



April 22, 2022

Report of Independent Auditors

To the Board of Directors of XL Life Ltd

Opinions

We have audited the accompanying condensed financial statements of XL Life Ltd (the "Company"), which comprise the condensed balance sheets and condensed statements of capital and surplus as of December 31, 2021 and 2020, and the related condensed statements of income for the years then ended, including the related notes (collectively referred to as the "condensed financial statements").

Unmodified opinion on regulatory basis of accounting

In our opinion, the accompanying condensed financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations for the years then ended in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial statements (the "Legislation").

Adverse opinion on U.S. generally accepted accounting principles

In our opinion, because of the significance of the matter discussed in the *Basis for adverse opinion on U.S. generally accepted accounting principles* section of our report, the accompanying condensed financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2021 and 2020, or the results of its operations for the years then ended.

Basis for Opinions

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

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

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

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

Responsibilities of management for the condensed financial statements

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



In preparing the condensed financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the condensed financial statements are available to be issued.

Auditors' responsibilities for the audit of the condensed financial statements

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

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

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

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

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

CONDENSED CONSOLIDATED BALANCE SHEET

XL Life Ltd

As at

December 31, 2021

expressed in ['000s]

United States Dollars

LINE No.		2021	2020
1.	CASH AND CASH EQUIVALENTS	32,344	19,121
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		-
	ii. Other	213,115	269,464
(b)	Total Bonds and Debentures	213,115	269,464
(c)	Equities		
	i. Common stocks		-
	ii. Preferred stocks		-
	iii. Mutual funds		-
(d)	Total equities	-	-
(e)	Other quoted investments		-
(f)	Total quoted investments	213,115	269,464
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	5,612	5,620
(h)	Total investments in and advances to affiliates	5,612	5,620
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens		-
(b)	Other than first liens		-
(c)	Total investments in mortgage loans on real estate	-	-
6.	POLICY LOANS		-
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)		-
(b)	Other properties (less encumbrances)		-
(c)	Total real estate	-	-
8.	COLLATERAL LOANS		-
9.	INVESTMENT INCOME DUE AND ACCRUED	1,771	2,088
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	1,796	4,152
(b)	Deferred - not yet due		-
(c)	Receivables from retrocessional contracts		-
(d)	Total accounts and premiums receivable	1,796	4,152
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates		-
(b)	Domestic affiliates		-
(c)	Pools & associations		-
(d)	All other insurers	4,636	3,296
(e)	Total reinsurance balance receivable	4,636	3,296
12.	FUNDS HELD BY CEDING REINSURERS		-
13.	SUNDRY ASSETS:		
(a)	Derivative instruments		-
(b)	Segregated accounts companies - long-term business - variable annuities		-
(c)	Segregated accounts companies - long-term business - other	2,503	2,868
(d)	Segregated accounts companies - general business		-
(e)	Deposit assets		-
(f)	Deferred acquisition costs		-

CONDENSED CONSOLIDATED BALANCE SHEET

XL Life Ltd

As at December 31, 2021

expressed in ['000s] United States Dollars

LINE No.		2021	2020
(g)	Net receivables for investments sold	-	-
(h)	Prepayments	106	263
(i)	Other Sundry Assets (Specify)		-
(j)	Other Sundry Assets (Specify)		-
(k)	Total sundry assets	2,609	3,131
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	261,883	306,872
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves		-
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates		-
	ii. Domestic affiliates		-
	iii. Pools & associations		-
	iv. All other insurers		-
(c)	Total ceded unearned premium reserve	-	-
(d)	Net unearned premium reserve	-	-
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions		-
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates		-
	ii. Domestic affiliates		-
	iii. Pools & associations		-
	iv. All other reinsurers		-
(c)	Total reinsurance recoverable balance	-	-
(d)	Net loss and loss expense provisions	-	-
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES		-
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	-	-
	LONG-TERM BUSINESS INSURANCE RESERVES		
20.	RESERVE FOR REPORTED CLAIMS		-
21.	RESERVE FOR UNREPORTED CLAIMS	4,406	5,458
22.	POLICY RESERVES - LIFE	31,233	18,898
23.	POLICY RESERVES - ACCIDENT AND HEALTH		-
24.	POLICYHOLDERS' FUNDS ON DEPOSIT		-
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS		-
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES	-	-
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves	153,346	175,205
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign Affiliates		-
	(ii) Domestic Affiliates		-
	(iii) Pools and Associations		-
	(iv) All Other Insurers	117,707	150,849
(c)	Total Reinsurance Recoverable Balance	117,707	150,849
(d)	Total Net Long-Term Business Insurance Reserves	35,639	24,356
	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		-
32.	AMOUNTS DUE TO AFFILIATES	358	23

CONDENSED CONSOLIDATED BALANCE SHEET

XL Life Ltd

As at December 31, 2021

expressed in ['000s] United States Dollars

LINE No.		2021	2020
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	276	218
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:	101,431	131,225
35.	DIVIDENDS PAYABLE	-	-
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments	-	-
(b)	Segregated accounts companies	2,503	2,868
(c)	Deposit liabilities	-	-
(d)	Net payable for investments purchased	-	11
(e)	Other sundry liabilities (specify)	-	-
(f)	Other sundry liabilities (specify)	-	-
(g)	Other sundry liabilities (specify)	-	-
(h)	Total sundry liabilities	2,503	2,879
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	104,568	134,345
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	140,207	158,701
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	121,676	148,171
41.	TOTAL	261,883	306,872
		TRUE	TRUE

CONDENSED CONSOLIDATED STATEMENT OF INCOME

XL Life 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		
	(c) Total gross premiums written	-	-
2.	REINSURANCE PREMIUMS CEDED		
3.	NET PREMIUMS WRITTEN	-	-
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS		
5.	NET PREMIUMS EARNED	-	-
6.	OTHER INSURANCE INCOME		
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	-	-
	GENERAL BUSINESS UNDERWRITING EXPENSES		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES		
9.	COMMISSIONS AND BROKERAGE		
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	-	-
11.	NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS	-	-
	LONG-TERM BUSINESS INCOME		
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Direct gross premiums and other considerations	767	677
	(b) Assumed gross premiums and other considerations	44,488	49,446
	(c) Total gross premiums and other considerations	45,255	50,123
13.	PREMIUMS CEDED	(36,290)	(40,984)
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Life	8,965	9,139
	(b) Annuities		-
	(c) Accident and health		-
	(d) Total net premiums and other considerations	8,965	9,139
15.	OTHER INSURANCE INCOME		-
16.	TOTAL LONG-TERM BUSINESS INCOME	8,965	9,139
	LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES		
17.	CLAIMS - LIFE	10,800	14,919
18.	POLICYHOLDERS' DIVIDENDS		-
19.	SURRENDERS		-
20.	MATURITIES		-
21.	ANNUITIES		-
22.	ACCIDENT AND HEALTH BENEFITS		-
23.	COMMISSIONS	1,718	1,370
24.	OTHER		-
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	12,518	16,289
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
	(a) Life	12,335	1,157
	(b) Annuities		-
	(c) Accident and health		-
	(d) Total increase (decrease) in policy reserves	12,335	1,157
27.	TOTAL LONG-TERM BUSINESS EXPENSES	24,853	17,446

CONDENSED CONSOLIDATED STATEMENT OF INCOME

XL Life Ltd

As at December 31, 2021
expressed in ['000s] United States Dollars

LINE No.		2021	2020
28.	NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS	(15,888)	(8,307)
29.	COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS	(15,888)	(8,307)
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	529	470
	(b) Personnel cost	-	-
	(c) Other	-	-
	(d) Total combined operating expenses	529	470
31.	COMBINED INVESTMENT INCOME - NET	7,994	9,353
32.	COMBINED OTHER INCOME (DEDUCTIONS)	25	41
33.	COMBINED INCOME BEFORE TAXES	(8,398)	617
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	-	-
	(b) Deferred	-	-
	(c) Total	-	-
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	(8,398)	617
36.	COMBINED REALIZED GAINS (LOSSES)	2,699	541
37.	COMBINED INTEREST CHARGES	5,828	7,459
38.	NET INCOME (LOSS)	(11,527)	(6,301)

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

XL Life Ltd

As at December 31, 2021
expressed in ['000s] United States Dollars

LINE No.		2021	2020
1.	CAPITAL:		
(a)	Capital Stock		
	(i) Common Shares	370	370
	authorized	370	
	value	\$ 1	
	fully paid	370	
		shares of par	
		each issued and	
		shares	
	(ii)		
	(A) Preferred shares:		-
	authorized		
	value		
	fully paid		
		shares of par	
		each issued and	
		shares	
	aggregate liquidation value for –		
	2021		
	2020		
	(B) Preferred shares issued by a subsidiary:		-
	authorized		
	value		
	fully paid		
		shares of par	
		each issued and	
		shares	
	aggregate liquidation value for –		
	2021		
	2020		
	(iii) Treasury Shares		-
	repurchased		
	value		
		shares of par	
		each issued	
(b)	Contributed surplus	536,911	536,911
(c)	Any other fixed capital		
	(i) Hybrid capital instruments		-
	(ii) Guarantees and others		-
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	537,281	537,281
2.	SURPLUS:		
(a)	Surplus - Beginning of Year	(389,110)	(393,596)
(b)	Add: Income (Loss) for the year	(11,527)	(6,301)
(c)	Less: Dividends paid and payable		-
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	(14,964)	10,813
(e)	Add (Deduct) change in any other surplus	(4)	(26)
(f)	Surplus - End of Year	(415,605)	(389,110)
3.	MINORITY INTEREST		-
4.	TOTAL CAPITAL AND SURPLUS	121,676	148,171

XL LIFE LTD : NOTES TO DECEMBER 31, 2021
CONDENSED GENERAL PURPOSE
FINANCIAL STATEMENTS

A. GENERAL NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. General

XL Life Ltd (the “Company”) was incorporated with limited liability under Bermuda laws on November 10, 1997 as Reeve Court Insurance Limited. In 2001, the Company changed its name to XL Life Ltd and is a subsidiary of XL Bermuda Ltd (the “Parent Company”), formerly XL Insurance (Bermuda) Ltd, which in May 2016 amalgamated with XL Re Ltd to form this new entity. On May 21, 1999, the Company formed Reeve Court General Partner with limited liability under the laws of Bermuda for the purpose of administering the separate and variable accounts of insureds as provided for under an original Bermuda Private Act entitled, “Reeve Court Insurance Limited Amendment and Consolidation Act 1999”, which was amended in December 2001 and renamed “XL Life Ltd Amendment and Consolidation Act 2001”. Up until September 12, 2018, the ultimate parent was XL Group Ltd, a company incorporated in Bermuda following its redomiciliation from Ireland in June 2016, and which was part of a group of companies which operated under the trading name of ‘XL Catlin’.

On September 12, 2018, XL Group Ltd completed its previously announced merger with Camelot Holdings Ltd. (“Merger Sub”), a wholly owned subsidiary of AXA SA (“AXA”). Pursuant to the Agreement and Plan of Merger, dated as of March 5, 2018, by and among XL Group Ltd, Merger Sub and AXA (the “Merger Agreement”), and the statutory merger agreement required in accordance with Section 105 of the Bermuda Companies Act 1981, as amended (the “Companies Act”), by and among XL Group Ltd, Merger Sub and AXA, dated as of September 12, 2018, Merger Sub merged with and into XL Group Ltd in accordance with the Companies Act (the “Merger”), with XL Group Ltd continuing as the surviving corporation and as a wholly-owned subsidiary of AXA.

Following the Merger, the Bermuda Monetary Authority withdrew as the Group Supervisor of XL Group Ltd and its consolidated subsidiaries, including the Company.

2. Nature of risks underwritten

The Company’s operations have been in run-off since 2009 when XL Group Ltd announced the run-off of its life reinsurance business. Following the maturity of the remaining financial lines business in 2010 and the commutation of all treaties covering European term life and annuity business ceded from affiliated companies in 2014, the company’s activities now comprise of the following lines of business written with non-affiliated companies:

(i) Five blocks of United States sourced term life reinsurance assumed on December 31, 2002 from a life reinsurance company. The Company’s maximum retention is \$1.0 million per life with any excess reinsured with three different third party reinsurers. As at December 31, 2021 gross liabilities related to this business totaled \$153.2 million (December 31, 2020: \$175.1 million) and are recorded on Line 27(a) of the Condensed Balance Sheet.

During 2015 the company entered into a 100% quota-share retrocession (net of pre-existing retrocessions) with a third party reinsurer, incepting January 1, 2015. The agreement was written on a notional funds withheld basis and covers the majority of the underlying term life business. As at December 31, 2021 net liabilities related to this business totaled \$35.5 million (December 31, 2020: \$24.3 million) and are recorded on Line 27 (d) of the Condensed Balance Sheet.

(ii) Variable universal life policies are offered as custom investment and estate planning products to a group of trusts, high net-worth individuals, private companies and select others in special situations. The custom investment and estate planning products written by the company are accounted as separate and variable accounts for policyholders. The variable universal life policies provide a guarantee of a minimum level death benefit to the policyholder. The Company’s exposure to losses is based on the policyholder’s account balance and mortality experience under the contract. On these products amounts are reinsured with a third party reinsurer so that the Company’s maximum retention is \$0.1 million per policy. During December 2016 two policies were surrendered leaving the Company with one remaining policy as at December 31, 2021 and December 31, 2020.

XL LIFE LTD : NOTES TO DECEMBER 31, 2021
CONDENSED GENERAL PURPOSE
FINANCIAL STATEMENTS

3. Basis of preparation

The Condensed General Purpose Financial Statements have been prepared in conformity with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (the "Legislation"). The Condensed General Purpose Financial Statements are based upon accounting principles generally accepted in the United States of America ("US GAAP") but are in accordance with the reporting requirements of the Legislation which vary in certain respects from US GAAP. The more significant variances are as follows:

- A statement of cash flows is not included;
- A statement of comprehensive income is not included;
- The presentation and classification of financial statement line items are in accordance with Schedules IX and XI of the Insurance Account Rules 2016 and differ from the expected presentation and classification under US GAAP; and
- The notes included in the Condensed General Purpose Financial Statements have been prepared in accordance with Schedule X of the Insurance Account Rules 2016 and exclude certain information required under US GAAP.

4. Significant accounting policies

Premiums

Revenues for the flexible premium variable life policies consist of policy fees for the cost of insurance during the period.

Cash

Cash and time deposits include cash and fixed interest deposits placed with a maturity of under ninety days when purchased.

Reinsurance

In the ordinary course of business, the Company cedes reinsurance to other insurance companies.

For the variable universal life policies the Company has excess of loss reinsurance in place which limits the Company's maximum net retained exposure to \$0.1 million on the one remaining policy.

In November 2015 the Company entered into a 100% quota share agreement to reinsure the majority of the US term life business with a third party. The agreement inceptioned on January 1, 2015 and is on a notional funds withheld basis. With regards to the retained permanent life policies, the Company's maximum retention is \$1.0 million per life with the excess reinsured with three different third party reinsurers.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in additional losses to the Company. The Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk arising from its exposure to individual reinsurers.

Separate and variable accounts

Separate and variable accounts represent funds for which investment income and investment gains and losses accrue directly to the policyholders. The assets are carried at market value and each account is legally separated for the account of the policyholder and are not subject to claims which arise from any other business of the Company.

Investments

For the years ended December 31, 2021 and December 31, 2020 bonds and debentures are carried at fair value.

Policy reserves - life

The Company estimates the present value of future policy benefits related to long duration contracts using appropriate assumptions for mortality, expenses and investment yields based on amortized yield of assets backing the reserves.

The assumptions used to determine the future policy benefit reserves are best estimate assumptions. Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying liabilities.

Reserves for unreported claims

Reserves for unreported losses are determined by management based on loss development patterns determined by reference to paid loss data.

XL LIFE LTD : NOTES TO DECEMBER 31, 2021
CONDENSED GENERAL PURPOSE
FINANCIAL STATEMENTS

Other than Temporary Declines in Investments

The Company's process for identifying declines in the fair value of investments that are other-than-temporary involves consideration of several factors. The primary factors include (i) an analysis of the liquidity, business prospects and financial condition of the issuer including consideration of credit ratings, (ii) the significance of the decline, (iii) an analysis of the collateral structure and other credit support, as applicable, of the securities in question, and (iv) for debt securities, whether the Company intends to sell such securities. In addition, the authoritative guidance requires that other than temporary impairment ("OTTI") for certain asset backed and mortgage backed securities is recognized if the fair value of the security is less than its discounted cash flow value and there has been a decrease in the present value of the expected cash flows since the last reporting period. Where the Company's analysis of the above factors results in the conclusion that declines in fair values are other-than-temporary, the cost of the security is written down to discounted cash flow and a portion of the previously unrealized loss is therefore realized in the period such determination is made.

If the Company intends to sell an impaired debt security, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis, the impairment is other-than-temporary and is recognized currently through earnings in an amount equal to the entire difference between fair value and amortized cost.

In instances in which the Company determines that a credit loss exists but the Company does not intend to sell the security, and it is not more likely than not that the Company will be required to sell the security before the anticipated recovery of its remaining amortized cost basis, the OTTI is separated into (1) the amount of the total impairment related to the credit loss and (2) the amount of the total impairment related to all other factors (i.e. the noncredit portion). The amount of the total OTTI related to the credit loss is recognized in earnings and the amount of the total OTTI related to all other factors is recognized in accumulated other comprehensive loss. The total OTTI is presented in the income statement with an offset for the amount of the total OTTI that is recognized in accumulated other comprehensive loss. Absent the intent or requirement to sell a security, if a credit loss does not exist, any impairment is considered to be temporary.

The noncredit portion of any OTTI losses on securities classified as available for sale is recorded as a component of other comprehensive income with an offsetting adjustment to the carrying value of the security. The fair value adjustment could increase or decrease the carrying value of the security. The noncredit portion of any OTTI losses recognized in accumulated other comprehensive loss for debt securities classified as held to maturity would be accreted over the remaining life of the debt security (in a pro rata manner based on the amount of actual cash flows received as a percentage of total estimated cash flows) as an increase in the carrying value of the security until the security is sold, the security matures, or there is an additional OTTI that is recognized in earnings.

In periods subsequent to the recognition of an OTTI loss, the other-than-temporarily impaired debt security is accounted for as if it had been purchased on the measurement date of the OTTI at an amount equal to the previous amortized cost basis less the credit-related OTTI recognized in earnings. For debt securities for which credit-related OTTI is recognized in earnings, the difference between the new cost basis and the cash flows expected to be collected is accreted into interest income over the remaining life of the security in a prospective manner based on the estimated amount and timing of future estimated cash flows.

With respect to securities where the decline in value is determined to be temporary and the security's amortized cost is not written down, a subsequent decision may be made to sell that security and realize a loss. Subsequent decisions on security sales are made within the context of overall risk monitoring, changing information, market conditions generally and assessing value relative to other comparable securities. Day-to-day management of the Company's investment portfolio is outsourced to third party investment manager service providers. While these investment manager service providers may, at a given point in time, believe that the preferred course of action is to hold securities with unrealized losses that are considered temporary until such losses are recovered, the dynamic nature of the portfolio management may result in a subsequent decision to sell the security and realize the loss, based upon a change in market and other factors described above. The Company believes that subsequent decisions to sell such securities are consistent with the classification of the Company's portfolio as available for sale.

There are risks and uncertainties associated with determining whether declines in the fair value of investments are other-than-temporary. These include subsequent significant changes in general economic conditions as well as specific business conditions affecting particular issuers, the Company's liability profile, subjective assessment of issue-specific factors (seniority of claims, collateral value, etc.), future financial market effects, stability of foreign governments and economies, future rating agency actions and significant disclosure of accounting, fraud or corporate governance issues that may adversely affect certain investments. In addition, significant assumptions and management judgment are involved in determining if the decline is other-than-temporary. If management determines that a decline in fair value is temporary, then a security's value is

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not written down at that time. However, there are potential effects upon the Company's future earnings and financial position should management later conclude that some of the current declines in the fair value of the investments are other-than-temporary declines.

5. Revenue recognition

- (a) Investment income: Investment income is recognized when earned.
- (b) Premium Income: Refer to General Note 4, "Significant accounting policies".
- (c) Commission Income: Not applicable.

6. Foreign currency translation

Revenues and expenses are recorded at the average exchange rate for the month in which the transaction occurs.

Assets and liabilities denominated in currencies other than the functional currency of the applicable entity are revalued at the exchange rate in effect at the balance sheet date with the resulting foreign exchange gains and losses on settlement or revaluation recognized in Line 32 ('Combined Other Income') of the Condensed Statement of Income.

Assets and liabilities where the functional currency of the applicable entity differs from the reporting currency are translated at the exchange rate in effect at the balance sheet date with the resulting foreign exchange gains and losses recognized in Line 2(e) ('change in any other surplus') of the Condensed Statement of Capital and Surplus.

- 7. Not applicable.
- 8. Not applicable.
- 9. Not applicable.
- 10. Not applicable.
- 11. Not applicable.
- 12. Not applicable.

13. Fair value measurement

The following tables present the Company's hierarchy for its assets measured at fair value as of December 31, 2021 and December 31, 2020. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

December 31, 2021

(U.S. dollars)

	Total	Level 1	Level 2	Level 3
U.S. Government	7,136,667	—	7,136,667	—
U.S. States, municipalities and political subdivisions	—	—	—	—
Non-U.S. Government	—	—	—	—
Corporate	148,951,091	—	148,951,091	—
Residential mortgage-backed securities - Agency ("RMBS - Agency")	57,027,705	—	57,027,705	—
Other asset-backed securities	—	—	—	—
Total	213,115,463	—	213,115,463	—

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December 31, 2020

<i>(U.S. dollars)</i>	Total	Level 1	Level 2	Level 3
U.S. Government	18,255,848	—	18,255,848	—
U.S. States, municipalities and political subdivisions	—	—	—	—
Non-U.S. Government	—	—	—	—
Corporate	170,432,326	—	170,432,326	—
Residential mortgage-backed securities - Agency ("RMBS - Agency")	80,775,827	—	80,775,827	—
Other asset-backed securities	—	—	—	—
Total	269,464,001	—	269,464,001	—

14. Contractual maturities

The following table summarizes the contractual maturities of the Company's fixed maturity securities portfolios as of December 31, 2021 and December 31, 2020.

<i>(U.S. dollars)</i>	Fair Value	
	December 31, 2021	Percentage
Due less than one year	6,306,576	3.0 %
Due one through to five years	29,707,325	13.9 %
Due after five years through to ten years	37,226,390	17.5 %
Due after ten years	139,875,172	65.6 %
Total	213,115,463	100.0 %

<i>(U.S. dollars)</i>	Fair Value	
	December 31, 2020	Percentage
Due less than one year	23,493,498	8.7 %
Due one through to five years	30,801,634	11.4 %
Due after five years through to ten years	22,905,461	8.5 %
Due after ten years	192,263,408	71.4 %
Total	269,464,001	100.0 %

15. Not applicable.

16. Subsequent events

The Company has evaluated the effects of events subsequent to December 31, 2021, through to April 22, 2022, which is the date the financial statements were made available to be issued, for recognition and disclosure purposes. No material events were identified.

17. Not applicable.

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B. NOTES TO THE CONDENSED STATEMENT OF CAPITAL AND SURPLUS

1. (a) Paid-up share capital

The authorized and issued share capital of the company is comprised of 370,000 class B shares of par value \$1 each.

The Company's parent company owns 100% of all issued shares.

(b) Contributed surplus

During the years ended December 31, 2021 and December 31, 2020 there were no changes in the value of contributed surplus.

2. (c) Dividends paid and payable

No dividends were declared or paid during the years ended December 31, 2021 and December 31, 2020.

C. NOTES TO THE CONDENSED BALANCE SHEET

1. Cash and cash equivalents

As at December 31, 2021 \$4.2 million cash and cash equivalents was held in a separate portfolio backing a portion of the US Term Life business (December 31, 2020 \$9.8 million).

2. Quoted investments

Bonds and debentures are carried at fair value. As at December 31, 2021 \$148.9 million of investments were held in a separate portfolio backing a portion of the US Term Life business (December 31, 2020 \$183.0 million).

3. Unquoted investments

As at December 31, 2021 and December 31, 2020 the Company held no unquoted investments.

4. Investment in and advances to affiliates

Advances to affiliates do not have repayment terms or rates of interest and are recorded at cost.

The Company does not hold any investments in affiliates.

5. Not applicable.

6. Not applicable.

7. Not applicable.

8. Not applicable.

9. Investment income due and accrued

Both investment income due and accrued are included in this balance.

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10. Accounts and premiums receivable

Accounts and premiums receivable contain no collateralized balances. No portion of the balance as at December 31, 2021 or December 31, 2020 relates to amounts receivable from affiliates.

11. Not applicable.

12. Not applicable.

13. Sundry assets

Sundry assets are comprised of separate accounts backing the remaining separate universal life policies. Refer to General Note 2(ii), "Nature of risks underwritten," for further information. As at December 31, 2021, the market value of the remaining portfolio was \$2.5 million (December 31, 2020 \$2.9 million).

14. Not applicable.

16. Not applicable.

17. Not applicable.

20. Not applicable.

21. Reserves for unreported claims

See General Note 4, "Reserves for unreported claims".

22. Policy reserves - life

See General Note 4, "Policy reserves - life".

23. Not applicable.

24. Not applicable.

25. Not applicable.

26. Not applicable.

27. Total long-term business insurance reserves

(a) As at December 31, 2021 policyholder obligations totaling \$78.4 million were secured against designated assets held in a separate portfolio (December 31, 2020: \$94.7 million).

(b) As at December 31, 2021 policyholder obligations totaling \$74.9 million were not secured by designated assets or collateral (December 31, 2020: \$80.5 million).

28. Insurance and reinsurance balances payable

No portion of the balance as at December 31, 2021 or December 31, 2020 relates to amounts due to affiliates.

29. Not applicable.

30. Not applicable.

31. Not applicable.

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32. Amounts due to affiliates

Amounts due to affiliated companies do not have repayment terms or rates of interest.

33. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise of operating expense accruals and investment fees payable.

34. Funds held under reinsurance contracts

Funds held under reinsurance represents the value of notional funds held on behalf of a third party retrocessionaire. No portion of the balance as at December 31, 2021 or December 31, 2020 relates to amounts due to affiliates.

35. Not applicable.

36. Sundry Liabilities

As at December 31, 2021 sundry liabilities comprised of a separate and variable account of \$2.5 million which has no fixed terms of payment (December 31, 2020: \$2.9 million). See General Note 2(ii), "Nature of risks underwritten," for further information.

37. Not applicable.

D. NOTES TO THE CONDENSED STATEMENT OF INCOME

6. Not applicable.

15. Not applicable.

32. Combined other income (deductions)

Other income for 2021 and 2020 comprises largely of foreign exchange gains and losses resulting from the revaluation of assets and liabilities denominated in currencies other than the functional currency of the applicable entity, as well as fee income. Refer to General Note 6, "Foreign currency translation," for further information.

36. Combined realized gains (loss)

Realized gains and losses for 2021 and 2020 comprise of the net impact of investments sold above and below book value.