PACIFIC LIFE RE

Pacific Life Re International Limited

Consolidated Financial Statements

for the years ended December 31, 2021 and December 31, 2020

Independent auditor's report to the members of Pacific Life Re International Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion the consolidated financial statements of Pacific Life Re International Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at December 31, 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

We have audited the financial statements which comprise:

- the consolidated statement of financial condition;
- the consolidated statement of operations;
- the consolidated statement of comprehensive income (loss);
- the consolidated statement of shareholder's equity;
- consolidated statement of cash flows; and
- notes to the consolidated financial statements, including a summary of significant accounting policies, except note 2 as marked.

The financial reporting framework that has been applied in their preparation is accounting principles generally accepted in the United States of America (US GAAP).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the consolidated financial statements, we have concluded that the management use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the consolidated financial statements are authorized for issue.

Our responsibilities and the responsibilities of the management with respect to going concern are described in the relevant sections of this report.

Responsibilities of management

Management is responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view, and for such internal control as the management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of consolidated these financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the consolidated financial statements; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included The Insurance Act 1978, and amendments thereto, The Insurance Account Rules 2016, Companies Act 1981, Life Insurance Act 1978, as amended and Insurance Accounts Regulations 1980.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, actuarial, financial instrument and IT specialists regarding the opportunities and incentives that may exist within the organization for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- The significant risk of fraud in assumptions used in the actuarial reserving pertaining to the valuation assertion. In response to this risk we performed the following:
    - Obtained an understanding of the relevant controls over the actuarial reserving process;

- Assessed the appropriateness of key management judgements used in the year end assumption setting process by studying the factors underlying morbidity and loss experience; and
- Assessed completeness and accuracy of the data used to support the experience and reserves calculation.

- The significant risk of fraud in revenue recognition, specifically pertaining to the cut-off assertion. In response to this risk we performed the following:
  - Tested relevant controls over the revenue recording process; and
  - Performed independent recalculation of year end revenue accruals based on the accrual methodology in order to assess that revenue has been recognized in the correct period.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing consolidated financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with the Bermuda Monetary Authority.

<u>Use of our report</u>

This audit report will be made solely to the company's members, as a body, in accordance with section 90 of the Bermuda Companies Act 1981. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP

Deloitte LLP
26 April 2022

Pacific Life Re International Limited

Consolidated Statements of Financial Condition
As at December 31

(in thousands)

	Note	December 31, 2021	December 31, 2020
Assets:		**$**	**$**
Investments:			
Fixed maturity securities available for sale, at fair value	*3,4*	2,763,708	616,672
Total investments		2,763,708	616,672
Cash and cash equivalents		349,414	34,024
Restricted cash		16,855	—
Accrued investment income		20,759	3,576
Negative reserves	*8*	359,006	—
Funds withheld assets		138,377	7,653
Reinsurance receivables		554,530	56,662
Retrocession recoverables from affiliates	*8*	256,282	530,114
Retrocession recoverables from non-affiliates	*8*	41,329	42,397
Current tax recoverables		7,012	1,847
Deferred policy acquisition costs	*5*	824,413	27,516
Value of business acquired	*6*	3,052	—
Other assets	*7*	27,892	2,870
Total assets		**5,362,629**	**1,323,331**
Liabilities and stockholder's equity			
Liabilities:			
Future policy benefits	*8*	2,633,106	879,610
Reinsurers share of negative reserves	*8*	252,231	—
Funds withheld liability		520,070	—
Loans payable	*10*	200,479	—
Reinsurance balances payable to affiliates		24,665	99,453
Reinsurance balances payable to non-affiliates		145,230	479
Amounts due to affiliates	*14*	33,571	14,057
Current tax payable		3,134	—
Deferred tax liabilities	*12*	47,030	—
Accounts payable and other liabilities	*9*	26,720	3,759
Total liabilities		**3,886,236**	**997,358**
Commitments and contingencies (Note 16)			
Stockholder's equity:			
Common stock		1,000	1,000
Additional paid-in capital		1,669,120	319,067
Retained earnings		(85,727)	(33,916)
Accumulated other comprehensive (loss) income	*13*	(108,000)	39,822
Total stockholder's equity		**1,476,393**	**325,973**
Total liabilities and stockholder's equity		**5,362,629**	**1,323,331**

These Consolidated Financial Statements have been approved by the Board of Directors on April 20, 2022.

DocuSigned by:

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26 April 2022

Director

See accompanying notes to Consolidated Financial Statements.

Pacific Life Re International Limited

Consolidated Statements of Operations

For the years ended December 31

(in thousands)

	Note	December 31, 2021	December 31, 2020
		$	**$**
Revenues:			
Net written premiums	*11*	1,480,312	226,458
Net investment income	*3*	41,831	5,742
Net investment gain	*3*	23,662	7,702
Fee Income		7,902	94
Realized foreign currency gains (loss)		2,109	(369)
Total revenues		**1,555,816**	**239,627**
Benefits and expenses:			
Claims and other policy benefits		1,208,257	203,648
Acquisition costs and other insurance expenses		23,194	311
Commission expenses		166,101	31,071
Operating expenses		176,690	32,415
Interest expenses		1,180	97
Total benefits and expenses		**1,575,422**	**267,542**
Loss before provision for income taxes		(19,606)	(27,915)
Provision for income taxes	*12*	(32,205)	(6,001)
Net loss		**(51,811)**	**(33,916)**

See accompanying notes to Consolidated Financial Statements.

Pacific Life Re International Limited

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31

(in thousands)

	December 31, 2021	December 31, 2020
	$	**$**
Net loss	(51,811)	(33,916)
Other comprehensive income, net of tax:		
Net unrealized (losses) gains on securities	(121,839)	12,771
Net foreign currency translation adjustments and other	(25,983)	27,051
Other comprehensive (loss) income	**(147,822)**	**39,822**
Total comprehensive (loss) income	**(199,633)**	**5,906**

See accompanying notes to Consolidated Financial Statements.

Pacific Life Re International Limited

Consolidated Statements of Shareholder's Equity

For the years ended December 31

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total Shareholder's Equity
	$	$	$	$	$
Balance at January 1, 2020	—	—	—	—	—
Comprehensive income:					
Net loss			(33,916)		(33,916)
Other comprehensive income				39,822	39,822
Total comprehensive income					5,906
Common stock issued to Pacific Life Re Global Limited	1,000				1,000
Contribution of investment in Pacific Life Re (Australia) Pty Limited		244,067			244,067
Capital contribution received from Pacific Life Re Global Limited		75,000			75,000
Balance at December 31, 2020	**1,000**	**319,067**	**(33,916)**	**39,822**	**325,973**
Balance at January 1, 2021	**1,000**	**319,067**	**(33,916)**	**39,822**	**325,973**
Comprehensive income (loss):					
Net loss			(51,811)		(51,811)
Other comprehensive loss				(147,822)	(147,822)
Total comprehensive loss					(199,633)
Contribution of investment in Pacific Life Re Holdings Limited from Pacific Life Re Holdings LLC		977,649			977,649
Capital contribution received from Pacific Life Re Global Limited		372,404			372,404
Balance at December 31, 2021	**1,000**	**1,669,120**	**(85,727)**	**(108,000)**	**1,476,393**

See accompanying notes to Consolidated Financial Statements.

Pacific Life Re International Limited

Consolidated Statements of Cash Flows

For the years ended December 31

(in thousands)

	2021	2020
Cash flows from operating activities	$	$
Net loss	(51,811)	(33,916)
Adjustment to reconcile net loss from continuing operations to net cash provided by operating activities:		
Net accretion on fixed maturity securities	8,831	61
Net change in deferred tax liabilities	4,612	6,083
Net change in current tax recoverables	24,414	(4,758)
Net investment gain	(23,898)	(7,702)
Net change in reinsurance receivables	(58,899)	(17,842)
Net change in accrued investment income	17,281	(1,023)
Net change in deferred policy acquisition costs	(157,584)	(5,577)
Net change in value of business acquired	(3,079)	—
Net change in other assets	30,576	(30,790)
Net change in future policy benefits	469,203	159,612
Net change in funds withheld	53,484	—
Net change in loans payable	79,414	—
Net change in reinsurance balances payable to affiliates	(138,002)	15,284
Net change in reinsurance balances payable to non-affiliates	36,387	(9,882)
Net change in accounts payable and other liabilities	(57,749)	14,167
Net cash provided by operating activities	233,180	83,717
Cash flows from investing activities		
Available for sale securities:		
Purchases	(749,771)	(378,474)
Sales	225,000	89,629
Maturities and repayments	71,910	33,349
Net cash used in investing activities	(452,861)	(255,496)
Cash flows from financing activities		
Common stock issued to Pacific Life Re Holdings LLC	—	1,000
Capital contributed by Pacific Life Re Holdings LLC into Pacific Life Re (Australia) Pty Limited	—	79,616
Capital contribution received from Pacific Life Re Global Limited	372,404	75,000
Cash added through contribution of Pacific Life Re Holdings Limited	187,501	—
Net cash provided by financing activities	559,905	155,616
Net change in cash, cash equivalents and restricted cash	340,224	(16,163)
Change in cash, cash equivalents and restricted cash due to foreign currency	(7,979)	9,733
Cash, cash equivalents and restricted cash, beginning of year	34,024	40,454
Cash, cash equivalents and restricted cash, end of year	**366,269**	**34,024**
Supplemental disclosures of cash flow information		
Income taxes paid (received), net	6,528	—
Reconciliation to consolidated Statements of Financial Condition		
Cash and cash equivalents	349,414	34,024
Restricted cash	16,855	—
Total cash, cash equivalents and restricted cash	**366,269**	**34,024**

See accompanying notes to Consolidated Financial Statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND DESCRIPTION OF BUSINESS

Pacific Life Re International Limited ("RIBM"), including its wholly owned and controlled subsidiaries, Pacific Life Re (Australia) Pty Limited ("PLRA"), Pacific Life Re Holdings Limited ("PLRH") and Pacific Life Re Limited ("PLRL"), is a wholly owned subsidiary of Pacific Life Re Global Limited ("RGBM"). RGBM is a wholly owned subsidiary of Pacific Life Re Holdings LLC ("PLRH LLC"), which is in turn wholly owned by Pacific LifeCorp ("PLC"). PLRH LLC is a limited liability company organized under the laws of Delaware. PLC is an intermediate Delaware stock holding company. PLC is a wholly owned subsidiary of Pacific Mutual Holding Company ("PMHC"), a Nebraska mutual holding company (and ultimate parent of the Company). Unless the context indicates otherwise, the terms "the Company" or "our" means RIBM and its consolidated subsidiaries. The Company provides life reinsurance solutions to its customers.

RIBM was incorporated in Bermuda on November 22, 2019 and is licensed as a Class E long-term insurer by the Bermuda Monetary Authority ("BMA").

PLRH, a UK domiciled holdings company, is a wholly owned and direct subsidiary of RIBM. PLRL, a wholly owned direct subsidiary of PLRH, is an international reinsurance company registered in the United Kingdom and regulated and authorized by the Prudential Regulatory Authority and the Financial Conduct Authority. Until January 1, 2022, PLRL wrote life reinsurance business in Europe, Asia, and Canada and provided retrocession services to PLRA. From January 1, 2022, PLRL only holds and writes new business in South Korea and Canada.

PLRA is a wholly owned Australia domiciled reinsurance company that is regulated and authorized by the Australian Prudential Regulation Authority ("APRA"), engaged in providing traditional reinsurance which includes individual and group life and health, disability, and critical illness and income protection reinsurance in Australia.

RIBM has started to provide reinsurance services, via its branches, in the UK, Ireland, and Singapore, as well as retrocession services for PLRA. It also plans to provide reinsurance services, via its branches in South Korea and Canada, subject to regulatory approval.

The Company is taking part in a significant multi-year corporate restructuring project ("Project Valentine") with the objective of redomiciling the majority of PMHC's global reinsurance business to Bermuda. Significant events associated with Project Valentine which occurred during the reporting period include:

- On January 1, 2021, the entire share capital of PLRH was contributed to RGBM from PLRH LLC. As a consequence of this, PLRL became an indirect subsidiary of RGBM.
- On July 1, 2021, RGBM contributed its direct interest in PLRH, and therefore its indirect interest in PLRL, to RIBM.

During the reporting period, RIBM has established regulated branches in the UK and Singapore, and is in the process of establishing regulated branches in Canada and South Korea which will assume the reinsurance business currently undertaken by PLRL. On July 1, 2021, two treaties written in the Singapore branch of PLRL were transferred to the Singapore Branch of RIBM by means of individual novation of treaties.

On January 1, 2022, the reinsurance business governed by English Law was transferred to RIBM by means of an insurance business transfer under Part VII of the Financial Services and Markets Act 2000. An additional business transfer under a Guernsey insurance business transfer scheme was completed with an effective date of January 1, 2022. The remaining European treaties not

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

written under English law were transferred to the UK Branch of RIBM by means of individual novation of treaties also with an effective date of January 1, 2022.

Also on January 1, 2022, the remaining reinsurance business written by the Singapore branch of PLRL was transferred to the Singapore branch of RIBM by means of individual novation of treaties.

The retrocession treaty between PLRA and PLRL was novated to RIBM with effect from January 1, 2022. PLRL has no further obligations under that treaty, and all investment management and custody arrangements in relation to that business have also been contractually transferred to RIBM. APRA has designated RIBM as an ‘appropriate retrocessionaire’ of PLRA.

Loan notes were issued by RIBM to PLRL as consideration for the business transfers on January 1, 2022 in accordance with the Business Transfer Agreement dated June 25, 2021 and the Loan Note Instrument dated January 1, 2022. The business in the PLRL South Korea Branch is planned to be transferred to a South Korean Branch of RIBM by way of a South Korean law portfolio transfer. Canadian business in PLRL will be transferred to a Canadian Branch of RIBM by individual novation of cedant treaties and in accordance with local regulatory processes. All of these activities are planned to be completed during 2022 or early 2023.

Business Developments in 2021

The following are significant business developments that have had a notable impact on the Consolidated Financial Statements of the Company:

- Global Funded Solutions ("GFS") is a new single premium annuity business line set up to write asset intensive business in PLRL's chosen markets. It brings together the insurance risk pricing and management capability of PLRL and the investment management capability of the affiliated company Pacific Life Insurance Company ("PLIC"). The business is 100% retroceded from PLRL to PLIC. As PLRL bears no insurance risk, GFS business is accounted for under the deposit method. The most significant impact on the Consolidated Financial Statements arises from fee income payable to PLRL from PLIC, which is paid in advance as each contract incepts and is unwound annually based on a percentage of the present value of remaining annuity payments under the contract. This business line was also transferred to the RIBM UK Branch as part of the Part VII transfer.

BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The accompanying Consolidated Financial Statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include the accounts of RIBM and its wholly owned and controlled subsidiaries. All significant intercompany transactions and balances have been eliminated on consolidation.

The preparation of Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In developing these estimates, management makes subjective and complex judgments that are inherently uncertain and subject to material change as facts and circumstances develop. Management has identified the following estimates as critical, as they involve a higher degree of judgment and are subject to a significant degree of variability:

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Other than temporary impairment ("OTTI") losses of investments - there is judgement on whether an impairment is permanent.
2. Value of business acquired ("VOBA") – there are estimates on projected premiums, and judgements on recoverability and deterioration of financial performance leading to premium deficiencies.
3. The liability for future policy benefits – estimates include cost of settling claims, reported and incurred but not reported claims.

For the purpose of these financial statements, "affiliated" and "related parties" refers to entities that are under common control of RIBM's ultimate parent, PMHC.

The Company has evaluated events subsequent to December 31, 2021 through April 26, 2022, the date the Consolidated Financial Statements were available to be issued, see Note 17.

A. Investments

Fixed maturity securities available for sale are reported at fair value, with unrealized gains and losses, net of deferred income taxes, recognized as a component of other comprehensive income (loss) ("OCI"). For asset-backed securities included in fixed maturity securities available for sale, the Company recognizes income using a constant effective yield based on anticipated prepayments and the estimated economic life of the securities. When estimates of prepayments change, the effective yield is recalculated to reflect actual payments to date and anticipated future payments.

Amortization of premium and accretion of discount on fixed maturity securities is recorded using the effective interest method.

Net Investment income consists primarily of interest income net of investment management expenses, and is recognized on an effective interest basis.

Available for sale securities are initially measured at fair value with subsequent remeasurement to fair value at each reporting period recognized in OCI. The change in unrealized gains or losses on available for sale securities is included in OCI. The unrealized gains or losses on available for sale securities in Accumulated Other Comprehensive Income (loss) ("AOCI") are reclassified to net income once the investments are sold or when an impairment charge is recorded.

The Company's available for sale securities are assessed for OTTI, if impaired. If a decline in the fair value of an available for sale security is deemed to be other than temporary, the OTTI is recognized equal to the difference between the fair value and net carrying amount of the security. If the OTTI for a fixed maturity security is attributable to both credit and other factors, then the OTTI is bifurcated and the non credit-related portion is recognized in OCI while the credit portion is recognized in earnings, specifically OTTI. If the OTTI is related to credit factors only or management has determined that it is more likely than not going to be required to sell the security prior to recovery, the OTTI is recognized in earnings, specifically OTTI. OTTI is recognized under net investment gain in the Consolidated Statements of Operations.

The evaluation of OTTI is a quantitative and qualitative process subject to significant estimates and management judgment. The Company has controls and procedures in place to monitor securities and identify those that are subject to greater analysis for OTTI. The Company reviews and evaluates securities for potential OTTI at minimum on a semi-annual basis at the relevant investment committee.

In evaluating whether a decline in value is other than temporary, the Company considers many factors including, but not limited to, the following: the extent and duration of the decline in value; the reasons for the decline (credit event, currency, interest rate

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

related, or spread widening); the ability and intent to hold the investment for a period of time to allow for a recovery of value; and the financial condition of and near-term prospects of the issuer.

For fixed maturity securities in unrealized loss positions, the Company evaluates whether it intends to sell, or will be required to sell the security before anticipated recovery of amortized cost. If a security meets either criteria, it is considered an OTTI. If a security does not meet either criteria, an analysis is performed on whether projected future cash flows are sufficient to recover the amortized cost.

Realized gains and losses on investment transactions are determined on a specific identification basis at trade date and are included in net investment gain.

B. Derivatives and Hedging Activities

Derivatives, whether designated in a hedging relationship or not, are carried at fair value on the Consolidated Statements of Financial Condition within other assets or accounts payable and other liabilities. The Company designates derivatives as cash flow or fair value hedges, or as a derivative that does not qualify for hedge accounting.

The Company does not have any cash flow or fair value hedges. For derivative instruments not designated as a hedge, the entire change in fair value of derivative, including net receipts and payments, is recorded in net investment gains. The periodic cash flows for all derivatives not classified as a hedge are reflected in net investment gain (loss) on an accrual basis.

C. Cash and Cash Equivalents

Cash and cash equivalents include all short-term, highly liquid investments with a maturity of three months or less from purchase date. Cash and cash equivalents consist primarily of operating bank accounts, investment cash and liquidity funds.

D. Restricted Cash

Restricted cash primarily consists of liquidity reserves related to security deposits, commitment fees, cash collateral and cash held in trusts.

E. Transfer of Entities Under Common Control

On January 1, 2021, as part of Project Valentine, the entire share capital of PLRH was contributed to RGBM from PLRH LLC, and on July 1, 2021 the entire share capital of PLRH was contributed to RIBM from RGBM. The results of operations for the Company for the year ended December 31, 2021 include the results of PLRH as of the beginning of 2021 in accordance with U.S. GAAP guidance Accounting Standards Codification ("ASC" or "Codification") 805-50 on mergers of entities under common control.

F. Deferred Policy Acquisition Costs

The direct and incremental costs associated with the successful acquisition of new or renewal business, have been deferred to the extent that such costs are deemed recoverable from future premiums or gross profits. Such costs include commissions and allowances as well as certain costs of policy issuance and underwriting. Management of the Company performs periodic tests to determine that the cost of business acquired remains recoverable, and if financial performance significantly deteriorates to the point where a premium deficiency exists, the cumulative amortization is re-estimated and adjusted by a cumulative charge or credit to current operations.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred acquisition costs related to traditional life insurance contracts, substantially all of which relate to long-duration contracts, are amortized over the premium-paying period of the related policies in proportion to the ratio of individual period premium revenues to total anticipated premium revenues over the life of the policy. Such anticipated premium revenues are estimated using the same assumptions used for computing liabilities for future policy benefits.

For universal life-type contracts, capitalized acquisition costs are amortized over the life of the book of universal life-type contracts at a constant rate based on the present value of the estimated gross profit amounts expected to be realized over the life of the book of contracts.

Modifications or exchanges of contracts that constitute a substantial contract change are accounted for as an extinguishment of the replaced contract resulting in a release of unamortized deferred acquisition costs, unearned revenue and deferred sales inducements associated with the replaced contract.

The development, and amortization, of deferred acquisition costs for the Company’s products requires management to make estimates and assumptions. Actual results could differ materially from those estimates. Management of the Company monitors actual experience, and should circumstances warrant, will revise its assumptions and the related estimates.

G. Value of Business Acquired

At the acquisition date VOBA is equal to the U.S. GAAP reserves less the fair value of liabilities (“FVL”). The FVL is calculated in accordance with the Codification’s Fair Value Measurements and Disclosures Topic and is essentially the present value of policyholder liability cash flows. VOBA is amortized based on projected premiums. Management performs periodic tests to determine that VOBA remains recoverable, and if financial performance significantly deteriorates to the point where a premium deficiency exists, the cumulative amortization is re-estimated and adjusted by a cumulative charge or credit. Both annual amortization and any adjustment to cumulative amortization is charged to the current year’s Consolidated Statements of Operations.

H. Retrocession recoverables from affiliates and non-affiliates

Retrocession recoverables are balances due from retrocessionaires for paid and unpaid losses. Amounts receivable and balances payable are offset for account settlement purposes for contracts where the legal right of offset exists, as the Company intends to settle on a net basis.

I. Other Assets

Other assets include balances due from affiliates.

If the Company determines that a contract does not expose it to a reasonable possibility of a significant loss from insurance risk, the Company records the contract on a deposit method of accounting with the net amount receivable reflected in other assets on the Consolidated Statements of Financial Condition. Amounts receivable and balances payable are offset for account settlement purposes for contracts where the legal right of offset exists, as the Company intends to settle on a net basis.

Other assets also include leases, as detailed in section R, as well as property, plant and equipment. These assets are recorded at cost and depreciated over their useful lives, estimated between 1 and 3 years.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Policy Benefits

The liability for future policy benefits includes a liability for unpaid claims, established based on the Company's estimated cost of settling all claims. Unpaid claims include estimates of claims reported and those that the Company believes have been incurred but have not yet been reported as of the Consolidated Statements of Financial Condition date. The estimates used to determine the liability for unpaid claims are derived principally from the Company's historical experience.

Insurance reserves are composed of benefit reserves and additional liabilities. Benefit reserves are valued using the net level premium method on the basis of actuarial assumptions appropriate at policy issue, including a margin for possible unfavorable deviations. Mortality and persistency assumptions are generally based on the Company's experience, which, together with interest and expense assumptions, are "locked in" upon the issuance of new business. Although certain assumptions are "locked in", significant changes in experience or assumptions may require us to provide for expected future losses on a product by establishing premium deficiency reserves. Premium deficiency reserves are determined based on best estimate assumptions that exist at the time the premium deficiency reserve is established and do not include a provision for adverse deviation.

Profit sharing exists in some contracts in the form of an experience refund provision. Where applicable, projected future experience refund payments net of past losses carried over from prior period, to the extent these losses are deemed recoverable from future profits, are included in the calculation of reserve for future policy benefits.

Estimates of future policy benefit reserves and liabilities are continually reviewed and, as experience develops, are adjusted as necessary. The Company may also identify and implement actuarial modelling refinements to projection models that may result in increases and decreases to the liability for future policy benefits. Such changes in estimates are included in earnings for the period in which such changes occur.

Where future policy benefits are in an asset position they are recognized as negative reserves in the Consolidated Statement of Financial Condition. Reinsurers share of negative reserves are recognized as liabilities in the Consolidated Statement of Financial Condition.

K. Reinsurance Balances Payable

Balances payable to affiliates result from a retrocession contract for certain reinsurance business between PLRL, and PLIC, as described further in Note 14. Balances payable to non-affiliates represent amounts owed that are resulting from the agreements between these non-affiliates and the Company. Amounts receivable and balances payable are offset for account settlement purposes for contracts where the right of offset exists.

L. Reinsurance

In the ordinary course of business, the Company has ceded retrocession agreements with affiliates and other insurance companies to limit potential losses and reduce exposure arising from larger risks. The ceding of risk does not discharge the Company from its primary obligations to retrocedents. To the extent that the retrocessionaires become unable to meet their obligations under reinsurance contracts, the Company remains contingently liable. Each retrocessionaire is reviewed to evaluate its financial stability before entering into each retrocession contract and throughout the period that the reinsurance contract is in place.

As part of its risk management process, the Company routinely evaluates its retrocession programs and may change retention limits, retrocessionaires, or other features at any time. Retention is managed across all affiliated entities on a group basis.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company utilizes reinsurance accounting for ceded and assumed transactions when risk transfer provisions have been met. To meet risk transfer requirements, a reinsurance contract must include insurance risk, consisting of both underwriting and timing risk, and a reasonable possibility of a significant loss to the reinsurer.

Reinsurance premiums ceded and reinsurance recoveries on benefits and claims incurred are deductible from their respective revenue, benefit and expense accounts. Prepaid reinsurance premiums, included in other assets, are premiums that are paid in advance for future coverage. Amounts receivable and payable to reinsurers are offset for account settlement purposes for contracts where the right of offset exists, with net reinsurance receivables included in other assets and net reinsurance payables included in other liabilities. Reinsurance receivables and payables may include balances due from reinsurance companies paid and unpaid losses. Reinsurance terminations and recapture gains are recorded in other income.

M. Accounts Payable and Other Liabilities

Accounts payable and other liabilities consist primarily of various expense accruals and other payables to affiliates and non-affiliates. These are stated initially at fair value and subsequently measured at amortized cost. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liability.

The Company recognizes a deferred fee income in relation to fee income received up-front by PLRL for acquisition related activities it performs, see section O, *Revenue, Benefits and Expenses*, for details on the fee income.

Other liabilities also include leases, as detailed in section R.

N. Foreign Currency

The reporting currency for these Consolidated Financial Statements is the United States Dollar (“USD”). The Company, due to its subsidiaries and branches, uses four functional currencies; USD, Great British Pound ("GBP"), Canadian Dollars ("CAD") and Australian Dollar (“AUD”). A functional currency is defined as the currency of the primary economic environment in which an entity operates. The translation of the functional currencies into USD is performed for asset and liability accounts using current exchange rates in effect as of the last day of the year and for revenue and benefit and expense accounts using the quarterly average rates. Gains or losses, net of applicable deferred income taxes, resulting from such translation are recognized in OCI in the Consolidated Statements of Comprehensive Income (Loss) and accumulated in AOCI in the Consolidated Statements of Financial Condition.

Gains or losses from foreign currency transactions, including the effect of remeasurement of foreign-denominated monetary assets and liabilities to the appropriate functional currency, are primarily included in other income in the Consolidated Statements of Operations in the period in which they occur.

O. Revenues, Benefits and Expenses

Reinsurance premiums from life policies and health policies with life contingencies are recognized as revenue when due from policyholders. Life policies include those contracts with fixed, variable and guaranteed premiums and benefits, and consist principally of whole life, universal life and term insurance policies. Health policies consist of individual critical illness and disability risk coverages. Retrocession premiums and retrocession recoveries on benefits and claims incurred are deducted from their respective revenue, benefit and expense accounts.

Benefits and expenses are provided for as premiums are earned so as to result in the recognition of profits over the life of the contracts. This is achieved by means of the provision for future policy benefits and deferral and subsequent amortization of DAC and VOBA.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For each of its reinsurance contracts, the Company must determine if the contract provides indemnification against loss or liability relating to insurance risk, consisting of both underwriting and timing risk, and a reasonable possibility of a significant loss to the Company or retrocessionaire, in accordance with applicable accounting standards. To meet risk transfer requirements, a reinsurance contract must include insurance risk.

If the Company determines that a contract does not expose it to a reasonable possibility of a significant loss from insurance risk, the Company records the contract on a deposit method of accounting with the net amount payable/receivable reflected in other liabilities or assets on the Consolidated Statements of Financial Condition. Fees earned on the contracts are reflected as other income on the Consolidated Statements of Operations.

Fee Income is recognized as revenue, in line with ASC 606 Revenue Recognition, such that the performance obligations are satisfied over time whereby on execution of the contract, the Company shall recognize a percentage of the fee which is considered to be the stand-alone transaction price for acquisition related activities it performs. Thereafter, annually, it shall recognize a percentage of the fees, which is considered to be the stand-alone transaction price for maintenance related activities it performs.

P. Income Taxes

Under the provisions of the Bermuda Exempted Undertakings Tax Protection Act of 1966, the Company is exempt from paying any taxes on Bermuda profits during its first fifteen years of operation. This exemption will expire in March 2035.

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the Consolidated Financial Statements. Under this method, the Company determines deferred tax assets and liabilities on the basis of the differences between the Consolidated Financial Statements and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse.

The Company recognizes deferred tax assets to the extent that these assets are more likely than not to be realized.

The Company records uncertain tax positions in accordance with the Accounting Standards Codification's (Codification) Income Taxes Topic on the basis of a two-step process in which (1) the Company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. As of December 31, 2021, the Company had no liability for uncertain tax positions.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision (benefit) for income taxes in the Consolidated Statements of Operations. Accrued interest and penalties are included in other liabilities in the Consolidated Statements of Financial Condition.

The Company is treated as a controlled foreign corporation for U.S. federal income tax purposes in 2021, and elected to be treated as a disregarded entity for U.S. federal income tax purposes before 2021. Its activities are reflected in the tax calculation of RGBM, which is an includible member of the consolidated Federal income tax return of PMHC. RGBM and other members of PMHC allocate tax expense or benefit based principally on the effect of including their operations in the return under a tax sharing agreement. PLRA and PLRL are treated as controlled foreign corporations for U.S. federal income tax purposes. PLRA is subject to tax in Australia. PLRL is subject to tax in the UK, as well as Singapore, Canada and South Korea through its branches.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PLRL made a branch profits exemption election ("BPE") which was notified to HMRC on December 22, 2020, with an effective date of January 1, 2021. The overseas branches of PLRL were subject to tax in the UK prior to the election, but are no longer subject to UK tax after the election. The Singapore, Canada, and South Korea branches are subject to tax in their local jurisdictions.

RIBM will be subject to tax in the UK, Singapore, Canada and South Korea through its branches, once the business transfers have been completed to these branches.

RGBM considers the earnings in the foreign subsidiary to be indefinitely invested outside the U.S. on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and specific plans for reinvestment of those subsidiary earnings. Accordingly, deferred income taxes have not been recorded for any excess of the amount for financial reporting over the tax basis in its non-U.S. subsidiaries, including undistributed earnings.

Q. Contingencies

The Company evaluates all identified contingent matters on an individual basis. A loss is recorded if the contingent matter is probable of occurring and reasonably estimable. The Company establishes reserves for these contingencies at the best estimate, or, if no one amount within the range of possible losses is more probable than any other, the Company records an estimated reserve at the low end of the range of losses.

R. Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability in the Consolidated Statement of Financial Condition, with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). For leases classified as operating, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease or if that rate cannot be readily determined, the lessee's incremental borrowing rate.

S. Future Adoption of Accounting Pronouncements

In 2018, the Financial Accounting Standards Board (“FASB”) issued targeted improvements to the accounting for long-duration insurance contracts, Accounting Standards Update (“ASU”) 2018-12. The objective of this guidance is to make improvements to the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The new guidance improves the timeliness of recognizing changes in the liability for future policy benefits for traditional long-duration contracts by requiring that underlying cash flow assumptions be reviewed and updated at least annually. The rate used to discount future cash flows must be based on an upper-medium grade fixed income investment yield. The change in the reserve estimate as a result of updating cash flow assumptions will be recognized in net income. The change in the reserve estimate as a result of updating the discount rate assumption will be recognized in OCI.

The new guidance also creates a new category of market risk benefits (i.e., features that protect the contract holder from more than nominal capital market risk) for certain guarantees associated with contracts which are required to be measured at fair value with changes recognized in net income. In addition, the new guidance simplifies the amortization of deferred policy acquisition costs and other similar capitalized balances (i.e. Unearned Revenue Reserves ("URR")) by requiring such costs to be amortized on a constant-level basis that approximates the straight-line method. Lastly, the new guidance increases and enhances the disclosures related to long-duration insurance contracts. The new guidance is effective for fiscal years beginning after December 15, 2024 and

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

interim periods within fiscal years beginning after December 15, 2025. Early adoption is permitted. The Company is currently evaluating the impact of this guidance on its Consolidated Financial Statements.

In March 2020, the FASB issued ASU 2020-04, which together with all subsequent amendments, provides guidance on facilitation of the effects of reference rate reform on financial reporting. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. If certain criteria are met, an entity will not be required to remeasure or reassess certain contract modifications that result from the discontinuation of the London Inter-Bank Offered Rate (LIBOR) or another reference rate. Changes to the critical terms of a hedging relationship affected by reference rate reform will not require entities to de-designate the relationship if certain criteria are met. Optional expedients also allow derivative instruments impacted by changes in the interest rate used for margining, discounting, or contract price alignment to qualify for certain optional relief. This standard may be elected and applied to contract modifications made between March 12, 2020 through December 31, 2022. The Company has evaluated the impact of the discontinued use of LIBOR in its contract obligations and taken actions to update contracts where necessary. The financial impact resulting from the change has been determined to be immaterial.

In 2016, the FASB issued ASU 2016-13 that provides guidance on the measurement of credit losses for certain financial assets. This ASU replaces the incurred loss impairment methodology with one that reflects expected credit losses. The measurement of expected credit losses should be based on historical loss information, current conditions, and reasonable and supportable forecasts. The guidance also requires enhanced disclosures. This ASU is effective for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of this guidance on its Consolidated Financial Statements but expects the impact to be immaterial.

2. CAPITAL MANAGEMENT (unaudited)

RIBM DIVIDEND AND DISTRIBUTION RESTRICTIONS

The payment of dividends by RIBM to its shareholders is subject to restrictions set forth in the regulations of insurance business in Bermuda. RIBM may declare dividends subject to it continuing to meet the minimum levels of solvency, liquidity, and its risk-based capital requirements. For Bermuda regulatory purposes no dividend payments shall be made which would result in the Enhanced Capital Requirement ("ECR") falling below 135%. The ECR is calculated using the Bermuda Solvency Capital Requirement model which is a risk-based capital model.

Proposed dividends cannot exceed 25% of total unconsolidated statutory capital and surplus reported in the Company's statutory Consolidated Statements of Financial Condition in the previous financial year unless at least 7 days before payment of those dividends it files with the BMA an affidavit signed by at least two directors of RIBM (one of whom must be a director resident in Bermuda), and by RIBM's principal representative in Bermuda, which states that in the opinion of those signing, declaration of those dividends has not caused the entity to fail to meet its solvency margin requirements. Any dividend payable would also require certification by RIBM's approved actuary. The actuary shall ensure that the value of the Company's assets in excess of its liabilities is greater than the ECR and that the amount of any such dividend shall not exceed that excess. The BMA will be notified of the payment of any dividends as part of normal communications with the supervisory team.

At December 31, 2021, the maximum dividend that RIBM could pay out of retained earnings, based on the aforementioned regulatory requirements, was $364.0 million (2020: $129.1 million). The statutory financial return and capital and solvency return of the Company as at, and for the year ended, December 31, 2021 are due to be submitted to the BMA by April 30, 2022. The statutory financial return and capital and solvency return are subject to the review of the BMA.

Restrictions to reduction of capital

Capital reduction cannot exceed 15% of unconsolidated statutory capital reported in the Company's statutory Consolidated Statement of Financial Condition in the previous financial year unless the Company seeks for an approval from BMA. An application must include: an affidavit signed by at least two directors of RIBM (one of whom must be a director resident in Bermuda), and by RIBM's principal representative in Bermuda, which states that in the opinion of those signing, the proposed reduction of capital will not cause the entity to fail to meet its relevant margins. The BMA will be notified of any reduction in the capital as part of the Company's normal communications with the supervisory team.

At December 31, 2021, the maximum reduction in capital which RIBM could pay out of unconsolidated statutory capital without BMA approval is $251.3 million (2020: $46.5 million).

In addition to the required statutory capital and surplus requirements in the table above, the Company assesses its own solvency capital needs taking into account factors which may not be fully reflected in the BMA statutory requirements. The Company's solvency capital requirements determined under these self-assessments may also impact the level of dividends and distributions paid to its parent, RGBM.

PLRA DIVIDEND RESTRICTIONS

PLRA is subject to minimum regulatory capital requirements in accordance with APRA Prudential Standards relevant to life insurers, in respect of the principal risks to which PLRA is exposed. In particular, minimum capital requirements in this context is the minimum capital base required to meet the Prudential Capital Amount (PCA) and, where different, the Prudential Capital Requirement (PCR) as defined in the Prudential Standards.

PLRA monitors and maintains capital in accordance with its Board adopted Internal Capital Adequacy Assessment Process ("ICAAP"). This ensures that there is a low likelihood that PLRA will breach its regulatory requirements, and that PLRA will have

2. CAPITAL MANAGEMENT (unaudited) (continued)

sufficient capital to manage its near term business prospects and be able to take necessary action to deal with reasonably foreseeable adverse events that may impact the business.

Surplus capital above the Prudential Capital Amount at December 31, 2021 was $129.5 million (2020: $140.4 million).

PLRL DIVIDEND RESTRICTIONS

PLRL is required to hold sufficient capital to meet Solvency II regulatory requirements. A regulatory solvency ratio, which is the ratio of eligible capital resources to Solvency Capital Requirement (“SCR”), is used to report PLRL’s solvency position to the Prudential Regulatory Authority ("PRA") on a quarterly basis, in accordance with the Solvency II regime.

Solvency monitoring is performed regularly and is summarized in the quarterly Board management information using three levels of triggers to determine when additional capital or other action is required.

Surplus capital can be distributed to shareholders subject to restrictions with regard to the level of distributable profits that are available in accordance with the Companies Act 2006 (UK).

The SCR and total available capital resources as at December 31, 2021 were $1,498.1 million and $2,024.1 million, respectively, and the surplus capital above the SCR was $526.0 million.

3. INVESTMENTS

The following table shows the net carrying amount, gross unrealized gains and losses, and fair value of the Company's available for sale investment assets. See Note 4 for information on the Company's fair value measurements and disclosure.

		Gross Unrealized		
As of December 31, 2021:	**Net Carrying Amount**	**Gains**	**Losses**	**Fair Value**
(in thousands)	**$**	**$**	**$**	**$**
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	244,999	—	(470)	244,529
Debt securities issued by foreign governments	1,174,864	107,326	(13,775)	1,268,415
Corporate debt securities	1,178,591	82,886	(11,719)	1,249,758
Corporate mortgage-backed securities	1,189	93	(276)	1,006
Total fixed maturity securities	**2,599,643**	**190,305**	**(26,240)**	**2,763,708**

		Gross Unrealized		
As of December 31, 2020:	**Net Carrying Amount**	**Gains**	**Losses**	**Fair Value**
(in thousands)	**$**	**$**	**$**	**$**
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	14,998	—	(51)	14,947
Debt securities issued by foreign governments	302,184	16,699	(42)	318,841
Corporate debt securities	272,558	9,564	(7)	282,115
Short-term bonds	769	—	—	769
Total fixed maturity securities	**590,509**	**26,263**	**(100)**	**616,672**

The amount of investments included in this caption which have been non-income producing for the twelve months preceding the Consolidated Statements of Financial Condition date is nil (2020: nil).

The net carrying amount and fair value of fixed maturity securities available for sale as of December 31, 2021 and December 31, 2020, by contractual repayment date of principal, are shown below. Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

3. INVESTMENTS (continued)

As of December 31, 2021:	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(in thousands)	**$**	**$**	**$**	**$**
Due in one year or less	324,904	719	(15)	325,608
Due after one year through five years	550,626	11,072	(4,521)	557,177
Due after five through ten years	681,294	30,869	(7,618)	704,545
Due after ten years	1,041,630	147,552	(13,810)	1,175,372
Sub-total	**2,598,454**	**190,212**	**(25,964)**	**2,762,702**
Corporate mortgage-backed securities	1,189	93	(276)	1,006
Total fixed maturity securities	**2,599,643**	**190,305**	**(26,240)**	**2,763,708**

As of December 31, 2020:	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(in thousands)	**$**	**$**	**$**	**$**
Due in one year or less	24,032	205	—	24,237
Due after one year through five years	260,673	8,267	(55)	268,885
Due after five through ten years	264,526	13,442	(45)	277,923
Due after ten years	41,278	4,349	—	45,627
Total fixed maturity securities	**590,509**	**26,263**	**(100)**	**616,672**

The following tables present the fair value and gross unrealized losses on investments where the fair value has declined and remained continuously below the net carrying amount for less than twelve months and for twelve months or greater.

	Less than 12 Months		12 Months or Greater		Total	
As of December 31, 2021:	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
(in thousands)	**$**	**$**	**$**	**$**	**$**	**$**
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	14,998	(469)	230,001	(1)	244,999	(470)
Debt securities issued by foreign governments	162,188	(4,575)	154,813	(9,200)	317,001	(13,775)
Corporate debt securities	303,927	(7,315)	102,468	(4,404)	406,395	(11,719)
Corporate mortgage-backed securities	—	—	1,023	(276)	1,023	(276)
Total fixed maturity securities	**481,113**	**(12,359)**	**488,305**	**(13,881)**	**969,418**	**(26,240)**

3. INVESTMENTS (continued)

	Less than 12 Months		12 Months or Greater		Total	
As of December 31, 2020:	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
(in thousands)	**$**	**$**	**$**	**$**	**$**	**$**
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	14,946	(51)	—	—	14,946	(51)
Debt securities issued by foreign governments	6,832	(32)	6,217	(11)	13,049	(43)
Corporate debt securities	15,788	(4)	893	(2)	16,681	(6)
Total fixed maturity securities	**37,566**	**(87)**	**7,110**	**(13)**	**44,676**	**(100)**

The number of securities in the Company's portfolio with an unrealized loss position for less than 12 months as of December 31, 2021 were 131 (2020: 4). The number of securities in an unrealized loss position for 12 months or greater as of December 31, 2021 were 62 (2020: 2).

The Company has evaluated fixed maturity securities available for sale with gross unrealized losses and has determined that the unrealized losses are temporary. The Company does not intend to sell the investments as a result of these losses and it is more likely than not that the Company will not be required to sell the investments before recovery of their net carrying amounts.

Major categories of the Company's investment income and related investment expense are summarized as follows:

Year ended December 31:	**2021**	**2020**
(in thousands)	**$**	**$**
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	174	—
Debt securities issued by foreign governments	1,935	1,769
Corporate debt securities	43,133	4,318
Corporate mortgage-backed securities	34	—
Total investment income	45,276	6,087
Investment expense	(3,445)	(345)
Net investment income	**41,831**	**5,742**

3. INVESTMENTS (continued)

The components of net investment gain are as follows:

Year ended December 31:	**2021**	**2020**
(in thousands)	**$**	**$**
Fixed maturity securities:		
Gross gains on sales	6,545	7,702
Gross losses on sales	(2,398)	—
Fair value movement on funds withheld	19,515	—
Net investment gain	**23,662**	**7,702**

PLRL had in place a retrocession agreement with Pacific Life Insurance Company ("PLIC") as retrocessionaire. There is one block of Annuity business and two blocks of Longevity Swap business for which the retrocession gives PLIC a security interest in the underlying custody assets held by the Company. The custody assets are measured at fair value with movements in fair value recognized in OCI. The Company recognizes a corresponding funds withheld liability at fair value in accordance with U.S. GAAP ASC 820 Fair Value Measurement, with movements in fair value recognized in the Consolidated Statements of Operations.

The funds withheld liability increases or decreases in line with the fair value of the custody assets.

A fair value gain of $19.5 million was recognized in the Consolidated Statements of Operations during the year.

This arrangement was transferred from PLRL to RIBM's UK branch effective from January 1, 2022.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Codification's Fair Value Measurements and Disclosures Topic establishes a hierarchy that prioritizes the inputs of valuation methods used to measure fair value for financial assets and financial liabilities that are carried at fair value. The determination of fair value requires the use of observable market data when available. The hierarchy consists of the following three levels that are prioritized based on observable and unobservable inputs.

Level 1 Unadjusted quoted prices for identical instruments in active markets. Level 1 financial instruments include securities that are traded in an active exchange market.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; and model-derived valuations for which all significant inputs are observable market data.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs are not market observable.

The following tables present, by fair value hierarchy level, the Company's financial assets and liabilities that are carried at fair value as of December 31, 2021 and December 31, 2020.

As of December 31, 2021:	**Level 1**	**Level 2**	**Level 3**	**Total**
(in thousands)	**$**	**$**	**$**	**$**
Assets:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	—	244,529	—	244,529
Debt securities issued by foreign governments	—	1,268,415	—	1,268,415
Corporate debt securities	—	1,249,758	—	1,249,758
Corporate mortgage-backed securities	—	1,006	—	1,006
Total fixed maturity securities	**—**	**2,763,708**	**—**	**2,763,708**

As of December 31, 2020:	**Level 1**	**Level 2**	**Level 3**	**Total**
(in thousands)	**$**	**$**	**$**	**$**
Assets:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	—	14,946	—	14,946
Debt securities issued by foreign governments	—	316,995	—	316,995
Corporate debt securities	—	283,962	—	283,962
Short-term bonds	—	769	—	769
Total fixed maturity securities	**—**	**616,672**	**—**	**616,672**

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following methods and assumptions were used to estimate the fair value of these financial instruments:

FAIR VALUE MEASUREMENT

The Codification's Fair Value Measurements and Disclosures Topic defines fair value as the price that would be received to sell the asset or paid to transfer the liability at the measurement date. This "exit price" notion is a market-based measurement that requires a focus on the value that market participants would assign for an asset or liability. The following section describes the valuation methodologies used by the Company to measure various types of financial instruments at fair value and the controls that surround the valuation process. The Company reviews its valuation methodologies and controls on an ongoing basis and assesses whether these methodologies are appropriate based on the current economic environment.

FIXED MATURITY SECURITIES

The fair values of fixed maturity securities available for sale are determined by management after considering external pricing sources and internal valuation techniques.

For securities with sufficient trading volume, prices are obtained from third-party pricing services. Fair values for mortgage-backed securities and other asset-backed securities are determined by evaluating prices from third-party pricing services.

The Company’s management analyses and evaluates these prices and determines whether they are reasonable estimates of fair value. Management's analysis may include, but is not limited to, review of third-party pricing methodologies and inputs, analysis of recent trades, comparison to prices received from other third parties, and development of internal models utilizing observable market data of comparable securities. Based on this analysis, prices received from third parties may be adjusted if the Company determines that there is a more appropriate fair value based on available market information. All securities priced by a major independent third-party service have been classified as Level 2, as management has verified that the inputs used in determining their fair values are market observable and appropriate. The Company only invests in highly liquid investment grade credit. The fair values of fixed maturity securities available for sale are determined by reference to third party pricing sources.

The Company did not have any significant nonfinancial assets or liabilities measured at fair value on a nonrecurring basis resulting from impairments as of December 31, 2021 (2020: nil). The Company has not made any changes in the valuation methodologies for nonfinancial assets and liabilities.

The fair value table excludes the following financial instruments: accrued investment income, receivables and payables. The fair value of these financial instruments, which are primarily classified as Level 2, approximates carrying value as they are short-term in nature such that there is minimal risk of material changes in fair value due to changes in interest rates.

CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash, cash equivalents and restricted cash are considered Level 1. The carrying amounts approximate fair values due to the short-term maturities of these instruments.

5. DEFERRED POLICY ACQUISITION COSTS

The table below shows the Company's DAC components:

	2021	2020
(in thousands)	**$**	**$**
Balance, January 1	27,516	15,497
Adopted balance from contribution of PLRH	648,116	—
	675,632	15,497
Additions:		
Capitalized during the year	267,124	16,428
Amortization:		
Impact of assumption unlocking	82	(5,639)
All other	(109,236)	1,230
Total amortization	(109,154)	(4,409)
Allocation to OCI [1]	(9,189)	—
Balance, December 31	**824,413**	**27,516**

[1] Allocation to OCI is due to the impact of the translation of foreign currencies

6. VALUE OF BUSINESS ACQUIRED

Components of the Company's VOBA are as follows:

	2021
(in thousands)	**$**
Gross carrying value at January 1	—
Adopted balance from contribution of PLRH	15,771
Amortization at January 1	—
Adopted balance from contribution of PLRH	(12,177)
Amortization expense during the year	(515)
Adjustment to cumulative amortization during the year	(27)
Amortization at December 31	(12,719)
Net carrying value at December 31	**3,052**

6. VALUE OF BUSINESS ACQUIRED (continued)

The estimated aggregate amortization expense for each of the five succeeding fiscal years is as follows:

Years ended December 31:	
(in thousands)	**$**
2022	574
2023	483
2024	418
2025	360
2026	297

7. OTHER ASSETS

Components of the Company's other assets are as follows:

As of December 31:	**2021**	**2020**
(in thousands)	**$**	**$**
Amount due from affiliates	91	228
Prepayments	12,321	2,008
Marketing advances	8,263	—
Right-of-use assets	5,525	—
Property, plant and equipment	1,340	600
Miscellaneous	352	34
Total other assets	**27,892**	**2,870**

There are no receivables at December 31, 2021 that have been assessed as impaired and no allowance for doubtful debts (2020: nil).

8. POLICYHOLDER LIABILITIES

FUTURE POLICY BENEFITS

Components of the Company's liability for future policy benefits are as follows:

As of December 31:	**2021**	**2020**
(in thousands)	**$**	
Claims incurred but not reported	718,820	484,518
Unpaid claims and claim expenses	468,044	44,608
Future policy benefits	1,441,464	349,903
Unearned premiums	4,778	581
Total future policy benefits	2,633,106	879,610
Reinsurers share of negative reserves	252,231	—
Negative reserves	(359,006)	—
Retrocession recoverables from affiliates	(256,282)	(530,114)
Retrocession recoverables from non-affiliates	(41,329)	(42,397)
Total net liability	**2,228,720**	**307,099**

Reinsurers share of negative reserves are made up of ceded reserves due from PLRL to PLIC in relation to the PLRL to PLIC retrocession treaty as detailed in Note 14. Interest rate assumptions used to estimate life insurance reserves ranged from 0.0% to 8.8% (2020: 0.3% to 2.3%).

9. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Components of the Company's accounts payable and other liabilities are as follows:

As of December 31:	**2021**	**2020**
(in thousands)	**$**	**$**
Deferred fee income	12,795	—
Lease liability	5,550	—
Accounts payable and accrued expenses	8,375	3,759
Total accounts payable and other liabilities	**26,720**	**3,759**

The deferred fee income comprises of fees paid to PLRL in advance by PLIC with regards to the GFS business. This is unwound annually based on a percentage of the present value of remaining annuity payments under the contract.

10. LOANS AND PROMISSORY NOTES PAYABLE

On March 11, 2020, PLRL entered into a 5-year term loan facility of JPY 10 billion (with an option to expand for another JPY 5 billion) with Mitsubishi UFJ Financial Group ("MUFG"). The loan amount of JPY 10 billion was fully drawn in March 2020 and the expansion option was exercised partially to draw JPY 2.5 billion in September 2020. On October 18, 2021, PLRL amended the term loan to increase the total capacity from JPY 15 billion to JPY 20 billion. On October 22, 2021, PLRL drew an additional JPY 2.5 billion, reducing the uncommitted loan capacity to JPY 5 billion. The outstanding loan balance as at December 31, 2021 was $130.3 million (JPY15 billion). Interest is calculated at the Tokyo Interbank Offered Rate plus an agreed margin. Effective January 1, 2022, RIBM became the primary borrower under the MUFG term loan and its obligations under the loan are guaranteed by PLC.

On September 27, 2021, RIBM received a 1-year term promissory note of $100 million from PLIC. There was an initial draw down of $70 million, which remained payable as of December 31, 2021. Interest on the loan is calculated at a fixed rate of 0.7% on the drawn amount and 0.2% on the undrawn facility. The total interest paid for the year ended December 31, 2021 was $0.1 million, with an undrawn fee of $0.02 million.

11. REINSURANCE

The accounting for reinsurance requires extensive use of assumptions and estimates, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risk. The Company periodically reviews, and modifies as appropriate, the estimates and assumptions used to establish assets and liabilities relating to assumed and ceded reinsurance

The components of net written premiums are as follows:

Year ended December 31:	**2021**	**2020**
(in thousands)	**$**	**$**
Reinsurance assumed	1,597,262	547,643
Ceded retrocession	(116,950)	(321,185)
Net written premiums	**1,480,312**	**226,458**

Pacific Life Re International Limited

Notes to Consolidated Financial Statements

12. INCOME TAXES

The provision for income taxes is as follows:

Year ended December 31:	**2021**	**2020**
(in thousands)	**$**	**$**
Current:		
Canada	2,432	
United Kingdom	(5,341)	—
United States	—	—
Singapore	(8)	—
South Korea	(137)	—
Australia	(194)	(82)
Total current	(3,248)	(82)
Deferred:		
Canada	(2,064)	
United Kingdom	28,793	—
United States	—	—
South Korea	6,565	—
Singapore	2,159	—
Australia	—	6,083
Total deferred	35,453	6,083
Provision for income taxes	**32,205**	**6,001**

The Company's effective tax rate differs from its statutory tax rate in Bermuda due to tax effects attributable to the statutory rates in other jurisdictions where the Company operates.

12. INCOME TAXES (continued)

As of December 31:	**2021**	**2020**
(in thousands)	**$**	**$**
Deferred tax assets:		
Tax net operating loss carryforwards	185,341	84,699
Policyholder reserves	90,402	—
Investments including derivatives	1,490	—
Other	2,557	—
Total deferred tax assets	279,790	84,699
Deferred tax liabilities:		
Policyholder reserves	(45,324)	—
Deferred acquisition costs	(173,950)	—
Other	(2,628)	—
Total deferred tax liabilities	(221,902)	—
Net deferred tax asset/(liability) from operations	57,888	84,699
Valuation allowance adjustment	(104,038)	(84,699)
Unrealized gain on securities available for sale	(170)	—
Other adjustments	(710)	—
Net deferred tax liability	**(47,030)**	**—**

The Company has $343.6 million (2020: $282.3 million) of Australian loss carryovers that do not expire. Australian tax loss carryovers have not been recognized as a deferred tax asset on the Consolidated Statements of Financial Condition as there is insufficient evidence that they will be realized through projected future taxable income.

Due to the acquisition of the UK business from PLRH, the company has a further $314.7 million of UK loss carryovers that do not expire. $245.4 million was transferred to the RIBM UK Branch on January 1, 2022, with the remainder utilized to partially shield taxable gains arising from the novation of the PLRA retrocession contract. The UK loss carryovers are recognized as a deferred tax asset on the Consolidated Statements of Financial Condition.

There are also $171.4 million of Singapore loss carryovers that do not expire and $29.6 million of South Korea loss carryovers that expire between December 31, 2025 and December 31, 2031. Singapore loss carryovers are not recognized as a deferred tax asset as they cannot be transferred to the RIBM Singapore Branch on January 1, 2022. South Korea loss carryovers have not been recognized as a deferred tax asset as there is insufficient evidence that they will be realized through projected future taxable income.

The Company operates in multiple jurisdictions and is thus subject to tax audits and examinations from various tax authorities in the normal course of business. Each entity's tax returns remain subject to examination until either audits are completed, or the relevant statue of limitation expires.

13. OTHER COMPREHENSIVE INCOME (LOSS)

The Company displays other comprehensive income and its components on the Consolidated Statements of Comprehensive Income (Loss) and Consolidated Statements of Shareholder's Equity. The balance of and changes in each component of OCI attributable to the Company are as follows:

	Unrealized Gain (Loss) on Securities Available for Sale, Net	Foreign Currency Translation Adjustments and Other, Net	Total OCI
(in thousands)	$	$	$
Balance as of January 1, 2021	12,771	27,051	39,822
Net change during the year	(153,897)	(25,858)	(179,755)
Income tax expense	32,058	(125)	31,933
Balance as of December 31, 2021	**(109,068)**	**1,068**	**(108,000)**

	Unrealized Gain (Loss) on Securities Available for Sale, Net	Foreign Currency Translation Adjustments and Other, Net	Total OCI
(in thousands)	$	$	$
Balance as of January 1, 2020	—	—	—
Net change during the year	12,771	27,051	39,822
Balance as of December 31, 2020	**12,771**	**27,051**	**39,822**

14. TRANSACTIONS WITH AFFILIATES

The Company is a wholly owned and controlled entity of the PMHC and enters into transactions with other affiliated companies. These transactions include reinsurance agreements, promissory notes, guarantee arrangements, ancillary own funds, service agreements and group relief. All transactions are made on normal commercial terms and at market rates.

REINSURANCE AGREEMENTS

PLRL has retrocession contracts with PLIC for certain reinsurance business. The amount due to affiliates balance consists of accrued premiums and commissions, retrocession recoverables, deposits due to and from PLIC, guarantee fees charged to PLRL by PLIC, and outstanding balances on the quarterly PLIC statement. The transactional amounts relating to this agreement are recognized in the Consolidated Statements of Operations in the net written premiums, claims and other policy benefits, as well as acquisition costs and other insurance expenses. The agreement also generates Consolidated Statements of Financial Position items that are recognized in reinsurance receivables, funds withheld, other assets and reinsurance payable to affiliates. The amount impacting the primary statements has been outlined in the related parties table below.

PLRL has an outwards reinsurance arrangement in place with RGBM. PLRL retrocedes excess of loss on a small amount of protection business as part of a retrocession pool. PLRL further retrocedes a share of risk on certain mortality policies. This retrocession arrangement is based on arm’s length commercial terms and conditions. The transactional amounts relating to this agreement are recognized in the Consolidated Statements of Operations in the net written premiums, claims and other policy benefits, as well as acquisition costs and other insurance expenses. The agreement also generates Consolidated Statements of Financial Position items that are recognized in reinsurance receivables, other assets, other liabilities and reinsurance payable to affiliates. The amount impacting the primary statements has been outlined in the related parties table below. As at January 1, 2022, this contract was novated from PLRL to the RIBM UK branch.

GFS is a new single premium annuity business line set up to write asset intensive business in PLRL's chosen markets. It brings together the insurance risk pricing and management capability of PLRL and the investment management capability of the affiliated company PLIC. The business is 100% retroceded from PLRL to PLIC. As PLRL bears no insurance risk, GFS business is accounted for under the deposit method. The most significant impact on the Consolidated Financial Statements arises from fee income payable to PLRL from PLIC, which is paid in advance as each contract incepts and is unwound annually based on a percentage of the present value of remaining annuity payments under the contract.

See table below for the amounts as at December 31, 2021 and December 31, 2020.

PROMISSORY NOTES

On September 27, 2021, RIBM received a 1-year term promissory note of $100 million from PLIC. There was an initial draw down of $70 million, which remained payable as of December 31, 2021. Interest on the loan is calculated at a fixed rate of 0.7% on the drawn amount and 0.2% on the undrawn facility. The total interest paid for the year ended December 31, 2021 was $0.1 million, with an undrawn fee of $0.02 million.

Expenses associated with the promissory note, such as interest and undrawn fee, are included in the operating expenses on the Consolidated Statements of Operations. See table below for the amount as at December 31, 2021 and December 31, 2020.

14. TRANSACTIONS WITH AFFILIATES (continued)

GUARANTEE ARRANGEMENTS

PLC and PLIC, wholly owned subsidiaries of PMHC, provide guarantees to RIBM, PLRA and PLRL for the performance of its non-affiliate reinsurance obligations. The PLIC guarantee is secondary to the agreement provided by PLC and will only be triggered in the event of non-performance by PLC.

The Company pays fees to PLC and PLIC for these guarantees which are settled on an annual basis and are recognized under operating expenses in the Consolidated Statements of Operations. The amount payable to PLIC and PLC are detailed in the table below. The guarantee arrangements have an indefinite term. The guarantee arrangement with PLRL was cancelled as at January 1, 2022.

See table below for the amounts as at December 31, 2021 and December 31, 2020.

ANCILLARY OWN FUNDS

As at December 31, 2021, PLRL had issued and allotted 165,000,000 uncalled and unpaid ordinary shares of £1 each to PLC as ancillary own funds for Solvency II regulatory purposes. PLRL is permitted to make a call on demand upon PLC for the full £165 million in one call or, alternatively, an unlimited number of calls for lower amounts that in aggregate do not exceed £165 million. PLC's payment obligations in respect of any calls made by the Company are supported by a guarantee given by PLIC, for which the Company pays a fee to PLIC. The annual fee is calculated as 1% of the total unpaid shares issued, which amounted to $2.2 million for the year ending December 31, 2021 (2020: $2.2 million). There was no outstanding fee due as at December 31, 2021 (2020: nil). On January 1, 2022, the Ancillary Own Funds arrangement with Pacific LifeCorp ("PLC") (which involved £165,000,000 unpaid shares issued to PLC) was released and the unpaid shares of £165 million were cancelled on January 20, 2022.

On November 30, 2021 a share subscription agreement was entered into by RIBM, RGBM, PLRH LLC and PLC in relation to an Ancillary Own Fund arrangement ("AOF"), which became effective January 1, 2022 (the "SSA"). RIBM received approval from the BMA for the arrangement to the amount of $230 million effective from January 1, 2022. Under the SSA, RIBM may, on demand, require that PLC procures that RGBM subscribes for up 230 million shares in RIBM. If triggered, PLC shall make an advance to PLRH LLC which PLRH LLC shall use to subscribe for shares in RGBM of the same amount. If RIBM breaches minimum solvency requirements, it must exercise its rights under the SSA. RGBM will then in turn be required to subscribe for an equivalent amount of shares in RIBM. RIBM also entered into a fee letter with PLC relating to the payment of fees by RIBM to PLC in consideration of the obligations to be entered into by PLC under the SSA. The annual fee is calculated as 0.7% of the total unpaid shares issued.

See table below for the amounts as at December 31, 2021 and December 31, 2020.

SERVICE AGREEMENTS

PLRA and PLRL have support service agreements with Pacific Life Re Services Limited ("PLRS") and Pacific Life Services Bermuda Limited ("RSBM"). The services provided by PLRS and RSBM include management, IT Infrastructure and administrative services.

PLRL has support service agreements with Pacific Life Re Services Singapore Pte. Limited ("RSSG") and PSCL. The services provided include tenancy, management, finance and administrative services.

UnderwriteMe Australia Pty Limited ("UMAL") has entered into a support services agreement with PLRA. The services provided by PLRA include tenancy, management, finance, legal and administration services. PLRA also recharged amounts to UnderwriteMe Technology Solutions Limited.

14. TRANSACTIONS WITH AFFILIATES (continued)

PLRH LLC has an agreement in place with PLRA to reimburse costs directly related to Project Valentine.

PLRA and PLRL have support services agreements with PSCL under which they are charged for selected research and development services.

All service agreement intercompany transactions are settled on a quarterly basis.

See table below for the amounts as at December 31, 2021 and December 31, 2020.

GROUP RELIEF

When unused tax losses are transferred to the Company from another group company, the Company makes a payment in cash that is equal to the amount of the tax losses surrendered.

The amount of transactions with affiliates during the year and amounts outstanding at December 31, 2021 were as below:

	Amounts due from/ (to) related party at January 1, 2021	Adopted balance from contribution of PLRH at January 1, 2021	Amount of transactions for the period	Settlements paid/ (received) during the period	Foreign currency gains/ (losses)	Amounts due from/ (to) related party at December 31, 2021
(in thousands)	$	$	$	$	$	$
Retrocession arrangements						
Pacific Life Insurance Company						
Reinsurance premiums, claims and commissions	—	(65,322)	(71,979)	86,984	(24,053)	(74,369)
Net deposits due to PLIC	—	(268,832)	10,087	26,842	19,126	(212,776)
Reinsurer's share of technical provisions	—	124,925	(138,559)	—	1,531	(12,103)
Other	—	—	4,137	(16,921)	(11)	(12,795)
Pacific Life Re Global Limited						
Reinsurance payable	—	(557)	(2,249)	718	39	(2,049)
Reinsurer's share of technical provisions	3,923	926	3,038	2,588	(17)	10,458
Promissory Notes						
Pacific Life Insurance Company	—	—	(70,135)	—	—	(70,135)
Guarantee arrangements						
Pacific Life Insurance Company	(1,141)	—	(25,326)	25,590	(47)	(924)
Pacific Life Corp	(201)	—	(4,442)	4,515	(8)	(136)
Ancillary Own Funds						
Pacific Life Insurance Company	—	—	(2,224)	2,224	—	—

14. TRANSACTIONS WITH AFFILIATES (continued)

	Amounts due from/ (to) related party at January 1, 2021	Adopted balance from contribution of PLRH at January 1, 2021	Amount of transactions for the period	Settlements paid/ (received) during the period	Foreign currency gains/ (losses)	Amounts due from/ (to) related party at December 31, 2021
(in thousands)	**$**	**$**	**$**	**$**	**$**	**$**
Management services						
Pacific Life Re Services Limited	(700)	6,211	(74,667)	66,906	177	(2,074)
Pacific Services Canada Limited	(24)	—	(578)	601	1	—
UnderwriteMe Australia Pty Limited	120		502	(623)	—	—
Pacific Life Re Holdings LLC	29	98	420	(552)	16	10
UnderwriteMe Technology Solutions Limited	79	3,315	(82,542)	17,128	(189)	16,262
Pacific Life Insurance Company	—	—	(8,761)	8,619	(15)	(157)
Pacific Life Re Services Singapore Pte Limited	—	—	(13,911)	13,870	49	8
Pacific Life Services Bermuda Limited	—	—	(5,365)	4,413	522	(430)
Total	**2,085**	**(199,236)**	**(482,554)**	**242,902**	**(2,879)**	**(361,210)**

14. TRANSACTIONS WITH AFFILIATES (continued)

	Amounts due from/(to) related party at January 1, 2020	Amount of transactions for the period	Settlements paid/(received) during the period	Foreign currency gains/(losses)	Amounts due from/(to) related party at December 31, 2020
(in thousands)	**$**	**$**	**$**	**$**	**$**
Management services					
Pacific Life Re Services Limited	1,048	(16,006)	14,062	196	(700)
Pacific Services Canada Limited	—	(164)	167	(27)	(24)
UnderwriteMe Australia Pty Limited	331	498	(709)	—	120
Pacific Life Re Limited Singapore Branch	1,073	(195)	(961)	(4)	(87)
Pacific Life Re Holdings LLC	—	312	(275)	(8)	29
Pacific Life Re Limited Korea Branch	—	139	(139)	—	—
UnderwriteMe Technology Solutions Limited	—	79	—	—	79
Pacific Life Re Limited	5	2,291	(2,222)	(6)	68
Retrocession arrangements					
Pacific Life Re Limited*	(77,085)	(80,187)	71,170	(4,178)	(90,280)
Guarantee arrangements					
Pacific Life Insurance Company	(484)	(857)	496	(296)	(1,141)
Pacific Life Corp	(85)	(152)	88	(52)	(201)
Total	**(75,197)**	**(94,242)**	**81,677**	**(4,375)**	**(92,137)**

*The balance due to PLRL consists of commissions receivable of $31.1 million, premiums payable of ($117.4 million), and expenses allowance of ($4.0 million), due to the PLRA and PLRL retrocession agreement.

15. TRANSFER OF ENTITIES UNDER COMMON CONTROL

On January 1, 2021 the entire share capital of PLRH (and therefore, indirectly, the entire share capital of PLRH's subsidiary, PLRL) was contributed to RGBM from its parent company, PLRH LLC. On July 1, 2021 the entire share capital of PLRH was contributed from RGBM to RIBM.

PLRL, a wholly owned direct subsidiary of PLRH, is an international reinsurance company registered in the United Kingdom and regulated and authorized by the Prudential Regulatory Authority and the Financial Conduct Authority. Until January 1, 2022, PLRL wrote life reinsurance business in Europe, Asia, and Canada and provided retrocession services to PLRA. From January 1, 2022 PLRL only writes business in South Korea and Canada.

16. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

The Company leases office facilities in Australia and South Korea under various operating leases, which in most, but not all cases, are non-cancellable. Rent expense, which is included in operating and other expenses, in connection with these leases was $1.7 million for the year ended December 31, 2021 (2020: $1.3 million). Aggregate minimum future office lease commitments are as follows:

Years ended December 31:	
(in thousands)	**$**
Aggregate minimum future office lease commitments:	
2022	1,808
2023	1,893
2024	1,924
2025	834
2026	306
2027+	—
Total	**6,765**

LETTERS OF CREDIT

On June 29, 2017, the Company entered into a revolving bond facility of £100 million ($135.3 million) with Australia and New Zealand Banking Group Limited ("ANZ"), expiring June 30, 2022. On June 30, 2017, ANZ issued a letter of credit pursuant to this facility for £50 million ($67.6 million) to Rothesay Life with a maturity date of June 30, 2022.

The availability period to draw down the additional £50 million ($67.6 million) portion of the prior undrawn balance under the ANZ facility agreement expired in June 2021. As a result, at December 31, 2021, none of the aforementioned bond facility balance remains undrawn.

PLEDGED ASSETS

As general and continuing collateral security covering obligations under reinsurance arrangements held with certain counterparties, PLRL has pledged assets to the benefit of these counterparties. Quarterly, PLRL ensures that the carrying value of pledged assets is greater than or equal to the minimum value as per the reinsurance security agreements. Should the carrying value fall below the minimum value, PLRL deposits additional assets to cover any shortfall. The assets are included in investments and restricted cash on the Consolidated Statement of Financial Condition. Assets are held by a custodian in the UK and the amounts pledged are presented in the table below.

16. COMMITMENTS AND CONTINGENCIES (continued)

Year ended December 31:	**2021**
(in thousands)	**$**
Pledged assets	
Fixed maturity securities	351,007
Cash	5,272
Other restricted cash	11,583
Total restricted investments	351,007
Total restricted cash	16,855
Total restricted assets	**367,862**
Total as a percentage of investable assets	**12%**

17. SUBSEQUENT EVENTS

Transfer of business from PLRL to RIBM

On January 1, 2022, the reinsurance business, which is held in PLRL, governed by English Law was transferred to RIBM by means of an insurance business transfer under Part VII of the Financial Services and Markets Act 2000. The remaining European treaties not written under English law were transferred to RIBM by means of individual novation of treaties and an additional business transfer under a Guernsey insurance business transfer scheme with an effective date of January 1, 2022

On January 1, 2022, the remaining reinsurance business written by the Singapore branch of PLRL was transferred to the RIBM Singapore Branch by means of individual novation of treaties.

The retrocession treaty between Pacific Life Re (Australia) Pty Limited (PLRA) and PLRL was novated to RIBM with effect from January 1, 2022. PLRL has no further obligations under that treaty, and all investment management and custody arrangements in relation to that business have also been contractually transferred to RIBM. APRA has designated RIBM as an ‘appropriate retrocessionaire’ of PLRA.

On January 1, 2022, RIBM became the primary borrower to a loan with MUFG as a result of the restructuring. The amount of the MUFG loan liability on January 1, 2022 was $130.4 million.

Loan notes were issued by RIBM to PLRL as consideration on January 1, 2022 in accordance with the Business Transfer Agreement dated June 25, 2021 and the Loan Note Instrument dated January 1, 2022. These loan notes, and accrued interest on them, were dividended from PLRL to PLRH, and then from PLRH to RIBM, on April 20, 2022. Immediately upon receipt by RIBM of the dividend of the loan notes, the loan notes automatically terminated in accordance with the terms of the loan note instrument, and as of April 20, 2022, RIBM has no further obligations in respect of those loan notes.

Ancillary Own Funds

RIBM has received approval from the BMA for an Ancillary Own Funds ("AOF") arrangement in the amount $230 million. The arrangement represents unpaid shares which can be recognized as Tier 2 capital in the BMA Capital and Solvency Return. The arrangement was effective from January 1, 2022. On January 1, 2022, the PLRL AOF arrangement (which involved £165,000,000 unpaid shares issued to PLC) was released and corresponding unpaid issues shares were cancelled on January 20, 2022.

17. SUBSEQUENT EVENTS (continued)

Distribution

On March 18, 2022, RIBM approved a distribution of $200 million to RGBM.