AMC

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March 28, 2022

Report of Independent Auditors

To the Board of Directors of Analect Re (Bermuda) Limited

We have audited the accompanying condensed consolidated financial statements of Analect Re (Bermuda) Limited and its subsidiary (the "Group"), which comprise the condensed consolidated balance sheets and condensed consolidated statements of capital and surplus as of December 31, 2021 and 2020, and the related condensed consolidated statements of income for the years then ended, and the related notes to the condensed consolidated financial statements.

Management's responsibility for the condensed [consolidated] financial statements

Management is responsible for the preparation and fair presentation of the condensed consolidated financial statements 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'). Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the condensed consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the condensed [consolidated] financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the condensed consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation and fair presentation of the condensed consolidated financial statements 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 Group's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the condensed consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As described in Note 3 of the condensed consolidated financial statements, the condensed consolidated financial statements are prepared by the Group 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.

The effects on the condensed consolidated 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.

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" paragraph, the condensed consolidated financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Group as of December 31, 2021 and 2020, or the results of their operations or their cash flows for the years then ended.

Opinion on regulatory basis of accounting

In our opinion, the condensed consolidated financial statements referred to above present fairly, in all material respects, the financial position of Analect Re (Bermuda) Limited and its subsidiary as of December 31, 2021 and 2020, and the results of their operations for the years then ended in accordance with the financial reporting provisions of the Legislation described in Note 3.

Arthur Morris & Company Limited

Chartered Professional Accountants
Hamilton, Bermuda

CONDENSED CONSOLIDATED BALANCE SHEET

Analect Re (Bermuda) Limited
As at December 31, 2021
expressed in ['000s] United States Dollars

LINE No.		2021	2020
1.	CASH AND CASH EQUIVALENTS	2,448	2,720
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other		
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii. Mutual funds		
(d)	Total equities	-	-
(e)	Other quoted investments		
(f)	Total quoted investments	-	-
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		
	ii. Other		
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks		
	ii. Preferred stocks		
	iii . Mutual funds		
(d)	Total equities	-	-
(e)	Other unquoted investments		
(f)	Total unquoted investments	-	-
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services		
(b)	Unregulated non-financial operating entities		
(c)	Unregulated financial operating entities		
(d)	Regulated non-insurance financial operating entities		
(e)	Regulated insurance financial operating entities		
(f)	Total investments in affiliates	-	-
(g)	Advances to affiliates	17,977	19,811
(h)	Total investments in and advances to affiliates	17,977	19,811
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens		
(b)	Other than first liens		
(c)	Total investments in mortgage loans on real estate	-	-
6.	POLICY LOANS		
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)		
(b)	Other properties (less encumbrances)		
(c)	Total real estate	-	-
8.	COLLATERAL LOANS		
9.	INVESTMENT INCOME DUE AND ACCRUED		
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	-	-
(b)	Deferred - not yet due	-	
(c)	Receivables from retrocessional contracts		
(d)	Total accounts and premiums receivable	-	-
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates		
(b)	Domestic affiliates		
(c)	Pools & associations		
(d)	All other insurers		
(e)	Total reinsurance balance receivable	-	-
12.	FUNDS HELD BY CEDING REINSURERS		

CONDENSED CONSOLIDATED BALANCE SHEET

Analect Re (Bermuda) Limited
As at December 31, 2021
expressed in ['000s] United States Dollars

LINE No.		2021	2020
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)	Prepaid expenses	15	15
(i)	Other Sundry Assets (Specify)		
(j)	Other Sundry Assets (Specify)		
(k)	Total sundry assets	15	15
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	20,440	22,546
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves		
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other insurers		
(c)	Total ceded unearned premium reserve	-	-
(d)	Net unearned premium reserve	-	-
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions		
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates		
	ii. Domestic affiliates		
	iii. Pools & associations		
	iv. All other reinsurers		
(c)	Total reinsurance recoverable balance	-	-
(d)	Net loss and loss expense provisions	-	-
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES		
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	-	-
	LONG-TERM BUSINESS INSURANCE RESERVES		
20.	RESERVE FOR REPORTED CLAIMS		
21.	RESERVE FOR UNREPORTED CLAIMS		
22.	POLICY RESERVES - LIFE		
23.	POLICY RESERVES - ACCIDENT AND HEALTH		
24.	POLICYHOLDERS' FUNDS ON DEPOSIT		
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS		
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES		
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves	-	-
(b)	Less: Reinsurance recoverable balance on long-term business		

CONDENSED CONSOLIDATED BALANCE SHEET

Analect Re (Bermuda) Limited
As at December 31, 2021
expressed in ['000s] United States Dollars

LINE No.		2021	2020
	(i) Foreign Affiliates		
	(ii) Domestic Affiliaties		
	(iii) Pools and Associations		
	(iv) All Other Insurers		
(c)	Total Reinsurance Recoverable Balance	-	-
(d)	**Total Net Long-Term Business Insurance Reserves**	-	-
	OTHER LIABILITIES		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE		
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	-	-
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	64	65
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)			
(f)			
(g)			
(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	64	65
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	64	65
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	20,376	22,481
41.	TOTAL	20,440	22,546
		TRUE	TRUE
		-	-

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Analect Re (Bermuda) Limited
As at December 31, 2020
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 INCURRED		
9.	COMMISSIONS AND BROKERAGE		
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	-	-
11.	**NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS**	-	-
	LONG-TERM BUSINESS INCOME		
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Direct gross premiums and other considerations		
	(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	950	909
16.	TOTAL LONG-TERM BUSINESS INCOME	950	909
	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	-	-

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Analect Re (Bermuda) Limited
As at December 31, 2020
expressed in ['000s] United States Dollars

LINE No.		2021	2020
27.	TOTAL LONG-TERM BUSINESS EXPENSES	-	-
28.	**NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS**	950	909
29.	**COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS**	950	909
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	1,038	1,039
	(b) Personnel cost		
	(c) Other		
	(d) Total combined operating expenses	1,038	1,039
31.	COMBINED INVESTMENT INCOME - NET	386	427
32.	COMBINED OTHER INCOME (DEDUCTIONS)	-	-
33.	COMBINED INCOME BEFORE TAXES	298	297
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current		
	(b) Deferred		
	(c) Total	-	-
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	298	297
36.	COMBINED REALIZED GAINS (LOSSES)		
37.	COMBINED INTEREST CHARGES	-	-
38.	NET INCOME	298	297

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

Analect Re (Bermuda) Limited
As at December 31, 2019
expressed in ['000s] United States Dollars

LINE No.		2021	2020
1.	**CAPITAL:** 1413		
(a)	Capital Stock		
	(i) Common Shares	500	500
	authorized 500,000 shares of par value $ 1.000 each issued and fully paid 500,000 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	1,262	1,262
(c)	Any other fixed capital		
	(i) Hybrid capital instruments		
	(ii) Guarantees and others		
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	1,762	1,762
2.	**SURPLUS:**		
(a)	Surplus - Beginning of Year	20,719	(26,422)
(b)	Add: Income for the year	298	297
(c)	Less: Dividends paid and payable	(2,403)	(423)
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	-	-
(e)	Add (Deduct) change in any other surplus		47,267
(f)	Surplus - End of Year	18,614	20,719
3.	**MINORITY INTEREST**	-	
4.	**TOTAL CAPITAL AND SURPLUS**	20,376	22,481

General Notes to the Financial Statements

1. Analect Re (Bermuda) Limited (the "Company") was incorporated under the laws of Bermuda on January 18, 2000 and is a wholly-owned subsidiary of Analect LLC (the "Parent"), a company incorporated in the United States of America. The Company has one wholly owned subsidiary, AB Funding LLC ("AB"), a company incorporated in the United States.

2. Certain shareholders and officers of the Parent are producers of group life business for primary life insurers. Effective June 12, 2000, certain of these group life policies were retroceded to the Company through a catastrophe excess of loss retrocession agreement entered into with Sun Life Assurance Company of Canada ("Sun Life"). One of the primary life insurers is Sun Life Assurance Company of Canada (US) ("Sun Life US"). The business comprises variable universal life insurance policies covering groups of employees or affiliated persons. The policies are designed to provide corporations and institutions with life insurance coverage on their employees or affiliated persons in whose lives they have an insurable interest and may be used in connection with various types of non-tax qualified employee benefit plans.

Sun Life US cedes to Sun Life the "Certificate Net Amount at Risk" as defined by the reinsurance agreement, on a yearly renewable term basis. The Certificate Net Amount at Risk is the certificate death benefit paid by Sun Life US less the separate accounts value. Sun Life in turn retrocedes to the Company losses (the Certificate Net Amount at Risk) in excess of claims covered by positive amounts of the corresponding Group Premium Stabilization Reserve, under a yearly renewable term basis catastrophe excess of loss retrocession agreement. The Group Premium Stabilization Reserve is used to pay losses and is funded by the policyholder from the cash value of their policy. The target reserve is based on three times expected mortality. If this reserve becomes depleted, the policyholder is charged more in future premium payments to replenish the reserve, including an interest charge. The policyholder is also entitled to reimbursements if losses are low.

In August 2013 Delaware Life Holdings LLC purchased Sun Life U.S. In July 2014 Sun Life changed its name to Delaware Life Insurance Company ("Delaware Life"). The terms and conditions of all Sun Life U.S. contracts and policies remain in force and unchanged as a result of the acquisition.

For the Company to make a loss payment under the retrocession agreement, i) the mortality rate would have to exceed three times that expected, and ii) the Insured would have to be in position of not being able to replenish the Contingent Stabilization Review. Insureds are spread over numerous US states minimizing the risk of group fatality. Any loss payment would be in the form of interest bearing loans from Delaware Life, which would be reimbursed with retrocession fees from other in force policies. The policyholder would be charged more in future premiums to replenish the reserve. For the Company to ultimately incur a loss the mortality rate would have to exceed three times that expected and while in a loss position, the group policy would have to be surrendered. The likelihood of group surrender is unlikely as there are negative implications to the insureds, including taxation issues.

Similar to a catastrophic bond, there have been no losses to date and none are expected as the likelihood of loss is remote and the Retrocession Agreement specifically allows for repayment of losses thru an offset to future reinsurance premiums due by Delaware Life, subject to interest on any unpaid balance. This "loan" coupled with the remote likelihood of loss, provides for accounting consistent with no risk transfer as defined by Statement of Financial Accounting Standards ("SFAS") No. 113 – Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration

Contracts; and determines the need for "deposit" accounting. The risk transfer described is strictly for accounting purposes, and not indicative of policy mortality risk or in any way reduces the risk to Analect Re and associated loss.

On March 31, 2004 the Company formed a subsidiary company, AB Funding LLC ("AB"), incorporated in the United States of America, for the purpose of selling the right to future commission income cash flows (the "Reinsurance Receivables") to AB.

AB financed the purchase of Reinsurance Receivables through receipt of a loan from a subsidiary of the Parent, A&K Funding LLC ("A&K").

AB issued a guarantee to A&K to support A&K's borrowing from third parties. A&K issued Commercial Asset-Backed Notes to third parties that will be repaid using the proceeds of the Reinsurance Receivables purchased by AB from the Company and by future administrative fee revenue earned by other affiliates. The proceeds of the Reinsurance Receivables and future administrative fee revenue shall be paid directly by Delaware Life and Sun Life US to the trustee. Additional securitization transactions were undertaken on March 31, 2005 and November 21, 2006. The receivables purchased by AB in such transactions are pooled together, and proceeds are used to pay interest and principal to A&K. Refer to note 15 for more details.

3. The condensed financial statements have been prepared in accordance with insurance accounting practices prescribed or permitted in Bermuda by The Insurance Act 1978, and related Regulations.

4.

(b) Consolidation

The accounts of the Company are consolidated with those of its wholly-owned subsidiary AB. Intercompany accounts and transactions have been eliminated.

(c) Commission income

Payments received under the retrocession agreement are recorded as commission income when received.

(d) Cash and cash equivalents

Cash and cash equivalents are short-term investments that are subject to an insignificant risk of change in value.

(e) Income taxes

Income taxes are accounted for in accordance with SFAS No.109 – Accounting for Income Taxes and FASB Interpretation No. 48 – Accounting for Uncertainty in Income Taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts and their respective tax bases and operating loss and tax carry-forwards.

(f) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes that the amounts included in the consolidated financial statements reflect the Company's best estimates and assumptions, actual results could differ from these estimates.

5.

(a) Premium income

Not applicable (refer to Note 2).

(b) Investment income

Investment income is accrued and recorded as receivable.

(c) Commission income

Payments received under the retrocession agreement are recorded as commission income when received

6. – 14. Not applicable.

15. Related party transactions

Loans payable to A&K Funding

On March 31, 2004, A&K Funding LLC ("A&K"), a wholly owned subsidiary of Analect Administrative Services LLC ("AAS") in turn a wholly owned subsidiary of the Parent, consummated a debt financing transaction whereby gross proceeds of $60 million were raised through the issuance of Series 2004-A Notes. Concurrently, under a Sale of Receivables Agreement dated March 31, 2004 (the "Sale Agreement"), the Company sold its future monthly reinsurance premiums receivable under the Reinsurance Agreement to AB for a purchase price of $21.2 million. The Series 2004-A Notes issued by A&K bear interest at 7.87% per annum. During the year ended December 31, 2021, A&K and AB Funding, with the consent of a majority of the holders of securitized notes, amended the note to a stated interest rate of 2.10 percent. Interest will be repaid through the assignment of the future monthly reinsurance premiums receivable by AB and future administrative fees receivable by A&K. On March 31, 2004 the Company loaned the sale proceeds of $21.2 million received from AB under the Sale Agreement to the Parent under a twelve-year promissory note bearing interest at Libor plus 2%. In the 4th quarter of fiscal year 2011, the intercompany note was amended to amortize fully by the first quarter of fiscal year 2030, at a fixed rate of 2%.

On March 31, 2005 A&K issued a second tranche of notes, Series 2005-A, whereby gross proceeds of $30 million were raised. Concurrently, pursuant to an Assignment under the Sale Agreement dated March 31, 2005, the Company sold additional future monthly reinsurance premiums receivable under the Reinsurance Agreement to AB for $11 million. The Series 2005-A Notes issued by A&K bear interest at 7.39% per annum. During the year ended December 31, 2021, A&K and AB Funding, with the consent of a majority of the holders of securitized notes, amended the note to a stated interest rate of 2.10 percent. Interest will be repaid through the assignment of the future monthly reinsurance premiums receivable by AB and future administrative fees receivable by A&K. On March 31, 2005 the Company loaned the sale proceeds of $11 million received from AB pursuant to the Assignment under the Sale Agreement to the Parent under a twelve-year promissory note bearing interest at Libor plus 2%. In the 4th quarter of fiscal year 2011, the intercompany note was amended to amortize fully by the third quarter of fiscal year 2030, at a fixed rate of 2%.

On November 21, 2006, A&K issued a third tranche of notes, Series 2006-A, whereby gross proceeds of $53 million were raised. Concurrently, pursuant to an Assignment under the Sale Agreement dated November 21, 2006, the Company sold additional future monthly reinsurance premiums receivable under the Reinsurance Agreement to AB for $18 million. The Series 2006-A Notes issued by A&K bear interest at 7.415% per annum. During the year ended December 31, 2021, A&K and AB Funding, with the consent of a majority of the holders of securitized notes, amended the note to a stated interest rate of 2.10 percent. Interest will be repaid through the assignment of the future monthly reinsurance premiums receivable by AB and future administrative fees receivable by A&K. On November 21, 2006 the Company loaned the sale proceeds of $18 million received from AB pursuant to the Assignment under the Sale Agreement to the Parent under a fifteen-year promissory note being interest at Libor plus 2%. In the 4th quarter of fiscal year 2011, the intercompany note was amended to amortize fully by the third quarter of fiscal year 2032, at a fixed rate of 2%.

A&K defaulted on its February 2017 interest payments to Noteholders which under the related debt agreements resulted in the exercisable right of Noteholders owning securitized notes representing a majority of the outstanding principal balance to demand the full principal balance of the Notes be due immediately unless the default is remedied. A&K Funding issued a default notice dated February 10, 2017 indicating it was soliciting Noteholders for forbearance in the exercise of their available remedies with respect to the default for an initial two-year period until such time as a more permanent solution, such as debt restructuring, could be negotiated and implemented. At that time, Noteholders representing approximately 79% of the Note principal had already agreed to such forbearance. Any such decision regarding rights to pursue default remedies, including instead the forbearance from doing so, requires the approval of holders of at least 50% of the total outstanding Note principal.

Beginning February 2017, Noteholders representing 89.7% of the outstanding Note principal and A&K agreed upon an initial 24 month period of forbearance during which interest continues to be paid monthly to the extent available from net securitized revenues, in accordance with the terms of the securitization. If such payments are insufficient to pay interest in full, i) the Noteholders agreed to forbear from taking actions under the default, and (ii) pursuant to the terms of the securitization unpaid interest will continue to accumulate as deferred interest. In return for entering the initial forbearances, the Noteholders received a consent fee in an amount equal to 0.5% of the total principal balance then outstanding, which was paid in 12 equal monthly installments in accordance with the forbearance agreements. Since the forbearances were entered into, one of the Noteholders has acquired additional Notes and currently has ownership of approximately 60% of the issued and outstanding principal (more than the 50% required for extending the Forbearance). The forbearing Noteholders previously agreed to extend the forbearance period to May 15, 2019, which was subsequently extended throughout 2019. Management and such Noteholders are currently reviewing alternatives for restructuring the Notes, and in the interim the Forbearances have been further extended to August 2, 2022.

As a consequence of the forbearances, AB has no obligation under the guarantee during the forbearances to make payments or transfer collateral to A&K or Noteholders in excess of the monthly interest payments it is able to make. Pursuant to the terms of the securitization, AB continues to pay A&K all of its net fee income, which is applied as interest under the AB Loans.

The outstanding loans payable by AB to A&K as at December 31, 2021 were $49,233,563 (2020 - $49,084,751) and the related interest expense incurred as at December 31, 2021 was $2,712,686 (2020 - $4,301,476). For the year ended December 31, 2021 and December 31, 2020 the BMA granted the Company an exemption to remove these loans payable from the statutory consolidated financial statements.

AB is a guarantor of the Notes on the basis that the fair value of the future cash flows of the commission fee revenue was estimated at the time of the securitizations to exceed the total borrowings of A&K from the third parties. As consideration for this guarantee, AB is entitled to a monthly guarantee fee at a rate per annum equal to 0.125% of the outstanding principal amount of the Notes. The total guarantee fee earned by AB was as at December 31, 2021 was $160,346 (2020 - $160,346). For the year ended December 31, 2021 and December 31, 2020 the BMA granted the Company an exemption to remove the loans payable from the consolidated statutory financial statements.

Loans Receivable From Parent

The Company's outstanding loans receivable from Parent as at December 31, 2021 was $18,056,440 (2020 - $20,012,920) and the related interest income earned as at December 31, 2021 was $385,585 (2020 - $424,714). The repayment of the loans and interest receivable from Parent is dependent on the Parent generating sufficient future cash flows, certain of which flow from the Company as a result of management service fees, as discussed below, charged to it by the Parent as well as other sources of revenue of the Parent. Repayment of the loan is therefore dependent upon the occurrence and sufficiency of these future cashflows.

Management Fees Expenses to Parent

Management service fees are based on time costs incurred by personnel of the Parent and reimbursement of the Parent's out of pocket expenses. These fees are payable quarterly. Management service fees and expenses incurred during the year were $888,194 (2020 - $865,312) and the related outstanding balance due to Parent at December 31, 2021 was $79,251 (2020 - $201,699).

16. Subsequent events

Management of AAS (as Servicer of the Notes) is assisting Noteholder(s) and Trustee in determining structure/resolution alternatives with respect to Notes, including possible restructure, amendment or otherwise modification of Notes. As part of these efforts, Noteholder(s) representing the majority of issued and outstanding principal have agreed to extend the forbearance to August 2, 2022. No new terms have been agreed to as negotiations are still in process. Any future modifications of the terms of A&K's notes would be accounted for as a troubled debt restructuring and the restructuring will likely only modify the terms of the current debt with the same lenders, as opposed to the extinguishment of that debt in exchange for new loans under different terms with new lenders. The forbearance and debt obligations pertain solely to AB, as it is the entity indebted to A&K and which has provided the above referenced guarantee. The Company is protected from any recourse that Noteholders or A&K may take in the event that the Noteholders agree to act on any future default. Noteholders and A&K solely have claim to the collateral of AB (the time limited reinsurance commission receivables). If the collateral owned by A&K and/or AB is ultimately sold in satisfaction of the Notes, then AB could be liquidated, its loan to A&K extinguished and the Company would not have any residual liability related to the Securitization. However, as negotiations are still in process, the impact to AB cannot be determined.

In December 2019, a novel strain of the coronavirus was reported in China. In the first few months of 2020, the virus and resulting disease, Covid-19, spread to the United States, causing disruption to the global economy. As of the date above, the Company's evaluation of the effects of this event is ongoing. The extent of the impact of Covid-19 on the Company's operating and financial performance will depend on future developments, including the duration and spread of the outbreak, and related governmental or other regulatory actions. The financial impact and duration of this matter cannot be reasonably estimated at this time.

17. Other Information

Going Concern

With or without the extension of the forbearances described in Notes 15 and 16 and / or amendment of the underlying securitization or AB loans, AB will continue to pay on a monthly basis to A&K all of its monthly cash receipts (net of allowable expenses) related to the reinsurance fees derived from the securitized policies, in accordance with the terms of the securitization.

Management therefore believes the Company's has the ability to continue as a going concern for a period which extends more than one year from the financial statement issuance date.

The BMA has granted a one year exemption allowing the Company to exclude specific liabilities (loans payable from AB Funding LLC to A&K Funding LLC) from the consolidated statutory financial statements.

The BMA has requested to be notified before any dividends or distributions of capital are made to shareholders.

The BMA has also requested that the Company maintain an amount not less than its Target Capital Level in cash, cash equivalents, and/or high rated liquid investments.

Notes to the Consolidated Statement of Capital and Surplus

1(a) Capital stock

(a) Authorized, issued and fully paid share capital comprises 500,000 (2020 - 500,000) ordinary shares of par value $1.00 each.

(b) Contributed surplus comprises amounts received from the Parent. No contributed surplus was received during the year ended December 31, 2021 (2020 - $nil).

2(c) Dividends paid to the Parent during the year ended December 31, 2021 totaled $2,402,594 (2020 $422,600).

Notes to the Consolidated Balance Sheet

1.-3. Not applicable.

4. Investments in and advances to affiliates

Advances to affiliates of $17,977,189 comprises the net aggregate of (i) the principal balance receivable from the Parent on three promissory notes in the aggregate amount of $18,056,440; and
(ii) balance due to the Parent in the amount of $79,251 which is unsecured and interest free. The promissory notes, whose repayment terms were amended and restated effective October 28, 2011, comprise:

(i) $21,200,000 promissory note dated March 31, 2004 which is for a term of twelve years and bears interest at 2% per annum. 0.96% of the principal balance is repayable by the Company quarterly through June 30, 2021 and the remaining 37.03% is due in full on June 30, 2022. The outstanding balance at December 31, 2021 was $6,629,240.

(ii) $11,000,000 promissory note dated March 31, 2005 which is for a term of twelve years and bears interest at 2% per annum. 0.96% of the outstanding principal balance is repayable to the Company quarterly through June 30, 2021 and the remaining 39.28% is due in full on June 30, 2022. The outstanding balance at December 31, 2021 was $3,687,200.

(iii) $18,000,000 promissory note dated November 21, 2006 which is for a term of fifteen years and bears interest at 2% per annum. 1% of the principal balance is repayable by the Company quarterly through June 30, 2021 and the remaining 49% is due in full on June 30, 2022. Theoutstanding balance at December 31, 2021 was $7,740,000.

Total promissory note interest income for the year of $385,585 (2020 - $424,714) is included in line 31 of the Consolidated Statement of Income.

5.-9. Not applicable.

10. Not applicable

11.-12. Not applicable.

13. Prepaid expenses totaling $15,252 represent 2022 annual government of $6,642 and the 2022 annual legal fee of $8,610 paid to Codan Services.

14.-17. Not applicable.

20.-21. Reserves for reported and unreported claims

Reserves for reported claims are recorded when advised by the ceding company. Reserves for reported claims represent the amounts needed to provide for the estimated cost of claims relating to the insured events, both reported and unreported, that have occurred before the balance sheet date. These amounts are based upon estimates of losses reported by the ceding reinsurer, plus an estimate for losses incurred but not yet reported. The estimate for losses incurred but not reported and policy reserves are based upon the recommendations of an independent actuary using industry data.

While management believes that the amount provided is adequate, the ultimate liability may be in excess of, or less than, the amounts provided and any adjustments will be reflected in the periods in which they become known.

22.-31. Not applicable.

32. Amounts due to affiliates

Refer to *Notes to the Consolidated Balance Sheet* – Note 4 and *General Notes to the Financial Statements – Note 15 – Loan Payable to Parent*.

33. Accounts payable and accrued liabilities include accrued actuarial expenses, audit expenses and management fees.

34.-37. Not applicable

Notes to the Consolidated Statement of Income

6. Not applicable

15. Other insurance income of $950,024 (2020 - $908,728) represents reinsurance commission received from Delaware Life.

32. Not applicable

36. Not applicable