Audited Financial Statements

Kuvare Life Re Ltd.
For the Years Ended December 31, 2021 and 2020
With Report of Independent Auditors

Kuvare Life Re Ltd.

Audited Financial Statements

For the Years Ended December 31, 2021 and 2020

Contents

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Report of Independent Auditors

The Board of Directors
Kuvare Life Re Ltd.

Opinion

We have audited the financial statements of Kuvare Life Re Ltd. (the Company), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in shareholder's equity and cash flows for the years then ended, 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 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 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 Life 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	2,137,325	16,350,530
Restricted cash	18,488,702	3,686,771
Short term investments (note 5)	16,639,591	-
Fixed maturity securities, at fair value (notes 3 and 5)	89,621,593	90,782,924
Other investments (note 3)	28,767,967	31,498,251
Derivative assets (notes 4 and 5)	205,604,460	240,146,735
Funds withheld (note 4)	2,849,283,992	2,698,209,008
Total cash and invested assets	3,210,543,630	3,080,674,219
Accrued investment income	1,312,246	710,392
Accounts receivable	23,769,293	5,824,460
Deferred acquisition costs (note 6)	48,233,196	-
Total assets	3,283,858,365	3,087,209,071
Liabilities		
Future policy benefit reserves (note 4)	2,280,916,381	2,099,900,338
Deposit liability (note 4)	408,794,434	438,809,475
Deferred ceding commission	8,364,698	8,566,631
Deferred profit liabilities (note 7)	74,471,154	82,876,047
Due to Affiliates (note 10)	34,500,835	-
Accounts payable and accrued expenses	10,621,587	4,711,556
Total liabilities	2,817,669,089	2,634,864,047
Shareholder's equity		
Share capital (note 8)	250,000	250,000
Additional paid-in capital (note 8)	132,119,428	132,119,428
Retained earnings	333,819,848	319,975,596
Total shareholder's equity	466,189,276	452,345,024
Total liabilities and shareholder's equity	3,283,858,365	3,087,209,071

Director

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

Kuvare Life Re Ltd.

Statements of Operations

For the years ended December 31, 2021 and 2020

(expressed in U.S. dollars)

	December 31, 2021 $	December 31, 2020 $
Revenues		
Funds withheld		
Premium income	282,679,184	871,917
Investment income from funds withheld	128,938,754	106,435,139
Realized gains from funds withheld	48,492,497	68,698,109
Unrealized gains (losses) on derivatives	(34,542,275)	95,002,255
Amortization of deferred acquisition costs (note 6)	(40,847,045)	-
Amortization of deferred commission	(5,507,730)	(4,146,210)
Amortization of deferred profit liability (note 7)	8,404,893	5,650,008
Investment management expenses	(13,585,995)	(11,487,490)
Net results from funds withheld	374,032,283	261,023,728
Net investment income	6,381,910	5,407,372
Realized gains (losses) on investments	1,047,608	(1,623,841)
Unrealized (losses) gains on investments	(434,379)	4,099,686
Total revenues	381,027,422	268,906,945
Benefits and Expenses		
Claims and other insurance expenses	308,854,597	63,107,894
Interest credited to policyholder account balances and Deposit liability expenses	54,498,530	45,589,717
Operating expenses	3,830,043	3,799,317
Net income	13,844,252	156,410,017

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

Kuvare Life Re Ltd.

Statements of Changes in Shareholder's Equity

For the years ended December 31, 2021 and 2020

(expressed in U.S. dollars)

	Share capital $	Additional paid-in-capital $	Retained earnings $	Total $
Balance, December 31, 2019	250,000	132,119,428	163,565,579	295,935,007
Net income	-	-	156,410,017	156,410,017
Balance, December 31, 2020	250,000	132,119,428	319,975,596	452,345,024
Net income	-	-	13,844,252	13,844,252
Balance, December 31, 2021	250,000	132,119,428	333,819,848	466,189,276

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

Kuvare Life Re Ltd.

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(expressed in U.S. dollars)

	December 31, 2021 $	December 31, 2020 $
Cash flows from operating activities		
Net income	13,844,252	156,410,017
Adjustments to reconcile net income to net cash flows (used in) generated by operating activities:		
Realized and unrealized gains on investments	(613,229)	(2,475,845)
Unrealized (gains) losses on embedded derivatives	34,542,275	(95,002,255)
Changes in assets and liabilities:		
Funds withheld	(151,074,984)	(634,743,202)
Accrued investment income	(601,854)	(145,832)
Accounts receivable	(17,944,833)	(4,360,163)
Deferred acquisition costs	(48,233,196)	-
Future policy benefit reserves	181,016,043	598,317,812
Deposit liability	(30,015,041)	(31,060,101)
Deferred ceding commission	(201,933)	(250,423)
Deferred profit liabilities	(8,404,893)	20,082,134
Due to affiliates – accrued interest	149,556	-
Accounts payable and accrued expenses	5,910,031	498,110
Net cash (used in) generated by operating activities	(21,627,806)	7,270,252
Cash flows from investing activities		
Purchase of securities	(42,883,089)	(62,890,827)
Sale of securities	60,353,835	71,454,858
Net cash generated by investing activities	17,470,746	8,564,031
Cash flows from financing activities		
Proceeds from promissory note	4,745,786	-
Net cash provided by financing activities	4,745,786	-
Change in cash, cash equivalents and restricted cash	588,726	15,834,283
Cash, cash equivalents and restricted cash - beginning of period	20,037,301	4,203,018
Cash, cash equivalents and restricted cash - end of period	20,626,027	20,037,301
Supplemental disclosures:		
Security transfers for promissory note	29,605,493	-

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

(expressed in U.S. dollars)

1. ***Organization and corporate structure***

Kuvare Life Re Ltd. ("the Company") was incorporated as a Bermuda exempted company with limited liability on May 27, 2016 and registered as a Class E insurer under The Insurance Act 1978 of Bermuda, effective October 3, 2016.

The Company 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 Company has entered into five separate quota share reinsurance agreements with third party cedants since its inception. The Company's reinsurance transactions have been executed on either a Funds Withheld or Modified Coinsurance ("modco") basis. Reserves assumed represent annuity products including fixed deferred and fixed indexed annuity contracts, the fixed component of variable annuity contracts, structured settlement contracts and preneed contracts. On December 31, 2021, the company entered into a quota share reinsurance agreement with a third party cedant on a Coinsurance basis, to reinsure fixed indexed annuity contracts, effective January 1, 2022.

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 ("US GAAP"). 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

b) Investments

The Company's investment portfolio comprises fixed maturity securities and other investments in the form of limited partnerships or similar legal structures. These are classified as trading and are recorded at fair value through profit and 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. Changes in the fair value of the Company's investments are included in net realized and unrealized gains (losses) on investments within the statement of operations.

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.

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.

The fair value of certain of the Company's other investments, which principally include private credit and equity investments, is generally established on the basis of the net valuation criteria established by the managers of such investments. The net valuation criteria established by the managers of such investments is established in accordance with the governing documents of such

(expressed in U.S. dollars)

investments. Certain of the Company's fund managers, fund administrators, or both, are unable to provide final fund valuations as of the Company's current reporting date. The typical reporting lag experienced by the Company to receive a final net asset value report is up to three months.

In circumstances where there is a reporting lag between the current period end reporting date and the reporting date of the latest fund valuation, the Company estimates the fair value of these funds by starting with the prior month or quarter-end fund valuations, adjusting these valuations for actual capital calls, redemptions or distributions, as well as the impact of changes in foreign currency exchange rates, and then estimating the return for the current period. In circumstances in which the Company estimates the return for the current period, all information available to the Company is utilized.

c) Funds withheld

Funds withheld represents a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements in which we act as reinsurer or a modified coinsurer in the case of modco transactions. Although the assets in funds withheld and modco trusts 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.

d) 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 coinsurance funds withheld and modco 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 impacting the valuation of the underlying investments in the funds withheld and modco accounts. The embedded derivative was initially valued at zero and subsequently valued based on the change in fair value of the underlying funds withheld and modco assets.

Fixed indexed annuity liabilities contain an embedded derivative resulting from change in value of liabilities related to the reference market index performance. The fair value of the embedded derivative is computed as the present value of benefits attributable to the excess of the projected policy contract values over the projected minimum guaranteed contract values. The projections of policy contract values are based on assumptions for future policy growth, which include assumptions for expected index credits, interest rates and policyholder behavior. The projections of minimum guaranteed contract values include the same assumptions for policyholder behavior as are used to project policy contract values. The embedded derivative cash flows are discounted using a risk free interest rate increased by a non-performance risk spread, adjusted for the Company's own credit rating. Changes in the fair value of the embedded derivative are included in interest-sensitive life and investment-type contract liabilities.

***e)* 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. Periodic testing is performed to determine if

(expressed in U.S. dollars)

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. DAC for limited pay contracts is amortized over the premium paying period, in proportion to anticipated premium income.

f) Deposit liability

The Company has determined that one of its reinsurance agreements does not meet all criteria to be accounted for as reinsurance and therefore the Company has accounted for the contract in accordance with FASB ASC Topic 720 using the deposit method of accounting with the funds withheld balance representing an asset and a separate deposit liability that represents reserves as determined under the reinsurance agreement. At inception, the funds withheld, or deposit liability is measured based on consideration paid or received, less any explicitly identified premiums or fees to be retained by the insurer or reinsurer. Any commission paid is recorded as a contra-liability offsetting the deposit liability and amortized to expense over the life of the business. The amount of the funds withheld or liability and any balances receivable from or payable to the Cedant will be adjusted at subsequent reporting dates by calculating the effective yield on the deposit to reflect actual payments to date and expected future payments with a corresponding credit or charge to interest income or expense.

g) Future policy benefit reserves

Liabilities for future benefits on interest-sensitive life and investment-type contract liabilities, including fixed deferred annuities, fixed indexed annuities and the fixed annuity component of reinsured variable annuity contracts 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, indexed related credited amounts on fixed indexed annuity products and investment performance less policyholder withdrawals, fees and policy charges. The liability for fixed indexed annuities consists of a combination of the underlying account value and an embedded derivative value.

Liabilities for future benefits on life and structured settlement contracts are established using accepted actuarial valuation methods based on assumptions related to future claim costs, investment yields, mortality, withdrawals and maintenance expenses, determined when the policies were assumed. An additional provision is made to allow for potential adverse deviation for some assumptions. Once established, assumptions on these contracts are locked in at inception and not modified unless a premium deficiency exists. The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish future policy benefit reserves. If the net GAAP liability (gross reserves less DAC, if any) is less than the present value of expected future gross premiums, then a premium deficiency reserve is recognized until the net GAAP liability is equal to the present value of expected future gross premiums. The future pattern of benefit reserve changes is modified to reflect the updated assumptions related to future claim costs, investment yields, mortality, withdrawals and maintenance expenses, determined without an additional provision for potential adverse deviations.

Due to the many assumptions and estimates used in establishing reserves and the long-term nature of the reinsurance contracts, the reserving process, while based on standard actuarial practices, is inherently uncertain.

h) **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, is deferred and recognized as a deferred profit liability (DPL). The DPL for life and structured settlement contracts are amortized over the life of the policies in proportion to the expected annuity payments to be made throughout the benefit period. 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.

i) 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. Premiums related to life and structured settlement reinsurance contracts are recognized as revenue when due.

Interest-sensitive life and investment-type benefits include interest credited to policyholder account values, policy administration and benefit claims incurred in the period in excess of related policyholders' account balances.

j) 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.

k) 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.

Restricted cash consists of cash held as part of pledged assets, as additional collateral to further secure the obligations of the Company under the Funds Withheld and Modified Coinsurance Retrocession Agreements with the Cedants, pursuant to Trust Agreements between the Company and the Cedants. Restricted cash is reported as a separate line item on the balance sheet.

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.

m) Recent accounting pronouncements

Long duration contracts

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

(expressed in U.S. dollars)

modified retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact of this guidance on the financial statements.

Financial Instruments – Credit Losses

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)

3. *Fixed maturity securities and other investments*

As of December 31, 2021, the Company's fixed maturity securities holdings were approximately $89.6 million (2020 – $90.8 million). The following table sets forth certain information regarding the investment ratings of the Company's fixed maturity securities portfolio as of December 31, 2021. 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**
AAA	491,757	0.55%	20,016,988	22.05%
AA	469,543	0.52%	1,391,363	1.53%
A	15,510,039	17.31%	9,505,345	10.47%
BBB	40,029,097	44.66%	31,956,768	35.20%
BB	33,121,157	36.96%	21,214,643	23.37%
B	-	-	102,777	0.12%
NR	-	-	6,595,040	7.26%
Total	89,621,593	100.00%	90,782,924	100.00%

Contractual maturities summary

Fixed maturity securities	**December 31, 2021 $**	**December 31, 2020 $**
Due less than one year	-	-
Due after one year through to five years	12,963,289	11,288,548
Due after five years through to ten years	9,903,425	3,245,318
Due after ten years	15,336,571	47,777,400
Asset-backed and mortgage-backed securities (1)	51,418,308	28,471,658
Total	89,621,593	90,782,924

(1) Asset-backed and mortgage 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.

The Company holds other investments representing limited partnerships investments. The Company had unfunded commitments totalling $15,531,698 as at December 31, 2021 (2020 – $4,253,132). Investments in limited partnerships are generally non-redeemable or subject to lock-up periods on repurchase.

The Company's investments, primarily consisting of private credit and equity strategies, will generally liquidate in combination with the maturity/sale of the underlying investments, or upon redemption following expiration of the Company's lock-up period.

(expressed in U.S. dollars)

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

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

	December 31, 2021			
	Total $	Deposit Accounting	Life and structured settlement	Interest sensitive life and investment type
Assets:				
Funds withheld	2,849,283,992	422,633,882	1,191,285,967	1,235,364,143
Derivative assets	205,604,460	57,723,643	92,583,214	55,297,603
Liabilities:				
Future policy benefit reserves	2,280,916,381	-	1,126,248,720	1,154,667,661
Deposit liability	408,794,434	408,794,434	-	-

	December 31, 2020			
	Total $	Deposit Accounting	Life and structured settlement	Interest sensitive life and investment type
Assets:				
Funds withheld	2,698,209,008	457,415,727	974,966,723	1,265,826,558
Derivative assets	240,146,735	75,737,957	82,431,132	81,977,646
Liabilities:				
Future policy benefit reserves	2,099,900,338	-	914,475,312	1,185,425,026
Deposit liability	438,809,475	438,809,475	-	-

(expressed in U.S. dollars)

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. The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2021 and December 31, 2020.

	December 31, 2021		December 31, 2020	
	Carrying value $	Estimated fair value $	Carrying value $	Estimated fair value $
Assets:				
Fixed maturity securities	89,621,593	89,621,593	90,782,924	90,782,924
Short term investments	16,639,591	16,639,591	-	-
Derivative assets	205,604,460	205,604,460	240,146,735	240,146,735
	311,865,644	311,865,644	330,929,659	330,929,659
Liabilities:				
Fixed index annuities - embedded derivatives*	16,915,221	16,915,221	-	-

* Embedded derivatives related to fixed indexed annuities are included in interest-sensitive life and investment-type contract liabilities. As at December 31, 2020 the embedded derivative was immaterial and valued at $nil as the terms and conditions of the reinsurance treaty limit our exposure to the volatility of option costs for hedging purposes.

(expressed in U.S. dollars)

The following tables present the Company's hierarchy for its financial instruments measured at fair value on a recurring basis as of December 31, 2021.

		Fair value measurements using:		
December 31, 2021	**Total** **$**	**Level 1** **$**	**Level 2** **$**	**Level 3** **$**
Fixed maturity securities, fair value:				
Government & Agencies	236,498	-	236,498	-
Corporate bonds	37,689,828	-	37,689,828	-
Municipals	276,959	-	276,959	-
Asset-backed securities	51,171,867	-	51,171,867	-
Mortgage backed securities	246,441	-	246,441	-
Short term investments	16,639,591		16,639,591	
Embedded derivative assets	205,604,460	-	205,604,460	-
Total assets	311,865,644	-	311,865,644	-
Fixed index annuities - embedded derivatives	16,915,221	-	-	16,915,221

		Fair value measurements using:		
December 31, 2020	**Total** **$**	**Level 1** **$**	**Level 2** **$**	**Level 3** **$**
Fixed maturity securities, fair value:				
Government & Agencies	20,016,988	-	20,016,988	-
Corporate bonds	29,698,150	-	29,698,150	-
Corporate private placements	10,229,200	-	-	10,229,200
Municipals	2,366,928	-	2,366,928	-
Asset-backed securities	28,209,966	-	28,209,966	-
Mortgage backed securities	261,692	-	261,692	-
Embedded derivative	240,146,735	-	240,146,735	-
Total assets	330,929,659	-	320,700,459	10,229,200

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 fixed maturity 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

(expressed in U.S. dollars)

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.

Valuations for embedded derivatives related to fixed indexed annuities and included in interest-sensitive life and investment-type contract liabilities include significant unobservable inputs associated with economic and actuarial assumptions for policyholder behaviour.

Level 3 Financial Instruments

The following table is a reconciliation for all level 3 financial instruments measured at fair value on a recurring basis, for the year ended December 31, 2021.

	December 31, 2021 $	December 31, 2020 $
Fixed maturity securities		
Balance at the beginning of year	10,229,200	-
Realized and unrealized gains (losses) included in net income	(229,200)	1,271,700
Purchases	-	-
Sales and Settlements	(10,000,000)	(41,042,500)
Net transfers into (out of) Level 3	-	50,000,000
Balance at the end of year	-	10,229,200
Change in unrealized gains (losses) included in net income, relating to instruments held at the end of the period	(229,200)	229,200

As of December 31, 2021, included in future policy benefit reserves are embedded derivative liabilities of $16,915,221 (2020: nil) related to fixed indexed annuities. Amounts included in claims and other insurance expenses for the year amounted to $16,915,221 (2020: nil).

The valuation technique and significant unobservable inputs used in the determination of fair value of embedded derivative liabilities includes i) policyholder behaviour, reflecting mortality, lapse/surrender, annuitizations and partial withdrawals assumptions ii) non-performance risk reflecting credit and illiquidity spreads in excess of observable inputs such as treasury yields, adjusted for the Company's own credit risk based on our public credit rating.

During the year ended December 31, 2020, a fixed maturity security issued by a related party was transferred from level 2 to level 3 due to unavailable prices in active markets. Valuation technique required inputs that were unobservable and significant to the overall fair value measurement and use critical assumptions that are not widely available to estimate market participant expectations in valuing the asset. The security was issued at December 31, 2019 and accordingly at that point in time was considered level 2. The security was subsequently sold during the year. 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.

There were no transfers between levels for the year ended December 31, 2021.

(expressed in U.S. dollars)

6. *Deferred acquisition costs*

The following summarizes a rollforward of deferred acquisition costs.

	Year Ended December 31, 2021 $
Balance at the beginning of year	-
Additions	89,080,241
Amortization	(40,847,045)
Balance at the end of year	48,233,196

7. *Deferred profit liabilities*

The following summarizes a rollforward of deferred profit liabilities.

	Year Ended December 31, 2021 $	Year Ended December 31, 2020 $
Balance at the beginning of year	82,876,047	62,793,913
Additions	-	25,732,142
Amortization	(8,404,893)	(5,650,008)
Balance at the end of year	74,471,154	82,876,047

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 $nil (2020: nil) 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.

(expressed in U.S. dollars)

The Company is licensed as a Class E 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) $8 million (ii) 2% of the first $500 million of assets plus 1.5% of assets above $500 million or (iii) 25% of ECR. The ECR is calculated based on a standard risk-based capital model developed by the Bermuda Monetary Authority (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 enhanced capital requirement (ECR) and target capital level of 120% of ECR have both been met.

10. *Related parties*

As of December 31, 2021 included in accounts payable and accruals is an amount of $3,378,482 (2020: $3,162,044) relating to accrued cost sharing fees payable to Kuvare US Holdings, Inc ("KUS"), a Delaware corporation, for certain services provided to the Company at agreed costs and fees pursuant to a Master Services Agreement by and among Kuvare US Holdings, Inc., the Company, Kuvare Insurance Services Ltd. and other parties. Amounts recognised in operating expenses and investment management expenses in the period amounted to $13,100,550 (2020: $11,478,254).

As of December 31, 2021 included in accounts receivable is an amount of $860,294 (2020: nil) relating to accrued cost sharing fees payable from Kuvare Bermuda Re Ltd ("KBR"), a Bermuda regulated company under common control, for certain services provided by the Company at agreed costs and fees pursuant to a Master Services Agreement by and among KBR and the Company. Amounts recognised in operating expenses in the period amounted to $860,294 (2020: nil).

During the year, the Company entered into borrowing agreements with KUS and KBR. Borrowings under these agreements accrue interest at Libor, plus the relevant lending rate applicable to the parent company, plus 1% per annum and are due up to 10 years from the date of the agreements. As of December 31,2021, the total amount due to affiliates under these agreements amounted to $5,051,343 and $29,449,492 (2020 - nil) to KUS and KBR respectively. Interest expensed in the period amounted to $149,556 (2020: nil).

On December 31, 2019, the company purchased a surplus note in the amount of $50,000,000 from Guaranty Income Life Insurance Company ("GILICO"), an Iowa regulated insurer that is under common control. The surplus note accrues interest at 6% per annum and matures on December 31, 2049. During the year ended December 31, 2020, the Company sold principal amount of $40,000,000 to KBR. During the year, the Company sold the remaining principal amount of $10,000,000. As of December 31, 2021, the amount of the surplus note included in fixed maturity securities, at fair value on the balance sheet is $nil (2020: $10,229,200). Amounts included in net investment income and realized gains for the year amounted to $265,000 (2020: $2,666,667) and $nil respectively (2020: $1,042,500).

(expressed in U.S. dollars)

As of December 31, 2021, included in funds withheld, are surplus notes to the principal amounts of $10,000,000 and $5,000,000 respectively, from GILICO and United Life Insurance Company ("ULIC"), both Iowa regulated insurers that are under common control. The surplus notes accrue interest at 6% and 5.5% per annum and mature on December 31, 2049 and June 30, 2051 respectively. Amounts included in investment income from funds withheld for the year amounted to $473,264 (2020: nil).

Effective April 2020, the Company entered into a stop-loss arrangement with a related party. Premium of $1.2 million (2020: $0.9 million) is recognised in income for the year. The Company evaluates the expected future cash flows and would establish a reserve to the extent supported by future cash-flows.

11. *Commitments and Contingencies*

As of December 31, 2020, the Company had an undrawn letter of credit for $30,000,000, issued for the benefit of one of our reinsurance cedants that expires October 31, 2022. The undrawn letter of credit was cancelled as of December 31, 2021.

12. *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. As of December 31, 2021 and December 31, 2020 the credit ratings of the securities purchased were detailed in Note 3.

Other investments
Certain of the Company's limited partnership investments are invested in alternative credit strategies. The Company manages its credit exposure by investing with high quality managers with proven track records. In certain instances, these alternative credit strategies have been rated investment-grade by NRSROs.

(expressed in U.S. dollars)

Funds withheld assets
The assets are held and managed by the Cedants, well-established reinsurance group and insurance companies with operations in Bermuda and the United States with A ratings. 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.

13. *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.