Wilton Re Overseas Limited

Financial Statements as of and for the
Years Ended December 31, 2021 and 2020, and
Independent Auditor’s Report

WILTON RE OVERSEAS LIMITED

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Deloitte & Touche LLP

30 Rockefeller Plaza
New York, NY 10112
USA

Tel: + 1 212 492 4000
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Wilton Re Overseas Limited:

Opinion

We have audited the financial statements of Wilton Re Overseas Limited (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of comprehensive income (loss), changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Deloitte + Touche LLP

April 20, 2022

WILTON RE OVERSEAS LIMITED

BALANCE SHEETS
AS OF DECEMBER 31, 2021 AND 2020
(Expressed in thousands of US dollars, except share amounts)

	2021	2020
Assets		
Investments		
Fixed maturity and equity securities		
(includes $1,617,450 and $0 at fair value		
at December 31, 2021 and 2020, respectively)	$ 1,617,450	$ -
Policy loans	14,015	-
Other invested assets		
(includes $4,883 and $0 at fair value		
at December 31, 2021 and 2020, respectively)	61,111	66,965
Short term investments	8,090	-
Total investments	1,700,666	66,965
Cash and cash equivalents	266,124	1,520
Accrued investment income	6,211	-
Total assets	$ 1,973,001	$ 68,485
Liabilities and shareholder's equity		
Liabilities:		
Interest sensitive contract liabilities	$ 1,709,911	$ -
Other liabilities	1,554	149
Total liabilities	1,711,465	149
Shareholder's equity:		
Class A common shares		
$1.00 par value; 250,000 shares authorized, issued and		
outstanding at December 31, 2021 and 2020 respectively	250	250
Additional paid-in capital	268,330	58,974
Retained (deficit) earnings	(7,044)	9,112
Total shareholder's equity	261,536	68,336
Total liabilities and shareholder's equity	$ 1,973,001	$ 68,485

The accompanying notes are an integral part of these financial statements.

WILTON RE OVERSEAS LIMITED

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of U.S. dollars)

	2021	2020
Revenues		
Investment earnings—net	$ 125	$ 1
Net change in unrealized gains (losses) on investments classified as trading and other	(265)	-
Total revenues	(140)	1
Benefits and expenses		
Operating expenses	3,548	2,761
Total benefits and expenses	3,548	2,761
Net income (loss) and comprehensive income (loss) before net earnings of equity method investee	(3,688)	(2,760)
Share of net earnings of equity method investees	(12,468)	4,677
Net income (loss) and comprehensive income (loss)	$ (16,156)	$ 1,917

The accompanying notes are an integral part of these financial statements.

WILTON RE OVERSEAS LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of U.S. dollars)

	2021	2020
Common Shares		
Balance at beginning and end of year	$ 250	$ 250
Additional Paid-In Capital		
Balance at beginning of year	58,974	34,029
Contributed capital	209,356	24,945
Balance at end of year	268,330	58,974
Retained (Deficit) Earnings		
Balance at beginning of year	9,112	7,195
Net income (loss) and comprehensive income (loss)	(16,156)	1,917
Balance at end of year	(7,044)	9,112
Total shareholder's equity	$ 261,536	$ 68,336

The accompanying notes are an integral part of these financial statements.

WILTON RE OVERSEAS LIMITED

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of US dollars)

	2021	2020
Cash flows from operating activities		
Net income (loss) and comprehensive income (loss)	$ (16,156)	$ 1,917
Adjustments to reconcile net income (loss) and comprehensive income (loss) to net cash from (used in) operating activities:		
Amortization of net investment premium, discounts and other	44	-
Investment related unrealized (gains) losses, net	265	-
Earnings of equity method investments	12,468	(4,677)
Cash from closed block reinsurance	188,771	-
Changes in assets and liabilities:		
Fixed maturity and equity securities	511	-
Accrued investment income	(127)	-
Other liabilities	1,405	95
Net cash flows from (used in) operating activities	187,181	(2,665)
Cash flows from investing activities		
Purchases of:		
Life settlement contracts	(1,731)	-
Limited partnership interests	-	(14,141)
Other invested assets	-	(9,543)
Net cash flows from (used in) investing activities	(1,731)	(23,684)
Cash flows from financing activities		
Contributed capital	79,154	24,945
Net cash flows from (used in) financing activities	79,154	24,945
Increase (decrease) in cash and cash equivalents	264,604	(1,404)
Cash and cash equivalents—Beginning of the year	1,520	2,924
Cash and cash equivalents—End of the year	$ 266,124	$ 1,520
Cash flows information for non-cash transactions:		
Securities transferred in for capital contribution	$ 130,202	$ -

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION

Wilton Re Overseas Limited (WROL or the Company) is a wholly owned subsidiary of Wilton Re Ltd. (WRL) and was incorporated under the laws of Bermuda as a long-term insurer on December 28, 2017. WRL is the ultimate parent corporation in the Company's holding company structure.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include those used in determining the valuation of investments and interest sensitive contract liabilities. While the amounts included in the financial statements reflect management's best estimates and assumptions, the actual results could be materially different from the amounts reported in the financial statements.

Investments and Investment Earnings

Fixed Maturity and Equity Securities

Fixed maturity and equity securities include publicly traded fixed maturity securities, preferred stock, credit tenant loans, and private placements which are classified as trading and are recorded at fair value with the change in fair value reported as net change in unrealized gains (losses) on investments classified as trading and other in the statements of comprehensive income (loss). The fair value of publicly-traded securities is based on quoted market prices or obtained from independent third-party dealers in the absence of quoted market prices. The fair value of private placements and credit tenant loans is obtained from third-party dealers or is modeled.

Investment transactions are recorded on a trade date basis. The Company's investment earnings are recognized when earned and consists primarily of interest and the accretion of discount or amortization of premium on fixed maturity securities. Investment earnings are presented net of investment management and custody expenses on the statements of comprehensive income (loss). Gains and losses realized on the sale of investments are determined on the first in-first out method.

Policy Loans

Policy loans are reported at the unpaid principal balance. Interest income on such loans is recorded as earned using the contractually agreed upon interest rates.

Short-Term Investments

Short-term investments represent investments with maturities at acquisition of greater than three months but less than twelve months and are carried at amortized cost.

Other Invested Assets

Other invested assets include equity method investments in limited partnerships, life settlement contracts and surplus debentures.

Life Settlement Contracts—Equity Method Investment

The Company owns a 25% economic and voting interest in Leargas Fund I, LLC (the Leargas Fund), a life settlement fund managed by Leargas Capital LLC, a specialized mortality-linked investment manager. With the ability to exercise significant influence over the Leargas Fund, this investment is accounted for under the equity method. The Leargas Fund acquires the ownership and beneficiary rights of the underlying life insurance policies through the acquisition of life settlement contracts from the owners of life insurance policies. The carrying value of the Company's equity method investment in Leargas Fund is based on the net asset value of the fund, which is based on the fair value of the underlying life settlement contracts, in the absence of readily determinable fair value. Management's fair value estimates are based on information provided by the fund manager, using an actuarial model with mortality assumptions for the underlying policies.

The carrying value of the investment was $56,228 and $52,824 at December 31, 2021 and 2020, respectively. Income from the investment is presented in share of net earnings of equity method investees in the statements of comprehensive income (loss).

Summarized financial information of the Leargas Fund as of and for the years ended December 31, 2021 and 2020 is presented below:

Summarized Balance Sheets	**2021**	**2020**
Life settlement contracts	$ 196,775	$ 189,481
Cash	19,843	1,021
Receivables	9,380	22,073
Payables	(1,089)	(1,284)
Life settlement net assets	$ 224,909	$ 211,291

Summarized Income Statements	**2021**	**2020**
Revenue	$ 54,441	$ 45,833
Expenses	(41,348)	(27,125)
Net income	$ 13,093	$ 18,708

The Company may provide short-term loans to the Leargas Fund, to accommodate near term liquidity needs in the acquisition of new life settlement contracts. The short-term loans bear interest at 6.00% per annum. During 2021 and 2020, the Company received $2 and $1, respectively of interest income for loans provided. At December 31, 2021 and 2020, no short-term loans were outstanding. Interest is recognized on receipt and is included in investment earnings—net in the statements of comprehensive income (loss).

Limited Partnerships—Equity Method Investment

In December 2020, the Company entered into a co-investment structure, acquiring Clara-Pensions Group Limited (Clara), a start-up firm built to serve as a conduit to United Kingdom defined benefit pension plan buy-out transactions. WROL owns a 49.75% interest in Niederkorn Adjacent Partners S.C.Sp (a limited partnership) and a 50% interest in Niederkorn Adjacent Investments GP II S.a.r.l. (a general partnership). The limited partnership owns a majority interest in Clara's outstanding ordinary shares. Income from the investment is presented in share of net earnings of equity method investee in the statements of comprehensive income (loss).

The investment in Niederkorn Adjacent Partners S.C.Sp is considered a Variable Interest Entity (VIE), however the Company is not required to consolidate Niederkorn Adjacent Partners S.C.Sp as the Company does not have the power to direct the VIE activities that most significantly impact the VIE's performance.

In September 2021, the Company recorded a $14,141 reduction in the carrying value of the equity method investment based on the investee's actual operating results and shortfall of expected revenue.

The carrying value of the investment was $0 and $14,141 at December 31, 2021 and 2020, respectively. Income from the investment is presented in share of net earnings of equity method investees in the statements of comprehensive income (loss).

Surplus Debentures

Surplus debentures are similar to corporate securities but are subordinated obligations of insurance companies and may be subject to restrictions by the insurance commissioners and are carried at fair value.

Cash and Cash Equivalents

The Company considers all investments purchased with a maturity at acquisition of three months or less to be cash equivalents.

Interest Sensitive Contract Liabilities

Liabilities for interest sensitive insurance products such as universal life are established based on account values before applicable surrender charges. Certain universal life products contain features that link interest credited to an equity index. These features create embedded derivatives that are not clearly and closely related to the host insurance contract.

In situations where mortality profits are followed by mortality losses (PFBL), a liability is established, in addition to the account value, to recognize the portion of policy assessments that relate to benefits to be provided in the future. The calculation of these liabilities is based on management's best estimates and assumptions regarding expected mortality, lapse, persistency, expenses and investment experience, which are reviewed and unlocked at least annually if necessary. Additional liabilities are established for universal life products related to unearned policy charges. As of December 31, 2021, the Company has passed PFBL testing with no projected losses for all years, and therefore, has not recorded an additional liability related to benefits provided in the future.

For interest-sensitive life contracts, premiums collected are not reported as revenues, but as deposits to insurance liabilities. The Company recognizes revenues for these products over time in the form of investment income, policy charges for the cost of insurance, policy administration fees, and surrender fees that have been assessed against policy account balances during the period. Policy benefits and claims that are charged to expense include claims incurred in the period in excess of related policy account balances and interest credited to policy account balances.

Closed Block Reinsurance

Acquisitions by the Company of blocks of business in run off (i.e. where only existing policies will be renewed and new policies will not be sold), as either a reinsurance transaction or a stock purchase, are accounted for as reinsurance transactions. Results of operations only include the revenues and expenses from the effective date of acquisition of these blocks of business. The initial transfer of assets and liabilities is recorded in the balance sheet at the date of acquisition at fair value, except for the reserves for future policy benefits and value of in-force business acquired (VOBA), which are recorded at management's best estimate. Future policy benefit reserves are established based on the present value of benefits and maintenance expense minus the present value of valuation (or net) premiums.

New Accounting Pronouncements

Changes to the accounting principles are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU) to the FASB Accounting Standards Codification™. Accounting standard updates not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's financial statements.

ASUs Adopted During the Year Ended December 31, 2021

There were no ASUs adopted during the year ended December 31, 2021.

ASUs Issued But Not Adopted as of December 31, 2021

ASU 2016-13—Financial Instruments—Credit Losses (Topic 326)—In June 2016, the FASB issued an accounting standard update which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, the update eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available for sale debt securities, credit losses should be measured in a manner similar to current GAAP; however, the update will require that credit losses to be presented as an allowance rather than as a write-down. The guidance is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact of this amendment on its financial statements.

ASU 2018-12—Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts—In August 2018, the FASB issued an accounting standard update with the objective of making targeted improvements to the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The standard prescribes significant and comprehensive changes to recognition, measurement, presentation and disclosure as summarized below:

- Requires the review and if necessary, update of future policy benefit assumptions at least annually for traditional and limited pay long-duration contracts, with the recognition and separate presentation of any resulting re-measurement gain or loss (except for discount rate changes as noted below) in the income statement.

- Requires the discount rate assumption to be updated at the end of each reporting period using an upper medium grade (low-credit risk) fixed income instrument yield that maximizes the use of observable market inputs and recognizes the impact of changes to discount rates in other comprehensive income.

- Simplifies the amortization of DAC to a constant level basis over the expected term of the related contracts with adjustments for unexpected terminations, but no longer requires an impairment test.

- Requires the measurement of all market risk benefits associated with deposit (or account balance) contracts at fair value through the income statement with the exception of instrument-specific credit risk changes, which will be recognized in other comprehensive income.

- Increased disclosures of disaggregated roll-forwards of policy benefits, account balances, market risk benefits, separate account liabilities and information about significant inputs, judgments and methods used in measurement and changes thereto and impact of those changes.

In November 2020, the FASB granted a one-year date delay for the adoption of ASU 2018-12. The Company plans to adopt ASU 2018-12 on its new effective date of January 1, 2025. The Company is evaluating the method of adoption and impact of the standard on our reported financial statements and required disclosures. The adoption of this standard is expected to have a significant impact on the financial statements and required disclosures, as well as systems, processes and controls.

ASU 2019-01—Leases (Topic 842): Codification Improvements—In January 2019, the FASB issued an accounting standard update based on the principle that entities should recognize assets and liabilities arising from leases, does not significantly change the lessees' recognition, measurement and presentation of expenses and cash flows from the previous accounting standard. Leases are classified as finance or operating. The new standard's primary change is the requirement for entities to recognize a lease liability for payments and a right of use asset representing the right to use the leased asset during the term of operating lease arrangements. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. Lessors' accounting is largely unchanged from the previous accounting standard. In addition, the new standard expands the disclosure requirements of lease arrangements. In June 2020, the FASB granted a one-year date delay for the adoption of 2019-01, which is now effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company is currently evaluating the impact of this amendment on its financial statements.

ASU 2019-12—Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes—In December 2019, the FASB amended the guidance on simplifying the accounting for income taxes. The amendment eliminates the need for an organization to analyze whether the following apply in a given period (1) exception to the incremental approach for intraperiod tax allocation (2) exceptions to accounting for basis differences when there are ownership changes in foreign investments and (3) exceptions in interim period income tax accounting for year-to-date losses that exceed anticipated losses. The accounting standards update is also designed to improve financial statement preparers' application of income tax-related guidance and simplify GAAP for (1) franchise taxes that are partially based on income, (2) transactions with a government that result in a step-up in the tax basis of goodwill, (3) separate financial statements of legal entities that are not subject to tax, and (4) enacted changes in tax laws in interim periods. The guidance is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption of the amendments is permitted. The Company is currently evaluating the impact of this amendment on its financial statements.

ASU 2020-01—Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force)—In January 2020, the FASB issued an accounting standard update which clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323, Investments—Equity Method and Joint Ventures, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The guidance is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company is currently evaluating the impact of this amendment on its financial statements.

3. CLOSED BLOCK REINSURANCE

Effective December 31, 2021, the Company reinsured a closed block of secondary guarantee universal life business from an unaffiliated insurer. The transaction is a 100% quota share indemnity coinsurance of the business for all policies not subject to third-party reinsurance agreements with an unaffiliated third-party reinsurer. For all policies reinsured by the unaffiliated third-party reinsurer, the transaction is a 90% quota share indemnity coinsurance of the business to WROL.

The Company received $188,771 in cash and $1,515,867 in invested assets from the cedent.

The initial balance sheet effect of this transaction was as follows:

Assets	
Fixed maturity and equity securities	$ 1,493,762
Short-term investments	8,090
Policy loans	14,015
Total investments	1,515,867
Cash and cash equivalents	188,771
Accrued investment income	5,273
Total assets	$ 1,709,911
Liabilities	
Interest sensitive contract liabilities	$ 1,709,911
Total liabilities	$ 1,709,911

For the closed block reinsurance transaction described above, the non-cash assets and liabilities acquired or assumed have been excluded from the statement of cash flows for the year ended December 31, 2021. The net cash received of $188,771 for the year ended December 31, 2021, is included in cash flows from operating activities within the statements of cash flows-contractual basis.

4. INVESTMENTS

Fixed Maturity and Equity Securities

The amortized cost, fair value and related gross unrealized gain and loss of fixed maturity and preferred stock investments, classified as trading, as of December 31 are as follows:

	2021			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
U.S. government and agencies	$ 1,161,399	$ 43	$ (27)	$ 1,161,415
State and political subdivisions	10,536	26	(127)	10,435
Foreign sovereign	1,105	4	-	1,109
Corporate securities	283,537	224	(67)	283,694
Residential mortgage-backed securities	2,105	-	(25)	2,080
Commercial mortgage-backed securities	109,256	57	(153)	109,160
Asset-backed securities	32,333	26	(239)	32,120
Collateralized debt obligations	13,349	-	(11)	13,338
Total fixed maturities	1,613,620	380	(649)	1,613,351
Preferred stock	3,997	102	-	4,099
Total fixed maturity and equity securities	$ 1,617,617	$ 482	$ (649)	$ 1,617,450

The unrealized loss and fair values by investment category and by the duration of the fixed maturity securities in a continuous unrealized loss position at December 31 are as follows:

	2021					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. government and agencies	$ 4,052	$ (27)	$ -	$ -	$ 4,052	$ (27)
State and political subdivisions	10,435	(127)	-	-	10,435	(127)
Corporate securities	42,355	(67)	-	-	42,355	(67)
Residential mortgage-backed securities	1,311	(25)			1,311	(25)
Commercial mortgage-backed securities	21,288	(153)	-	-	21,288	(153)
Asset-backed securities	25,701	(239)	-	-	25,701	(239)
Collateralized debt obligations	13,338	(11)	-	-	13,338	(11)
Total fixed maturities	118,480	(649)	-	-	118,480	(649)
Total fixed maturity and equity securities	$ 118,480	$ (649)	$ -	$ -	$ 118,480	$ (649)

At December 31, 2021 no fixed maturity securities had been in an unrealized loss position for 12 months or more

At December 31, 2020, the Company held no fixed maturity and equity securities.

Contractual maturities of the Company's fixed maturity securities as of December 31, 2021, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	2021	
	Amortized Cost	Fair Value
One year or less	$ -	$ -
One through five years	85,790	85,783
After five through ten years	630,970	630,974
After ten through twenty years	77,693	77,654
After twenty years	662,124	662,242
Residential mortgage-backed securities	2,105	2,080
Commercial mortgage-backed securities	109,256	109,160
Asset-backed securities	32,333	32,120
Collateralized debt obligations	13,349	13,338
Total fixed maturity securities	$ 1,613,620	$ 1,613,351

Credit ratings of the Company's fixed maturity securities as of December 31, 2021 are shown below. Ratings are assigned by Standard & Poor's Corporation, Moody's Investors Service or Fitch Ratings. The ratings assigned may not be accurate predictors of credit losses.

	2021	
	Amortized Cost	Fair Value
AAA	$ 1,265,310	$ 1,265,287
AA	45,806	45,751
A	141,440	141,265
BBB	155,899	155,917
BB	4,285	4,247
B	880	884
Total fixed maturities securities	$ 1,613,620	$ 1,613,351

The Company's largest five exposures by issuer as of December 31, 2021, were The Travelers Companies, Inc., JPMorgan Chase & Co., Verizon Communications Inc., HSBC Holdings, and Intel Corporation, each of which comprised less than 1.0%, and in aggregate comprised 2.8%, of total investments.

Investment Earnings—Net

Major sources of investment earnings are as follows:

	2021	2020
Fixed maturity and equity securities	$ 118	$ -
Other invested assets	6	1
Investment income	124	1
Realized gains on investments	1	-
Investment earnings—net	$ 125	$ 1

Policy loans comprised approximately 0.8% of the Company's investments as of December 31, 2021. These policy loans present minimal credit risk because the amount of the loan cannot exceed the obligation due the ceding company or the insured upon the death of the insured or surrender of the underlying policy. The provisions of the underlying policies determine the policy loan interest rates. Because policy loans represent premature distributions of policy liabilities, they have the effect of reducing future disintermediation risk. In addition, the Company earns a spread between the interest rate earned on policy loans and the interest rate credited to corresponding liabilities.

5. CONCENTRATION OF CREDIT RISK

As of December 31, 2021 and 2020, all of the Company's cash and cash equivalents were held in two and one, respectively, financial institutions that the Company considers to be of high quality.

The life settlement contracts in the Leargas Fund are exposed to insurance carriers that the Company considers to be of high quality. As of December 31, 2021 and 2020, the top 5 insurance carriers accounted for 28.3% and 35.9%, respectively, of aggregate death benefits of the life settlement contracts.

6. INCOME TAXES

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

The Company has operated in a manner so that it should be treated as not being engaged in a US trade or business or otherwise subject to US tax. However, because definitive identification of activities which constitute being engaged in a trade or business in the US is not provided by the Internal Revenue Code of 1986, regulations or court decisions, there can be no assurance that the Internal Revenue Service will not contend that the Company is engaged in a US trade or business or otherwise subject to taxation. If the Company was considered to be engaged in a trade or business in the US, the Company could be subject to the US tax at regular corporate tax rates on its taxable income, if any, that is effectively connected with the US trade or business plus an additional 30% branch profits tax on such income remaining, if any, after regular corporate taxes, in which case, there could be a significant adverse effect on the Company's results of operations and its financial condition.

7. STATUTORY REQUIREMENTS AND DIVIDEND RESTRICTIONS

The Company is subject to insurance laws and regulations of Bermuda. These regulations include restrictions that limit the amount of dividends or other distributions available to shareholders without prior approval of the insurance regulatory authorities.

Under Bermuda law, the following statutory conditions must all be met prior to a distribution to shareholders:

1. The value of the assets backing the Company's insurance liabilities, as certified by the Company's approved actuary, must be greater than the Company's reserves (also certified) after the distribution (Insurance Act, Section 24);
2. Company must be solvent after payment of the dividend, i.e. the realizable value of its assets must be greater than its liabilities (Companies Act, Section 54);
3. Bermuda Monetary Authority (BMA) approval is required for dividends exceeding 25% of the Company's statutory capital and surplus, per its previous year's statutory balance sheet (Insurance Act, Section 31B);
4. BMA approval is required for any distribution exceeding 15% of the Company's statutory capital, per its previous year's statutory financial statements (Insurance Act, Section 31C); and,
5. After the distribution, the Company's capital must be above regulatory margins (Insurance Act, Sections 31B and 31C).

The Company can pay dividends of $111,246 in 2022 without prior regulatory approval.

8. RELATED PARTY TRANSACTIONS

The Company is party to Service Agreements with affiliates, Wilton Re Services, Inc., (Wilton Services) and Wilton Reinsurance Bermuda Ltd. (WREB). Under both agreements, Wilton Services and WREB provides certain accounting, actuarial and administrative services to the Company (the Services Agreements). During 2021 and 2020, the Company incurred $1,866 and $318, respectively, of expenses for these services. Amounts payable to affiliates of $1,382 and $46 at December 31, 2021 and 2020, respectively, were primarily related to the Services Agreements recorded in other liabilities on the balance sheet.

9. SHAREHOLDER'S EQUITY

Authorized Shares

Upon incorporation, the Company issued 250,000 common shares at $1.00 per share for a total of $250,000. The Company received capital contributions of $209,356 and $24,945 during 2021 and 2020, respectively, including investments of $130,202 in 2021.

10. COMMITMENTS AND CONTINGENCIES

Collateral Arrangements

The Company is required as a result of specific contractual undertakings, to maintain amounts in trust to secure performance of contract liabilities. This arrangement includes a trust maintained in connection with the indemnity reinsurance contract noted in Note 3 – Closed Block Reinsurance. The Company retains investment management responsibility for these collateral assets subject to compliance with agreed investment guidelines. The aggregate market value of investments maintained by the Company pursuant to this arrangement as of December 31, 2021 and 2020, was $1,493,393 and $0, respectively.

Legal proceedings

In the normal course of business, the Company may become involved in litigation, principally from claims made under insurance policies and contracts. The ultimate disposition of such litigation is not expected to have a material adverse effect on the Company's financial condition, liquidity, or results of operations. At the current time the Company is not a party to any pending litigation.

Capital Maintenance Agreement

Effective April 5, 2019, the Company entered into a Capital Maintenance Agreement (CMA) with WRL. Under the CMA terms, WRL agrees to maintain in the Company, "Available Statutory Economic Capital and Surplus" in excess of 125% of its "Enhanced Capital Requirement" at all times as defined in the Insurance (Prudential Standards) (Class C, D and Class E Solvency Requirement) Rules 2011, up to an aggregate amount of $100,000.

11. FAIR VALUE

The Company has categorized its assets and liabilities recorded at fair value, based on the priority of the inputs to the valuation technique, into a three-level hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded at fair value on the balance sheets are categorized as follows:

Level 1 Unadjusted quoted prices for identical assets or liabilities in an active market.

The types of financial investments included in Level 1 are listed equities, mutual funds, money market funds, US Treasury Securities and non-interest-bearing cash.

Level 2 Pricing inputs other than quoted prices in active markets which are either directly or indirectly observable as of the reporting date, and fair value determined through the use of models or other valuation methods. Such inputs may include benchmarking prices for similar assets in active, liquid markets, quoted prices in markets that are not active and observable yields and spreads in the market. Level 2 valuations may be obtained from independent sources for identical or comparable assets or through the use of valuation methodologies using observable market-corroborated inputs. Prices from third-party pricing services are validated through analytical reviews.

The types of financial instruments included in Level 2 include publicly traded issues such as US and foreign corporate securities, and residential and commercial mortgage backed securities, among others.

Level 3 Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. They reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability. Market standard techniques for determining the estimated fair value of certain securities that trade infrequently may rely on inputs that are not observable in the market or cannot be derived from or corroborated by market observable data. Prices are determined using valuation methodologies such as discounted cash flow models and other techniques. Management believes these inputs are consistent with what other market participants would use when pricing similar assets.

The types of financial investments included in Level 3 include certain asset-backed securities.

Recurring Fair Value Measurements

The assets and liabilities measured at fair value on a recurring basis and their placement in the fair value hierarchy, including those items for which the Company has elected the FVO, are summarized below at:

December 31, 2021	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Invested assets				
U.S. government and agencies	$ 1,161,415	$ 1,157,363	$ 4,052	$ -
State and political subdivisions	10,435	-	10,435	-
Foreign sovereign	1,109	-	1,109	-
Corporate securities	283,694	-	283,694	-
Residential mortgage-backed securities	2,080	-	2,080	-
Commercial mortgage-backed securities	109,160	-	109,160	-
Asset-backed securities	32,120	-	31,868	252
Collateralized debt obligations	13,338	-	13,338	-
Total fixed maturity	1,613,351	1,157,363	455,736	252
Preferred stock	4,099	-	4,099	-
Total fixed maturity and equity securities	1,617,450	1,157,363	459,835	252
Other invested assets	4,883 [1]	-	4,883	-
Total	$ 1,622,333	$ 1,157,363	$ 464,718	$ 252

[1] Component of Other invested assets not measured at fair value on a recurring basis is equity method investment in affiliate of $56,228.

Fixed Maturity and Equity Securities

Publicly traded fixed maturity securities included in fixed maturity and equity securities are valued based on quoted market prices or broker prices. Private placement securities included in fixed maturity and equity securities are valued based on the credit quality and duration of marketable securities deemed comparable by the Company's investment advisor, which may be of another issuer. In some cases, discounted cash flow analysis may be used.

US Government and Agency Securities, States and Political Subdivisions, Corporate Securities and Foreign Securities

US Treasury securities, which trade based on quoted prices for identical assets in an active market, are included in Level 1.

The fair value of Level 2 bonds and securities in this category is predominantly priced by third-party pricing services and broker quotes. Their pricing models typically utilize the following inputs: principal and interest payments, treasury yield curve, credit spreads from new issue and secondary trading markets, early redemption or call features, benchmark securities and reported trades.

Level 3 bonds and securities in this category primarily represent investments in privately placed bonds, credit tenant loans and other less liquid corporate and municipal bonds for which prices are not readily available. To determine a fair value, the Company may rely on modeling for market valuation using both observable and unobservable inputs. These inputs are entered into industry standard pricing models to determine the final price of the security. These inputs typically include: projected cash flows, discount rate, industry sector, underlying collateral, credit quality of the issuer, maturity, embedded options, recent new issuance, comparative bond analysis, and seniority of debt.

The extent of the use of each market input depends on the asset class, market conditions and the relevant market data available. Depending on the security, these inputs may change, some market inputs may not be relevant or additional inputs may be necessary.

Mortgage-Backed Securities, Asset-Backed Securities and Collateralized Debt Obligations

This category consists of residential mortgage-backed securities, commercial mortgage-backed securities, and other asset-backed securities, such as credit card and automobile receivables, home equity loans, manufactured housing bonds and collateralized debt obligations. Level 2 securities are priced from information provided by third-party pricing services and independent broker quotes. For mortgage-backed and asset-backed securities, valuation is based primarily on matrix pricing or other similar techniques using standard market inputs including spreads for actively traded securities, spreads off benchmark yields, expected prepayment speeds and volumes, current and forecasted loss severity, credit rating, weighted average coupon, weighted average maturity, average delinquency rates, geographic region, debt-service coverage ratios and issuance-specific information including, but not limited to: collateral type, payment terms of the underlying assets, payment priority within the tranche, structure of the security, deal performance, vintage of loans and insurance guarantees.

The Company has included mortgage-backed and asset-backed securities with less liquidity in Level 3, these securities are primarily privately placed transactions with little transparency to the market or other securities with limited or inactive trading markets. Significant inputs cannot be derived principally from or corroborated by observable market data. The significant unobservable inputs used in the fair value measurement of these securities typically include: discounted cash flows, credit rating of issuer, debt coverage ratios, type and quality of underlying collateral, prepayment rates, probability of default and loss severity in the event of default.

Included in the pricing of mortgage-backed and asset-backed securities are estimates of the rate of future prepayments of principal over the remaining life of the securities. Such estimates are derived based on the securities' underlying structure and rates of prepayments previously experienced at the interest rate levels projected for the underlying collateral. Changes in significant inputs used in the fair value measurement, such as the paydown rate (the projected annual rate of principal reduction), may affect the fair value of the securities. For example, a decrease in the paydown rate would increase the projected weighted average life and increase the sensitivity of the fair value to changes in interest rates.

Preferred Stock

The fair values of preferred stock are primarily based upon quoted market prices in active markets and are classified within Level 1 in the fair value hierarchy. The fair values of preferred stocks, for which quoted market prices are not readily available, are based on prices obtained from independent pricing services and are generally classified within Level 2 in the fair value hierarchy.

Other Invested Assets

Surplus debentures

Surplus debentures are similar to corporate securities. The fair values of surplus debentures are primarily based on prices obtained from independent pricing services or may be obtained from independent third-party dealers in the absence of quoted market prices. They are generally classified within Level 2 in the fair value hierarchy.

Changes of Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company obtains its Level 3 fair value measurements from independent, third-party pricing sources. The Company does not develop the significant inputs used to measure the fair value of these assets and liabilities, and the information regarding the significant inputs is not readily available to the Company. Independent broker-quoted fair values are non-binding quotes developed by market makers or broker-dealers obtained from third-party sources recognized as market participants. The fair value of a broker-quoted asset or liability is based solely on the receipt of an updated quote from a single market maker or a broker-dealer recognized as a market participant as the Company does not adjust broker quotes when used as the fair value measurement for an asset or liability. In addition, some prices are determined based on discounted cash flow models.

The Company's policy is to recognize transfers into and out of levels within the fair value hierarchy at the end of the period in which the actual event or change in circumstances that caused the transfer occurs.

For all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3), the following table presents select activity for the year ended December 31, 2021:

	2021		
	Purchases	**Transfer Into**	**Transfer Out of**
Invested Assets:			
Asset-backed securities	$ 254	$ -	$ -
Total invested assets	$ 254	$ -	$ -

12. SUBSEQUENT EVENTS

The Company has evaluated the impact of subsequent events through April 20, 2022, representing the date at which the financial statements were available to be issued.

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