, are legally segregated from the general liabilities of the Group, and whose investment performance is not subject to any guarantee provided by the Group.

The investment income and realized investment gains or losses from separate account assets accrue to the policy and are not included in the Group's results of operations. Mortality risk charges, policy administration fees, surrender charges and other income are included in policy charges and fee income in the consolidated income statement. Asset administration fees charged to the accounts are included in policy charges and fee income in the consolidated income statement.

Separate account – other assets are reported at fair value or net asset value and represent segregated funds by policy for settlement of active claims and terminations. Separate account – other liabilities represent an amount by policy and in total, equal to the separate account – other assets by policy and in total that is payable due to active claims for benefits due under any one policy or as surrender proceeds.

2.7 Liability for future policyholder's benefits

Liability for future policyholder's benefits are the portion of past premiums or assessments received that are set aside to meet future policy and contract obligations as they become due. The Group establishes reserves to pay future policyholder benefits, claims, and certain expenses for its life policies and annuity contracts.

For a majority of the Group's in-force policies, including its universal life policies and annuity contracts, the base policy reserve is equal to the account value. For these products, the account value represents the Group's obligation to repay to the policyholder the amounts held on deposit. There are no significant blocks of business where additional policyholder reserves are explicitly calculated as the Group does not offer any secondary guarantees, indexed universal life or other benefits.

The liability for future policyholder's benefits also include liability for single premium immediate annuity contracts issued by the Group that is determined using the net premium model. This liability is calculated as the present value of estimated future policy benefits to be paid, less the present value of expected future net premiums, if any. Liabilities are established based on "locked-in" assumptions of future experience, including provisions for adverse deviation.

The assumptions on which reserves are based are intended to represent an estimation of experience for the period that policyholder benefits are payable. The adequacy of these reserves and the assumptions underlying those reserves are reviewed at least annually. The Group cannot, however, determine with precision the amount or the timing of actual policyholder benefit payments.

2.8 Reinsurance

For future policyholder's benefits, the Group estimates the amount of reinsurance recoverable based on the terms of the reinsurance contracts and historical reinsurance recovery information. The reinsurance balance receivables are based on what the Group believes are reasonable estimates and the balance is reported as an asset in the consolidated balance sheet. However, the ultimate amount of the reinsurance recoverable is not known until all claims are settled.

2. Significant accounting policies (continued)

2.8 Reinsurance (continued)

The cost of reinsurance, which is the difference between the amount paid for a reinsurance contract and the amount of the liabilities for policy benefits relating to the underlying reinsured contracts, is deferred and amortized over the reinsurance contract period for short-duration contracts, or over the terms of the reinsured policies on a basis consistent with the reporting of those policies for long-duration contracts.

As of December 31, 2023 and December 31, 2022, the cost of insurance is determined to be equal to the unearned premium as reported in the consolidated balance sheet.

Reinsurance contracts do not relieve the Group from its obligations to policyholders, and failure of reinsurers to honor their obligations could result in losses to the Group; consequently, allowances are established for amounts deemed uncollectible.

Other amounts due to or from reinsurers with respect to premiums or claims are included in reinsurance balance receivable or insurance and reinsurance balances payable in the consolidated balance sheet.

2.9 Policy charges and fee income

Amounts received as payment for universal life and investment-type contracts (i.e. deferred variable annuities) are reported as deposits to policyholder account balances and recorded in separate account assets and separate account liabilities in the consolidated balance sheet.

Revenues from these contracts consist primarily of fees assessed against the contract holder account balance for mortality, policy administration, separate account administration and surrender charges, and are reported in policy fees in the consolidated income statement.

2.10 Receivables and payables related to insurance and reinsurance contracts

Receivables and payables related to insurance and reinsurance contracts are recognized when due and measured on initial recognition at the fair value of the consideration receivable or payable. The carrying value of insurance and reinsurance balances receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in operating expenses in the consolidated income statement.

The group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk. The Group periodically assesses any reinsurance assets for impairment, with any impairment loss recognized in operating expenses in the consolidated income statement in the period in which any impairment is determined.

(Expressed in thousands of Bermuda Dollars)

2. Significant accounting policies (continued)

2 2.11 Taxation

The Group has one subsidiary, (AILIL) that is subject to taxation in the United States. Income taxes are provided for using the asset and liability method under which deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax basis of assets and liabilities. Such temporary differences are primarily due to the tax basis of net operating loss, or "NOL," carryforwards.

The Group evaluates the likelihood of realizing the benefit of deferred tax assets and may record a valuation allowance if, based on all available evidence, the Group determines that it is more-likely-than-not that some portion of the tax benefit will not be realized. The Group adjusts the valuation allowance if, based on its evaluation, there is a change in the amount of deferred income tax assets that are deemed more-likely-than-not to be realized.

The Group reports any expense related to income tax matters in income tax expense (benefit), and income tax penalties in the consolidated income statement. For the year ended December 31, 2023 and December 31, 2022 the Group had no income tax expense (benefit).

2.12 Recent accounting pronouncement adoption

2.12.1 The Company adopted ASU No. 2018-12, "Long-Duration Targeted Improvements (LDTI)," effective January 1, 2023, which impacts the measurement and reporting of long-duration life insurance contracts. The standard required a full retrospective transition approach for DAC, as well as other balances that have historically been amortized in a manner consistent with DAC. The Company has elected the modified retrospective transition approach for DAC, and related balances on all long-duration contracts, subject to the transition provisions. Additionally, an amendment in LDTI allowed entities to make an accounting policy election to exclude certain sold or disposed contracts or legal entities from application of the transition guidance. The Company did not make such an election.

Under the modified retrospective approach, the Company was required to establish LDTI-compliant DAC and related balances for the Company's at the Transition Date (January 1, 2023) opening balance sheet by utilizing the Company's December 31, 2023 balances.

The following table presents a summary of the Transition Date impacts associated with the implementation of LDTI to the consolidated balance sheet:

Consolidated		**RCA**
Balance reported January 1, 2023	$	739
Effect of adoption on beginning balance January 1, 2023		109
Adjusted Balance at January 1, 2023		848
Capitalization		-
Amortization		(175)
Ending balance reported December 31, 2023	$	673

2. Significant accounting policies (continued)

2.12 Future adoption of new accounting pronouncements

2.12.2 In February 2024, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures. The ASU is effective for fiscal years beginning after January 1, 2025. The pronouncement introduces new disclosure requirements for income taxes (Topic 740). These requirements aim to enhance transparency and decision-usefulness of financial statements while balancing the interests of investors seeking more information and preparers concerned about cost implications. The new standard requires the disaggregation of information in four key areas: (1) income taxes paid; net of refunds received, disaggregated by federal, state, and foreign jurisdictions and individual jurisdictions in which income taxes paid, net of refunds received, are equal to or greater than 5% of total income taxes paid, net of refunds received; (2) rate reconciliation which will provide a clear understanding of the differences between the statutory tax rate and the effective tax rate; (3) pre-tax income (or loss) from continuing operations, disaggregated by federal, state, and foreign components; and (4) income tax expense (or benefit) disaggregated by federal, state, and foreign components. The Company expects the adoption of this guidance will not have a material impact on its consolidated financial statements.

2.12.3 In December 2023, the FASB issued ASU 2023-07, Improvements to Reportable Segment Disclosures, (Topic 280): Segment Reporting. The new guidance is effective for fiscal years beginning after January 1, 2024.The new guidance does not change how a company determines its reportable segments or measures segment assets or income. However, going forward, a public company must incrementally disclose significant segment expenses that are reported to the chief operating decision maker and included in segment income; disclose the amount and composition of other segment items; disclose the chief operating decision maker's title and position and provide annual segment disclosures in interim periods. Because transition is retroactive, unless impracticable, public companies must provide comparative disclosures about significant segment expenses and other segment items in the initial year of adoption. These changes aim to provide investors and other stakeholders with more decision-useful information about the performance and risk profile of a company's reportable segments. The Company expects the adoption of this guidance will not have a material impact on its consolidated financial statements.

2.12.4 In July 2023, the FASB issued ASU 2023-03, 'Presentation of Financial Statements (Topic 205), Income Statement—Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation—Stock Compensation (Topic 718). This ASU amends the FASB ASC to align with SEC guidance outlined in Staff Accounting Bulletin No. 120, the SEC Staff Announcement at the March 24, 2022 EITF Meeting, and Staff Accounting Bulletin Topic 6.B.

It also incorporates Accounting Series Release 280—General Revision of Regulation S-X: Income or Loss Applicable to Common Stock. The Company expects the adoption of this guidance will not have a material impact on its consolidated financial statements.

(Expressed in thousands of Bermuda Dollars)

2. Significant accounting policies (continued)

2.13 Future adoption of new accounting pronouncements (continued)

2.12.5 In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The new guidance requires the acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. The amendments in this update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination. This new pronouncement improves comparability after the business combination by providing consistent recognition and measurement guidance for revenue contracts with customers acquired in a business combination and revenue contracts with customers not acquired in a business combination. For private companies, these amendments will be applied for fiscal years beginning after December 15, 2023. The Company expects the adoption of this guidance will not have a material impact on its consolidated financial statements.

3. Cash and short-term investments

	December 31, 2023	December 31, 2022
Cash in bank and on hand	$ 9,450	$ 6,157
Short-term investments	1,819	1,537
	$ 11,269	$ **7,694**

On March 7, 2022, the Group's subsidiary Bermuda Life Worldwide Limited (BLW) entered into a guarantee up to the amount of US$110,000 in connection with an Irrevocable Letter of Credit between AILIL and a local bank in Bermuda for the purpose of securing AILIL's liabilities as a 953(d) entity under the Code of the Internal Revenue Service. As such, BLW's cash in bank balance has been restricted to the amount of guarantee.

4. Investments at fair value and net investment income

4.1 Cost and fair value of investments:

See Note 5 for information about the fair value hierarchy for investments and the related valuation methodologies.

Investments are exposed to the following primary sources of risk: credit, interest rate, liquidity, market valuation and currency risk. The financial statement risks, stemming from such investment risks, are those associated with the determination of estimated fair values, the diminished ability to sell certain investments in times of strained market conditions, the recognition of impairments, and the recognition of income on certain investments.

(Expressed in thousands of Bermuda Dollars)

4. Investments at fair value and net investment income (continued)

The use of different methodologies, assumptions and inputs relating to these financial statement risks may have a material effect on the amounts presented within these consolidated financial statements. The determination of impairments is highly subjective and is based upon periodic evaluations and assessments of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available.

The recognition of income from certain investments is dependent upon certain factors such as prepayments and defaults, and changes in such factors could result in changes in amounts to be earned. The cost or amortized cost, gross unrealized gains and losses and estimated fair values of investments were as follows:

	December 31, 2023			
	Cost	Gross unrealized		Fair value
		Gains	(Losses)	
Investment in equity funds	$ 1,779	$ 660	−	$ 2,439
Investment in private equity	6,000	432	−	6,432
	$ 7,779	$ 1,093		$ 8,871

	December 31, 2022			
	Cost	Gross unrealized		Fair value
		Gains	(Losses)	
Investment in equity funds	$ 1,746	$ 418	−	$ 2,164
Investment in private equity	6,000	29	−	6,029
	$ 7,718	$ 475		$ 8,193

4.2 Investment income

	December 31, 2023	December 31, 2022
Interest income		
Investment in bond funds	$ -	$ 340
Cash and other	226	29
	266	369
Dividend income		
Investment in equity fund	33	9
Distribution income		
Investment in private equity	371	-
Net realized loss on investments		
Investment in bond funds	-	(1,753)
	-	(1,753)
Net unrealized gains (losses) on investments		
Investment in equity funds	243	(331)
Investment in private equity	403	29
	646	(302)
	$ 1,275	$ (1,676)

5. Fair value measurement

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date (the exit price). The best evidence of fair value is a quoted price in an active market. If listed prices or quotations are not available, fair value is determined by reference to prices of similar instruments and quoted prices or recent prices in less active markets.

U.S. GAAP establishes a three-level valuation hierarchy based upon observable and non-observable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. The fair value hierarchy prioritizes inputs to the valuation techniques used to measure fair value, giving the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. A financial instrument's level in the fair value hierarchy is based on the lowest level of any input that is significant to fair value measurement of the consolidated financial instrument. The three levels of the fair value hierarchy are described below:

Basis of fair value measurement

Level 1 – Unadjusted quoted prices in active markets to which the Group had access as of the measurement date for identical, unrestricted assets and liabilities. The Group determines securities classified as Level 1 to include highly liquid U.S. treasuries, certain highly liquid short-term investments and quoted equity securities.

Level 2 – Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical assets or liabilities in inactive markets, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Instruments included in Level 2 are valued via independent external sources using modeled or other valuation methods. Such methods are typically industry accepted standard and include:

- broker-dealer quotes;
- pricing models or matrix pricing;
- present values;
- future cash flows;
- yield curves;
- interest rates;
- prepayment speeds; and
- default rates.

Other similar quoted instruments or market transactions may be used.

The Group determines following securities to be classified as Level 2:

- US corporate bonds;
- Municipal, other government and agency bonds;
- Foreign corporate bonds;
- Mortgage/asset-backed securities; and
- Bond and equity funds with listed underlying assets

Level 3 – Pricing inputs are unobservable for the asset or liability. That is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. The Group classifies hard to value assets and unquoted/private equities as Level 3 as the valuation technique incorporates both observable and unobservable inputs. These investments may be subject to certain lock-up provisions. The type of underlying investments held by the investee, which form the basis of the net asset valuation, include assets such as private business ventures, to which the Group does not have access, the Group considers net assets as a reasonable approximate fair value.

(Expressed in thousands of Bermuda Dollars)

5. Fair value measurement (continued)

The Group has an established control framework with respect to the measurement of fair values. This includes an investment validation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The Group's investment validation process includes a review of price movements relative to the market. Any significant discrepancies are investigated and discussed with investment managers and a valuation specialist. The process also includes regular reviews of significant observable inputs and valuation adjustments. Significant valuation issues are reported to the Board.

The fair value of investment in mutual funds (equity and bond funds) was determined by third-party investment managers. Fair value is based on the reported net asset value of these funds. These assets are classified as Level 2.

The fair value of investments for separate account assets holders is based on net asset values reported by third parties, such as investment managers and fund administrators. The fair value hierarchy of direct investments within investments for separate account assets holders, such as short-term securities, local equities and corporate debt securities, is determined according to valuation methodologies and inputs described above in the respective asset type sections.

The following table presents fair value and carrying value of the Group's financial assets and liabilities in the consolidated balance sheet, categorized by level under the fair value hierarchy.

	December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total fair value**
Assets				
Cash and short-term investments	$ 11,269	−	−	$ 11,269
Fees receivable	−	1,402	−	1,402
Total investments in mutual funds	−	2,439	−	2,439
Total investments in private equity	−	−	6,432	6,432
Total assets at fair value	**$ 11,269**	**$ 3,841**	**$ 6,432**	**$ 21,542**
Cash and money market funds	38,790	5,753	−	44,543
Private equity	−	1,837	−	1,837
Mutual funds	−	165,908	−	165,908
Policy loan	−	−	159,466	159,466
Separate account assets	**$ 38,790**	**$ 173,498**	**$ 159,466**	**$ 371,754**

(Expressed in thousands of Bermuda Dollars)

5. Fair value measurement (continued)

	December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total fair value**
Assets				
Cash and short-term investments	$ 7,694	–	–	$ 7,694
Fees receivable	–	1,515	–	1,515
Total investments in mutual funds	–	2,164	–	2,164
Total investments in private equity	–	–	6,029	6,029
Total assets at fair value	**$ 7,694**	**$ 3,679**	**$ 6,029**	**$ 17,402**
Cash and money market funds	47,923	9	–	47,932
Private equity	–	3,506	–	3,506
Mutual funds	–	174,053	–	174,053
Policy loan	–	8,869	144,863	153,732
Separate account assets	**$ 47,923**	**$ 186,437**	**$ 144,863**	**$ 379,223**

Transfers of Level 1, Level 2 and Level 3 assets and liabilities:

The Group determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing the categorization at the end of each reporting period based on the lowest level input that is significant to the fair value measurement as a whole.

The Group's policy is to record transfers of assets and liabilities between levels at their fair values as at the end of each reporting period, consistent with the date of determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. Conversely, assets are transferred from Level 2 to Level 1 when transactions volume and frequency are indicative of an active market. During the period ended December 31, 2023, there were no transfers between levels 1, 2, or 3.

6. Reinsurer's cost asset

As at December 31, 2023 and 2022, the Group has outstanding receivable from reinsurers as follows:

	2023	**2022**
Reinsurer's cost asset	$ 673	$ 739

7. Fees receivable

Fees receivable are mainly comprised of policy fees receivables. These are receivables in the normal course of business. All amounts receivable are current as of December 31, 2023 and 2022.

(Expressed in thousands of Bermuda Dollars)

8. Liability for future policyholder benefits

The Group's liability for future policyholder benefits as of December 31, 2023 comprised of:

	Gross	Ceded	Net
Fixed universal life insurance	$ 6,335	–	$ 6,335
Single premium immediate annuity (limited-pay)	49	–	49
	$ 6,384	–	$ 6,384

	Fixed universal life insurance
Balance, beginning of year	$ 6,209
Additions for the year (including premiums)	369
Deductions for the year (including withdrawals)	(243)
Balance, end of year	$ 6,335

The Group's liability for future policyholder benefits as of December 31, 2022 comprised of:

	Gross	Ceded	Net
Fixed universal life insurance	$ 6,209	–	$ 6,209
Single premium immediate annuity (limited-pay)	65	–	65
	$ 6,274	–	$ 6,274

	Fixed universal life insurance
Balance, beginning of year	$ 6,113
Additions for the period (including premiums)	366
Deductions for the period (including withdrawals)	(270)
Balance, end of period	$ 6,209

8. Prepaid and other assets

Prepaid and other assets is comprised of:

	December 31, 2023	December 31, 2022
Reinsurance balance receivable	$ 142	$ -
Other receivables	25	-
Reinsurers' share of unearned premium	83	77
Prepaid expenses	3	3
	$ 253	$ 80

(Expressed in thousands of Bermuda Dollars)

8. Prepaid and other assets (continued)

The carrying value of insurance and reinsurance balances receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in operating expenses in the consolidated statements of total comprehensive income.

No allowance for uncollectible amounts has been established against amounts receivable from other insurance companies, promissory notes or other alternative risk transfer arrangements as none of the receivables are deemed by management to be uncollectible.

9. Reinsurance balances payable

Payables related to reinsurance contracts are recognized when due and measured on initial recognition at the fair value of the consideration payable.

The Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid under annuity and life insurance contracts by ceding reinsurance to other insurance enterprises or reinsurers. To the extent that reinsurers are later unable to meet obligations, the Company would be liable for these obligations, and payment of these obligations would result in losses. To limit the possibility of such losses, management evaluates the financial condition of its reinsurers and monitors concentrations of credit risk.

10. Fund held on behalf of third parties

Fund held on behalf of third parties is comprised of amounts due to policy holders.

11. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities is comprised of:

	December 31, 2023	December 31, 2022
Commissions payable	$ 69	$ 110
Accounts payable and accrued liabilities	594	500
Deferred income	-	12
	$ 668	$ 622

12. Financial instrument risk management

The Group has policies relating to the identification, measurement, monitoring, mitigation, and control of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risks, interest rate and other price risks including equity risks.

13.1 Investment risk

Investment policy is established by the Board of Directors to manage this risk. Investment policy sets parameters within which the Group's external investment managers must operate. Important parameters include guidelines on permissible asset classes, duration ranges, credit quality, currency, maturity, sectors, geographical, sovereign and issuer exposures. Compliance with guidelines is monitored on a quarterly basis. Any adjustments to the investment policy are approved by the Board of Directors.

The Group's fixed maturity portfolios are managed by two external investment managers. The Group also has a diversified low volatility multi-strategy portfolio of bond and equity funds and a small equity portfolio. The performance of the managers is monitored on an ongoing basis.

All portfolios' duration is matched to the duration of the insurance liabilities within an agreed range. The portfolios are invested in fixed maturity securities, fixed maturity funds and cash and short-term investments. The portfolios may, at times, contain assets significantly in excess of those required to meet insurance liabilities or other defined funding needs.

The Group reviews the composition, duration and asset allocation of its investment portfolio on a regular basis in order to respond to changes in interest rates and other market conditions. If certain asset classes are anticipated to produce a higher return within management's risk tolerance, an adjustment in asset allocation may be made. Conversely, if the risk profile is expected to move outside of tolerance levels, adjustments may be made to reduce the risks in the portfolio.

The Board of Directors meets quarterly to ensure that the Group's strategic investment actions are consistent with investment risk preferences, appetite, risk and return objectives and tolerances.

13.2 Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will suffer a deterioration in perceived financial strength or be unable to pay amounts in full when due.

The concentration of credit risk exposures held by insurers may be expected to be greater than those associated with other industries, due to the specific nature of reinsurance markets and the extent of investments held in financial markets. By the nature of the business, reinsurers interact with similar customers in similar markets. However, the Group uses a panel of reinsurers with global operations and diversified portfolios and limits its exposure to any one reinsurer.

Reinsurance is placed with counterparties that have a strong credit rating. Management regularly monitors and performs an assessment of creditworthiness of reinsurers.

(Expressed in thousands of Bermuda Dollars)

13. Financial instrument risk management (continued)

13.2 Credit risk (continued)

13.2.1 Maximum exposure to credit risk

The following table summarizes the Group's maximum exposure to credit risk related to financial instruments and insurance contracts. The maximum credit exposure is the carrying value of the financial assets and insurance assets net of any allowances for losses.

	Note	December 31, 2023	December 31, 2022
Cash and short-term investments	3	$ 11,269	$ 7,694
Reinsurer's cost asset	6	673	739
Fees receivable	7	1,402	1,515
Reinsurance balance receivable		142	-
Other receivables		25	-
Total consolidated balance sheet maximum credit exposure		$ 13,511	$ 9,948

The Group manages credit risk by its specific investment diversification requirements such as investing by asset class, geography and industry, review of credit quality ratings for portfolio investments and an active credit risk governance, including independent monitoring and review and reporting to management and the Board of Directors.

13.2.2 Concentration of credit risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or group of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due.

13.2.3 Age analysis of financial assets past due

As of December 31, 2023 and 2022, there were no past due receivables from operations. There was no impairment recorded during both periods.

(Expressed in thousands of Bermuda Dollars)

13. Financial instrument risk management (continued)

13.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet all cash outflow obligations as they come due. The Group's asset-liability management process allows it to maintain its good financial position by ensuring that sufficient liquid assets are available to cover its potential funding requirements. The Group invests in various types of assets with a view to matching them with its liabilities. To strengthen its liquidity further, the Group actively manages and monitors its capital and asset levels, diversification and credit quality of its investments and cash forecasts and actual amounts against established targets.

The short-term (less than one year) liquidity needs are more than adequately met by investment income distributions, the sale of equities, as well as by current operating cash flows. Longer duration cash flows are also backed by a broader range of asset classes including equity and other non-fixed income assets.

Reinvestment strategies and policies are in place for maturing assets backing long-term liabilities and are reflected in the life and annuity policy reserves. Based on the Group's historical cash flows and current financial performance, management believes that the cash flow from the Group's operating activities will continue to provide sufficient liquidity for the Group to meet its contractual obligations and to pay other expenses, as they fall due.

Liability maturity profile

The following is an analysis by liability type of the estimated timing of net cash flows based on the Group's liabilities. The settlement profile is based on current estimates and historical trends and the actual timing of future cash flows may differ materially from the disclosure below.

	December 31, 2023				
	Within 1 year	2-5 years	6-10 years	Over 10 years	Total
Liability for future policyholder's benefits	$ 497	$1,895	$2,014	$1,978	$ 6,384
Due to related parties	534	–	–	–	534
Reinsurance balance payable	786	–	–	–	786
Fund held on behalf of third parties	5,543	–	–	–	5,543
Accounts payable and accrued liabilities	669				669
	$8,023	$1,895	$2,014	$1,978	$13,910

(Expressed in thousands of Bermuda Dollars)

13. Financial instrument risk management (continued)

13.3 Liquidity risk (continued)

	December 31, 2022				
	Within 1 year	2-5 years	6-10 years	Over 10 years	Total
Liability for future policyholder's benefits	$ 419	$1,785	$1,956	$2,114	$ 6,274
Due to related parties	777	–	–	–	777
Reinsurance balance payable	991	–	–	–	991
Insurance balance payable	3,662	–	–	–	3,662
Accounts payable and accrued liabilities	623	–	–	–	623
	$6,472	$1,785	$1,956	$2,114	$12,327

13.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The Group has no exposure to currency risk, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

13.4.1 Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. Changes in market interest rates can impact the reinvestment of matured investments, as the returns available on the new investment may be significantly different from the returns previously achieved. The Group manages these risks through:

- Asset allocation and diversification of the investment portfolio;
- Investing in fixed income assets that closely match the life product liability cash flows for products with fixed and highly predictable benefit payments; and
- Quantifying and reviewing regularly the risk associated with the mismatch in portfolio duration and cash flow.

13.4.2 Equity risk

Equity investments are held in accordance with the Group's investment policy as part of the well diversified asset portfolio that are appropriate for the operating segment. Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. If actual returns are lower than the expected returns, the Group's Life and annuity policy reserves will increase and will reduce the Group's net earnings. Overall, it is expected that the impact of an immediate 10% increase in value across all equity markets would be an increase in total income of $0.2 million; conversely the impact of a 10% would have an equal but opposite effect. The direct exposure to equity markets generally falls within the risk-taking philosophy of the Group's investment policy and is regularly monitored by management.

13. Financial instrument risk management (continued)

13.4 Market risk (continued)

13.4.3 Limitations of sensitivity analysis

The sensitivity information given above demonstrates the estimated impact of a change in a major input assumption while other assumptions remain unchanged. In reality, there are normally significant levels of correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. Furthermore, estimates of sensitivity may become less reliable in unusual market conditions such as instances when risk free rates fall towards zero.

14. Insurance risk management

As discussed in Note 2, a separate account is linked to each variable universal life insurance policy and Deferred variable annuity policies issued to policyholders. The Group's exposure for this type of policy is limited to the minimum guarantees. The Group purchases reinsurance as part of its risk mitigation program. Existing variable universal life insurance policies are reinsured for the net amount at risk less the retention based on treaties entered into with a number of reinsurers. Generally, the maximum automatic treaty limit per insured is $35.0 million. The Group may periodically, on a facultative basis, place larger amounts. The net amount at risk is defined to be the death benefit minus the policy cash value. The amount of reinsurance coverage for each month is the net amount at risk at the end of such month minus the initial amount retained by the Group being $50,000 to $100,000 per insured for all reinsured policies issued after January 1, 2002 ($15,000 for policies issued before 2002). For policies issued in 2001 and prior years, the Group reinsured the variable universal life insurance policies for the lesser of five times the initial net amount at risk or $20.0 million. The Group periodically, on a facultative basis, placed larger amounts.

Bermuda Life Worldwide Limited insures a book of fixed universal life business and reinsures a portion of it. It generally retains $50,000 per insured.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

(Expressed in thousands of Bermuda Dollars)

15. Policy charges and fee income

Income recognized during December 31, 2023 and December 31, 2022 are as follows:

		2023		2022
Cost of insurance	$	2,132	$	1,875
Fee income		2,620		3,475
	$	4,752	$	5,350

Fee income from policyholder administration under separate account assets arrangement is recognized based on a percentage of assets under management or another variable metric. Asset-based fees vary with assets under management, which are subject to market conditions and investor behaviors beyond the Group's control.

16. Gross policy benefits

Gross policy benefits are comprised of death benefit, surrender and annuity payments accrued and/or paid during the year.

17. Operating expenses

Operating expenses incurred during December 31, 2023 and December 31, 2022 are as follows:

		2023		2022
Finance cost	$	35	$	77
Professional fees		2,191		1,811
General and corporate expenses		129		113
Total operating expenses	$	2,355	$	2,001

18. Related party transactions

All related party transactions were conducted in the normal course of business. Significant related party transactions are as follows:

18.1 Due to related parties

Due to related parties includes payables arising from amounts settled by the Parent on behalf of the Group and Group's allocation of Parent overhead expense. These advances bear no interest and are net settled through the Due from related parties' outstanding balance.

18.2 Compensation of key personnel

Key personnel have been identified as the Board of Directors of the Group. These individuals have the authority and responsibility for planning, directing and controlling the activities of the Group. Fees payable to directors for the reporting period totaled $33,000 (2022: $30,000) which is included under operating expenses in the consolidated income statement.

(Expressed in thousands of Bermuda Dollars)

19. Income taxes

Under current Bermuda law, the Group is not required to pay any taxes in Bermuda on either income or capital gains. The Group has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed, the Group will be exempt from taxation until the year 2035.

AILIL has elected under section 953(d) of the U.S. Internal Revenue Code (IRC) to be taxed as a U.S. domestic corporation. AILIL is subject to a U.S. corporate income tax rate of 21% for its fiscal years ended December 31, 2023 and December 31, 2022 due to U. S. tax reform.

The Group does not expect the current tax provision computed on AILIL's income before income taxes at the weighted average tax rate to be material.

20. Separate account assets and liabilities

The assets for policies held under the separate accounts assets are allocated to separate accounts as authorized by the Advantage International Life Insurance Limited Consolidation and Amendment Act 2008.

Changes to the separate account assets are as follows:

	December 31, 2023	December 31, 2022
Addition to separate account assets		
Premiums	$ 2,145	$ 121
Return on investments	18,489	1,067
	20,634	1,188
Deductions from separate account assets		
Withdrawals and benefits paid	25,073	108,178
Operating expenses	4,744	10,035
	29,817	118,213
Net deductions to separate account assets for the year	(9,183)	(117,025)
Separate account assets, beginning of year	379,223	496,248
Separate account assets, end of year	$ 370,040	$ 379,223

21. Capital Management - Statutory Reporting

The Group's capital base is structured to exceed regulatory targets, maintain satisfactory credit ratings, align the profile of assets and liabilities taking account of risks inherent in the businesses, provide flexibility to take advantage of growth opportunities and provide an adequate return to shareholders. Capital is managed on a consolidated basis under principles that consider all the risks associated with the businesses. It is also managed at the business unit level under the principles appropriate to the jurisdiction in which it operates. The Group's capital base consists of share and additional paid-in capital, contributed surplus and accumulated deficit as disclosed in the consolidated balance sheet.

The Bermuda Monetary Authority (the BMA) is the regulator of the Group. The laws and regulations of Bermuda require that as a Class C Long-Term insurer, the Group should maintain a minimum amount of statutory capital and surplus based on the enhanced capital requirement.

Management monitors the adequacy of the Group's capital from the perspective of Bermuda statutory requirements. The Bermuda Insurance Act 1978 and Related Regulations (the Act) requires the Group to file an annual audited statutory financial return and meet minimum solvency margins and minimum liquidity ratios.

21. Capital Management - Statutory Reporting (continued)

The statutory capital and surplus for the Group as at December 31, 2023 was $8.3 million (2022: 5.2 million) and the minimum solvency margin of the Group was $1.006 million (2022: 0.852 million).

The Bermuda Capital Solvency Requirement (BSCR) is the prescribed form of capital and solvency return in Bermuda, which was revised under new legislation enacted in 2008. The BSCR includes a standardized model used to measure the risk associated with an insurance subsidiary's assets, liabilities and premiums, and a formula to take account of catastrophe risk exposure. The BMA requires all insurers to maintain their statutory capital and surplus at a target level which is 120% of the amount calculated in accordance with the BSCR. As of December 31, 2023, the statutory capital and surplus of the insurance subsidiaries AILIL and BLWL exceeded this regulatory requirement. In addition, minimum liquidity ratios must be maintained by Bermuda entities writing general insurance business whereby relevant assets, as defined by the Act, must exceed 75% of relevant liabilities. The Bermuda Insurance Act 1978 and Related Regulations limits the maximum amount of annual dividends and distributions that may be paid by the Group's insurance subsidiaries. Before reducing statutory capital by 15% or more or statutory capital and surplus by 25% or more, as set out in the prior year's statutory financial statements, the Group shall request the approval of the BMA. In addition, the Bermuda Companies Act 1981 limits the Group's ability to pay dividends and distributions to shareholders if there are reasonable grounds for believing that the Group would be unable to pay its liabilities as they become due, or if the realizable value of its assets would be less than the aggregate of its liabilities, issued share capital and contributed surplus accounts.