Audited Financial Statements

Kuvare Bermuda Re Ltd.
For the Year Ended December 31, 2021 and
the Period from January 10, 2020 to December 31, 2020
With Report of Independent Auditors

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the Period from January 10, 2020 to December 31, 2020

Contents

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Report of Independent Auditors

The Board of Directors
Kuvare Bermuda Re Ltd.

Opinion

We have audited the financial statements of Kuvare Bermuda Re Ltd. (the Company), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and comprehensive income (loss), changes in shareholder's equity and cash flows for the year ended December 31, 2021 and for the period from January 10, 2020 to December 31, 2020, and the related notes (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 at December 31, 2021 and 2020, and the results of its operations and its cash flows for the year ended December 31, 2021 and for the period from January 10, 2020 to December 31, 2020, 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 financial statements that are free of 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 of 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.

Ernst + Young Ltd.

Hamilton, Bermuda
April 29, 2022

Kuvare Bermuda Re Ltd.

Balance Sheets

As at December 31, 2021 and 2020

(expressed in U.S. dollars)

	December 31, 2021 $	December 31, 2020 $
Assets		
Cash and cash equivalents	1,856,585	21,459,840
Fixed maturity securities, available-for-sale, at fair value (notes 3 and 5) (amortized cost: 2021 - $74,803,327 and 2020 - $125,828,572)	73,265,629	126,873,914
Short-term investments (note 5)	16,639,591	-
Derivative assets (notes 4 and 5)	-	16,961,012
Funds withheld (note 4)	2,843,670,049	1,853,925,604
Total cash and invested assets	2,935,431,854	2,019,220,370
Accrued investment income	623,169	833,220
Deferred acquisition costs (note 6)	37,109,888	7,123,702
Due from affiliate (note 10)	29,449,492	-
Accounts receivable	8,973,088	-
Federal income tax receivable	583,989	-
Deferred tax asset, net (note 12)	29,043,310	23,732,135
Total assets	3,041,214,790	2,050,909,427
Liabilities		
Future policy benefit reserves (note 4)	2,854,320,386	1,850,239,000
Deferred profit liabilities (note 7)	95,014,593	111,450,112
Derivative liabilities (notes 4 and 5)	24,336,408	-
Accounts payable and accrued expenses	7,965,743	2,284,730
Federal income tax due and accrued (note 12)	-	27,147,985
Total liabilities	2,981,637,130	1,991,121,827
Shareholder's equity		
Share capital (note 8)	250,000	250,000
Additional paid-in capital (note 8)	61,687,500	46,687,500
Retained earnings (deficit)	(1,145,059)	12,024,280
Accumulated other comprehensive (loss) income, (net of tax: 2021 - $322,917 and 2020 - $219,522)	(1,214,781)	825,820
Total shareholder's equity	59,577,660	59,787,600
Total liabilities and shareholder's equity	3,041,214,790	2,050,909,427

Director

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

Kuvare Bermuda Re Ltd.

Statements of Operations and Comprehensive Income

For the year ended December 31, 2021 and the period from January 10, 2020 to December 31, 2020

(expressed in U.S. dollars)

	December 31, 2021 $	December 31, 2020 $
Revenues		
Funds withheld		
Investment income from funds withheld	92,531,350	4,016,409
Realized gains from funds withheld	6,938,553	-
Unrealized (losses) gains on derivatives	(41,297,420)	16,961,012
Amortization of deferred acquisition costs (Note 6)	(1,270,638)	-
Amortization of deferred profit liability (Note 7)	16,580,602	167,880
Investment management expenses	(6,869,319)	(316,687)
Net results from funds withheld	66,613,128	20,828,614
Net investment income	9,250,388	433,050
Realized gains on investments	2,031,560	-
Total revenues	77,895,076	21,261,664
Benefits and Expenses		
Claims and other insurance expenses	4,464,038	106,248
Interest credited to policyholder account balances and deposit liability expenses	85,118,193	5,211,444
Operating expenses	4,982,895	723,364
(Loss) Income before income taxes	(16,670,050)	15,220,608
Income tax (benefit) expense (note 12)	(3,500,711)	3,196,328
Net (Loss) Income	(13,169,339)	12,024,280
Other comprehensive (loss) income, net of tax		
Unrealized (loss) gain on available for sale securities, net of tax	(2,040,601)	825,820
Total other comprehensive (loss) income	(2,040,601)	825,820
Total comprehensive (loss) income	(15,209,940)	12,850,100

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

Kuvare Bermuda Re Ltd.

Statements of Changes in Shareholder’s Equity

For the year ended December 31, 2021 and the period from January 10, 2020 to December 31, 2020

(expressed in U.S. dollars)

	Share capital $	Additional paid-in-capital $	Retained earnings (deficit) $	Accumulated other comprehensive income (loss) $	Total $
Balance, January 10, 2020	-	-	-	-	-
Issued and fully paid shares at $1 par value	250,000	-	-	-	250,000
Net income	-	-	12,024,280	-	12,024,280
Other comprehensive income	-	-	-	825,820	825,820
Capital contributions (note 8)	-	46,687,500	-	-	46,687,500
Balance, December 31, 2020	250,000	46,687,500	12,024,280	825,820	59,787,600
Net loss	-	-	(13,169,339)	-	(13,169,339)
Other comprehensive loss	-	-	-	(2,040,601)	(2,040,601)
Capital contributions (note 8)	-	15,000,000	-	-	15,000,000
Balance, December 31, 2021	250,000	61,687,500	(1,145,059)	(1,214,781)	59,577,660

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

Kuvare Bermuda Re Ltd.

Statements of Cash Flows

For the year ended December 31, 2021 and the period from January 10, 2020 to December 31, 2020

(expressed in U.S. dollars)

	December 31, 2021 $	December 31, 2020 $
Cash flows from operating activities		
Net (loss) income	(13,169,339)	12,024,280
Adjustments to reconcile net (loss) income to net cash flows generated by (used in) operating activities:		
Realized (gains) on investments	(2,031,560)	-
Unrealized losses (gains) on embedded derivatives	41,297,420	(16,961,012)
Deferred income tax (benefit)	(4,768,737)	(23,951,657)
Changes in assets and liabilities:		
Funds withheld	(989,744,445)	(1,853,925,604)
Accrued investment income	210,051	(833,220)
Deferred acquisition costs	(29,986,186)	(7,123,702)
Due from affiliate – accrued interest	(142,979)	-
Accounts receivable	(8,973,088)	-
Federal income tax receivable	(583,989)	-
Future policy benefit reserves	1,004,081,386	1,850,239,000
Deferred profit liabilities	(16,435,519)	111,450,112
Accounts payable and accrued expenses	5,681,013	2,284,730
Federal income tax due and accrued	(27,147,985)	27,147,985
Net cash provided (used in) by operating activities	(41,713,957)	100,350,912
Cash flows from investing activities		
Purchase of securities	(44,460,915)	(125,828,572)
Sale of securities	55,538,387	-
Issuance of promissory note	(3,966,770)	-
Net cash provided by (used in) investing activities	7,110,702	(125,828,572)
Cash flows from financing activities		
Paid in share capital	-	250,000
Additional paid in capital	15,000,000	46,687,500
Net cash provided by financing activities	15,000,000	46,937,500
Change in cash and cash equivalents	(19,603,255)	21,459,840
Cash and cash equivalents, beginning of year	21,459,840	-
Cash and cash equivalents, end of year	1,856,585	21,459,840
Supplemental disclosures:		
Security transfers for promissory note	25,339,743	-
Income taxes paid, net of refunds	29,000,000	-
	54,339,743	-

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

1. *Organization and corporate structure*

Kuvare Bermuda Re Ltd. (the "Company") was incorporated as a Bermuda exempted company with limited liability on January 10, 2020 and registered as a Class C long-term insurer under The Insurance Act 1978 of Bermuda, effective September 21, 2020.

The Company is solely owned by Kuvare US Holdings Inc. ("KUS"), a holding company incorporated under the laws of Delaware. KUS is solely owned by Kuvare UK Holdings Limited, a holding company incorporated under the laws of England and Wales. Kuvare Holdings LP ("Kuvare LP"), a Cayman Islands exempted limited partnership is the direct shareholder of Kuvare UK Holdings Limited, which is ultimately held by management and long-term investors who have committed capital to Kuvare LP.

The purpose of the Company is to serve as an internal reinsurer for business from affiliated US life insurance companies.

Effective October 1, 2020, the Company entered into a Funds Withheld Coinsurance Agreement with Lincoln Benefit Life Company ("LBL"), an insurance company organized under the laws of Nebraska that is under common control, dated as of December 18, 2020, to reinsure certain risks under fixed deferred annuity contracts.

Effective December 31, 2020, the Company entered into a Funds Withheld Coinsurance Agreement with United Life Insurance Company ("ULIC"), an insurance company organized under the laws of Iowa that is under common control, dated as of December 18, 2020, to reinsure certain risks under fixed deferred annuity contracts.

Effective December 31, 2020, the Company entered into a Funds Withheld Coinsurance Agreement with Guaranty Income Life Insurance Company ("GILICO"), an insurance company organized under the laws of Iowa that is under common control, dated as of December 18, 2020, to reinsure certain risks under fixed deferred annuity contracts.

2. *Summary of significant accounting policies*

a) Basis of preparation

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year.

b) Cash and cash equivalents

Cash and cash equivalents include deposits, money-market funds, and short-term highly liquid investments (maturity of less than ninety days from the date of acquisition) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

c) Fixed maturity securities

The Company's fixed maturity securities are classified as available-for-sale, and are carried at fair value, with unrealized gains and losses, net of tax, being reported as a component of accumulated other comprehensive income (loss). Investment income is recognized as it accrues or is legally due, net of investment management and custody fees. Investment income on fixed maturity securities includes coupon interest, as well as the amortization of any premium and the accretion of any discount. Realized investment gains and losses are recognized on a first-in first-out basis and are reported in net realized gains (losses) on investments within the statement of operations.

Management evaluates debt securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation.

U.S. GAAP specifies that: (a) if an entity does not have the intent to sell a debt security prior to recovery and (b) it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered OTTI unless there is a credit loss. When an entity does not intend to sell the security and it is more likely than not that the entity will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an OTTI of a debt security in earnings and the remaining portion in other comprehensive income. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected based on cash flow projections.

The Company records investments on a trade date basis, with any unsettled trades at year end recorded in accounts receivable or accounts payable and accruals on the balance sheet.

d) Short-term investments

Short-term investments consist of financial instruments with maturities of greater than three months but less than twelve months when purchased. These are stated at fair value or amortized cost, which approximates fair value.

e) Funds withheld

Funds withheld represents a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements in which the Company acts as a reinsurer. Although the assets in funds withheld are legally owned by the ceding company, the assets are separated from the general accounts of the cedants and all economic rights and obligations on the assets accrue to the Company. The underlying agreements contain embedded derivatives as discussed in derivatives.

f) Deferred acquisition costs

Costs that are related directly to the successful acquisition of new and renewal insurance business are deferred to the extent they are recoverable from future gross profits. Deferred acquisition costs ("DAC") primarily consists of commissions paid and the difference between the initial reserve transferred and account value, if any. Periodic testing is performed to determine if DAC is recoverable, if it is determined that DAC is not recoverable, a cumulative charge is recorded to the current period. The DAC for interest-sensitive life and investment-type contracts is amortized over the life of the policies in proportion to the present value of the estimated gross profit amounts expected to be realized. Estimates of future gross profits are based on assumptions using accepted actuarial methods. Amortization is recorded as an expense within the statement of operations.

g) Derivative asset and liability

Authoritative guidance for derivatives and hedging (ASC Topic 815) states that an embedded derivative shall be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risk of the host contract.

The funds withheld coinsurance agreements with the cedants results in an embedded derivative as the assets backing the liabilities are retained by the cedants, but their underlying value is determined by factors separate from the host contract, namely interest rate and credit spread movement. The embedded derivative was initially valued at zero and subsequently valued based on the change in fair value of the underlying funds withheld assets.

h) Future policy benefit reserves
Liabilities for future benefits on interest-sensitive life and investment-type contract liabilities are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges. These are equal to the balance that accrue to the benefit of the policyholders as of the financial statement date (commonly referred to as the account value), including, policyholders' accumulated net deposits plus interest credited and investment performance less policyholder withdrawals, fees and policy charges.

i) **Deferred profit liabilities**
At inception of block reinsurance transactions, the excess of the assets received over the sum of the reserves reinsured and ceding commission received, if any, is deferred and recognized as a deferred profit liability ("DPL"). The DPL for interest-sensitive life and investment-type contracts is amortized over the life of the policies in proportion to the present value of the estimated gross profit amounts expected to be realized. Estimates of future gross profits are based on assumptions using accepted actuarial methods. Amortization is recorded in income within the statement of operations.

j) Recognition of revenues and related expenses
The amounts collected on interest-sensitive life and investment-type reinsurance contracts are considered deposits and are recognized as part of the future policy benefit reserves. Interest-sensitive life and investment-type benefits include interest credited to policyholder account values, policy administration and benefit claims incurred in the year in excess of related policyholders' account balances.

k) Fair value measurements
Authoritative guidance for *Fair Value Measurements and Disclosures* defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. In compliance with these principles, the Company has categorized its financial instruments, 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. In accordance with the authoritative guidance for Fair Value Measurements and Disclosures, assets and liabilities recorded at fair value on the balance sheet are categorized as Level 1, 2 and 3.

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities. The Company defines an active market as a market in which transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2 - Quoted prices in markets that are not active or valuation techniques that require inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities (other than quoted prices in Level 1) in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets;
- Inputs other than quoted market prices that are observable; and
- Inputs that are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the assets or liabilities.

- Level 3 - Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These valuations, whether derived internally or obtained from a third party, use critical assumptions that are not widely available to estimate market participant expectations in valuing the asset or liability. When available, the estimated fair value of securities is based on quoted prices in active markets that are readily and regularly obtainable. When quoted prices in active markets are not available, the determination of estimated fair value may be based on market standard valuation methodologies (pricing models), including discounted cash flow methodologies, matrix pricing, or other similar techniques, as well as significant management judgement or estimation.

l) Income taxes

At the present time, no taxes are levied in Bermuda on the Company's receipts, dividends, capital gains, gifts, or net profit. In the event that such taxes are levied, the Company has received an undertaking from the Bermuda Government exempting it from all such taxes until March 31, 2035.

The Company has made an election under Internal Revenue Code, or "IRC," Section 953(d) to be treated as a U.S. domestic insurance company effective January 10, 2020.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance for a portion or all of deferred tax assets is recorded as a reduction to deferred tax assets when it is more likely than not that such portion or all of such deferred tax assets will not be realized.

m) Recent accounting pronouncements

In June 2016, the FASB issued new guidance on the measurement of credit losses on financial instruments, including reinsurance recoverables. This guidance 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 new guidance also requires that a credit impairment on a debt security be recognized as an allowance going forward, such that improvements in expected future cash flows after an impairment will no longer be reflected as a prospective yield adjustment through net investment income, but as a reversal of the previous impairment that is recognized immediately. In addition, the guidance requires enhanced disclosures. The effective date of this standard is fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company is currently evaluating the impact of this guidance on the financial statements.

(expressed in U.S. dollars)

In August 2018, the FASB issued ASU 2018-12, Financial Services-Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts. The objective of this guidance is to improve, simplify and enhance the financial reporting of long-duration contracts by providing financial statement users with useful information in a timely and transparent manner. The primary changes include: (1) more timely recognition of assumption changes in the liability for future policy benefits and use of a current rate for the discounting of future cash flows; (2) standardization and improvement in the accounting for certain market-based options or guarantees associated with deposit (or account balance) contracts (referred to as market risk benefits); (3) simplification of the amortization of deferred acquisition costs; and (4) enhanced disclosures. As per ASU 2020-11, Financial Services – Insurance (Topic 944): Effective Date and Early Application, the effective date of this standard is fiscal years beginning after December 15, 2024. Certain provisions of the update are required to be adopted on a fully retrospective basis, while others may be adopted on a modified retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact of this guidance on the financial statements.

3. *Fixed maturity securities*

As of December 31, 2021, the Company's fixed maturity securities holdings were approximately $73.2 million (2020 - $126.9 million). The Company had commitments to other investments totalling Nil as at December 31, 2021 (2020 - $34.2 million).

The amortized cost, gross unrealized gains and losses, and estimated fair value are shown below:

	December 31, 2021			
	Amortized Cost $	Gross unrealized gains $	Gross unrealized losses $	Fair value $
Fixed maturity securities, available for sale				
Corporate bonds	6,506,561	-	(1,208,460)	5,298,101
Corporate private placements	51,028,849	38,000	(1,028,849)	50,038,000
Asset-backed securities	16,170,855	956,013	(235,940)	16,890,928
Preferred stocks	1,097,062	-	(58,462)	1,038,600
Total	74,803,327	994,013	(2,531,711)	73,265,629

	December 31, 2020			
	Amortized Cost $	Gross unrealized gains $	Gross unrealized losses $	Fair value $
Fixed maturity securities, available for sale				
Corporate bonds	51,980,460	133,084	-	52,113,544
Corporate private placements	41,042,307	40,525	(166,032)	40,916,800
Asset-backed securities	31,737,805	1,168,238	(138,273)	32,767,770
Preferred stocks	1,068,000	7,800	-	1,075,800
Total	125,828,572	1,349,647	(304,305)	126,873,914

(expressed in U.S. dollars)

The amortized cost and estimated fair value by contractual maturities are shown below:

	December 31, 2021		December 31, 2020	
	Amortized cost $	Fair value $	Amortized cost $	Fair value $
Due less than one year	-	-	-	-
Due after one year through to five years	-	-	4,124,988	4,178,060
Due after five years through to ten years	1,097,062	1,038,600	25,169,597	25,211,133
Due after ten years	57,535,410	55,336,101	64,796,182	64,716,951
Asset-backed securities[1]	16,170,855	16,890,928	31,737,805	32,767,770
Total	74,803,327	73,265,629	125,828,572	126,873,914

The following table sets forth certain information regarding the investment ratings of the Company's available for sale fixed maturity securities portfolio. Investment ratings are obtained from Moody's, Fitch, Standard & Poor's or other nationally recognized statistical rating organizations approved by the NAIC for each investment security.

	December 31, 2021		December 31, 2020	
Rating	Fair value $	Percentage of total	Fair value $	Percentage of total
A	10,038,000	13.70%	11,390,690	8.98%
BBB	40,000,000	54.60%	99,308,164	78.27%
BB	10,826,918	14.78%	3,272,288	2.58%
B	5,736,255	7.83%	9,635,513	7.59%
CCC and below	1,366,355	1.86%	3,267,259	2.58%
NR	5,298,101	7.23%	-	-
Total	73,265,629	100.00%	126,873,914	100.00%

The following table illustrates the fair value and gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	December 31, 2021					
	Less than 12 months		12 months or more		Total	
	Fair value $	Gross unrealized losses $	Fair value $	Gross unrealized losses $	Fair value $	Gross unrealized losses $
Fixed maturity securities						
Corporate bonds	5,298,101	(1,208,460)	-	-	5,298,101	(1,208,460)
Corporate private placements	-	-	40,000,000	(1,028,849)	40,000,000	(1,028,849)
Asset-backed securities	8,826,758	(172,876)	936,936	(63,064)	9,763,694	(235,940)
Preferred stocks	1,038,600	(58,462)	-	-	1,038,600	(58,462)
Total	15,163,459	(1,439,798)	40,936,936	(1,091,913)	56,100,395	(2,531,711)

1 *Asset-backed securities, generally, have a legal stated maturity that does not correspond to the underlying cash flows and are shown as a separate category as a result.*

(expressed in U.S. dollars)

	December 31, 2020					
	Less than 12 months		12 months or more		Total	
	Fair value $	Gross unrealized losses $	Fair value $	Gross unrealized losses $	Fair value $	Gross unrealized losses $
Fixed maturity securities						
Corporate private placements	40,916,800	(166,032)	-	-	40,916,800	(166,032)
Asset-backed securities	4,182,182	(138,273)	-	-	4,182,182	(138,273)
Total	45,098,982	(304,305)	-	-	45,098,982	(304,305)

At December 31, 2021, there were 7 (2020 – 3) fixed maturity securities that were in an unrealized loss position. Of this total 2 (2020 – none) were in an unrealized loss position 12 months or more. These unrealized losses related principally to current market interest rates for similar types of securities and overall economic and financial market conditions which existed during this time. In aggregate, gross unrealized losses as a percentage of amortized cost are 3.4% (2020 – 0.2%) as at December 31, 2021.

4. *Funds withheld, future policy benefit reserves and embedded derivatives*

The following table summarizes the Company's funds withheld, future policy benefit reserves and embedded derivatives by accounting classification.

Interest sensitive life and investment type	December 31, 2021 $	December 31, 2020 $
Assets:		
Funds withheld	2,843,670,049	1,853,925,604
Derivative assets	-	16,961,012
Liabilities:		
Future policy benefit reserves	2,854,320,386	1,850,239,000
Derivative liabilities	24,336,408	-

5. *Fair value measurements*

The fair values of financial instruments have been determined by using available market information and the valuation techniques described below. Considerable judgment is often required in interpreting market data to develop estimates of fair value. The use of different assumptions or valuation techniques may have a material effect on the estimated fair value amounts.

(expressed in U.S. dollars)

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments.

	December 31, 2021		December 31, 2020	
	Carrying value $	**Estimated fair value $**	**Carrying value $**	**Estimated fair value $**
Assets:				
Fixed maturity securities	73,265,629	73,265,629	126,873,914	126,873,914
Short-term investments	16,639,591	16,639,591	-	-
Derivative assets	-	-	16,961,012	16,961,012
	89,905,220	89,905,220	143,834,926	143,834,926
Liabilities:				
Derivative liabilities	24,336,408	24,336,408	-	-

The following tables present the Company's hierarchy for its financial instruments measured at fair value on a recurring basis.

		Fair value measurements using:		
December 31, 2021	**Total $**	**Level 1 $**	**Level 2 $**	**Level 3 $**
Fixed maturity securities, fair value:				
Corporate bonds	5,298,101	-	5,298,101	-
Corporate private placements	50,038,000	-	-	50,038,000
Asset-backed securities	16,890,928	-	16,890,928	-
Preferred stocks	1,038,600	-	1,038,600	-
Short-term investments	16,639,591	-	16,639,591	-
Total assets	89,905,220	-	39,867,220	50,038,000
Embedded derivative liability	24,336,408	-	24,336,408	-

		Fair value measurements using:		
December 31, 2020	**Total $**	**Level 1 $**	**Level 2 $**	**Level 3 $**
Fixed maturity securities, fair value:				
Corporate bonds	52,113,544	-	52,113,544	-
Corporate private placements	40,916,800	-	-	40,916,800
Asset-backed securities	32,767,770	-	32,767,770	-
Preferred stocks	1,075,800	-	1,075,800	-
Embedded derivative asset	16,961,012	-	16,961,012	-
Total assets	143,834,926	-	102,918,126	40,916,800

Valuations for the Company's fixed maturity securities and derivative assets and liabilities are generally based on third party pricing services for identical or comparable assets or through the use of valuation methodologies using observable market inputs and are classified as Level 2. Based on the typical volumes and the lack of quoted market prices for available for sale securities, third party pricing services normally derive the security prices through recent reported trades for identical or similar securities making adjustments through the reporting date based upon available observable market information. Typical inputs include, but are not limited to, reported trades, benchmark yields, issuer spreads, bids, offers, credit default assumptions, and/or estimated cash flows and prepayment speed assumptions. If there are no recent reported trades, the third-party pricing services and brokers may use matrix or model processes to develop a security price where future cash flow expectations are developed based upon collateral performance and discounted market rate.

(expressed in U.S. dollars)

Level 3 Financial Instruments

The following table is a reconciliation for all level 3 financial instruments measured at fair value on a recurring basis. There were no transfers between levels for the year ended December 31, 2021 (2020 – no transfers).

	December 31, 2021	December 31, 2020
Fixed maturity securities	$	$
Balance, beginning of year	40,916,800	-
Unrealized (losses) included in OCI	(865,149)	(125,700)
Purchases	9,986,349	41,042,500
Balance, end of year	50,038,000	40,916,800
Change in unrealized gains (losses) included in OCI relating to instruments held at the end of the year	(865,149)	(125,700)

The fair value of Level 3 financial instruments as at December 31, 2021 is $50.0 million (2020 - $40.9 million). The valuation technique and significant unobservable inputs used in the determination of fair value is the estimated illiquidity premium of 225 bps, representing the estimated spread to discount the security in excess of observable inputs such as treasury yields and corporate credit spreads.

6. *Deferred acquisition costs*

The following summarizes a roll-forward of deferred acquisition costs.

	December 31, 2021	December 31, 2020
	$	$
Balance at the beginning of year	7,123,702	-
Additions	31,256,824	7,123,702
Amortization	(1,270,638)	-
Balance at the end of year	37,109,888	7,123,702

7. *Deferred profit liabilities*

The following summarizes a roll-forward of deferred profit liabilities.

	December 31, 2021	December 31, 2020
	$	$
Balance at the beginning of year	111,450,112	-
Additions	145,083	111,617,992
Amortization	(16,580,602)	(167,880)
Balance at the end of year	95,014,593	111,450,112

8. *Share capital and additional paid-in capital*

Authorized and Issued share capital
The authorized and issued share capital of the Company is $250,000 divided into 250,000 ordinary shares, par value $1 each.

Additional paid-in capital
During the year ended December 31, 2021, the Company received $15,000,000 (2020 - $46,687,500) by way of additional capital contributions from its shareholder.

9. *Statutory requirements*

The Company operates in Bermuda and is subject to Bermuda's Insurance Account Rules, amendments thereto and related Regulations (the "Act"). Under the Act, the Company is prohibited from declaring or paying in any fiscal year dividends of more than 25% of its prior year's statutory capital and surplus without prior approval from the Bermuda Monetary Authority (BMA). Similarly, approval from the BMA is required before any reduction of statutory capital by more than 15% compared to the previous year statutory capital. The primary difference between financial statements prepared for insurance regulatory authorities and statements prepared in accordance with US GAAP is that financial statements prepared for the insurance regulatory authorities apply prudential filters to the US GAAP financial statements in order to derive the Statutory Financial Statements.

Prudential filters refer to adjustments to eliminate non-admitted assets including goodwill and other similar intangible assets, not considered admissible for solvency purposes; and to include certain off balance sheet assets and liabilities such as guarantees and other instruments that do not relate to insurance contracts.

The Company is licensed as a Class C Long term insurer under the Act and is required to maintain a minimum statutory solvency margin equal to the greater of a minimum solvency margin (MSM) and a percentage of the Enhanced Capital Requirement (ECR). The MSM is equal to the greater of (i) $500,000 (ii) 1.5% of assets (iii) 25% of ECR. The ECR is calculated based on a standard risk-based capital model developed by the BMA. At December 31, 2021 and 2020, the Company's statutory capital and surplus exceeded the minimum solvency margin.

The Bermuda Solvency Capital Requirement (BSCR) employs a standard mathematical model that can relate more accurately the risks taken on by (re)insurers to the capital that is dedicated to their business. Insurers and reinsurers may adopt the BSCR model or, where an insurer or reinsurer believes that its own internal model better reflects the inherent risk of its business, an in-house model approved by the BMA. The Company has adopted the standard BSCR model. At December 31, 2021 and 2020, the Company's ECR and target capital level of 120% of ECR have both been met.

10. *Related Parties*

As of December 31, 2021, as part of the funds withheld coinsurance agreements with affiliated US life insurance companies, the Company has assumed liabilities totaling $2.8 billion (2020 - $1.8 billion) and received $nil (2020 - $100.8 million) of acquisition consideration – see Note 1 for details.

The Company purchased a surplus note issued by GILICO in the principal amount of $40.0 million in 2020 from Kuvare Life Re Ltd ("KLR"), a Bermuda regulated company under common control. The surplus note accrues interest at 6% per annum and matures on December 31, 2049. The surplus note is included in fixed maturity securities, available for sale, at fair value on the balance sheet. Amounts included in net investment income for the year amounted to $2.4 million (2020 - $341,474).

During the year, the Company purchased a surplus note issued by ULIC in the principal amount of $10.0 million from ULIC. The surplus note accrues interest at 5.5% per annum and matures on June 30, 2051. The surplus note is included in fixed maturity securities, available for sale, at fair value on the balance sheet. Amounts included in net investment income for the year amounted to $276,527 (2020 - $nil).

As at December 31, 2021, the Company purchased a surplus note issued by ULIC in the principal amount of $25.0 million from ULIC. The surplus note is included in the funds withheld on the balance sheet and accrues interest at 5.5% per annum and matures on December 31, 2051. Amounts included in net investment income for the year amounted to $nil (2020 - $nil).

During the year, the Company issued an unsecured promissory note to KLR. The promissory note receivable from KLR accrues interest at Libor, plus the relevant lending rate applicable to the parent company, plus 1% per annum and is due up to 10 years from the date of the agreements. As of December 31, 2021, the amount receivable related to this promissory note was $29.4 million (2020 - $nil). Interest income in the year amounted to $149,556 (2020 - $nil).

As of December 31, 2021, included in accounts payable and accruals is an amount of $1.8 million (2020 - $719,361) relating to accrued cost sharing fees payable to KUS and KLR, for certain services provided to the Company at agreed costs and fees pursuant to a Master Services Agreement by and among KUS, KLR, the Company, Kuvare Insurance Services Ltd. and other parties. Amounts recognised in operating expenses and investment management expense in the year amounted to $11.6 million (2020 - $719,361).

11. *Concentration of credit risk*

The Company is a party to financial instruments with a concentration of credit risk in the normal course of business. The creditworthiness of any counterparty is evaluated by the Company, taking into account credit ratings assigned by rating agencies. The credit approval process involves an assessment of factors including, among others, the counterparty and country and industry credit exposure limits. Collateral may be required, at the discretion of the Company, on certain transactions based on the creditworthiness of the counterparty and the nature of the liabilities. The areas where significant concentrations of credit risk may exist include fixed maturity securities, funds withheld and reinsurance balances receivable (collectively, "reinsurance assets").

For reinsurance assets, the risk of loss is mitigated by the Company's ability to offset amounts owed to the ceding company with the amounts owed to the Company by the ceding company. Mitigating factors include using financially sound custodians, investment grade collateral with further investment guidelines governing the quality of the portfolio, ceding companies with high credit rating, and ability to offset amounts owed to ceding companies with amounts due from them.

Fixed maturity securities
The Company's investments are managed following prudent standards of diversification. The Company attempts to limit its credit exposure by purchasing a diversified pool of high quality fixed maturity securities to maintain an investment grade average portfolio that can be pledged as collateral or support retained earnings. The credit ratings of the securities are detailed in Note 3.

(expressed in U.S. dollars)

Funds withheld assets

The assets are held and managed by the Cedants, well-established affiliated insurance companies with operations in the United States with ratings ranging from B++ to A rating. In addition, the risk of loss is mitigated by the Company's ability to offset amounts owed to the Cedants with the amounts owed to the Company by the Cedants.

12. *Income taxes*

The table below presents the components of the expense (benefit) for taxes attributable to continuing operations. There is no difference between income taxes expected at the U.S. Federal statutory income tax rate of 21% and reported income tax expense (benefit).

	December 31, 2021	**December 31, 2020**
	$	**$**
Current income tax expense	1,268,027	27,147,985
Deferred income tax (benefit)	(4,768,737)	(23,951,657)
Total income tax (benefit) expense	(3,500,710)	3,196,328

The table below presents the significant components of deferred tax assets and liabilities:

	December 31, 2021	**December 31, 2020**
Deferred tax assets	**$**	**$**
Policy benefit reserves	11,269,770	5,413,574
Deferred profit liabilities	19,953,065	23,404,524
Unrealized losses	5,433,562	-
	36,656,397	28,818,098
Deferred tax liabilities:		
Deferred acquisition costs	7,613,087	1,304,628
Unrealized gains	-	3,781,335
	7,613,087	5,085,963
Deferred tax asset, net	29,043,310	23,732,135

13. *Comparative Amounts and Financial Disclosures*

The comparative amounts and financial statement disclosures of the previous period have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior period shareholder's equity.

14. *Subsequent events*

The Company has evaluated the effects of events subsequent to December 31, 2021, for recognition and disclosure, through to April 29, 2022, which is the date the financial statements were available to be issued. There were no material events that occurred subsequent to December 31, 2021.