Resolution Re Ltd.

(A Wholly-Owned Subsidiary of Resolution Re Finance (Bermuda) Ltd.)

Financial Statements

December 31, 2021 and 2020

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Resolution Re Ltd.

Opinion

We have audited the financial statements of Resolution 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, shareholder's equity, and cash flows, for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Deloitte Ltd.

April 25, 2022

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Resolution Re Ltd.
(A Wholly-Owned Subsidiary of Resolution Re Finance (Bermuda) Ltd.)
Balance Sheets
As at December 31, 2021 and 2020
($'s in thousands)

	December 31, 2021	December 31, 2020
Assets		
Fixed maturity securities, available-for-sale, at fair value (amortized cost of $844,168 and $1,132,734, respectively)	$ 911,907	$ 1,271,730
Equity securities at fair value	123,159	13,234
Cash, cash equivalents and restricted cash	1,321,393	161,866
Accrued investment income	8,805	14,126
Funds withheld assets	38,599,570	6,237,082
Reinsurance recoverable	12,757,213	-
Deferred acquisition costs	1,035,856	58,298
Receivables for securities	6,602	5,296
Other assets	184	303
Due from affiliates	1,050	886
Total Assets	$ 54,765,739	$ 7,762,821
Liabilities and Equity		
Future policy benefits and other policyholder liabilities	$ 9,586,684	$ 4,311,076
Policyholders' account balances+	28,795,676	1,529,170
Funds withheld liabilities	12,853,141	-
Payable for securities	12,411	-
Accrued expenses and other liabilities	21,828	3,471
Due to affiliates	4,988	1,554
Total Liabilities	$ 51,274,728	$ 5,845,271
Shareholder's Equity		
Common shares $1.00 par value, 900,000 shares authorized, issued and outstanding	$ 900	$ 250
Additional paid in capital	2,340,002	674,000
Retained earnings	1,082,370	1,104,304
Accumulated other comprehensive income	67,739	138,996
Total Shareholder's Equity	3,491,011	1,917,550
Total Liabilities and Shareholder's Equity	$ 54,765,739	$ 7,762,821

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

Resolution Re Ltd.
(A Wholly-Owned Subsidiary of Resolution Re Finance (Bermuda) Ltd.)
Statements of Operations and Comprehensive (Loss) Income
For the years ended December 31, 2021 and 2020
($'s in thousands)

	Years ended December 31,	
	2021	2020
Revenues		
Premiums earned, net	$ 3,657,703	$ 128
Net investment income	252,196	286,371
Investment related (losses) gains, net	(17,079)	473,543
Total revenues	$ 3,892,820	$ 760,042
Benefits and Expenses		
Policyholder benefits	$ 3,819,924	$ 175,071
Interest credited to policyholders' account balances	56,691	60,187
Change in deferred acquisition costs	1,372	1,746
Foreign exchange (gains) losses	(12,060)	-
Insurance expenses	8,602	1,139
Other operating expenses	40,225	11,244
Total benefits and expenses	3,914,754	249,387
Net Income	$ (21,934)	$ 510,655
Other Comprehensive (Loss) Income		
Change in unrealized investment gains on available-for-sale securities	(71,257)	74,160
Other comprehensive (loss) income	(71,257)	74,160
Comprehensive (Loss) Income	$ (93,191)	$ 584,815

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Resolution Re Ltd.
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Statements of Shareholder's Equity
For the years ended December 31, 2021 and 2020
($'s in thousands)

	Common Shares						
	Shares		Amount	**Additional Paid-in Capital**	**Retained Earnings (Deficit)**	**Accumulated Other Comprehensive Income**	**Total Shareholder's Equity**
Balance at December 31, 2019	250,000	$	250	674,000	643,649	64,836	1,382,735
Net income	-		-	-	510,655	-	510,655
Other comprehensive income	-		-	-	-	74,160	74,160
Dividends paid	-		-	-	(50,000)		(50,000)
Balance at December 31, 2020	250,000	$	250	674,000	1,104,304	138,996	1,917,550
Common stock issuance	650,000		650	-	-	-	650
Capital contribution	-		-	1,666,002	-	-	1,666,002
Net loss	-		-	-	(21,934)	-	(21,934)
Other comprehensive loss	-		-	-	-	(71,257)	(71,257)
Balance at December 31, 2021	900,000	$	900	2,340,002	1,082,370	67,739	3,491,011

The accompanying notes are an integral part to these financial statements

Resolution Re Ltd.
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Statements of Cash Flows
For the years ended December 31, 2021 and 2020
($'s in thousands)

	Years ended December 31,	
	2021	**2020**
Cash flows from operating activities		
Net (loss) income	$ (21,934)	$ 510,655
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Change in deferred acquisition costs	1,372	1,746
Amortization of net investment premium and discount	9,528	12,815
Foreign exchange losses not related to cash	(428)	-
Investment related losses (gains), net	17,079	(473,543)
Other non-cash income adjustments related to modified coinsurance agreements:		
Premiums	(3,657,703)	(128)
Net investment income on funds withheld asset	(224,500)	(245,839)
Policy and other operating expenses	8,602	1,139
Future policy benefits and other policy claims and benefits	3,819,924	175,071
Returns credited to policyholder balances	56,691	60,187
Change in assets/ liabilities:		
Cash settlement of modified coinsurance agreements	123,312	30,910
Ceding commission paid for reinsurance agreements	(858,034)	-
Decrease (increase) in accrued investment income	5,320	(182)
Decrease (increase) in other assets and liabilities	34,156	(5,714)
Net cash (used in) provided by operating activities	(686,615)	67,117
Cash flows used in investing activities		
Proceeds from sales, maturities and repayment of:		
Fixed maturities, available-for-sale	$ 502,421	$ 360,027
Derivatives	12,051	13,224
Purchases of:		
Fixed maturities, available-for-sale	(184,218)	(425,359)
Equity securities	(109,291)	(13,152)
Net changes of cash collateral posted for derivative transactions	(36,647)	92,197
Net cash provided by investing activities	184,316	26,937
Cash flows from financing activities		
Issuance of common stock	$ 650	-
Capital contribution	1,666,002	-
Common stock dividends paid	-	(50,000)
Effect of foreign currency on financing activities	(4,826)	-
Net cash provided by (used in) financing activities	1,661,826	(50,000)
Net increase in cash, cash equivalents and restricted cash	1,159,527	44,054
Cash, cash equivalents and restricted cash, beginning of period	$ 161,866	$ 117,812
Cash, cash equivalents and restricted cash, end of period	$ 1,321,393	$ 161,866

The accompanying notes are an integral part to these financial statements

Resolution Re Ltd.
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Statements of Cash Flows
For the years ended December 31, 2021 and 2020
($'s in thousands)

	Years ended December 31,	
	2021	**2020**
Non-cash transactions		
Assets acquired through reinsurance agreements on a funds withheld basis	$ 32,806,516	$ -
Assets ceded through reinsurance agreements on a funds withheld basis	12,546,358	-

The accompanying notes are an integral part to these financial statements

1. General

Resolution Re Ltd. (the "Company") was incorporated as a Bermuda exempt company on May 25, 2017 as a wholly-owned subsidiary of Resolution Life Group Holdings Ltd. ("RLGH"). Effective October 2018, Resolution Re Ltd. was contributed by RLGH to Resolution Re Finance (Bermuda) Ltd. The Company is an indirect subsidiary of the ultimate parent, Resolution Life Group Holdings L.P., a Bermuda based limited partnership.

The Company is a wholesale provider of life and annuity reinsurance and other risk transfer solutions to both third parties and affiliates. It was registered as a Class E long-term insurer on September 7, 2018 under the Insurance Act 1978 of Bermuda.

Effective December 30, 2021, the Company entered into a reinsurance transaction with Allianz Life Insurance Company of North America to reinsure fixed indexed annuity reserves of approximately $28 billion. The Company retroceded approximately 45% of the assumed reserves to an unaffiliated entity. The reinsurance transaction is structured as a modified coinsurance arrangement where assets are withheld by the ceding insurer. The retrocession arrangement follows a similar structuring, with assets being withheld. The assumed and ceded reserves are presented gross on our balance sheet in line with our accounting policies in Note 2.

Basis of Presentation

The Company's financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The principal accounting policies applied in the preparation of these financial statements are set out below and in Note 2.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The major estimates reflected in the Company's financial statements include, but are not limited to, the reserve for future policy benefits and other policyholder liabilities; fair value of investments; impairment of investments and valuation allowances; and derivatives valuation, including embedded derivatives.

2. Significant Accounting Policies

Cash and Cash Equivalents

Cash includes cash on hand, amounts due from banks, and certain money market securities, held in the ordinary course of business with maturities of three months or less when purchased.

Restricted Cash

Restricted cash consists of cash and cash equivalents (i) held in funds in trust as part of modified coinsurance ("modco") agreements to secure reserves and liabilities and (ii) amounts posted as collateral for derivative contracts and is presented within cash and cash equivalents on the face of the Balance Sheets.

Investments

Fixed maturity securities include bonds, asset-backed securities ("ABS"), residential mortgage-backed securities ("RMBS") and commercial mortgage-backed securities ("CMBS"). Fixed maturity securities are designated as available-for-sale ("AFS"), as they may be sold prior to their contractual maturity, and are carried at fair value. Unrealized gains and losses on AFS securities are reflected in accumulated other comprehensive (loss) income on the Balance Sheets. Cash received from calls, principal payments and make-whole payments and cash received from maturities and pay-downs are reflected as a component of proceeds from sales and maturities within the Statements of Cash Flows.

Equity securities includes non-redeemable preferred stock. Equity securities are carried at fair value with subsequent changes in the fair value recognized in Investment related (losses), net.

The Company records security transactions on a trade date basis, with any unsettled trades recorded in other assets or other liabilities on the Balance Sheets.

Through modco arrangements, the Company has an economic interest in investments in certain non-fixed income, alternative investments in the form of limited partnerships or similar legal structures ("investment funds"). For investment funds where the Company has determined it is not the primary beneficiary, and therefore not required to consolidate, it typically records these investments using the equity method of accounting, where the cost is recorded as an investment in the fund. Adjustments to the carrying value reflect the Company's pro rata ownership percentage of the operating results as indicated by net asset value ("NAV") in the investment fund financial statements, which can be on a lag of up to one quarter when investee information is not received in a timely manner. The Company's proportionate share of investment fund net income is recorded within net investment income on the Statements of Operations and Comprehensive (Loss) Income.

The Company recognizes other-than-temporary impairments ("OTTI") for fixed income securities classified as AFS in accordance with Accounting Standards Codification ("ASC") 320, *Investments-Debt and Equity Securities*. At least quarterly, management reviews impaired securities for OTTI. The Company considers several factors when determining if a security is OTTI, including but not limited to: its intent and ability to hold the impaired security until an anticipated recovery in value; the issuer's ability to meet current and future principal and interest obligations for fixed maturity securities; the length and severity of the impairment; the financial condition and near term and long-term prospects for the issuer. In making these evaluations, the Company exercises considerable judgment.

If the Company intends to sell, or if it is more likely than not that it will be required to sell, an impaired fixed maturity security prior to recovery of its cost basis, then the Company recognizes a charge to earnings for the full amount of the impairment (the difference between the amortized cost and fair value of the security). For fixed maturity securities that are considered OTTI and that the Company does not intend to sell and will not be required to sell, the Company separates the impairment into two components: credit loss and noncredit loss. Credit losses are charged to investment related gains, net and noncredit losses are charged to other comprehensive income. The credit loss component is the difference between the security's amortized cost and the present value of its expected future cash flows discounted at the current effective rate. The remaining difference between the security's fair value and the present value of its expected future cash flows is the noncredit loss. For corporate bonds, historical default (by rating) data is used as a proxy for the probability of default, and loss given default (by issuer) projections are applied to the par amount of the bond. Potential losses incurred on structured securities are based on expected loss models rather than incurred loss models. Expected cash flows include assumptions about key systematic risks (e.g., unemployment rates, housing prices) and loan-specific information (e.g., delinquency rates, loan-to-value ratios). Estimating future cash flows is a quantitative and qualitative process that incorporates information received from third parties, along with assumptions and judgments about the future performance of the underlying collateral.

Investment Income and Investment Related Gains and Losses
Investment income primarily consists of interest and is recognized on an accrual basis using the effective yield method. Actual prepayment experience is periodically reviewed, and effective yields are recalculated when differences arise between the prepayments originally anticipated and the actual prepayments received. The effective yield is recalculated on a prospective basis. Accrual of income is suspended for OTTI fixed maturities when the timing and amount of cash flows

expected to be received is not reasonably estimable. It is the Company's policy to cease to carry accrued interest on debt securities that are over 90 days delinquent or where collection of interest is improbable. The Company held no investments in non-accrual status as of December 31, 2021 and 2020. Investment income on equity securities represent dividend income and preferred coupons interest.

Investment related (losses) gains, net, include gains and losses on investment sales and settled-to-market derivatives, write-downs in value due to other-than-temporary declines in fair value, unrealized gains and losses on equity securities and changes in the fair value of embedded derivatives created as part of modco arrangements. Realized capital gains and losses on investment sales, including principal payments, are determined on a first in first out ("FIFO") basis.

Portfolio Monitoring

The Company has a comprehensive portfolio monitoring process to identify and evaluate each fixed maturity security whose carrying value may be other-than-temporarily impaired.

For each fixed maturity security in an unrealized loss position, the Company assesses whether management with the appropriate authority has made the decision to sell or whether it is more likely than not the Company will be required to sell the security before recovery of the amortized cost basis for reasons such as liquidity, contractual or regulatory purposes. If a security meets either of these criteria, the security's decline in fair value is considered other than temporary and is recorded in earnings.

If the Company has not made the decision to sell the fixed maturity security and it is not more likely than not the Company will be required to sell the fixed maturity security before recovery of its amortized cost basis, the Company evaluates whether it expects to receive cash flows sufficient to recover the entire amortized cost basis of the security. The Company calculates the estimated recovery value by discounting the best estimate of future cash flows at the security's original or current effective rate, as appropriate, and compares this to the amortized cost of the security. If the Company does not expect to receive cash flows sufficient to recover the entire amortized cost basis of the fixed maturity security, the credit loss component of the impairment is recorded in earnings, with the remaining amount of the unrealized loss related to other factors recognized in other comprehensive income.

The Company's portfolio monitoring process includes a quarterly review of all securities to identify instances where the fair value of a security compared to its amortized cost is below established thresholds. The process also includes the monitoring of other impairment indicators such as ratings, ratings downgrades and payment defaults. The securities identified, in addition to other securities for which the Company may have a concern, are evaluated for potential other-than-temporary impairment using all reasonably available information relevant to the collectability or recovery of the security. Inherent in the Company's evaluation of other-than-temporary impairment for these fixed maturity securities are assumptions and estimates about the financial condition and future earnings potential of the issue or issuer. Some of the factors that may be considered in evaluating whether a decline in fair value is other than temporary are: 1) the financial condition, near-term and long-term prospects of the issue or issuer, including relevant industry specific market conditions and trends, geographic location and implications of rating agency actions and offering prices; 2) the specific reasons that a security is in an unrealized loss position, including overall market conditions which could affect liquidity; and 3) the length of time and extent to which the fair value has been less than amortized cost.

Derivatives

The Company hedges certain portions of its exposure to reinvestment rate risk by entering into derivative transactions. The accounting for derivative transactions follows the nature of the derivative contract which may require to be treated as settled daily or carried at the estimated fair value on the Company's Balance Sheets. The Company offsets the fair value amounts recognized for derivatives executed with the same counterparty under the same master netting agreement. The fair value of open derivative positions is carried in other invested assets or other liabilities on the Balance Sheets. If a derivative is not designated as an accounting hedge or its use in managing risk does not qualify for hedge accounting, changes in the estimated fair value of the derivative are reported in investment related gains, net in the Statements of Operations and Comprehensive (Loss) Income. The notional amounts specified in the contracts are used to calculate contractual payments under the agreements and are generally not representative of the potential for gain or loss on these contracts.

Reinsurance and retrocession agreements on a funds withheld or Modco basis and presented as a funds withheld asset or liability contain embedded derivatives. An embedded derivative is a derivative instrument that is embedded in another contract, the 'host contract'. If it is determined that the economic characteristics of the embedded derivative is not clearly related to the host contract and a separate instrument with the same terms would qualify as a derivative instrument, it is bifurcated from the host contract and accounted for separately, unless the fair value option is elected for the host contract. Under the fair value option, bifurcation of the embedded derivative is not necessary as all related gains and losses on the host contract and derivative are included within Investment related gains (losses), net on the Statements of Operations and Comprehensive (Loss) Income. Embedded derivatives are carried on the Balance Sheets at fair value in the same line item as the host contract.

The Company reinsures fixed indexed annuity contracts, which contains features allowing policyholders the option to allocate contract value between a fixed interest rate strategy or an equity market strategy for which interest credited is based on the performance of certain stock market indices. The equity market option is an embedded derivative with the benefit reserve being equal to the sum of the fair value of the embedded derivative and the host (or guaranteed) component of the contracts. The fair value of the embedded derivative is calculated as the present value of benefits attributable to the excess of the projected policy contract values over the projected minimum guaranteed contract values. Projected policy contract values are based on assumptions for future policy growth, including assumptions for future equity option costs, volatility, interest rates and policyholder behavior assumptions. The embedded derivative cash flows are discounted using a rate that reflects Company's own credit rating net of risk margin. The host contract is established at contract inception as the initial premium less the initial fair value of the embedded derivative and accreted over the policy's life. The host accretion rate is re-determined on each valuation date. Changes in the fair value of embedded derivatives associated with fixed indexed annuities are included in Interest credited to policyholders' account balances in the Statements of Operations and Comprehensive (Loss) Income.

Funds Withheld Assets and Liabilities

Funds withheld by ceding companies, including those withheld under modco contracts, consist mainly of amounts retained by the ceding company for business reinsured on a funds withheld basis. Funds withheld assets are assets that would normally by paid to the Company but are withheld by the cedant to reduce the potential credit risk. Funds withheld liabilities are assets that would normally be paid to the retrocedent but is withheld by the Company to reduce potential credit risk.

Funds withheld asset and liabilities represent the receivable and payable amounts withheld in accordance with the reinsurance or retrocession agreement in which we act as a modified coinsurer. While the assets in modco trusts are legally owned by the ceding company, the assets are legally segregated from the general accounts of our cedants and all economic rights and obligations on the assets accrue to us. The Company periodically settles interest accruing to those assets and investment gains, as defined by the terms of the agreements. The underlying agreements contain embedded derivatives as defined by the Financial Accounting Standards Board's ("FASB") Derivatives Implementation Group Statement 133 Implementation Issue No. 36 ("DIG B36") and as a result the carrying value of funds withheld asset is equal to the fair value of the underlying assets. The change in the fair value of the embedded derivatives related to the change in unrealized gain or loss on the underlying securities is recorded in net investment income on the Statements of Operations and Comprehensive (Loss) Income.

Variable Interest Entities ("VIEs")

Through modco arrangements, the Company has an economic interest in investment in VIEs. The Company assesses whether a legal entity is a VIE on the date at which the Company becomes involved with the legal entity. This assessment is performed based on the circumstances on that date and subsequently re-assessed if there have been significant changes to the contractual arrangements.

Where the Company has determined that it has a variable interest in a legal entity, the Company will conclude it is the primary beneficiary if: (i) the Company has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; and, (ii) the Company has an obligation to absorb losses or the right to receive benefits from the VIE, that could potentially be significant to the VIE. Typically, only one entity is expected to be the primary beneficiary although more than one entity is obliged to absorb losses or receive benefits.

Where the Company determines that it is the primary beneficiary of a VIE, the Company will consolidate its interest in that entity. If the Company is not the primary beneficiary, the Company will account for its interest in that VIE at the fair value of its proportionate share of the entity.

Reinsurance

The Company assumes and cedes insurance and investment contracts under funds withheld and Modco. Reinsurance accounting is applied to business assumed where the risk transfer provisions of ASC 944-40 *Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts* have been met. To meet risk transfer requirements, a long-duration reinsurance contract must transfer significant mortality or morbidity risks and subject the reinsurer to a reasonable possibility of a significant loss. Those contracts that do not meet risk transfer requirements, or universal life-type contracts, are accounted for using deposit accounting.

Assets and liabilities assumed or ceded under funds withheld or Modco are presented gross on the Balance Sheets. For investment contracts, the change in assumed and ceded reserves are presented net in Interest credited to policyholders' account balances on the Statements of Operations and Comprehensive (Loss) Income. For insurance contracts, excluding the host and embedded derivative components of fixed indexed annuity contracts, the change in assumed and ceded reserves and benefits are presented net in Policyholder benefits on the Statements of Operations and Comprehensive (Loss) Income.

The fair value of the consideration received for business assumed which meets risk transfer requirements is included in the premiums line of the Statements of Operations and Comprehensive (Loss) Income. Changes to assumed reserves and benefits paid are presented net in the policyholder benefits line on the Statements of Operations and Comprehensive (Loss) Income.

Where the fair value of the consideration received for reinsurance transactions does not equal the liabilities reinsured, the difference is recognized on the Balance Sheets as either a deferred acquisition cost ("DAC") or as a deferred profit liability ("DPL"). The consideration received is calculated as the fair value of total assets received, inclusive of any ceding commission paid or received. DAC is recognized as a separate line of the Balance Sheets and DPL is included within the applicable reserves balance to which it relates.

DAC or DPL related to traditional life and limited payment contracts is amortized in reference to the present value of benefits in force, while DAC or DPL related to investment contracts is amortized using the effective interest rate method. Cost of Reinsurance ("CoR") related to universal life ("UL") contracts are amortized over the lifetime of the policies based on proportion of the present value of actual and expected deferred costs to the present value of the actual and expected gross profits. Gross profits can include such items as investment spread margins, realized gains and losses on investments, income related to surrenders, charges and expenses related to maintenance of the polices, and changes in reserve related to guaranteed lifetime withdrawal benefits. Future estimated gross profits are based on assumptions set using sound and accepted actuarial methods regarding policyholder behavior such as partial and full surrenders, policy rider elections, mortality, administration expenses, future interest credit for both fixed and indexed, and investment yield on assets backing the liabilities.

With respect to ceded reinsurance, the Company values reinsurance recoverables on reported claims at the time the underlying claim is recognized in accordance with contract terms. For future policyholder benefits, the Company estimates the amount of reinsurance recoverables based on the terms of the reinsurance contracts and historical reinsurance recovery information. The reinsurance recoverables are based on what the Company believes are reasonable estimates and the balance is reported as an asset in the Balance Sheets. However, the ultimate amount of the reinsurance recoverable is not known until all claims are settled.

On an annual basis, the Company performs loss recognition testing ("LRT") to determine whether a premium deficiency exists. A premium deficiency exists if the current reported reserves plus the present value of future premiums are not sufficient to cover the present value of future benefits and expenses. LRT is only relevant to the life insurance contracts reinsured by the Company. As at December 31, 2021, there was no premium deficiency identified as part of the LRT.

Future Policy Benefits and Other Policyholder Liabilities
Life insurance contracts reinsured by the Company include traditional fixed annuities in the accumulation phase, single premium immediate annuities, structured settlements, and endowments with significant mortality risk or insurance risk. Policy liabilities are established for future policy benefits, which include death benefits, to meet the estimated future obligations of policies in-force. Changes in policy and contract claims are recorded in Policyholder benefits in the Statements of Operations and Comprehensive (Loss) Income.

The Company holds additional liabilities for its guaranteed lifetime withdrawal benefits ("GLWB") (associated with fixed indexed annuities). GLWB is a benefit where the policyholder is entitled to withdraw up to a specified amount of their benefit base each year. These liabilities are calculated by estimating the expected value of withdrawal benefits in excess of the projected policyholder account balances. We recognize the excess proportionally over the accumulation period based on total and expected assessments. Assumptions about policyholder behavior are used in the estimate, including lapses, withdrawals, utilization of benefit riders, mortality, expected yield on investments and market conditions.

For the ASC 944-20 *Financial Services – Insurance Activities* products, such as individual life and annuities (including life contingent structured settlements and single premium immediate annuities), reserves are computed using the net level premium method and are based on estimates as to future investment yields and mortality that include provisions for adverse deviation as at the date of acquisition or underwriting. Mortality assumptions are based on the Company's initial determination of best estimate mortality and may include an evaluation of a ceding company's historical experience as well as industry standards.

The policyholder liabilities are calculated based on the estimates and assumptions discussed above and the amount of the policyholder liabilities could be revised if these estimates and assumptions are revised to take reflect current experience.

Policyholders' Account Balances
Investment-type contracts reinsured by the Company include fixed indexed annuities, traditional fixed annuities in the accumulation phase, single premium immediate annuities and structured settlements without significant mortality risk. The liability for fixed annuities reflects the account balance and guaranteed returns, without reduction for potential surrender or withdrawal charges. The liability for immediate annuities and structured settlements without significant mortality risk are calculated as the present value of future liability cash flows and maintenance expenses discounted at locked-in interest rates.

Policyholders' account balances for fixed indexed life and annuity policies with returns linked to the performance of a specified market index are equal to the excess of the sum of the fair value of the embedded derivatives and the host (or guaranteed) component over the policyholder account balance. The change in the fair value of the embedded derivative is linked to the performance of the equity option. The host value is established as of the date of acquisition and is equal to the account value, plus the value of the unexpired options at the date of acquisition, less the embedded derivative, and accreted over the policy's life at a constant rate of interest.

Changes in policyholders' account balances, excluding deposits and withdrawals, are recorded in interest credited to policyholders' account balances in the Statements of Operations and Comprehensive (Loss) Income.

Recognition of Premium Revenue, Fees, and Related Policyholder benefits and Interest Credited

Life insurance and disability income products consist principally of products whereby the premiums and benefits are fixed by the Company. Premiums from these products are recognized as revenue when due from policyholders. Surrenders on traditional life and death benefits are reflected in policyholder benefits.

Immediate annuities with significant mortality risk provide insurance protection over a period that extends beyond the period during which premiums are collected. Premiums from these products are recognized as revenue when received at the inception of the contract. Benefits and expenses are recognized in relation to premiums. Interest-sensitive life contracts, such as universal life and single premium life, are insurance contracts whose terms are not fixed and guaranteed. The terms that may be changed include premiums paid by the policyholder, interest credited to the policyholder account balance and contract charges assessed against the policyholder account balance. Premiums from these contracts are reported as policyholder account balances. Fee income from policyholders consist of fees assessed against the policyholder account balance for the cost of insurance (mortality risk), contract administration and surrender of the policy prior to contractually specified dates. These charges are recognized as revenue when assessed against the policyholder account balance. Policyholder benefits include life-contingent benefit payments in excess of the policyholder account balance.

Contracts that do not subject the Company to significant risk arising from mortality or morbidity are referred to as investment contracts. Investment accounts and annuities without significant mortality risk are considered investment contracts. Consideration received for such contracts is reported as policyholder account balance deposits. Policy fees for investment contracts consist of fees assessed against the contractholder account balance for maintenance, administration and surrender of the contract prior to contractually specified dates and are recognized when assessed against the policyholder account balance.

Leases

The Company, as a lessee, has elected the short-term lease recognition exemption for all classes of underlying assets. This exemption allows the Company to not recognize a right-of-use asset and lease liability for leases with a term of 12 months or less. The Company has also elected the practical expedient under which it does not need to separate lease components from non-lease components for all classes of underlying assets.

Other Assets, Accrued Expenses and Other Liabilities

Other assets consist primarily of premiums due and receivables resulting from sales of securities that had not yet settled at the balance sheet date. Other liabilities consist primarily of accrued expenses, technical overdrafts, derivatives, and payables resulting from purchases of securities that had not yet been settled at the balance sheet date.

Foreign Exchange

The Company's functional currency is the U.S. dollar. Monetary assets and liabilities denominated in currencies other than the functional currency of the Company are revalued into the Company's functional currency at the prevailing exchange rate on the balance sheet date. Revenues and expenses denominated in a currency other than the Company's functional currency are translated at average rates of exchange for the relevant period. Foreign currency re-measurement gains or losses on transaction in non-functional currencies are recognized in the Statements of Operation and Comprehensive (Loss) Income.

Adoption of New Accounting Pronouncements

Reference rate reform
In March 2020 and January 2021, the FASB issued new accounting guidance related to reference rate reform, which was effective on January 1, 2020. The guidance provides temporary guidance to ease the potential burden in accounting for, or recognizing the effects of, reference rate reform, which includes the transition away from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate. This new guidance provides optional practical expedients and exceptions for applying generally accepted accounting principles to investments, derivatives or other transactions affected by reference rate reform such as those that impact the assessment of derivative hedge effectiveness and contract modifications, to include continuing hedge accounting when certain critical terms of a hedging relationship change and modifying certain effectiveness assessments to exclude certain potential sources of ineffectiveness. The new guidance was updated to clarify that the optional practical expedients and exceptions can be applied to derivatives that use an interest rate for margining, discounting, or contract price alignment. In addition to the optional practical expedients, the guidance includes a general principle that permits an entity to consider contract modifications due to reference rate reform to be an event that does not require contract remeasurement at the modification date or reassessment of a previous accounting determination. The Company adopted this guidance prospectively and it did not have a significant impact on the financial statements or disclosures. However, the amendments in this guidance may be elected over time through December 31, 2022 as reference rate reform activities occur and therefore, this guidance may impact the Company's procedures as the Company implements measures to transition away from LIBOR.

Recently Issued Accounting Pronouncements, Not Yet Effective

Financial Instruments: Credit Losses (ASU 2016-13, ASU 2018-19 and ASU 2019-05)
The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments at each reporting date. To achieve this, the amendments in this update replace the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The main update for AFS debt securities is the requirement to establish a valuation allowance for credit losses, versus the current direct (irreversible) write down approach.

The amended effective date for this standard is January 1, 2023. The Company plans to adopt this standard when it becomes effective and is currently evaluating the impact on the financial statements.

Financial Services – Insurance: Targeted Improvements to Accounting for Long-Duration Contracts (ASU 2018-12)
This update revises key elements of the measurement model used to estimate the liability for future policy benefits for traditional and limited-payment contracts as well as disclosure requirements. These key elements are:

- The cash flow assumptions used to measure the liability for future policy benefits are required to be updated at least annually, which differs to the current 'locked-in' approach, and no longer allows a provision for adverse deviation. The remeasurement of the liability due to the update of assumptions is required to be recognized in net income.

- The discount rate used to measure the liability for future policy benefits is required to be discounted using an upper-medium grade fixed-income instrument yield that reflects the characteristics of the liability, rather than the invested assets supports the liability. The discount rate is required to be updated quarterly with the impact to the benefit liability being recognized in other comprehensive income.
- Simplification of the amortization of deferred acquisition costs and other balances amortized in proportion to premiums, gross profits, or gross premiums, requiring such balances to be amortized on a constant level basis over the expected life of the contract. Deferred costs are not subject to impairment testing but instead will be amortized as long as the related contracts remain outstanding.
- Extensive disclosure requirements around the liability for future policy benefits, policyholder account balances and deferred acquisition costs. This includes disaggregated roll forwards of these balances and information about significant inputs, judgements, assumptions, and methods used in their measurement.

The amended effective date of this standard for private companies is January 1, 2025. The Company plans to adopt this standard when it becomes effective and is currently evaluating the impact on the financial statements.

3. Investments

The amortized cost, gross unrealized gains, gross unrealized losses and fair value for AFS investments by asset type as of December 31, 2021 and 2020 were as follows:

December 31, 2021 *($ in thousands)*	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Fixed maturity securities				
U.S. Government and agencies	$ -	$ -	$ -	$ -
U.S. municipal	62,807	7,359	-	70,166
Foreign government	18,343	851	(490)	18,704
Corporate	681,126	61,205	(1,564)	740,767
Asset backed securities	30,270	72	(63)	30,279
Commercial mortgage-backed securities	44,056	854	(436)	44,474
Residential mortgage-backed securities	7,566	14	(63)	7,517
Total fixed maturity securities	$ 844,168	$ 70,355	$ (2,616)	$ 911,907

December 31, 2020 *($ in thousands)*	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Fixed maturity securities				
U.S. Government and agencies	$ 7,739	$ 1,751	$ -	$ 9,490
U.S. municipal	59,410	7,478	-	66,888
Foreign government	11,213	1,022	-	12,235
Corporate	1,000,378	125,973	(438)	1,125,913
Asset backed securities	12,431	112	(168)	12,375
Commercial mortgage-backed securities	34,873	2,948	(3)	37,818
Residential mortgage-backed securities	6,690	321	-	7,011

Total fixed maturity securities	$	1,132,734	$	139,605	$	(609)	$	1,271,730

The net unrealized gains on Fixed maturity securities which has been included in accumulated other comprehensive income as of December 31, 2021 and 2020 was $67,739 and $138,996, respectively.

The following summarizes the fair value and gross unrealized losses for AFS securities for which an allowance for credit losses has not been recorded, aggregated by asset type and length of time the fair value has remained below amortized cost:

December 31, 2021	**Less than 12 months**		**12 months or more**		**Total**	
($ in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Fixed maturity securities						
U.S. Government and agencies	-	-	-	-	-	-
U.S. municipal	-	-	-	-	-	-
Foreign government	10,313	(490)	-	-	10,313	(490)
Corporate	92,732	(1,249)	4,740	(315)	97,472	(1,564)
Asset backed securities	21,027	(63)	-	-	21,027	(63)
Commercial mortgage-backed securities	28,119	(436)	-	-	28,119	(436)
Residential mortgage-backed securities	5,941	(63)	-	-	5,941	(63)
Total fixed maturity securities	158,132	(2,301)	4,740	(315)	162,872	(2,616)

December 31, 2020	**Less than 12 months**		**12 months or more**		**Total**	
($ in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Fixed maturity securities						
U.S. Government and agencies	-	-	-	-	-	-
U.S. municipal	-	-	-	-	-	-
Foreign government	-	-	-	-	-	-
Corporate	19,313	(399)	9,945	(39)	29,258	(438)
Asset backed securities	3,659	(168)	-	-	3,659	(168)
Commercial mortgage-backed securities	-	-	2,397	(3)	2,397	(3)
Residential mortgage-backed securities	-	-	-	-	-	-
Total fixed maturity securities	22,972	(567)	12,342	(42)	35,314	(609)

The investment related gains (losses) related to Equity securities held at December 31, 2021 and 2020 were as follows:

($ in thousands)	**December 31, 2021**	**December 31, 2020**
Net gains recognized during the year on equity securities	$ 634	$ 83
Net realized gains on equity securities sold during the year	-	-
Net unrealized gains relating to equity securities still held at the reporting date	$ 634	$ 83

Other-Than-Temporary Impairment

For the year ended December 31, 2021 and 2020 there were no recognized other-than-temporary impairment losses in the Statements of Operations and Comprehensive (Loss) Income.

Scheduled Maturities

The scheduled maturities for fixed maturity securities as of December 31, 2021 were as follows:

($ in thousands)	Amortized Cost	Fair Value
Due within one year	$ 14,061	$ 15,003
Due after one year through five years	104,227	109,620
Due after five years through ten years	146,830	159,305
Due after ten years	497,15	545,709
Subtotal	762,276	829,637
Structured securities (ABS, CMBS, RMBS)	81,892	82,270
Total fixed maturity securities	$ 844,168	$ 911,907

Actual maturities may differ from those scheduled as a result of calls and make-whole payments by the issuers.

Investment Related (Losses) Gains, Net

Investment related gains and losses for the years ended December 31, 2021 and 2020 were as follows:

($ in thousands)	2021	2020
Realized gains on fixed maturity securities, available-for-sale	$ 39,165	$ 29,657
Unrealized gains on equity securities at fair value	634	83
Realized (losses) and gains on derivative instruments	(28,116)	122,193
Funds withheld asset		
Realized gains on trading activity	106,555	102,782
Change in embedded derivative	(135,317)	218,828
Investment related (losses) gains, net	$ (17,079)	$ 473,543

For the years ended December 31, 2021 and 2020, the proceeds from sales and maturities of fixed maturity securities and the gross investment gains and losses were as follows:

($ in thousands)	2021	2020
Proceeds from sales and maturities	$ 502,421	$ 360,027
Gross investment gains	40,403	30,972
Gross investment losses	(1,238)	(1,315)

Net Investment Income

Net investment income for the years ended December 31, 2021 and 2020 were as follows:

($ in thousands)	2021	2020
Fixed maturity securities, available-for-sale	$ 38,128	$ 45,915
Cash and cash equivalents	13	656
Equity securities at fair value	2,353	367
Funds withheld assets	235,216	250,594
Investment expenses	(23,514)	(11,160)
Net investment income	$ 252,196	$ 286,371

Concentrations of Credit Risk

The Company invests in a diversified portfolio of instruments to reduce concentration risk. As of December 31, 2021, and 2020, the Company has not identified any significant concentrations of credit risk arising from its financial instruments, whether from an individual counterparty or groups of counterparties.

4. Derivative Instruments

Derivatives are instruments that derive their values from underlying asset prices, indices, foreign exchange rates, reference rates and other inputs or a combination of these factors. Derivatives may be privately negotiated contracts, which are usually referred to as over-the-counter ("OTC") derivatives, or they may be listed and traded on an exchange ("exchange-traded"). The Company utilizes derivative contracts mainly to hedge exposure to variability in interest rate risk, foreign exchange risk and equity market risk.

The Company's derivative positions were not designated as or did not qualify for hedge accounting as they do not meet the criteria of being "highly effective" as outlined in ASC Topic 815, but do provide an economic hedge, which is in line with the Company's risk management objectives. The Company also uses derivatives contracts to hedge its exposure to various risks associated with the investment portfolio. The Company does not seek hedge accounting treatment for certain of these derivatives as they generally do not qualify for hedge accounting due to the criteria required under the portfolio hedging rules outlined in ASC Topic 815. As the Company has not designated these instruments as accounting hedges, all changes in the fair values are recognized within investment-related gains, net on the Statements of Operations and Comprehensive (Loss) Income.

The Company's derivative instruments are settled to market daily, where the variation margin on an OTC derivative is treated as cash-settling, rather than collateralizing a contract. This extinguishes the exposure to the counterparty on a daily basis. As the contract is treated as settled, the changes in the market value from the previous settlement is recognized as a realized gain / loss and recorded in investment related gains, net in the Statements of Operations and Comprehensive (Loss) Income.

Interest Rate Swaps

The Company uses forward starting interest rate swaps to reduce its future reinvestment risk. Under the terms of these swaps, the Company agrees to exchange the difference between a fixed and a floating interest rate calculated on a notional amount at a specified future date.

Interest rate swaps are used by the Company to reduce risks from changes in interest rates, manage interest rate exposures arising from mismatches between assets and liabilities and to hedge against changes in their values.

Swaps may be attributed to specific assets or liabilities or to a portfolio of assets or liabilities. Under interest rate swaps, the Company agrees with counterparties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed upon notional principal amount.

Where appropriate the Company treats outstanding interest rate swaps as settled to market and therefore, has no open fair value at the balance sheet date.

Foreign Exchange Contracts

Currency derivatives, including currency swaps, are used by the Company to reduce risks from changes in currency exchange rates with respect to investments denominated in foreign currencies that the Company either holds or intends to acquire or sell.

Under currency swaps, the Company agrees with counterparties to exchange, at specified intervals, the difference between one currency and another at an exchange rate and calculated by reference to an agreed principal amount. Generally, the principal amount of each currency is exchanged at the beginning and termination of the currency swap by each party.

The cumulative net (losses) gains recognized in Investment Related Gains (Losses), Net in the Statements of Operations and Comprehensive (Loss) Income for changes in the fair value and of derivative instruments for the years ended December 31, 2021, and 2020 were as follows:

($ in thousands)		**2021**		**2020**
Interest rate swap agreements	$	(23,124)	$	122,193
Foreign exchange swap agreements		(4,992)		-
Total	$	(28,116)	$	122,193

As of December 31, 2021 and December 31, 2020, the Company was owed $6.6 million and $5.3 million, for cash it is required to post in relation to margin calls in connection with the interest rate swaps. These amounts are included within Receivable for securities on the Balance Sheets.

Embedded Derivatives

The Company reinsures certain products that contain embedded derivatives for which the market value is determined by reference to the performance of a market index.

The Company also has embedded derivatives related to reinsurance contracts that are accounted for on a modified coinsurance and funds withheld basis. An embedded derivative exists because the arrangement exposes the reinsurer to third-party credit risk. These embedded derivatives are included in funds withheld asset in the Balance Sheets, with changes in the fair value of the embedded derivative being recognized within Investment related gains, net on the Statements of Operations and Comprehensive (Loss) Income.

The estimated fair value and Balance Sheets location of the Company's embedded derivatives as of December 31, 2021 and December 31, 2020 were as follows:

($ in thousands)	**Balance Sheets Line**	**2021**	**2020**
Embedded derivatives on modco reinsurance contracts	Funds withheld asset	$ 550,205	$ 685,522
Embedded derivatives on equity-indexed annuity contracts	Policyholder account balances'	2,779,698	-

The change in the value of the embedded derivatives recorded within Investment related losses, net for the years ended December 31, 2021 and 2020 were as follows:

($ in thousands)	**Statements of Operations and Comprehensive (Loss) Income Line**	**2021**	**2020**
Change in embedded derivatives on modco reinsurance contracts	Investment related (losses) gains, net	$ (135,317)	$ 218,829

5. Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy for inputs used in determining fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Assets and liabilities recorded on the Balance Sheets at fair value are categorized in the fair value hierarchy based on the observability of inputs to the valuation techniques as follows:

Level 1 Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company can access.

Level 2 Assets and liabilities whose values are based on the following:

(a) Quoted prices for similar assets or liabilities in active markets;

(b) Quoted prices for identical or similar assets or liabilities in markets that are not active; or

(c) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Unobservable inputs reflect the Company's estimates of the assumptions that market participants would use in valuing the assets and liabilities.

The availability of observable inputs varies by instrument. In situations where fair value is based on internally developed pricing models or inputs that are unobservable in the market, the determination of fair value requires more judgment. The degree of judgment exercised by the Company in determining fair value is typically greatest for instruments categorized in Level 3.

In many instances, valuation inputs used to measure fair value fall into different levels of the fair value hierarchy. The category level in the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company uses prices and inputs that are current as of the measurement date, including during periods of market disruption. In periods of market disruption, the ability to observe prices and inputs may be reduced for many instruments.

The Company is responsible for the determination of fair value and the supporting assumptions and methodologies. The Company gains assurance that assets and liabilities are appropriately valued through the execution of various processes and controls designed to ensure the overall reasonableness and consistent application of valuation methodologies, including inputs and assumptions, and compliance with accounting standards. For fair values received from third parties or internally estimated, the Company's processes and controls are designed to ensure that the valuation methodologies are appropriate and consistently applied, the inputs and assumptions are reasonable and consistent with the objective of determining fair value, and the fair values are accurately recorded. For example, the Company assesses the reasonableness of individual fair values provided by investment managers which, when compared to fair values received from third party valuation service providers or derived from internal models, exceed certain thresholds. The Company performs procedures to understand and assess the methodologies, processes, and controls of valuation service providers.

The index-crediting feature in the reinsured FIA is an embedded derivative that is required to be accounted for separately from the host contract. The fair value of the obligation is calculated based on actuarial and capital market assumptions related to the projected cash flows, including benefits and related contract charges, over the anticipated life of the related contracts. The cash flow estimates are produced by market implied assumptions. These derivatives are classified as Level 3 liabilities in the fair value hierarchy.

When fair value determinations are expected to be more variable, the Company validates them through reviews by members of management who have relevant expertise and who are independent of those charged with executing investment transactions.

The Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2021 and December 31, 2020 were as follows:

December 31, 2021

($ in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Fixed maturity securities				
U.S. government and agencies	$ -	$ -	$ -	$ -
U.S. municipal	-	70,166	-	70,166
Foreign government	-	18,704	-	18,704
Corporate	-	740,767	-	740,767
Asset backed securities	-	30,279	-	30,279
Commercial mortgage-backed securities	-	44,474	-	44,474
Residential mortgage-backed securities	-	7,517	-	7,517
Total fixed maturity securities	$ -	$ 911,907	$ -	$ 911,907
Funds withheld asset	$ -	$ -	$ 38,599,570	$ 38,599.570
Equity securities	-	123,159	-	123,159
Cash and cash equivalents	1,321,393	-	-	1,321,393

	Level 1	Level 2	Level 3	Total
Total assets measured at fair value	$ 1,321,393	$ 1,035,066	$ 38,599,570	$ 40,956,029
Liabilities				
Funds withheld liability	$ -	$ -	$ 12,853,141	$ 12,853,141
Total liabilities measured at fair value	$ -	$ -	$ 12,853,141	$ 12,853,141

December 31, 2020

($ in thousands)	Level 1	Level 2	Level 3	Total
Fixed maturity securities				
U.S. government and agencies	$ 9,490	$ -	$ -	$ 9,490
U.S. municipal	-	66,888	-	66,888
Foreign government	-	12,235	-	12,235
Corporate	-	1,125,913	-	1,125,913
Asset backed securities	-	12,375	-	12,375
Residential mortgage-backed securities	-	7,011	-	7,011
Commercial mortgage-backed securities	-	37,818	-	37,818
Total fixed maturity securities	$ 9,490	$ 1,262,240	$ -	$ 1,271,730
Funds withheld asset	$ -	$ -	$ 6,237,082	$ 6,237,082
Equity securities	-	13,234	-	13,234
Cash and cash equivalents	161,866	-	-	161,866
Total assets measured at fair value	$ 171,356	$ 1,275,474	$ 6,237,082	$ 7,683,912

There are no assets or liabilities measured at fair value on a nonrecurring basis as of December 31, 2021 and December 31, 2020.

Fair Value Valuation Methods – we used the following valuation methods and assumptions to estimate the fair value:

Publicly Traded Fixed Maturity Securities: AFS, Equities and Securities Supporting Funds Withheld Assets
The fair value for the fixed maturity securities and equities are obtained from the Company's investment managers, most of which are based on price quotes for identical securities in an inactive market or similar securities in an active market and are included in Level 2 in the fair value hierarchy. The investment managers incorporate a variety of market observable information in their valuation techniques, including benchmark yields, trading activity, credit quality, issuer spreads, bids, offers and other reference data. This category typically includes U.S. and non-U.S. corporate bonds, U.S. agency and government guaranteed securities, asset-backed securities, CMBS, RMBS and other mortgage obligations.

Certain fixed maturity securities are priced based on indicative broker quotes or by employing market accepted valuation models. The valuation models use significant unobservable inputs and are included in Level 3 in the fair value hierarchy. Significant unobservable inputs used include issue specific credit adjustments, material non-public financial information, estimation of future cash flows, default rate assumptions, liquidity assumptions and indicative quotes from market makers. These inputs are usually considered unobservable, as not all market participants have access to this data.

($'s in thousands)

Non-Publicly Traded Fixed Maturity Securities Supporting Funds Withheld Assets

Privately placed fixed maturity securities are priced based on the credit quality and duration of comparable marketable securities, which may be securities of another issuer with similar characteristics. The valuation models used by the investment managers to price these securities consider the current level of risk-free interest rates, corporate spreads, credit quality of the issuer and cash flow characteristics of the security, the net worth of the borrower and value of the collateral.

Investment Funds Supporting Funds Withheld Asset

Certain of the investments within the investment funds are priced based on market-accepted valuation models and use significant unobservable inputs, which include material non-public financial information, estimated future cash flows and demographic assumptions.

Real Estate Supporting Funds Withheld Assets

Real estate properties are valued based on third-party market valuation reports.

Cash and Cash Equivalents, Including Restricted Cash

The carrying amount for cash and cash equivalents equals fair value, which has been determined based on quoted market prices. These assets are classified as Level 1.

Funds Withheld Asset and Liability (Embedded Derivative)

The Company estimates the fair value of the embedded derivative based on the change in the fair value of the specific underlying assets supporting the funds withheld receivables under the modco agreements. The fair value is classified as Level 2 or Level 3 based on the valuation methods used for the assets held supporting the reinsurance agreements.

Policyholders' Account Balances

The index-crediting feature in the Company's indexed annuity and life contracts is an embedded derivative that is required to be accounted separately from the host contract. The fair value of the obligation is calculated based on actuarial and capital market assumptions related to the projected cash flows, including benefits and related contract charges, over the anticipated life of the related contracts for fixed indexed annuities and over the current indexed term for indexed life contracts. The cash flow estimates are produced by market implied assumptions. These derivatives are classified as Level 3 liabilities in the fair value hierarchy.

Significant Unobservable Inputs

Significant unobservable inputs occur when the Company could not obtain or corroborate the quantitative detail of the inputs. This applies to the non-publicly traded fixed maturity securities, investment funds and real estate supporting the funds withheld asset as well as inputs used to value the fixed indexed annuity embedded derivative.

Fixed indexed annuity contracts: Significant unobservable inputs used in the valuation of fixed indexed annuity embedded derivatives includes:

	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
Fixed Index Annuities	$ 2,779,698	Option Budget Method	Withdrawal Utilization Delay	0 to 60	15.6
			Benefit Utilization	0% - 100%	81.5%
			Partial Withdrawals	0% - 2.7%	1.8%
			Lapses	0.5% - 25%	2.2%

Fair Value of Financial Instruments Not Carried at Fair Value

The following represents the fair value of the Company's financial instruments which are not reported at fair value on the Balance Sheets:

December 31, 2021 *($ in thousands)*	**Carrying Value**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Liabilities					
Policyholders' account balances	$ 28,795,676	$ 28,179,956	$ -	$ -	$ 28,179,956
Total liabilities	$ 28,795,676	$ 28,179,956	$ -	$ -	$ 28,179,956

December 31, 2020 *($ in thousands)*	**Carrying Value**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Liabilities					
Policyholders' account balances	$ 1,529,170	$ 1,690,266	$ -	$ -	$ 1,690,266
Total liabilities	$ 1,529,170	$ 1,690,266	$ -	$ -	$ 1,690,266

Insurance Liabilities

The fair value measurement of the policyholders' account balances is based on discounted cash flow techniques using significant unobservable inputs. The estimated fair value is determined using current market risk-free interest rates, adding a spread to reflect the investment non-performance risk, a risk margin to reflect uncertainty inherent in the projected cash flows and an illiquidity premium to reflect the long-dated nature of the liabilities.

6. Income Taxes

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

7. Funds Withheld Assets and Liabilities

Funds withheld by ceding companies, including those withheld under a modified coinsurance contract, consist mainly of amounts retained by the ceding company for business written on a funds withheld basis. The assets can be held in trust or custodial accounts that are legally segregated from other assets of the cedent. The Company is exposed to the investment performance of the underlying assets, as if the assets were directly owned by the Company. The funds withheld liability reflects ceded reinsurance premium withheld under modified coinsurance retrocession contracts. These assets are legally segregated from other assets and the value of the liability fluctuates based on the performance of the underlying assets.

8. Deferred Acquisition Costs ("DAC) and Deferred Profit Liabilities ("DPL")

DAC and DPL relate to differences between the fair value of the consideration received and the sum of liabilities assumed for block reinsurance transactions. DAC is recorded separately as an asset on the face of the Balance Sheets and DPL is included within the Future policy benefits and other policyholder liabilities and Policyholder's account balances.

The table below summarizes the amounts included within the Balance Sheets and Statements of Operations and Comprehensive (Loss) Income as of December 31, 2021 and 2020:

($ in thousands)	DAC		DPL	
Balance at December 31, 2019	$	60,044	$	52,505
Additions		-		-
Amortization		(1,746)		(5,670)
Balance at December 31, 2020	**$**	58,298	$	46,835
Additions		978,930		186,327
Amortization		(1,372)		(9,871)
Foreign exchange loss		-		1,866
Balance at December 31, 2021	$	1,035,856	$	225,157

9. Future Policy Benefits and Other Policyholder Liabilities

Life insurance liabilities include reserves for death benefits and other policy benefits. As of December 31, 2021 and 2020, future policy benefits and other policyholder liabilities consisted of the following:

($ in thousands)	December 31, 2021		December 31, 2020	
Deferred annuities	$	61,158	$	63,020
Single premium immediate annuities		628,257		322,298
Structured settlements		3,853,881		3,925,758
Endowments		3,138,945		-
Guaranteed benefits on annuity contracts		1,721,218		-
Deferred profit liability		183,225		-
Total	$	9,586,684	$	4,311,076

Future policy benefits are generally equal to the present value of future benefit payments and related expenses, less the present value of future net premiums. Assumptions as to mortality, morbidity and persistency are based on the Company's experience, industry data, and/or other factors, in the pricing of the reinsurance transaction. Interest rates used in determination of present values follow a vector of projected asset earned rates, starting around 4.5% and gradually increasing in line with the forward curve and changes due to reinvestment.

10. Policyholders' Account Balances

As of December 31, 2021 and December 31, 2020, policyholders' account balances consisted of the following:

($ in thousands)	December 31, 2021		December 31, 2020	
Deferred annuities	$	488,943	$	41,509
Single premium immediate annuities		263,397		311,104
Structured settlements		1,040,223		1,129,722
Fixed indexed annuities		26,961,181		-
Deferred profit liability		41,932		46,835
Total	$	28,795,676	$	1,529,170

Policyholders' account balances represent an accumulation of deposits plus accumulated interest less withdrawals, expenses, and mortality charges, if applicable. These policyholders' account balances also include provisions for benefits under non-life contingent payout annuities.

11. Commitments and Contingencies

Contingent Commitments

The Company has commitments to make investments, primarily capital contributions to investment funds, of $188.8 million and $272.1 million as of December 31, 2021 and 2020, respectively. These commitments will be funded from the funds withheld asset over the next three years but could become due any time upon counterparty request due to market conditions and other factors.

Regulation and Compliance

The Company is subject to changing social, economic, and regulatory conditions. The Company has established procedures and policies to facilitate compliance with laws and regulations, to foster prudent business operations, and to support financial reporting. The Company routinely reviews its practices to validate compliance with laws and regulations and with internal procedures and policies to make sure that its business complies to the latest regulations. As a result of these reviews, from time to time the Company may decide to modify some of its procedures and policies. Such modifications, and the reviews that led to them, may be accompanied by payments being made and costs being incurred. The ultimate changes and eventual effects of these actions on the Company's business, if any, are uncertain.

Litigation

The Company is not currently involved in any judicial, regulatory or arbitration proceedings. The Company also believes that at the present time there are no pending or threatened lawsuits that are reasonably likely to have a material adverse effect on the financial statements.

Letter of Credit

The Company is named as the borrower for an unsecured, undrawn letter of credit issued by Credit Suisse in favor of a third party. The value of the undrawn letter of credit was CHF130 million as of December 31, 2021. The Company does not currently have any open obligations or liabilities in relation to this facility.

Pledged or Restricted Assets

The Company has restricted cash and restricted cash equivalents, shown within the Cash and cash equivalents line, which has been pledged as part of the derivative arrangements.

The Company has restricted investments and restricted cash and cash equivalents, shown within the Fixed maturity securities line and Cash and cash equivalents line, respectively, which has been secured as part of a modco arrangement.

The carrying value of the restricted assets as of December 31, 2021 and 2020 were as follows:

($ in thousands)	**December 31, 2021**	**December 31, 2020**
Fixed maturity securities - AFS	$ 461,470	$ 660,497
Equity securities	44,266	-
Restricted cash and cash equivalents	204,757	147,453
Total	$ 710,493	$ 807,950

12. Regulatory

The Company is licensed by the Bermuda Monetary Authority ("BMA") as a Class E long term insurer and is subject to the Insurance Act 1978, as amended (Bermuda Insurance Act) and regulations promulgated thereunder. In accordance with BMA regulations, the Company is required to submit an annual filing with the BMA.

The prescribed form of capital and solvency return primarily comprises the Insurer's Statutory Financial Return, Bermuda Solvency Capital Requirements ("BSCR"), and associated schedules including Form 4 EBS and various other schedules as prescribed by the 1978 Act, The Insurance Account Rules 2016, The Insurance (Prudential Standards) (Class C, Class D, and Class E Solvency Requirement) Rules 2011, Insurance (Eligible Capital) Rules 2012, and Insurance (Public Disclosure) Rules 2015. The BSCR includes a standardized model to measure the risk associated with an insurer's assets, liabilities and premiums, and a formula to take account of insurance related risk exposure. The Minimum Margin of Solvency ("MMS") is equal to the greater of $8 million or 2% of the first $500 million of Statutory Financial Statements ("SFS") assets plus 1.5% of SFS assets above $500 million. The MMS is subject to a floor of 25% of the Enhanced Capital Requirement ("ECR").

The ECR is calculated as the higher of the capital requirement as measured by the BSCR and MMS. The BMA requires all Class E insurers to maintain their capital at a target level which is 120% of ECR. As of December 31, 2021 and 2020 the Company's Statutory Capital and Surplus was $3.7 billion and $1.3 billion, respectively. The Company has met all minimum regulatory requirements. The BMA has granted the Company a modification in which the Company is not required to record the effect of DIG B36 and is permitted to record the fixed income securities within the funds withheld receivable at amortized cost in the unconsolidated Statutory Financial Statements. For the years ended December 31, 2021 and 2020 the effect of this modification on the Company's Statutory Capital and Surplus was $455.9 million and $685.5 million, respectively.

The Company is prohibited from declaring or paying a dividend if its Class E statutory capital and surplus is less than its ECR or if it is in breach of its solvency margin or if the declaration or payment of such dividend would cause such breach. Further as a Class E insurer, the Company is prohibited from declaring or paying any dividend of more than 25% of its total statutory capital and surplus unless it files with the BMA an affidavit stating that it will continue to meet its relevant margins. The Company must obtain the BMA's prior approval for a reduction by 15% or more of the total statutory capital as set forth in its previous year's financial statements.

13. Related Parties

The Company reported the following amounts due from affiliates and due to affiliates as of December 31, 2021 and December 31, 2020:

($ in thousands)	2021	2020
Receivables/ Due from affiliates		
Resolution Life Group Holdings Ltd.	$ -	$ 2
Resolution Life Finance (Bermuda) Ltd.	892	741
Resolution Re Finance (Bermuda) Ltd.	122	107
Resolution Life Group Finance (Bermuda) Ltd.	36	36
Total due from affiliates	$ 1,050	$ 886

($'s in thousands)

Payables/ Due to affiliates				
Resolution Life Services (US) Inc.	$	789		466
Resolution Life Group Holdings Ltd.		8		-
Resolution Brands Ltd.		-		10
Resolution Life Group Services Ltd.		4,191		1,078
Total due to affiliates	$	4,988	$	1,554

Intercompany receivable and payable balances are evaluated on an individual company basis. Intercompany balances are generally settled quarterly.

Resolution Life Group Services Ltd. ("RLGS") and Resolution Life Services (US) Inc. ("RLS(US)") provide the Company with certain management and administrative services. These include legal counsel, personnel, marketing, public relations, accounts payable, investment management and managerial services. The Company reimburses RLGS and RLS(US) at cost plus markup for the services provided, pursuant to the agreement, including all direct and indirectly allocable expenses. Under the agreement, each party is required to present an invoice no less frequently than on a quarterly basis, and fees are payable within thirty days following the receipt of an invoice. For the years ended December 31, 2021 and 2020, $7.0 million and $3.1 million of fees were expensed in relation to these agreements, respectively.

The Company has an agreement with J.P. Morgan Investment Management Inc. ("JPIM"), an affiliate of JPMC Strategic Investments I Corp, to manage AFS securities. For the years ended December 31, 2021 and 2020, $3.0 million and $3.1 million of fees were expensed in relation to this agreement, respectively. As of December 31, 2021, $2.3 million remains payable to JPIM in relation to the investment management services.

The Company has an agreement with Kohlberg Kravis Roberts & Co. LP ("KKR"), an affiliate of KKR Radar LLC, to manage assets supporting the funds withheld asset. For the years ended December 31, 2021 and 2020, management fees of $2.1 million and $1.2 million were incurred in relation to this agreement, respectively. As of December 31, 2021, $2.1 million remains payable to KKR in relation to this agreement.

14. Leases

Short term leases

For the years ended December 31, 2021 and 2020, the Company recognized lease expenses of $0.1 million and $0.2 million, respectively, in relation to the lease of its office premises located in Hamilton, Bermuda. There were no outstanding balances for the years ended December 31, 2021 and 2020. The operating lease has no variable lease payments, no residual value guarantees, or restrictions or covenants imposed by the lease.

In March 2020, the Company renewed the lease for its office premises for a period of three years. As required by ASC 842, this change in circumstances shall be treated as the commencement date of a new lease. As the lease term will no longer meet the requirements to be classified as a short-term lease, the Company will recognize a right-of-use asset and a lease liability. The total lease commitment under the revised lease term is $0.4 million.

As of December 31, 2021, the Company maintains a right of use asset for $0.2 million, and a corresponding lease liability for $0.2 million, in recognition of the three-year lease for the Company's office premises. The expected lease expense for the next 12-month period is $0.2 million.

15. Subsequent Events

The Company has evaluated subsequent events for recognition or disclosure through to April 25, 2022. There were no material events that occurred subsequent to December 31, 2021.