

Sun Life Financial (Bermuda) Reinsurance Ltd.

(A Wholly-Owned Subsidiary of Sun Life Assurance Company of Canada - US Operations Holdings, Inc.)

*Independent Auditors' Report,
Condensed General Purpose Financial Statements as of and for the years ended
December 31, 2021 and 2020*

SUN LIFE FINANCIAL (BERMUDA) REINSURANCE LTD.
(A Wholly-Owned Subsidiary of Sun Life Assurance Company of Canada - US Operations Holdings, Inc.)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Sun Life Financial (Bermuda) Reinsurance Ltd.
Washington House, 16 Church St.
Hamilton, HM11, Bermuda

Opinions

We have audited the condensed financial statements of Sun Life Financial (Bermuda) Reinsurance Ltd. (the "Company"), which comprise the condensed balance sheet as of December 31, 2021, and the related condensed statements of income and capital and surplus for the year then ended, and the related notes to the condensed financial statements (the "condensed financial statements").

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying condensed financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations for the year then ended in accordance with the financial reporting provisions of the Bermuda Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (the "Legislation") described in General Note 3.

Adverse Opinion on International Financial Reporting Standards as issued by the International Accounting Standards Board

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on IFRS section of our report, the condensed financial statements do not present fairly, in accordance with IFRS, the financial position of the Company as of December 31, 2021, or the results of its operations for the year then ended.

Basis for Opinions

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 Condensed Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on IFRS

As described in General Note 3 of the condensed financial statements, the condensed financial statements are prepared by the Company on the basis of the financial reporting provisions of the Legislation, which is a basis of accounting other than IFRS, to meet the requirements of the Bermuda Monetary Authority. The effects on the condensed financial statements of the variances between the regulatory basis of accounting described in General Note 3 and IFRS, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Condensed Financial Statements¹

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

Auditor's Responsibilities for the Audit of the Condensed Financial Statements

Our objectives are to obtain reasonable assurance about whether the condensed financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 condensed 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 condensed financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the condensed financial statements.
- Obtain an understanding of internal 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 condensed 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

April 1, 2022

SUN LIFE FINANCIAL (BERMUDA) REINSURANCE LTD.
(A Wholly-Owned Subsidiary of Sun Life Assurance Company of Canada - US Operations Holdings, Inc.)

CONDENSED BALANCE SHEET
AS OF DECEMBER 31, 2021 AND 2020 (EXPRESSED IN '000)*

| CONDENSED BALANCE SHEET | | | |
|---|--|---------|---------|
| Sun Life Financial (Bermuda) Reinsurance Ltd. | | | |
| As at December 31, 2021 | | | |
| expressed in ['000s] United States Dollars | | | |
| LINE No. | | 2021 | 2020 |
| 1. | CASH AND CASH EQUIVALENTS | 23,504 | 13,046 |
| 2. | QUOTED INVESTMENTS: | | |
| (a) | Bonds and Debentures | | |
| | i. Held to maturity | - | - |
| | ii. Other | 340,421 | 350,581 |
| (b) | Total Bonds and Debentures | 340,421 | 350,581 |
| (c) | Equities | | |
| | i. Common stocks | - | - |
| | ii. Preferred stocks | - | - |
| | iii. Mutual funds | - | - |
| (d) | Total equities | - | - |
| (e) | Other quoted investments | - | - |
| (f) | Total quoted investments | 340,421 | 350,581 |
| 3. | UNQUOTED INVESTMENTS: | | |
| (a) | Bonds and Debentures | | |
| | i. Held to maturity | - | - |
| | ii. Other | - | - |
| (b) | Total Bonds and Debentures | - | - |
| (c) | Equities | | |
| | i. Common stocks | - | - |
| | ii. Preferred stocks | - | - |
| | iii. Mutual funds | - | - |
| (d) | Total equities | - | - |
| (e) | Other unquoted investments | - | - |
| (f) | Total unquoted investments | - | - |
| 4. | INVESTMENTS IN AND ADVANCES TO AFFILIATES | | |
| (a) | Unregulated entities that conduct ancillary services | - | - |
| (b) | Unregulated non-financial operating entities | - | - |
| (c) | Unregulated financial operating entities | - | - |
| (d) | Regulated non-insurance financial operating entities | - | - |
| (e) | Regulated insurance financial operating entities | - | - |
| (f) | Total investments in affiliates | - | - |
| (g) | Advances to affiliates | - | - |
| (h) | Total investments in and advances to affiliates | - | - |
| 5. | INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE: | | |
| (a) | First liens | - | - |
| (b) | Other than first liens | - | - |
| (c) | Total investments in mortgage loans on real estate | - | - |
| 6. | POLICY LOANS | - | - |
| 7. | INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE : | | |
| (a) | Occupied by the company (less encumbrances) | - | - |
| (b) | Other properties (less encumbrances) | - | - |
| (c) | Total real estate | - | - |

SUN LIFE FINANCIAL (BERMUDA) REINSURANCE LTD.
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CONDENSED BALANCE SHEET
AS OF DECEMBER 31, 2021 AND 2020 (EXPRESSED IN '000)*

| CONDENSED BALANCE SHEET | | | |
|---|---|-----------|---------|
| Sun Life Financial (Bermuda) Reinsurance Ltd. | | | |
| As at | December 31, 2021 | | |
| expressed in ['000s] | United States Dollars | | |
| LINE No. | | 2021 | 2020 |
| 8. | COLLATERAL LOANS | - | - |
| 9. | INVESTMENT INCOME DUE AND ACCRUED | 1,562 | 1,560 |
| 10. | ACCOUNTS AND PREMIUMS RECEIVABLE: | | |
| (a) | In course of collection | - | - |
| (b) | Deferred - not yet due | - | - |
| (c) | Receivables from retrocessional contracts | - | - |
| (d) | Total accounts and premiums receivable | - | - |
| 11. | REINSURANCE BALANCES RECEIVABLE: | | |
| (a) | Foreign affiliates | 21,864 | 27,888 |
| (b) | Domestic affiliates | - | - |
| (c) | Pools & associations | - | - |
| (d) | All other insurers | - | - |
| (e) | Total reinsurance balance receivable | 21,864 | 27,888 |
| 12. | FUNDS HELD BY CEDING REINSURERS | 606,395 | 592,212 |
| 13. | SUNDRY ASSETS: | | |
| (a) | Derivative instruments | - | - |
| (b) | Segregated accounts companies - long-term business - variable annuities | - | - |
| (c) | Segregated accounts companies - long-term business - other | - | - |
| (d) | Segregated accounts companies - general business | - | - |
| (e) | Deposit assets | - | - |
| (f) | Deferred acquisition costs | - | - |
| (g) | Net receivables for investments sold | - | - |
| (h) | Other Sundry Assets (Prepaid Expenses) | - | - |
| (i) | Other Sundry Assets (Income Tax Receivable) | 9,955 | 5,889 |
| (j) | Other Sundry Assets (Net Deferred Tax Asset) | 3 | - |
| (k) | Total sundry assets | 9,958 | 5,889 |
| 14. | LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS | | |
| (a) | Letters of credit | - | - |
| (b) | Guarantees | - | - |
| (c) | Other instruments | - | - |
| (e) | Total letters of credit, guarantees and other instruments | - | - |
| 15. | TOTAL | 1,003,704 | 991,176 |

SUN LIFE FINANCIAL (BERMUDA) REINSURANCE LTD.
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CONDENSED BALANCE SHEET
AS OF DECEMBER 31, 2021 AND 2020 (EXPRESSED IN '000)*

| CONDENSED BALANCE SHEET | | |
|--|---|---------|
| Sun Life Financial (Bermuda) Reinsurance Ltd. | | |
| As at | December 31, 2021 | |
| expressed in ['000s] | United States Dollars | |
| LINE No. | 2021 | 2020 |
| TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS | | |
| 16. | UNEARNED PREMIUM RESERVE | |
| (a) | 24 | 86 |
| (b) | Less: Ceded unearned premium reserve | |
| i. | - | - |
| ii. | - | - |
| iii. | - | - |
| iv. | - | - |
| (c) | - | - |
| (d) | 24 | 86 |
| 17. | LOSS AND LOSS EXPENSE PROVISIONS: | |
| (a) | 639,276 | 621,719 |
| (b) | Less : Reinsurance recoverable balance | |
| i. | - | - |
| ii. | - | - |
| iii. | - | - |
| iv. | - | - |
| (c) | - | - |
| (d) | 639,276 | 621,719 |
| 18. | - | - |
| 19. | 639,300 | 621,805 |
| LONG-TERM BUSINESS INSURANCE RESERVES | | |
| 20. | - | - |
| 21. | - | - |
| 22. | - | - |
| 23. | - | - |
| 24. | - | - |
| 25. | - | - |
| 26. | - | - |
| 27. | TOTAL LONG-TERM BUSINESS INSURANCE RESERVES | |
| (a) | - | - |
| (b) | Less: Reinsurance recoverable balance on long-term business | |
| (i) | - | - |
| (ii) | - | - |
| (iii) | - | - |
| (iv) | - | - |
| (c) | - | - |
| (d) | - | - |
| | Total Net Long-Term Business Insurance Reserves | |

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CONDENSED BALANCE SHEET
AS OF DECEMBER 31, 2021 AND 2020 (EXPRESSED IN '000)*

| CONDENSED BALANCE SHEET | | | |
|---|---|-------------|-----------|
| Sun Life Financial (Bermuda) Reinsurance Ltd. | | | |
| As at December 31, 2021 | | | |
| expressed in ['000s] United States Dollars | | | |
| LINE No. | 2021 | 2020 | |
| OTHER LIABILITIES | | | |
| 28. | INSURANCE AND REINSURANCE BALANCES PAYABLE | - | - |
| 29. | COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE | - | - |
| 30. | LOANS AND NOTES PAYABLE | - | - |
| 31. | (a) INCOME TAXES PAYABLE | - | - |
| | (b) DEFERRED INCOME TAXES | - | 800 |
| 32. | AMOUNTS DUE TO AFFILIATES | 128 | 119 |
| 33. | ACCOUNTS PAYABLE AND ACCRUED LIABILITIES | 62 | 9 |
| 34. | FUNDS HELD UNDER REINSURANCE CONTRACTS: | - | - |
| 35. | DIVIDENDS PAYABLE | - | - |
| 36. | SUNDRY LIABILITIES: | | |
| (a) | Derivative instruments | - | - |
| (b) | Segregated accounts companies | - | - |
| (c) | Deposit liabilities | - | - |
| (d) | Net payable for investments purchased | - | - |
| (e) | Other sundry liabilities (specify) | - | - |
| (f) | Other sundry liabilities (specify) | - | - |
| (g) | Other sundry liabilities (specify) | - | - |
| (h) | Total sundry liabilities | - | - |
| 37. | LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS: | | |
| (a) | Letters of credit | - | - |
| (b) | Guarantees | - | - |
| (c) | Other instruments | - | - |
| (d) | Total letters of credit, guarantees and other instruments | - | - |
| 38. | TOTAL OTHER LIABILITIES | 190 | 928 |
| 39. | TOTAL INSURANCE RESERVES AND OTHER LIABILITIES | 639,490 | 622,733 - |
| CAPITAL AND SURPLUS | | | |
| 40. | TOTAL CAPITAL AND SURPLUS | 364,214 | 368,443 |
| 41. | TOTAL | 1,003,704 | 991,176 |

SUN LIFE FINANCIAL (BERMUDA) REINSURANCE LTD.
(A Wholly-Owned Subsidiary of Sun Life Assurance Company of Canada - US Operations Holdings, Inc.)

CONDENSED STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (EXPRESSED IN '000)*

| CONDENSED STATEMENT OF INCOME | | | |
|---|--|-------------|-------------|
| Sun Life Financial (Bermuda) Reinsurance Ltd. | | | |
| As at December 31, 2021 | | | |
| expressed in ['000s] United States Dollars | | | |
| LINE No. | | 2021 | 2020 |
| | GENERAL BUSINESS UNDERWRITING INCOME | | |
| 1. | GROSS PREMIUMS WRITTEN | | |
| | (a) Direct gross premiums written | - | - |
| | (b) Assumed gross premiums written | 2,056,788 | 1,927,796 |
| | (c) Total gross premiums written | 2,056,788 | 1,927,796 |
| 2. | REINSURANCE PREMIUMS CEDED | - | - |
| 3. | NET PREMIUMS WRITTEN | 2,056,788 | 1,927,796 |
| 4. | INCREASE (DECREASE) IN UNEARNED PREMIUMS | 62 | - |
| 5. | NET PREMIUMS EARNED | 2,056,850 | 1,927,796 |
| 6. | OTHER INSURANCE INCOME | - | - |
| 7. | TOTAL GENERAL BUSINESS UNDERWRITING INCOME | 2,056,850 | 1,927,796 |
| | GENERAL BUSINESS UNDERWRITING EXPENSES | | |
| 8. | NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED | 1,375,442 | 1,358,385 |
| 9. | COMMISSIONS AND BROKERAGE | 273,516 | 266,171 |
| 10. | TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES | 1,648,958 | 1,624,556 |
| 11. | NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS | 407,892 | 303,240 |
| | LONG-TERM BUSINESS INCOME | | |
| 12. | GROSS PREMIUMS AND OTHER CONSIDERATIONS: | | |
| | (a) Direct gross premiums and other considerations | - | - |
| | (b) Assumed gross premiums and other considerations | - | - |
| | (c) Total gross premiums and other considerations | - | - |
| 13. | PREMIUMS CEDED | - | - |
| 14. | NET PREMIUMS AND OTHER CONSIDERATIONS: | | |
| | (a) Life | - | - |
| | (b) Annuities | - | - |
| | (c) Accident and health | - | - |
| | (d) Total net premiums and other considerations | - | - |
| 15. | OTHER INSURANCE INCOME | - | - |
| 16. | TOTAL LONG-TERM BUSINESS INCOME | - | - |

SUN LIFE FINANCIAL (BERMUDA) REINSURANCE LTD.
(A Wholly-Owned Subsidiary of Sun Life Assurance Company of Canada - US Operations Holdings, Inc.)

CONDENSED STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (EXPRESSED IN '000)*

| CONDENSED STATEMENT OF INCOME | | | |
|---|--|-------------|-------------|
| Sun Life Financial (Bermuda) Reinsurance Ltd. | | | |
| As at December 31, 2021 | | | |
| expressed in ['000s] United States Dollars | | | |
| LINE No. | | 2021 | 2020 |
| LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES | | | |
| 17. | CLAIMS - LIFE | - | - |
| 18. | POLICYHOLDERS' DIVIDENDS | - | - |
| 19. | SURRENDERS | - | - |
| 20. | MATURITIES | - | - |
| 21. | ANNUITIES | - | - |
| 22. | ACCIDENT AND HEALTH BENEFITS | - | - |
| 23. | COMMISSIONS | - | - |
| 24. | OTHER | - | - |
| 25. | TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES | - | - |
| 26. | INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES): | | |
| | (a) Life | - | - |
| | (b) Annuities | - | - |
| | (c) Accident and health | - | - |
| | (d) Total increase (decrease) in policy reserves | - | - |
| 27. | TOTAL LONG-TERM BUSINESS EXPENSES | - | - |
| 28. | NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS | - | - |
| 29. | COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS | 407,892 | 303,240 |
| UNDERNOTED ITEMS | | | |
| 30. | COMBINED OPERATING EXPENSE | | |
| | (a) General and administration | 1,365 | 1,192 |
| | (b) Personnel cost | - | - |
| | (c) Other | 264,958 | 207,624 |
| | (d) Total combined operating expenses | 266,323 | 208,816 |
| 31. | COMBINED INVESTMENT INCOME - NET | 7,814 | 8,398 |
| 32. | COMBINED OTHER INCOME (DEDUCTIONS) | 7,381 | 16,660 |
| 33. | COMBINED INCOME BEFORE TAXES | 156,764 | 119,482 |

SUN LIFE FINANCIAL (BERMUDA) REINSURANCE LTD.
(A Wholly-Owned Subsidiary of Sun Life Assurance Company of Canada - US Operations Holdings, Inc.)

CONDENSED STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (EXPRESSED IN '000)*

| CONDENSED STATEMENT OF INCOME | | | |
|---|--|-------------|-------------|
| Sun Life Financial (Bermuda) Reinsurance Ltd. | | | |
| As at December 31, 2021 | | | |
| expressed in ['000s] United States Dollars | | | |
| LINE No. | | 2021 | 2020 |
| 34. | COMBINED INCOME TAXES (IF APPLICABLE): | | |
| | (a) Current | 31,542 | 29,532 |
| | (b) Deferred | 1,775 | (3,629) |
| | (c) Total | 33,317 | 25,903 |
| 35. | COMBINED INCOME BEFORE REALIZED GAINS (LOSSES) | 123,447 | 93,579 |
| 36. | COMBINED REALIZED GAINS (LOSSES) | 2,021 | 3,865 |
| 37. | COMBINED INTEREST CHARGES | - | - |
| 38. | NET INCOME | 125,468 | 97,444 |

SUN LIFE FINANCIAL (BERMUDA) REINSURANCE LTD.
(A Wholly-Owned Subsidiary of Sun Life Assurance Company of Canada - US Operations Holdings, Inc.)

CONDENSED STATEMENT OF CAPITAL AND SURPLUS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (EXPRESSED IN '000)*

| CONDENSED STATEMENT OF CAPITAL AND SURPLUS | | | |
|---|--|---------|---------|
| Sun Life Financial (Bermuda) Reinsurance Ltd. | | | |
| As at December 31, 2021 | | | |
| expressed in ['000s] United States Dollars | | | |
| LINE No. | | 2021 | 2020 |
| 1. | CAPITAL: | | |
| (a) | Capital Stock | | |
| | (i) Common Shares | 190,000 | 190,000 |
| | authorized 190,000 shares of par | | |
| | value \$ 1,000 each issued and | | |
| | fully paid 190,000 shares | | |
| | (ii) | | |
| | (A) Preferred shares: | - | - |
| | authorized _____ shares of par | | |
| | value _____ each issued and | | |
| | fully paid _____ shares | | |
| | aggregate liquidation value for – | | |
| | 2021 _____ | | |
| | 2020 _____ | | |
| | (B) Preferred shares issued by a subsidiary: | - | - |
| | authorized _____ shares of par | | |
| | value _____ each issued and | | |
| | fully paid _____ shares | | |
| | aggregate liquidation value for – | | |
| | 2021 _____ | | |
| | 2020 _____ | | |
| | (iii) Treasury Shares | - | - |
| | repurchased _____ shares of par | | |
| | value _____ each issued | | |
| (b) | Contributed surplus | 70,000 | 70,000 |
| (c) | Any other fixed capital | | |
| | (i) Hybrid capital instruments | - | - |
| | (ii) Guarantees and others | - | - |
| | (iii) Total any other fixed capital | - | - |
| (d) | Total Capital | 260,000 | 260,000 |

SUN LIFE FINANCIAL (BERMUDA) REINSURANCE LTD.
(A Wholly-Owned Subsidiary of Sun Life Assurance Company of Canada - US Operations Holdings, Inc.)

CONDENSED STATEMENT OF CAPITAL AND SURPLUS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (EXPRESSED IN '000)*

| CONDENSED STATEMENT OF CAPITAL AND SURPLUS | | | |
|---|--|-------------|-------------|
| Sun Life Financial (Bermuda) Reinsurance Ltd. | | | |
| As at December 31, 2021 | | | |
| expressed in ['000s] United States Dollars | | | |
| LINE No. | | 2021 | 2020 |
| 2. | SURPLUS: | | |
| (a) | Surplus - Beginning of Year | 108,443 | 71,686 |
| (b) | Add: Income for the year | 125,468 | 97,444 |
| (c) | Less: Dividends paid and payable | (120,000) | (70,000) |
| (d) | Add (Deduct) change in unrealized appreciation (depreciation) of investments | (9,697) | 9,313 |
| (e) | Add (Deduct) change in any other surplus | - | - |
| (f) | Surplus - End of Year | 104,214 | 108,443 |
| 3. | MINORITY INTEREST | - | - |
| 4. | TOTAL CAPITAL AND SURPLUS | 364,214 | 368,443 |

* Expressed in United States Dollars, '000, except for per share data.

SUN LIFE FINANCIAL (BERMUDA) REINSURANCE LTD.
(A Wholly-Owned Subsidiary of Sun Life Assurance Company of Canada - US Operations Holdings, Inc.)

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (EXPRESSED IN '000)*

SCHEDULE X

MATTERS TO BE SET FORTH IN A GENERAL NOTE TO THE FINANCIAL STATEMENTS

- 1. The name of the shareholder controllers of the insurer. Name and place of incorporation of the insurer's affiliates that are consolidated in these financial statements. Changes to the shareholder controller(s); or to the place of the incorporation of an insurer's affiliates during the relevant year, in this regard, provide the date and details of such change.**

Sun Life Financial (Bermuda) Reinsurance Ltd. (the "Company") was incorporated on November 9, 2015 as a licensed Class 3A Insurer under the Bermuda Insurance Act 1978 (the "Act") and commenced operations on February 1, 2016. The Company is a wholly owned subsidiary of Sun Life Assurance Company of Canada - US Operations Holdings, Inc. ("US Ops Holdco" or the "Parent"). The Company is part of an affiliated group for which the ultimate parent is Sun Life Financial Inc. ("SLF" or "Ultimate Parent").

The Company operates as a reinsurer of policies issued by affiliates of the Ultimate Parent group ("member affiliates"). There are no affiliates that are consolidated in these financial statements.

Refer to **Matters to be set forth in a General Note to the Financial Statements #17 – Any other information** for further disclosure.

- 2. The general nature of the risks underwritten by the insurer.**

As permitted by its Class 3A license, the Company entered into reinsurance treaties with its member affiliates, whereby it reinsures U.S. medical stop loss business written by the U.S. Branch of Sun Life Assurance Company of Canada ("SLOC") and Sun Life and Health Insurance Company (U.S.) ("SLHIC").

Refer to **Matters to be set forth in a General Note to the Financial Statements #15 – Related party transactions** for further disclosures.

- 3. The accounting standards and principles on which the condensed financial statements are based (i.e. IFRS, US GAAP, etc.)**

The accompanying condensed general purpose financial statements ("financial statements") of the Company are presented in accordance with the financial reporting provisions of the Bermuda Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 (the "Legislation"), under the principles of International Financial Reporting Standards ("IFRS"). The financial reporting provisions of the Legislation are different from those under IFRS, most notably, there is no requirement to file a cash flow statement, and the note disclosures are not a complete set of footnotes that would otherwise be required under IFRS.

SUN LIFE FINANCIAL (BERMUDA) REINSURANCE LTD.
(A Wholly-Owned Subsidiary of Sun Life Assurance Company of Canada - US Operations Holdings, Inc.)

NOTES TO CONDENSED GENERAL PURPOSE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (EXPRESSED IN ‘000)*

4. **The accounting policies of the insurer, any significant change made during the relevant year to such policies and the effect, if any, of changes to the information contained in the financial statements.**

Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Company in preparing the accompanying financial statements:

Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability. Management determines fair value by using quoted prices in active markets for identical or similar assets or liabilities. When quoted prices in active markets are not available, fair value is determined using valuation techniques that maximize the use of observable inputs. When observable valuation inputs are not available, significant judgment is required to determine fair value by assessing the valuation techniques and valuation inputs. The use of alternative valuation techniques or valuation inputs may result in a different fair value. A description of the fair value methodologies, assumptions, valuation techniques and valuation inputs by type of asset is included in **Matters to be set forth in a General Note to the Financial Statements – #13 Fair value amounts for all quoted and unquoted investment lines** and **Matters to be set forth in Notes to the Condensed Balance Sheet – #2 Quoted investments**.

Invested Assets

Financial assets include cash, cash equivalents and debt securities. Financial assets are designated as financial assets at fair value through profit or loss (“FVTPL”) or available-for-sale (“AFS”) assets. The following table summarizes the financial assets included in the Condensed Balance Sheet and the asset classifications applicable to these assets:

| Condensed Balance Sheet line | Asset classification |
|------------------------------|----------------------|
| Cash and cash equivalents | FVTPL |
| Debt securities | FVTPL and AFS |

Cash equivalents are highly liquid instruments with a term to maturity of three months or less. Debt securities are designated as either FVTPL or AFS. The accounting for each asset classification is described in the following sections.

Derecognition

Financial assets are derecognized when our rights to contractual cash flows expire, when we transfer substantially all our risks and rewards of ownership, or when we no longer retain control.

Impairment

Financial assets are assessed for impairment on a quarterly basis. Financial assets are impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more loss events and that event has an impact on the estimated future cash flows that can be reliably estimated. Objective evidence of impairment generally includes significant financial difficulty of the

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issuer, including actual or anticipated bankruptcy or defaults and delinquency in payments of interest or principal or disappearance of an active market for that financial asset.

Management exercises considerable judgment in assessing for objective evidence of impairment. Due to the inherent risks and uncertainties in our evaluation of assets or groups of assets for objective evidence of impairment, the actual impairment amount and the timing of the recognition of impairment may differ from management's assessment.

Since financial assets classified as FVTPL are carried at fair value with changes in fair value recorded to income, any reduction in value of the assets due to impairment is already reflected in income.

When there is objective evidence that a financial asset classified as AFS is impaired, the loss in Line No. 2 (d) Change in Unrealized Appreciation (Depreciation) of Investments in the Condensed Statement of Capital and Surplus is reclassified to Line No. 36 Combined Realized Gains (Losses) in the Condensed Income Statement. Following impairment loss recognition, a debt security continues to be carried at fair value with changes in fair value recorded in Line No. 2 (d) Change in Unrealized Appreciation (Depreciation) of Investments in the Condensed Statement of Capital and Surplus, and it is assessed quarterly for further impairment loss or reversal. Once an impairment loss on a debt security classified as AFS is recorded to income, any reversal of impairment loss through income occurs only when the recovery in fair value is objectively related to an event occurring after the impairment was recognized.

Insurance Contract Liabilities

Insurance contract liabilities (or "reserves") are determined in accordance with Canadian accepted actuarial practice. The liabilities are calculated by contract effective month using a combination of expected loss ratios and payment lags. The total reserve uses a combination of methodologies (Loss Ratio, Completion Factor and Bornheutter-Ferguson) depending on credibility of the lag factors for each effective month cohort. The loss ratios used are updated throughout the year as experience develops, while the reporting lags are updated once a year based upon historical experience.

Significant judgment is required in determining the liabilities for insurance contracts including the assumptions required for their determination. Application of different assumptions may result in different measurement of the insurance contract liabilities. Actual experience may differ from assumptions, and estimates may change from period to period based on future events or revisions of assumptions.

Changes in actuarial assumptions during the year ended December 31, 2021 were not significant and were consistently applied to new and existing business.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles permitted by the Legislation requires management to make estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities and revenue and expenses. The most significant estimates are those used in determining the fair value of financial instruments, the measurement of insurance contract liabilities and other-than-temporary impairment ("OTTI") of

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investments. Actual results may differ from our estimates thereby impacting our financial statements. Information on our use of estimates and assumptions are discussed in this Note.

Credit Risk

Credit risk is the possibility of loss from amounts owed from our financial counterparties. We are subject to credit risk in connection with issuers of securities held in our investment portfolio, debtors, structured securities, counterparties, other financial institutions and other entities. Losses may occur when the counterparty fails to make timely payments pursuant to the terms of the underlying contractual agreement or when the counterparty's credit rating or risk profile otherwise deteriorates. Credit risk can also arise in connection with deterioration in the value of, or ability to, realize on any underlying security that may be used as collateral for the debt obligation. Credit risk can occur at multiple levels, as a result of broad economic conditions, challenges within specific sectors of the economy, or from issues affecting individual companies. Events that result in defaults, impairments or downgrades of the securities in our investment portfolio would cause the Company to record realized or unrealized losses and increase our provision for asset default, adversely impacting earnings.

Income Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are calculated based on income tax rates and laws that are expected to apply when the liability is settled or the asset is realized, which are normally those enacted or considered substantively enacted at the Condensed Balance Sheet date. Current and deferred income tax relating to unrealized gains and losses of AFS bonds is recognized in line 2(d) of the Condensed Statement of Capital and Surplus.

See **Matters to be set forth in Notes to the Condensed Balance Sheet #31 - Income taxes** for further disclosure.

5. The basis of recognition of premium, investment and commission income.

Income and Expenses

Gross premiums are recognized as revenue when due over the terms of the related insurance policy. The premiums and claims of the Company are all assumed; there are no direct or ceded premiums or claims. Expenses are charged to operations as incurred.

Unearned Premium Reserve

The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the Gross Unearned Premium Reserve.

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Invested Assets

Initial Recognition and Subsequent Measurement

Generally, debt securities that support insurance contract liabilities are designated as FVTPL, while debt securities not supporting insurance contract liabilities are designated as AFS. Financial assets are recognized in the Condensed Balance Sheet on their trade dates, which are the dates committed to purchase or sell the assets.

Financial assets at FVTPL include financial assets that are held for trading (“HFT”), as well as financial assets that have been designated as FVTPL at initial recognition. A financial asset is classified as HFT if it is acquired principally for the purpose of selling in the near term. A financial asset can be designated as FVTPL if it eliminates or significantly reduces a measurement or recognition of inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or if a group of financial assets, financial liabilities or both, is managed and its performance is evaluated on a fair value basis.

Financial assets classified as FVTPL are recorded at fair value in the Condensed Balance Sheet and transaction costs are expensed immediately. Changes in fair value as well as realized gains and losses on sale are recorded in Line No. 31 Combined Investment Income –Net in the Condensed Statement of Income.

Financial assets classified as AFS are recorded at fair value in the Condensed Balance Sheet and transaction costs are capitalized on initial recognition. Transaction costs for debt securities are recognized in income using the effective interest method. Changes in fair value, net of the associated tax impacts, are recorded to Line No. 2 (d) Change in Unrealized Appreciation (Depreciation) of Investments in the Condensed Statement of Capital and Surplus. Net impairment losses and realized gains and losses on the sale of assets classified as AFS are reclassified from Line No. 2 (d) Change in Unrealized Appreciation (Depreciation) of Investments in the Condensed Statement of Capital and Surplus to Line No. 36 Combined Realized Gains (Losses).

Interest income and dividends received are recognized when earned and recorded in Line No. 31 Combined Investment Income - Net in the Condensed Statement of Income.

Commission income – not applicable.

- 6. The method used to translate amounts denominated in currencies other than the currency of the financial statements, the amounts, if material, gained or lost on such translation and the manner in which those gains or losses are treated in those statements.**

Not applicable.

- 7. Any foreign exchange control restrictions affecting assets of the insurer, with particular reference to money balances, which cannot be transferred to the insurer due to reasons unrelated to the insurance business conducted by the insurer.**

Not applicable.

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- 8. The nature and amount of any material contingencies or commitments (for example, a commitment involving an obligation requiring abnormal expenditure, pending lawsuit, or the conclusion of a long lease).**

Litigation

The Company is not aware of any contingent liabilities arising from litigation or other matters that could have a material effect on the financial position of the Company.

Indemnities

In the normal course of its business, the Company enters into agreements that include indemnities in favor of third parties, such as contracts with advisors and consultants, outsourcing agreements and service agreements. The Company has also agreed to indemnify its directors, officers and employees in accordance with the Company's by-laws. The Company believes any potential liability under these agreements is neither probable nor estimable. Therefore, the Company has not recorded any associated liability.

Lease Commitments

As of December 31, 2021, the Company has no direct leases for facilities and equipment.

- 9. Any default made by the insurer in relation to the principal, interest, sinking fund or redemption provisions of any securities issue made, or any credit agreement entered into, by it.**

Not applicable.

- 10. The gross amount of arrears of dividends on preferred cumulative shares, and the date to which those dividends were last paid.**

Not applicable.

- 11. The amount of any loan made during the relevant year by the insurer, to any director or officer of the insurer, not being a loan made in the ordinary course of business.**

Not applicable.

- 12. The amount of any obligation in respect of retirement benefits relating to employees of the insurer arising from service prior to the end of the relevant year remaining to be charged against operations, and the basis on which the insurer proposes to charge that amount.**

Not applicable.

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13. Fair value amounts for all quoted and unquoted investment lines. Fair value hierarchy of investments based on the following levels:

- **Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities that the reporting entity can access at the measurement date**

The types of assets and liabilities utilizing Level 1 valuations include U.S. Treasury and agency securities and investments in publicly traded mutual funds with quoted market prices.

- **Level 2: Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly**

The types of assets and liabilities utilizing Level 2 valuations generally include U.S. Government securities not backed by the full faith and credit of the government, certain asset backed securities (“ABS”) including residential mortgage backed securities (“RMBS”) and commercial mortgage backed securities (“CMBS”) and certain corporate debt securities.

- **Level 3: Unobservable inputs**

Fair value for investments classified as Level 3 is based on valuation techniques that require one or more significant inputs that are not observable. These unobservable inputs reflect management’s expectations about the assumptions market participants would use in pricing the asset or liability. Pricing may also be based upon broker quotes that do not represent an offer to transact. Prices are determined using valuation methodologies such as option pricing models, discounted cash flow models and other similar techniques. Non-binding broker quotes, which are utilized when pricing service information is not available, are reviewed for reasonableness based on the Company’s understanding of the market and are generally considered Level 3. To the extent, the internally developed valuations use significant unobservable inputs, they are classified as Level 3.

Generally, the types of assets and liabilities utilizing Level 3 valuations are certain ABS, RMBS, CMBS and certain corporate debt securities.

There have been no significant changes made in valuation techniques during 2021.

The Company’s assets by classification reported at fair value as of December 31, 2021 are as follows:

| As of December 31, 2021 | Level 1 | Level 2 | Level 3 | Total |
|--|------------------|-------------------|----------------|-------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 23,504 | \$ - | \$ - | \$ 23,504 |
| Debt securities - fair value through profit or loss | 29,934 | 2,055 | - | 31,989 |
| Debt securities - available-for-sale | 22,397 | 286,035 | - | 308,432 |
| Total financial assets measured at fair value | \$ 75,835 | \$ 288,090 | \$ - | \$ 363,925 |

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Debt securities – fair value through profit or loss consist of the following:

| As of December 31, 2021 | Level 1 | Level 2 | Level 3 | Total |
|--|------------------|-----------------|----------------|------------------|
| Corporate debt securities | \$ - | \$ 1,047 | \$ - | \$ 1,047 |
| U.S. government and agency | 29,934 | - | - | 29,934 |
| Asset-backed securities: | | | | |
| Other asset-backed securities | - | 1,008 | - | 1,008 |
| Total debt securities - fair value through profit or loss | \$ 29,934 | \$ 2,055 | \$ - | \$ 31,989 |

Debt securities – available-for-sale consist of the following:

| As of December 31, 2021 | Level 1 | Level 2 | Level 3 | Total |
|---|------------------|-------------------|----------------|-------------------|
| Corporate debt securities | \$ - | \$ 219,920 | \$ - | \$ 219,920 |
| U.S. government and agency | 22,397 | - | - | 22,397 |
| Asset-backed securities: | | | | |
| Residential mortgage-backed securities | - | 26,612 | - | 26,612 |
| Commercial mortgage-backed securities | - | 27,217 | - | 27,217 |
| Other asset-backed securities | - | 12,286 | - | 12,286 |
| Total debt securities - available-for-sale | \$ 22,397 | \$ 286,035 | \$ - | \$ 308,432 |

There are no assets or liabilities measured at fair value, which are categorized as Level 3, and no transfers to/from assets or liabilities categorized as Level 3 for the year ended December 31, 2021.

14. The contractual maturity profile of the insurers' fixed maturity and short-term investments:

- **Due within one year**
- **Due after one year through five years**
- **Due after five years through ten years**
- **Due after ten years**

The contractual maturities of debt securities are shown in the following tables. Debt securities that are not due at a single maturity date are included in the tables in the year of final maturity. Actual maturities could differ from contractual maturities because of the borrower's right to call or extend or right to prepay obligations, with or without prepayment penalties.

| As of December 31, 2021 | Amortized Cost | Estimated Fair Value |
|--|-----------------------|-----------------------------|
| Due in one year or less | \$ 30,552 | \$ 30,713 |
| Due after one year through five years | 161,236 | 165,150 |
| Due after five years through ten years | 71,567 | 73,811 |
| Due after ten years | 68,524 | 70,747 |
| Total debt securities | \$ 331,879 | \$ 340,421 |

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15. **Related party transactions detailing the nature of the relationship, description of transactions including transactions where no amounts or nominal amounts were ascribed, monetary amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period, and amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.**

The Company has significant transactions with affiliates. Management believes intercompany revenues and expenses are calculated on a reasonable basis and there were no changes in methods from those in place during the prior year. Below is a summary of significant transactions with affiliates.

Reinsurance Agreements

The Company has a 100% coinsurance funds withheld reinsurance agreement with SLOC, effective September 30, 2019, under which it assumes 100% of the risks, net of third-party reinsurance, associated with medical stop loss insurance policies issued by SLOC. SLOC holds and manages the assets on a funds withheld basis, and the Company has a corresponding funds withheld receivable within Line No. 12 Funds Held by Ceding Reinsurers on its Condensed Balance Sheet. As of December 31, 2021 and 2020, the funds withheld receivable balance reported on the Company's balance sheet was \$606,395 and \$592,212, respectively.

See also **Matters to be set forth in a General Note to the Financial Statements #17 - Any other information** for further disclosure.

The Company has a 100% coinsurance reinsurance agreement with SLHIC, under which it assumes 100% of the risks, net of third-party reinsurance, associated with certain medical stop loss insurance policies issued by SLHIC. The Company's obligations are secured through a separate trust account (the "Reinsurance Trust") established with a third-party financial institution. Assets within the Reinsurance Trust are maintained at 100% of the ceded reserve balance.

Experience Refund

In lieu of a ceding commission, the Company pays SLHIC and SLOC an experience refund to compensate the member affiliates for ceding profitable business in accordance with the terms of the reinsurance agreements with SLHIC and SLOC, respectively. The Company pays each member affiliate 60% of the current quarter's pre-tax IFRS net profits ("net profits"). In the event a pre-tax IFRS net loss is incurred for a given quarter, the Company will not owe any experience refund to member affiliates and the loss will be carried forward (the "loss carryforward") and applied to net profits generated in a future quarter. The loss carryforward will be applied to all future quarterly net profits and no experience refund will be paid until the loss carryforward is fully recovered.

See also **Matters to be set forth in Notes to the Condensed Balance Sheet – #11 Reinsurance balances receivable.**

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Administrative Services Agreements and Other

The Company has an administrative services agreement with its affiliate, the Bermuda Branch of Sun Life Assurance Company of Canada (the "Bermuda Branch"), under which the Bermuda Branch provides general administrative services. The services provided include personnel, facilities, actuarial, legal and other administrative services on a cost reimbursement basis. Effective December 1, 2019, the Company also entered into an administrative services agreement with its affiliate, SLOC, under which SLOC provides general administrative services not provided by the Bermuda Branch. The services are provided on a cost-plus basis. Expenses incurred under the agreements were \$911 and \$898 for 2021 and 2020, respectively.

The Company has an investment advisory agreement with Sun Life Capital Management (U.S.) LLC ("SLCMUS") (formerly, Sun Life Institutional Investments (U.S.) LLC), under which SLCMUS acts as investment manager for some of the Company's portfolios. Expenses incurred under the agreement were \$372 and \$352 for 2021 and 2020, respectively.

The Company has a payable to related parties of \$128 and \$119 as of December 31, 2021 and 2020, respectively, under terms of various management and services contracts that provided for cash settlements on a quarterly or more frequent basis and are reported in Line No. 32 Amounts Due to Affiliates on its Condensed Balance Sheet.

- 16. Any transaction made or other event occurring between the end of the relevant year and the date of approval of the financial statements by the board of directors and materially affecting the financial statements, not being a transaction made or an event occurring in the ordinary course of business.**

Subsequent events were evaluated from the balance sheet date through the date of issuance of the audited Condensed General Purpose Financial Statements, which were made available on April 1, 2022.

- 17. Any other information which in the opinion of the board of directors is required to be disclosed if the financial statements are not to be misleading.**

Assumed Reinsurance Balances

Due to the nature of the Company's operations, the balances reported on the Condensed Statement of Income for the year ended December 31, 2021 represent the effects of assumed reinsurance for the following: Line No. 5 Net Premiums Earned, Line No. 8 Net Losses Incurred and Net Loss Expenses Incurred (policyholder benefits and changes in reserves), Line No. 9 Commissions and Brokerage (commissions and expense allowance on reinsurance assumed), Line No. 30 (c) Combined Operating Expense Other (experience refund on reinsurance assumed), and Line No. 32 Combined Other Income (investment income on funds withheld).

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The following schedule reflects related party reinsurance information recorded in the Condensed Statement of Income:

For the year ended December 31, 2021

| | | |
|--|----|-----------|
| Net premiums earned | \$ | 2,056,850 |
| Policyholder benefits and changes in reserves | | 1,375,442 |
| Commissions and expense allowance on reinsurance assumed | | 273,516 |
| Experience refund on reinsurance assumed | | 223,668 |
| Investment income on funds withheld | | 7,381 |

Taxes

Effective January 31, 2018, in response to changes in the U.S. tax reform legislation signed into law December 22, 2017, the ownership of the Company was restructured and all the outstanding shares were transferred from the Ultimate Parent to US Ops Holdco. The Company has elected to be treated as a U.S. corporation for U.S. Income Tax purposes under Internal Revenue Code Section 953(d). This election was effective as of February 1, 2018 and the Company’s income after the effective date of the election is taxed at the U.S. federal statutory tax rate of 21%. As a result of this election, the Company will no longer be subject to the federal excise tax (“FET”) or withholding tax on investment income (“withholding taxes”) previously imposed. Due to the timing of the approval of the election, the Company has paid FET for the period from February 1, 2018 through March 31, 2020. The amount has been recorded as a receivable within Line No. 13i – Other Sundry Assets on the Condensed Balance Sheet, as management expects to fully recoup these payments once refund requests are processed.

See **Matters to be set forth in Notes to the Condensed Balance Sheet #31 – Income taxes** for further disclosure.

* Expressed in United States Dollars, ‘000, except for per share data.

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SCHEDULE X
MATTERS TO BE SET FORTH IN NOTES TO THE CONDENSED BALANCE SHEET

1. Cash and cash equivalents

Any encumbrance on cash or cash equivalents must be disclosed. Examples of such encumbrances are: irrevocable letters of credit; amounts held for security or as collateral against a liability of the insurer or an affiliate; any other use restriction such that the funds in question are held in escrow or in a custodial account.

Cash and cash equivalents presented in the Condensed Balance Sheet consist of the following:

As of December 31, 2021

| | | |
|---------------------------|----|--------|
| Cash | \$ | 1,506 |
| Cash equivalents | | 21,998 |
| Cash and cash equivalents | \$ | 23,504 |

Encumbrances – not applicable.

2. Quoted investments

The method of valuation of quoted investment must be described. Any encumbrance on quoted investments must be disclosed. Examples of such encumbrances are: irrevocable letters of credit; amounts held for security or as collateral against a liability of the insurer or an affiliate.

Fair Value Methodologies and Assumptions

The fair value of government and corporate debt securities is determined using quoted prices in active markets for identical or similar securities. When quoted prices in active markets are not available, fair value is determined using market standard valuation methodologies, which include discounted cash flow analysis, consensus pricing from various broker dealers that are typically the market makers, or other similar techniques. The assumptions and valuation inputs in applying these market standard valuation methodologies are determined primarily using observable market inputs, which include, but are not limited to, benchmark yields, reported trades of identical or similar instruments, broker-dealer quotes, issuer spreads, bid prices, and reference data including market research publications. In limited circumstances, non-binding broker quotes are used.

The fair value of asset-backed securities is determined using quoted prices in active markets for identical or similar securities, when available, or valuation methodologies and valuation inputs similar to those used for government and corporate debt securities. Additional valuation inputs include structural characteristics of the securities, and the underlying collateral performance, such as prepayment speeds and delinquencies. Expected prepayment speeds are based primarily on those previously experienced in the market at projected future interest rate levels. In instances where there is a lack of sufficient observable market data to value the securities, non-binding broker quotes are used.

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Amortized Cost and Fair Value of Financial Assets

The amortized cost and fair values of our financial assets are shown in the following table:

| As of December 31, 2021 | Amortized Cost | Fair Value |
|---|---------------------------|-----------------------|
| <i>Assets</i> | | |
| Cash and cash equivalents | \$ 23,504 | \$ 23,504 |
| Debt securities - fair value through profit or loss | 32,040 | 31,989 |
| Debt securities - available-for-sale | 299,839 | 308,432 |
| Total financial assets | \$ 355,383 | \$ 363,925 |

Fair Value Hierarchy

We categorize our assets carried at fair value, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three-level fair value hierarchy as follows:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access. Active markets are defined as a market in which many transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Fair value is based on quoted prices for similar assets or liabilities traded in active markets, or prices from valuation techniques that use significant observable inputs, or inputs that are derived principally from or corroborated with observable market data through correlation or other means. Valuations are generally obtained from third-party pricing services for identical comparable assets or liabilities or through the use of valuation methodologies using observable market inputs.

Level 3: Fair value is based on valuation techniques that require one or more significant inputs that are not based on observable market inputs. These unobservable inputs reflect management's expectations about the assumptions market participants would use in pricing the asset or liability. Pricing may also be based upon broker quotes that do not represent an offer to transact. Prices are determined using valuation methodologies such as option pricing models, discounted cash flow models and other similar techniques. Non-binding broker quotes, which are utilized when pricing service information is not available, are reviewed for reasonableness based on the Company's understanding of the market and are generally considered Level 3. To the extent, the internally developed valuations use significant unobservable inputs, they are classified as Level 3.

Encumbrances – not applicable.

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3. Unquoted investments

The method of valuation of any unquoted investment must be described. Any encumbrance on unquoted investments must be disclosed. Examples of such encumbrances are: irrevocable letters of credit; amounts held for security or as collateral against a liability of the insurer or an affiliate.

Not applicable.

4. Investment in and advances to affiliates

The method of valuation must be described. Repayment terms and the rates of interest applicable to advances must also be given.

Not applicable.

5. Investments in mortgage loans on real estate

The range of interest rates and the range of maturity dates for mortgage loans on real estate must be disclosed.

Not applicable.

6. Policy loans

Loans to policyholders on the security of cash surrender value of the policyholder's long-term insurance policy shall be included here.

Not applicable.

7. Real estate

As regards real estate -

- (a) (i) the method of valuation; and (ii) where there are encumbrances, the value of the real estate before encumbrances, the amount and nature of the encumbrances and the repaying terms and interest rates applicable to the encumbrances, shall be disclosed.**
- (b) To the extent permitted by the accounting standards and principles on which the condensed financial statements are based, where an independent appraisal has been made, real estate may be valued at the appraisal value net of the amount of any encumbrances. In such a case, full details of the appraisal (including the date of the appraisal, the name of the appraiser, the basis of valuation and the disposition of any amounts added to or deducted from the book value) shall be disclosed.**
- (c) where other properties (i.e., properties not occupied by the insurer) are included in the balance sheet, the nature of the investments represented by those properties (for example whether held for investment return, or as a result of default of mortgage, or for speculative gain) shall be disclosed.**

Not applicable.

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8. Collateral loans
Description and amount of the collateral loans.

Not applicable.

9. Investment income due and accrued
Accrued investment income shall be included here.

Investment Income Due and Accrued is \$1,562 as of December 31, 2021.

10. Accounts and premiums receivable
Accounts and premium receivable shall include insurance and reinsurance premiums receivable and the following must be disclosed in a note:

- (a) Details of collateralized balances.**
- (b) The amount of the receivable balance with affiliates.**

Not applicable.

11. Reinsurance balances receivable
Reinsurance balances receivable shall include reinsurance balances receivable on paid losses. Details of collateralized balances shall be disclosed.

As of December 31, 2021, a reinsurance receivable of \$21,864 is reflected in the Condensed Balance Sheet, representing amounts owed to the Company from member affiliates.

Refer to **Matters to be set forth in a General Note to the Financial Statements #15 – Related party transactions** for further disclosure.

12. Funds held by ceding reinsurers
The amount held by affiliates shall be disclosed.

Funds Held by Ceding Reinsurers is \$606,395 as of December 31, 2021.

Refer to **Matters to be set forth in a General Note to the Financial Statements #15 – Related party transactions** for further disclosure.

13. Sundry assets
(a) The nature and terms of these assets.
(b) For derivatives and embedded derivatives, if any the following must be disclosed—
(i) a description of the policies surrounding the use of derivatives; and
(ii) market value and nominal exposure of each derivative by issuer with nominal exposure greater than 5% of the aggregate sum of the total quoted and unquoted investments. Disclosure should be separated between long and short positions.

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As of December 31, 2021, an income tax receivable of \$9,955 and net deferred tax asset of \$3 is reflected in the Condensed Balance Sheet, Line No. 13i – Other Sundry Assets and 13j – Other Sundry Assets, respectively.

Refer to **Matters to be set forth in Notes to the Condensed Balance Sheet #31 – Income taxes**, for additional disclosure on current and deferred income taxes.

There are no derivatives or embedded derivatives reported on the Company's Condensed Balance Sheet.

- 14. Letters of credit, guarantees and other**
Any other assets not disclosed in lines 1 through 13 should be instruments disclosed here. The nature and the method of valuation should be disclosed.

Not applicable.

- 16. Unearned premium reserve**
The method of calculating unearned premiums and the unearned portion of the reinsurance premiums ceded. Acquisitions costs shall not be deducted in calculating the amount of unearned premium.

The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the Gross Unearned Premium Reserve.

- 17. Loss and loss expense provisions**
The following must be disclosed in a note -
- (a) Movements in the loss and loss expense provisions for the current year and previous year as per the table below.**
 - (b) Reasons for the change in the net losses incurred and net loss expenses incurred related to prior years and indicate whether additional premiums or return premiums have been accrued as a result of the prior year effects.**
 - (c) For the loss and loss expense provisions the following must be disclosed, if any—**
 - (i) total restricted assets - an amount equal to the value of all that are held for security or collateral against a liability or contingent liability; and**
 - (ii) unsecured policyholder obligations - an amount equal to all policyholder obligations that are not secured by assets or collateral.**

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| As of December 31, 2021 | |
|--|------------|
| Gross loss and loss expense provisions at beginning of year | \$ 621,719 |
| Less: Reinsurance recoverable at beginning of year | - |
| Net loss and loss expense provisions at beginning of year | 621,719 |
| Net losses incurred and net loss expenses incurred related to: | |
| (a) Current year | 1,480,690 |
| (b) Prior years | (105,248) |
| Total net losses incurred and net loss expenses incurred | 1,375,442 |
| Less: Losses and loss expenses paid or payable related to: | |
| (a) Current year | 882,905 |
| (b) Prior years | 474,980 |
| Total losses and loss expenses paid or payable | 1,357,885 |
| Net loss and loss expense provisions at end of year | 639,276 |
| Add: Reinsurance recoverable at end of year | - |
| Gross loss and loss expense provisions at end of year | \$ 639,276 |

For the stop loss business ceded to the Company, the December 31, 2021 incurred claims related to prior years' amount is negative (redundant), meaning that the Company's actual losses incurred related to prior years were less than the estimates previously made by the Company. The favorable development in claim reserves for the year ended December 31, 2021 is primarily attributable to actual claim payment patterns and cost trends differing from those assumed at the time the liability was established. No additional premiums have been accrued as a result of prior year effects.

Refer also to **Matters to be set forth in a General Note to the Financial Statements #15 – Related party transactions** for further disclosure regarding assets held under trust.

20. Reserves for reported claims

The method of determining reserves for reported claims.

Not applicable.

21. Reserves for unreported claims

The method of determining reserves for unreported claims.

Not applicable.

22. Policy reserves – life

The method of calculation, and the range of significant or material interest rates and mortality factors used in calculations.

Not applicable.

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- 23. Policy reserves accident and health**
The method of calculation of the reserves.

Not applicable.

- 24. Policyholders' funds on deposit**
The method of determining policyholders' funds on deposit.

Not applicable.

- 25. Liability for future policyholders' dividends**
The following must be disclosed in a note –
- (a) The relative percentage of participating insurance;**
 - (b) The method of accounting for policyholder dividends;**
 - (c) The amount of dividends; and**
 - (d) The amount of any additional income allocated to participating policyholders**

Not applicable.

- 26. Other insurance reserves - long term**
The method of calculation of the reserves

Not applicable.

- 27. Total long-term business insurance reserves**
For the long-term business insurance reserves the following must be disclosed, if any—

- (a) Total restricted assets - an amount equal to the value of all assets that are held for security or collateral against a liability or contingent liability; and**
- (b) Unsecured policyholder obligations - an amount equal to all policyholder obligations that are not secured by assets or collateral**

Not applicable.

- 28. Insurance and reinsurance balances payable.**
The payable balance to affiliates shall be disclosed.

Not applicable.

- 29. Commissions, expenses, fees and taxes payable. All unearned commissions shall be disclosed.**

There are no unearned commissions. Where relevant, Commissions, expense allowance and reinsurance payable are disclosed in **Matters to be set forth in a General Note to the Financial Statements #15 – Related party transactions** and **Matters to be set forth in a General Note to the Financial Statements #17 - Any other information.**

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Taxes payable are disclosed in **Matters to be set forth in Notes to the Condensed Balance Sheet #31– Income taxes.**

30. Loans and notes payable

This shall be comprised of repayment terms, rates of interest and the nature of collateral given, if any.

Not applicable.

31. Income taxes

The following must be disclosed:

(a) Income taxes payable

(b) Deferred income taxes, which shall include details of the deferred income tax provision.

Income Taxes Payable

The Company remained in accordance with the financial reporting provisions of the Bermuda Insurance Act of 1978, for the period, January 1, 2018 to January 31, 2018. In late 2020 the Internal Revenue Service accepted the Company's election under Internal Revenue Code (IRC) Section 953(d) to be treated as a U.S. corporation. As such, the company was under the guidance of Section 953(d) for federal income tax purposes for the years ended December 31, 2021 and 2020.

The method of allocation of the total consolidated income tax among members of the consolidated tax group is subject to a written agreement, approved by their representative authorized officers. Under the current tax allocation agreement, federal income tax amounts are allocated among members of the consolidated tax group based upon separate return calculations with current credit (benefit) for losses that were utilized by the consolidated tax group. Under this approach, the Company's deferred tax assets and tax attributes are considered realized by it so long as the group is able to recognize (or currently use) the related deferred tax asset or attribute. Thus, the need for a valuation allowance is determined at the consolidated return level rather than at the level of the individual entities comprising the consolidated group. Intercompany tax balances are settled on a quarterly basis within 30 days following a federal or state tax payment. In accordance with the tax sharing agreement, the income tax provision is computed as if each company was filing a separate income tax return.

As of December 31, 2021, an income tax receivable is recorded in the Company's Condensed Balance Sheet, Line No. 13i – Other Sundry Assets.

Below is a summary of the change in the Company's income tax receivable for the year ended December 31, 2021:

| Change in income taxes receivable/(payable) | 2021 |
|--|-----------------|
| Balance, beginning of period | \$ 5,889 |
| Current tax provision | (31,542) |
| Payments | 35,608 |
| Balance, end of period | <u>\$ 9,955</u> |

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Deferred Income Taxes

As of December 31, 2021, net deferred tax assets are recorded in the Company's Condensed Balance Sheet, Line No. 13j.

The following represents the deferred tax asset / (liability) reported in the Company's Condensed Balance Sheet, by source of temporary differences:

| As of December 31, | 2021 | |
|---------------------------|-------------|----------|
| Investments | \$ | (1,856) |
| Policy liabilities | | 1,872 |
| Other | | (13) |
| Total | \$ | 3 |

The movements in net deferred tax asset / (liability) for the year ended December 31, 2021 are as follows:

| | Policy | | | Total |
|---------------------------------------|--------------------|--------------------|----------------|--------------|
| | Investments | Liabilities | Other | |
| As of December 31, 2020 | \$ (4,662) | \$ 3,866 | \$ (4) | \$ (800) |
| Charged to statement of operations | 228 | (1,994) | (9) | (1,775) |
| Charged to other comprehensive income | 2,578 | - | - | 2,578 |
| As of December 31, 2021 | \$ (1,856) | \$ 1,872 | \$ (13) | \$ 3 |

There are no accumulated tax losses in 2021.

- 32. Amounts due to affiliates**
This shall be comprised of repayment terms, rates of interest and the nature of collateral given, if any.

Amounts due to affiliates is \$128 as of December 31, 2021.

Refer to **Matters to be set forth in a General Note to the Financial Statements #15 – Related party transactions** for further disclosure.

- 33. Accounts payable and accrued liabilities**
All accounts payable and accrued liabilities shall be disclosed.

Accounts payable and accrued liabilities is \$62 as of December 31, 2021.

- 34. Funds held under reinsurance contracts**
The amount held by affiliates shall be disclosed.

Not applicable.

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35. Dividends payable

All dividends payable shall be disclosed.

Not applicable.

36. Sundry liabilities

(a) The nature of these liabilities and the repayment terms;

(b) For derivatives and embedded derivatives, if any, the following must be disclosed—

(i) a description of the policies surrounding the use of derivatives; and

(ii) market value and nominal exposure of each derivative by issuer with nominal exposure greater than 5% of the aggregate sum of the total quoted and unquoted investments. Disclosure should be separated between long and short positions.

Not applicable.

37. Letters of credit, guarantees and other instruments

(a) The nature and valuation method for the letters or credit, guarantees, and other instruments. These should only be included to the extent that they would be recognized under the insurer’s GAAP accounting standards.

(b) the name of the entity granting the letter of credit, guarantee or other instrument, and the name of the entity in whose favour the letter of credit, guarantee or other instrument was granted;

(c) the amount of the letter of credit, guarantee or other instrument;

(d) the purpose for which the letter of credit, guarantee or other instrument was granted

Not applicable.

* Expressed in United States Dollars, ‘000, except for per share data.

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SCHEDULE X
MATTERS TO BE SET FORTH IN NOTES TO THE CONDENSED STATEMENT OF INCOME

6. Other insurance income

The nature of material items that have been included.

Not applicable.

15. Other insurance income

The nature of material items that have been included.

Not applicable.

32. Combined other income (deductions)

The nature of material items that have been included.

Refer to **Matters to be set forth in a General Note to the Financial Statements #17 - Any other information** for further disclosure.

36. Combined realized gains (loss)

The nature of material items that have been included.

The Company recognized a net realized gain on sales of AFS debt securities of \$2,021 for the year ended December 31, 2021.

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SCHEDULE X
MATTERS TO BE SET FORTH IN NOTES TO THE CONDENSED STATEMENT OF
CAPITAL AND SURPLUS

1(a) Capital Stock

As respects authorized share capital there shall be disclosed severally—

- (a) the number of common shares and preferred shares of each class, the par value, if any, of each class and a brief description of each class;**

Common capital stock, \$1 par value – 190,000 shares authorized.

Pursuant to the Act, the Company is required to register a minimum of \$120 of paid-up share capital. As of December 31, 2021, the Company's share capital is comprised of 190,000 shares with par value of \$1 each, all of which were issued in 2016 to Sun Life Financial Inc. ("SLF" or the "Ultimate Parent") for a subscription price of \$190,000. The Ultimate Parent contributed additional paid-in capital of \$10,000 to the Company during 2016. Effective January 31, 2018 all the outstanding shares were transferred to US Ops Holdco. US Ops Holdco contributed additional paid-in capital of \$60,000 to the Company during 2019.

- (b) the dividend rates applicable to any preference shares, and whether the dividends are cumulative, including the liquidation values of the preference shares;**

Not applicable.

- (c) the redemption price of any redeemable shares;**

Not applicable.

- (d) any conversion provisions.**

Not applicable.

As respects issued share capital there shall be disclosed severally—

- (a) the number of shares in, and the share capital amounts for, each class of common and preferred shares;**

Common capital stock, \$1 par value – 190,000 shares issued.

- (b) the amounts called and unpaid or otherwise due in respect of those shares;**

Not applicable.

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- (c) **the amounts not called on those shares that will become receivable in due course when called**

Not applicable.

As respects issued share capital there shall be disclosed severally—

- (a) **the number of shares repurchased, and the share capital amounts for, each class of common and preferred shares;**

Not applicable.

1(b) Contributed surplus

The nature of any change in contributed surplus during the relevant year.

Not applicable.

2(c) Dividends paid and payable

The amount and nature of any dividends paid during the relevant year that was other than a cash dividend.

The Company's ability to pay dividends is subject to certain statutory restrictions as set forth by the Act. Bermuda has enacted law governing the payment of dividends to shareholders.

As approved by the Company's Board of Directors, dividend declarations of \$50,000 and \$70,000 were made on April 23, 2021 and December 3, 2021, respectively to the Company's sole shareholder, US Ops Holdco.

There shall also be disclosed in notes the following information—

- (a) **details of any change in the authorized share capital of the insurer during the relevant year;**

Not applicable.

- (b) **where an insurer has contracted to issue or re-issue shares or has given options to purchase shares, the class and number of shares affected, the price and date of the issue or re-issue of the shares or the exercise of the options and (shown separately) the total number of shares in respect of which options are held by directors and officers of the insurer;**

Not applicable.

- (c) **details of any share transactions during the relevant year including—**

- (i) **the number of shares of each class issued since the date of the last balance sheet, giving the value attributed thereto and distinguishing—**
(aa) **shares issued for cash (showing separately shares issued pursuant to options or warrants);**

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Not applicable.

(bb) shares issued directly or indirectly for services; and

Not applicable.

(cc) shares issued directly or indirectly for other considerations;

Not applicable.

(ii) the number of shares of each class redeemed since the date of the last balance sheet and the consideration given and, where the consideration was other than cash, the nature of the consideration given and the value attributed thereto.

Not applicable.

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