ADVANTAGE INTERNATIONAL LIFE BERMUDA LIMITED

Consolidated Financial Statements
(With Independent Auditor's Report Thereon)

As of and for the nine months ended December 31, 2021 and as of and for the year ended March 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Advantage International Life Bermuda Limited:

Opinion

We have audited the consolidated financial statements of Advantage International Life Bermuda Limited and subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated income statement, statements of equity and non-controlling interest, and cash flows for the nine months ended December 31, 2021, and the related notes to the consolidated 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 the results of its operations and its cash flows for the nine months ended December 31, 2021 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, since the Company is a member of a controlled group of affiliated companies, its results may not be indicative of those of a stand-alone entity. Our opinion is not modified with respect to this matter.

Predecessor Auditor's Opinion on March 31, 2021 Financial Statements

The financial statements of the Company as of and for the year ended March 31, 2021 were audited by other auditors whose report, dated August 18, 2021, expressed an unmodified opinion on those statements.

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 one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Deloitte & Touche LLP

August 17, 2022

Stamp No. E500972
Affixed to original.

LICENCE NO. 230
EXPIRES: DECEMBER 1, 2022
WE STATE THAT NONE OF OUR PARTNERS IS A STOCKHOLDER DIRECTOR OR EMPLOYEE OF THE CORPORATION.

ADVANTAGE INTERNATIONAL LIFE BERMUDA LIMITED

Consolidated Balance Sheet

As of December 31, 2021 and March 31, 2021
(Expressed in thousands of Bermuda Dollars)

	Note	December 31, 2021	March 31, 2021
Assets			
Cash and short-term investments	3	3,391	4,094
Investments at fair value			
Fixed income, available-for-sale, at fair value		10,345	10,084
Equity investments, at fair value		2,486	3,163
Total Investments	4,5	12,831	13,247
Reinsurer's cost asset	6	190	45
Fees receivable	7	989	976
Reinsurers' share of unearned premium		76	97
Intangible assets – net	9	2	112
Total general assets		17,479	18,571
Separate account assets	5,20	496,248	519,222
Total assets		**513,727**	**537,793**
Liabilities			
Liability for future policyholder's benefits	8	6,211	6,229
Due to related parties	18	417	1,767
Reinsurance balances payable	10	1,141	985
Fund held on behalf of third parties	11	3,638	3,786
Accounts payable and accrued liabilities	12	441	351
Total general liabilities		11,848	13,118
Total separate account liabilities	20	496,248	519,222
Total liabilities		**508,096**	**532,340**
Equity			
Share capital		250	250
Additional paid-in-capital		550	550
Contributed surplus		15,365	15,365
Accumulated deficit		(10,687)	(10,846)
Total equity attributable to shareholders		**5,478**	**5,319**
Attributable to non-controlling interest		153	134
Total equity		**5,631**	**5,453**
Total liabilities and equity		**513,727**	**537,793**

The accompanying notes form part of these consolidated financial statements.

Approved by:

George Jones

Stuart Jessop

ADVANTAGE INTERNATIONAL LIFE BERMUDA LIMITED

Consolidated Income Statement

For the nine months ended December 31, 2021 and for the year ended March 31, 2021
(Expressed in thousands of Bermuda Dollars)

	Note	December 31, 2021	March 31, 2021
Revenue			
Premiums ceded		(2,288)	(2,492)
Net change in unearned premiums ceded		(21)	(30)
Net premiums ceded		(2,309)	(2,522)
Net investment income	4	580	2,369
Policy charges and fee income	15	3,704	4,125
Total revenue		**1,975**	**3,972**
Expenses			
Gross policy benefits	16	14	542
Commission expenses		228	264
Operating expenses	17	1,445	1,749
Amortization of intangibles	9	110	251
Total expenses		1,797	2,806
Net income for the period/year		**178**	**1,166**
Net income for the period/year attributable to:			
Shareholder		159	1,154
Non-controlling interest		19	12
		178	**1,166**

The accompanying notes form part of these consolidated financial statements.

ADVANTAGE INTERNATIONAL LIFE BERMUDA LIMITED

Consolidated Statement of Equity and Non-controlling interest

For the nine months ended December 31, 2021 and for the year ended March 31, 2021
(Expressed in thousands of Bermuda Dollars, except the number of shares)

	December 31, 2021	March 31, 2021
Share capital		
Authorized:		
250,000 common shares of $1.00 each	250	250
Issued and outstanding:		
250,000 common shares of $1.00 each	**250**	**250**
Additional paid-in capital		
Balance, beginning and end of the period/year	**550**	**550**
Contributed surplus		
Balance, beginning and end of the period/year	**15,365**	**15,365**
Accumulated deficit		
Balance, beginning of period/year	(10,846)	(12,000)
Net income for the period/year	159	1,154
Balance, end of period/year	**(10,687)**	**(10,846)**
Total equity attributable to shareholders	**5,497**	**5,319**
Attributable to non-controlling interest		
Balance, beginning of period/year	134	122
Net income for the period/year	19	12
Balance, end of period/year	**153**	**134**
Total equity	**5,631**	**5,453**

The accompanying notes form part of these consolidated financial statements.

ADVANTAGE INTERNATIONAL LIFE BERMUDA LIMITED

Consolidated Statement of Cash Flows

For the nine months ended December 31, 2021 and for the year ended March 31, 2021
(Expressed in thousands of Bermuda Dollars)

	December 31, 2021	March 31, 2021
Cash flows from operating activities		
Net income for the period/year	178	1,166
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Amortization of intangible assets	110	251
Net realized and unrealized gains on investments	(142)	(1,999)
Interest income received	(312)	(353)
Dividend income received	(126)	(17)
	(470)	**(2,118)**
Net changes in operating balances		
Reinsurance balance receivable	45	(45)
Fees receivable	(13)	450
Reinsurer's cost asset	(190)	-
Reinsurers' share of unearned premium	21	(30)
Liability for future policyholder's benefits	(18)	108
Due to related parties	(1,350)	1,107
Reinsurance balances payable	156	195
Fund held on behalf of third parties	(148)	-
Accounts payable and accrued liabilities	90	120
	(1,407)	**1,905**
Dividend income	126	353
Interest income	312	17
Net cash (used in) provided by operating activities	**(1,261)**	**1,323**
Cash flows from investing activities		
Purchase of investments	(434)	(343)
Sale and maturity of investments	992	364
Net cash provided by investing activities	**558**	**21**
Net (decrease) increase in cash and short-term investments	(703)	1,344
Cash and short-term investments, beginning of period/year	4,094	2,750
Cash and short-term investments, end of period/year	**3,391**	**4,094**

The accompanying notes form part of these consolidated financial statements.

(Expressed in thousands of Bermuda Dollars)

1. Business overview

Advantage International Life Bermuda Limited (the Company), was incorporated on July 3, 1996 and is domiciled in Bermuda. The Company's registered office is 31 Victoria Street, Hamilton, HM 10, Bermuda. The Company is a wholly owned subsidiary of Advantage Insurance Inc. (the Parent).

The Company is a member of a controlled group of affiliated companies, its results may not be indicative of those of a stand-alone entity.

The Company is a shareholder of the following subsidiaries:

Name of subsidiary	% of ownership held	% of ownership held by non-controlling interest	Country of Incorporation and Place of Business
Bermuda Life Worldwide Limited	100%	–	Bermuda
Advantage International Life Insurance Limited	74%	26%	Bermuda

These consolidated financial statements which comprise the Company and its subsidiaries, collectively are referred to as the "Group". The Group's voting rights percentages are the same as the ownership percentages.

Certain entities of the Group offer private placement variable universal life insurance and deferred annuity products in and from Bermuda to trusts, private companies and other eligible entities for the benefit of high net worth individuals who are either tax resident in the Unites States (U.S.) or other jurisdictions. The Group does not offer products to local, Bermuda-resident individuals. Each operating entity of the Group benefit either directly from, or as a registered affiliate under, the Argus International Life Insurance Limited Consolidation and Amendment Act 2008. It should be noted that Argus Group Holdings Limited was the previous Parent Company. The Act provides for the legal segregation of each policy's assets through a separate account linked to each policy, which provides additional protection against potential claims arising from policy holders of other separate accounts or of the Parent itself. The Group also includes a closed book of fixed interest universal life policies on individuals who are not tax resident in the U.S. These policies do not benefit from a separate accounts structure or the protections provided thereunder.

Changes to the financial year-end
The Company has changed its financial year-end from March 31 to December 31.

2. Significant accounting policies

2.1 Basis of presentation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as set out in the FASB Accounting Standards Codification® ("ASC") published by the Financial Accounting Standards Board ("the FASB"). These consolidated financial statements include the balance sheet and income statement of the Company and its majority owned subsidiaries (defined as 50% or above). All material intercompany accounts and transactions have been eliminated in consolidation.

The preparation of the consolidated financial statements in conformity with GAAP requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. Significant accounting policies (continued)

2.1 Basis of presentation (continued)

The most significant estimates are those used in determining valuation of policyholder liabilities, valuation of investments and separate account assets and income taxes. Additional details around these principle estimates and assumptions are discussed in the significant accounting policies that follow and related footnote disclosures.

All amounts are in Bermuda dollars, which is the Group's functional currency, and which is on par with U.S. dollars.

These financial statements were approved by management and available for issuance on August 17, 2022. Subsequent events have been evaluated through this date.

2.2 Consolidation

The Group uses the acquisition method to account for the acquisition of subsidiaries. At the date of acquisition, the Group recognizes the identifiable assets acquired, liabilities assumed and any noncontrolling interest (NCI) as part of the overall business combination transaction at their fair value. Transaction costs incurred in connection with a business combination is expensed as incurred.

The group applies a) the Variable Interest Model and (b) the Voting Model, as consolidation principles. The Variable Interest Model applies to an entity in which the equity does not have characteristics of a controlling financial interest. An entity that is not a variable interest entity (VIE) is referred to as a voting interest entity.

The Group does not have VIEs as of December 31, 2021 and March 31, 2021 and has a controlling interest via majority ownership and voting rights in its subsidiaries as defined above.

2.3 Non-controlling interest

Non-controlling interest represents the portion of equity in the consolidated subsidiary not attributable, directly or indirectly, to the Group. The ownership interest in consolidated subsidiary held by parties other than the Group have been presented in the consolidated balance sheet, as a separate component of shareholder's equity.

2.4 Cash and short-term investments

Cash and short-term investments in the consolidated balance sheet include short-term highly liquid investments with a maturity of less than 90 days from the date of acquisition. Amounts included are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

2.5 Investments and net investment income

The Group has investments in bond funds and equity funds that are considered equity securities. Equity securities that do not require equity method of accounting or result in consolidation and with readily determinable fair values are carried at fair value with subsequent changes in fair value recognized in the Consolidated Income Statement.

2. Significant accounting policies (continued)

2.5 Investments and net investment income (continued)

Interest is recorded in Net investment income on the Consolidated Income Statement as it accrues, using the effective interest method. Dividend income is recognized on the date the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

2.6 Separate assets and liabilities

Separate account assets are reported at fair value or net asset value and represent segregated funds that are invested for policyholders. These assets and liabilities consist primarily of cash equivalents, market quoted securities, private equity securities, unlisted investment funds, other assets, private annuities, and separate account policy loans The assets of each separate account are legally segregated from the general assets of the Group and all other separate accounts and are (i) protected from claims made against the Group and (ii) only available to meet claims against the policy to which the separate account relates and protected from claims made on all other policies.

Separate account policy loans are loans made by the Group to a policyholder or policy beneficiary (borrower) that are collateralized by the surrender value of the life insurance policy. Separate account policy loans are stated at the amount of the outstanding principal amount plus the accrued but unpaid interest due from the borrower.

Interest is charged on the outstanding policy loans and is further credited to the separate account of the associated life insurance policy. The loan amount accrued but unpaid loan interest is included within the separate account liabilities.

There are no fixed terms of repayment for a policy loan and (i) upon death of relevant life insured under a policy, the death benefit proceeds will be reduced by the amount of any outstanding loans and accrued interest payable at the date of death; and (ii) upon a surrender of a policy, the cash surrender value will be determined after the offset of the amount of the any outstanding loans and accrued interest payable at the date of surrender.

When policy assets are illiquid and may not be readily converted to cash on a timely basis, the Group may distribute the illiquid assets in kind to satisfy the payment then due under the terms of the policy.

Separate account liabilities represent an amount by policy and in total, equal to the separate account assets by policy and in total that would be payable upon a claim for benefits due under any one policy or as surrender value. The Group reports separately, as assets and liabilities, investments held in separate accounts and liabilities of the separate accounts that are legally recognized by applicable insurance law, are legally segregated from the general liabilities of the Group, and whose investment performance is not subject to any guarantee provided by the Group.

The investment income and realized investment gains or losses from separate account assets accrue to the policy and are not included in the Group's results of operations. Mortality risk charges, policy administration fees, surrender charges and other income are included in policy charges and fee income in the Consolidated Income Statement. Asset administration fees charged to the accounts are included in policy charges and fee income in the Consolidated Income Statement.

2.7 Liability for future policyholder's benefits

Liability for future policyholder's benefits are the portion of past premiums or assessments received that are set aside to meet future policy and contract obligations as they become due. The Group establishes reserves to pay future policyholder benefits, claims, and certain expenses for its life policies and annuity contracts.

2. **Significant accounting policies** (continued)

2.7 Liability for future policyholder's benefits (continued)

For a majority of the Group's in-force policies, including its universal life policies and annuity contracts, the base policy reserve is equal to the account value. For these products, the account value represents the Group's obligation to repay to the policyholder the amounts held on deposit. There are no significant blocks of business where additional policyholder reserves are explicitly calculated as the Group does not offer any secondary guarantees, indexed universal life or other benefits.

The liability for future policyholder's benefits also include liability for single premium immediate annuity contracts issued by the Group that is determined using the net premium model. This liability is calculated as the present value of estimated future policy benefits to be paid, less the present value of expected future net premiums, if any. Liabilities are established based on "locked-in" assumptions of future experience, including provisions for adverse deviation.

The assumptions on which reserves are based are intended to represent an estimation of experience for the period that policyholder benefits are payable. The adequacy of these reserves and the assumptions underlying those reserves are reviewed at least annually. The Group cannot, however, determine with precision the amount or the timing of actual policyholder benefit payments.

2.8 Reinsurance

For future policyholder's benefits, the Group estimates the amount of reinsurance recoverable based on the terms of the reinsurance contracts and historical reinsurance recovery information. The reinsurance balance receivables are based on what the Group believes are reasonable estimates and the balance is reported as an asset in the consolidated balance sheet. However, the ultimate amount of the reinsurance recoverable is not known until all claims are settled.

The cost of reinsurance, which is the difference between the amount paid for a reinsurance contract and the amount of the liabilities for policy benefits relating to the underlying reinsured contracts, is deferred and amortized over the reinsurance contract period for short-duration contracts, or over the terms of the reinsured policies on a basis consistent with the reporting of those policies for long-duration contracts. As of December 31, 2021 and March 31, 2021, the cost of insurance is determined to be equal to the unearned premium as reported in the Consolidated Balance Sheet.

Reinsurance contracts do not relieve the Group from its obligations to policyholders, and failure of reinsurers to honor their obligations could result in losses to the Group; consequently, allowances are established for amounts deemed uncollectible.

Other amounts due to or from reinsurers with respect to premiums or claims are included in Reinsurance balance receivable or Insurance and reinsurance balances payable in the Consolidated Balance Sheet.

2. Significant accounting policies (continued)

2.9 Policy charges and fee income

Amounts received as payment for universal life and investment-type contracts (i.e. Deferred variable annuities) are reported as deposits to policyholder account balances and recorded in Separate account assets and Separate account liabilities in the consolidated balance sheet.

Revenues from these contracts consist primarily of fees assessed against the contract holder account balance for mortality, policy administration, separate account administration and surrender charges, and are reported in policy fees in the consolidated income statement.

The direct and indirect costs associated with the successful acquisition of annuity and universal life insurance business; principally commissions, underwriting and other expenses are deferred and recorded in these consolidated financial statements as an asset referred to as deferred policy acquisition costs (DAC). DAC are subject to recoverability testing at the end of each accounting period. DAC is amortized through earnings over the expected life of the related policies as a constant percentage of expected premiums. As of December 31, 2021, the Group had no outstanding DAC balance.

2.10 Receivables and payables related to insurance and reinsurance contracts

Receivables and payables related to insurance and reinsurance contracts are recognized when due and measured on initial recognition at the fair value of the consideration receivable or payable. The carrying value of insurance and reinsurance balances receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in Operating expenses in the Consolidated Income Statement.

The group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk. The Group periodically assesses any reinsurance assets for impairment, with any impairment loss recognized in Operating expenses in the Consolidated Income Statement in the period in which any impairment is determined.

2.11 Intangible assets

Intangible assets refer to customer lists which are initially measured at fair value by estimating the net present value of future cash flows from the contracts in force at the date of acquisition. These are amortized on a straight-line basis over the estimated useful life of 16 years.

The carrying amount of the intangible assets are reviewed at each reporting date to determine if there is objective evidence of impairment. Management reviews the valuation of intangible assets based upon estimates of future earnings and recognizes any permanent impairment in Amortization of intangible in the Consolidated Income Statement in the year in which it is identified.

2. Significant accounting policies (continued)

2.12 Taxation

The Group has one subsidiary (AILIL) that is subject to taxation in the United States. Income taxes are provided for using the asset and liability method under which deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax basis of assets and liabilities. Such temporary differences are primarily due to the tax basis of net operating loss, or "NOL," carryforwards.

The Group evaluates the likelihood of realizing the benefit of deferred tax assets and may record a valuation allowance if, based on all available evidence, the Group determines that it is more-likely-than-not that some portion of the tax benefit will not be realized. The Group adjusts the valuation allowance if, based on its evaluation, there is a change in the amount of deferred income tax assets that are deemed more-likely-than-not to be realized.

The Group reports any expense related to income tax matters in income tax expense (benefit), and income tax penalties in the consolidated income statement. For the nine months ended December 31, 2021 and March 31, 2021, the Group had no income tax expense (benefit).

2.13 Recent Accounting Pronouncements

2.13.1 In August 2018, the FASB issued ASU 2018-12, Financial Services-Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts. The new guidance changes recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The guidance is intended to improve the timeliness of recognizing changes in the liability for future policy benefits for long-duration contracts by requiring that underlying cash flow assumptions be reviewed and updated at least annually to current estimates without a provision for adverse deviation. The resulting change to the liability for future policy benefits related to the assumption changes will be recognized within earnings. The discount rates used to discount future cash flows will be updated both annually and at each interim period based on the yield of an upper-medium grade fixed-income instrument. The resulting change in the liability for future policy benefits will be reported through other comprehensive income.

2.13.2 The guidance in ASU 2018-12 also introduces a new concept for market risk benefits for certain contracts which protect the contract holder from other-than-normal capital market risk, and which expose the insurance company to such risks. These contracts will be required to be measured at fair value with the corresponding changes in value reported through net income. The amendment simplifies the amortization of deferred acquisition costs and other balances amortized in proportion to premiums, gross profits, or gross margins, and requires that those balances be amortized on a constant level basis over the expected term of the related contracts. This guidance also requires increased and enhanced disclosure requirements for long-duration contracts and related balances. For public companies, these amendments will be applied for fiscal years beginning after December 15, 2022.

Management concluded ASU 2018-12 will impact, at least to some extent, the accounting and disclosure requirements for all long-duration insurance and investment contracts issued by the Company. The standard also requires significantly enhanced disclosures. In addition to the significant impacts to the balance sheet upon adoption, the Company also expects an impact to the pattern of earnings emergence following the transition date. Outlined below are four key areas of change, although there are other less significant policy changes not noted below.

2. Significant accounting policies (continued)

2.13.1 Recent Accounting Pronouncements (continued)

ASU 2018-12	Description	Method of adoption	Effect on the financial statements or other significant matters
Cash flow assumptions used to measure the liability for future policy benefits for non-participating traditional and limited-pay insurance products	Requires an entity to review and, if necessary, update the cash flow assumptions used to measure the liability for future policy benefits, for both changes in future assumptions and actual experience, at least annually using a retrospective update method with a cumulative catch-up adjustment recorded in a separate line item in the Consolidated Statements of Operations.	An entity may choose one of two adoption methods for the liability for future policy benefits: (1) a modified retrospective transition method whereby the entity may choose to apply the amendments to contracts in force as of the beginning of the prior year (if early adoption is elected) or as of the beginning of the earliest period presented on the basis of their existing carrying amounts, adjusted for the removal of any related amounts in Accumulated Other Comprehensive income ("AOCI") or (2) a full retrospective transition method.	The Company will adopt this guidance effective January 1, 2023 using the modified retrospective transition method. As a result of the modified retrospective transition method, the Company expects the vast majority of the impact of updating cash flow assumptions as of the transition date to be reflected in the pattern of earnings in subsequent periods. The Company also expects some decrease to "Retained earnings" upon adoption from cash flow assumption updates isolated to the impact on certain issue year policies.
Discount rate assumption used to measure the liability for future policy benefits for non-participating traditional and limited-pay insurance products	Requires discount rate assumptions to be based on an upper-medium grade fixed income instrument yield, which will be updated each quarter with the impact recorded through OCI. An entity shall maximize the use of relevant observable information and minimize the use of unobservable information in determining the discount rate assumptions.	As noted above, an entity may choose either a modified retrospective transition method or full retrospective transition method for the liability for future policy benefits. Under either method, for balance sheet remeasurement purposes, the liability for future policy benefits will be remeasured using current discount rates as of either the beginning of the prior year (if early adoption is elected) or the beginning of the earliest period presented with the impact recorded as a cumulative effect adjustment to AOCI.	As noted above, the Company will adopt the guidance for the liability for future policy benefits effective January 1, 2023 using the modified retrospective transition method. Under the modified retrospective transition method, the Company does not expect a significant impact to the balance sheet.

2. **Significant accounting policies** (continued)

2.13.1 Recent Accounting Pronouncements (continued)

Amortization of deferred acquisition costs (DAC) and other balances	Requires DAC and other balances, such as unearned revenue reserves, VOBA and reinsurance cost asset to be amortized on a constant level basis over the expected term of the related contract, independent of expected profitability.	An entity may apply one of two adoption methods: (1) a modified retrospective transition method whereby the entity may choose to apply the amendments to contracts in force as of the beginning of the prior year (if early adoption is elected) or as of the beginning of the earliest period presented on the basis of their existing carrying amounts, adjusted for the removal of any related amounts in AOCI or (2) if an entity chooses a full retrospective transition method for its liability for future policy benefits, as described above, it is required to also use a full retrospective transition method for DAC and other balances.	The Company will adopt this guidance effective January 1, 2023 using the modified retrospective transition method. Under the modified retrospective transition method, the Company does not expect a significant impact to the balance sheet.
Market Risk Benefits ("MRB")	Requires an entity to measure all market risk benefits (e.g., living benefit and death benefit guarantees associated with variable annuities) at fair value, and record MRB assets and liabilities separately on the Consolidated Statements of Financial Position. Changes in fair value of market risk benefits are recorded in net income, except for the portion of the change in MRB liabilities attributable to changes in an entity's net premium ratio ("NPR"), which is recognized in OCI.	An entity shall adopt the guidance for market risk benefits using the retrospective transition method, which includes a cumulative effect adjustment on the balance sheet as of either the beginning of prior year (if early adoption is elected) or the beginning of the earliest period presented. An entity shall maximize the use of relevant observable information and minimize the use of unobservable information in determining the balance of the market risk benefits upon adoption.	The Company will adopt this guidance effective January 1, 2023 using the retrospective transition method. Upon adoption, the Company expect a significant impact to the balance sheet.

(Expressed in thousands of Bermuda Dollars)

2. Significant accounting policies (continued)

2.13 Recent Accounting Pronouncements (continued)

2.13.2 In March 2020, the FASB issued ASU 2020-03, Codification Improvements to Financial Instruments. This guidance provides optional expedients and exceptions to address the impact of reference rate reform when contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate needed to be discontinued. The guidance was effective upon issuance and generally applied through December 31, 2022. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

2.13.3 In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The new guidance requires the acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. The amendments in this update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination. This new pronouncement improves comparability after the business combination by providing consistent recognition and measurement guidance for revenue contracts with customers acquired in a business combination and revenue contracts with customers not acquired in a business combination. For public companies, these amendments will be applied for fiscal years beginning after December 15, 2022. The Company expects the adoption of this guidance will not have a material impact on its consolidated financial statements.

2.14 Impact of COVID 19

Starting in early 2020, and continuing throughout 2021, most of the world was affected by an outbreak of the COVID-19 disease, which was eventually declared to be a global pandemic by the World Health Organization. Measures adopted by governments worldwide to mitigate the spread significantly impacted the global economy, triggering fears of global recession and inflation, At the end of 2021, the arrival of a series of vaccines and prophylactic treatments had lessened the public health impact, however, the emergence of several variants has been responsible for outbreaks in many countries during 2022. The Group continues to monitor and evaluate the impact of the pandemic on its business which includes stress and scenario testing. The Group has implemented processes for the continuation of operations and to support the well- being of customers, employees and broader communities in the event that the impact of the virus is prolonged. The risks associated with the COVID-19 pandemic are being managed in accordance with the Group's existing risk management framework. The Group's Business continuity plans are designed to minimize disruption in service to customers, while also maintaining operations and technology functions.

3. Cash and short-term investments

	December 31, 2021	March 31, 2021
Cash in bank and on hand	1,529	3,136
Short-term investments	1,862	958
	3,391	**4,094**

(Expressed in thousands of Bermuda Dollars)

4. Investments at fair value and Net investment income

4.1 Cost and fair value of investments:

	December 31, 2021			
	Cost	Gross unrealized Gains	(Losses)	Fair value
Investment in bond funds	9,628	717	–	10,345
Investment in equity funds	1,737	749	–	2,486
	11,365	1,466		12,831

	March 31, 2021			
	Cost	Gross unrealized Gains	(Losses)	Fair value
Investment in bond funds	9,321	763	–	10,084
Investment in equity funds	2,298	865	–	3,163
	11,619	1,628		13,247

4.2 Investment income

	December 31, 2021	March 31, 2021
Interest income		
Investment in bond funds	287	327
Cash and other	25	26
	312	353
Dividend income		
Investment in equity fund	126	17
Net realized gain on investments		
Investment in equity funds	304	64
Net unrealized (loss) gain on investments		
Investment in bond funds	(46)	969
Investment in equity funds	(116)	966
	(162)	1,935
	580	2,369

5. Fair value measurement

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date (the exit price). The best evidence of fair value is a quoted price in an active market. If listed prices or quotations are not available, fair value is determined by reference to prices of similar instruments and quoted prices or recent prices in less active markets.

5. Fair value measurement (continued)

U.S. GAAP establishes a three-level valuation hierarchy based upon observable and non-observable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. The fair value hierarchy prioritizes inputs to the valuation techniques used to measure fair value, giving the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. A financial instrument's level in the fair value hierarchy is based on the lowest level of any input that is significant to fair value measurement of the financial instrument. The three levels of the fair value hierarchy are described below:

Basis of fair value measurement

Level 1 – Unadjusted quoted prices in active markets to which the Group had access as of the measurement date for identical, unrestricted assets and liabilities. The Group determines securities classified as Level 1 to include highly liquid U.S. treasuries, certain highly liquid short-term investments and quoted equity securities.

Level 2 – Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical assets or liabilities in inactive markets, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Instruments included in Level 2 are valued via independent external sources using modeled or other valuation methods. Such methods are typically industry accepted standard and include:

- broker-dealer quotes;
- pricing models or matrix pricing;
- present values;
- future cash flows;
- yield curves;
- interest rates;
- prepayment speeds; and
- default rates.

Other similar quoted instruments or market transactions may be used.

The Group determines following securities to be classified as Level 2:

- US corporate bonds;
- Municipal, other government and agency bonds;
- Foreign corporate bonds;
- Mortgage/asset-backed securities; and
- Bond and equity funds with listed underlying assets

Level 3 – Pricing inputs are unobservable for the asset or liability. That is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. The Group classifies hard to value assets and unquoted/private equities as Level 3 as the valuation technique incorporates both observable and unobservable inputs. These investments may be subject to certain lock-up provisions. The type of underlying investments held by the investee, which form the basis of the net asset valuation, include assets such as private business ventures, to which the Group does not have access, the Group considers net assets as a reasonable approximate fair value.

The Group has an established control framework with respect to the measurement of fair values. This includes an investment validation team that has overall responsibility for overseeing all significant fair value measurements,

(Expressed in thousands of Bermuda Dollars)

5. Fair value measurement (continued)

including Level 3 fair values The Group's investment validation process includes a review of price movements relative to the market. Any significant discrepancies are investigated and discussed with investment managers and a valuation specialist. The process also includes regular reviews of significant observable inputs and valuation adjustments. Significant valuation issues are reported to the Board.

The fair value of investment in mutual funds (equity and bond funds) was determined by third-party investment managers. Fair value is based on the reported net asset value of these funds. These assets are classified as Level 2.

The fair value of investments for separate account assets holders is based on net asset values reported by third parties, such as investment managers and fund administrators. The fair value hierarchy of direct investments within investments for separate account assets holders, such as short-term securities, local equities and corporate debt securities, is determined according to valuation methodologies and inputs described above in the respective asset type sections.

The following table presents fair value and carrying value of the Group's financial assets and liabilities in the Consolidated Balance Sheet, categorized by level under the fair value hierarchy.

	December 31 2021				
	Level 1	**Level 2**	**Level 3**	**NAV practical expedient**	**Total fair value**
Assets					
Cash and short-term investments	3,391	–	–	–	3,391
Fees receivable	–	989	–	–	989
Total investments	–	12,831	–	–	12,831
Total assets at fair value	**3,391**	**13,820**	–	–	**17,211**
Cash and money market funds	44,483	–	–	–	44,483
Private equity	–	2,440	–	–	2,440
Mutual funds	54,495	261,856	–	–	316,351
Policy loan	–	–	132,974	–	132,974
Separate account assets	**98,978**	**264,296**	**132,974**	–	**496,248**

	March 31 2021				
	Level 1	**Level 2**	**Level 3**	**NAV practical expedient**	**Total fair value**
Assets					
Cash and short-term investments	4,094	–	–	–	4,094
Fees receivable	–	976	–	–	976
Total investments	–	13,247	–	–	13,247
Total assets at fair value	**4,094**	**14,223**	–	–	**18,317**
Cash and money market funds	48,848	–	–	–	48,848
Private equity	–	–	1,688	–	1,688
Mutual funds	–	296,753	20,683	–	317,436
Policy loan	–	–	151,250	–	151,250
Separate account assets	**48,848**	**296,753**	**173,621**	–	**519,222**

(Expressed in thousands of Bermuda Dollars)

5. Fair value measurement (continued)

Transfers of Level 1, Level 2 and Level 3 assets and liabilities:

The Group determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing the categorization at the end of each reporting period based on the lowest level input that is significant to the fair value measurement as a whole.

The Group's policy is to record transfers of assets and liabilities between levels at their fair values as at the end of each reporting period, consistent with the date of determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. Conversely, assets are transferred from Level 2 to Level 1 when transactions volume and frequency are indicative of an active market. During the nine months ended December 31, 2021, there were no transfers between levels 1, 2, or 3.

6. Reinsurer's cost asset

As at December 31, 2021, the Group has outstanding receivable from reinsurers as follows:

	December 31, 2021	March 31, 2021
Reinsurer's cost asset	190	45

7. Fees receivable

Fees receivable are mainly comprised of policy fees receivable.

8. Liability for future policyholder benefits

The Group's liability for future policyholder benefits as of December 31, 2021 comprised of:

	Gross	Ceded	Net
Fixed universal life insurance	6,113	–	6,113
Single premium immediate annuity (Limited-Pay)	98	–	98
	6,211	–	6,211

	Fixed universal life insurance
Balance, beginning of nine months ended December 31, 2021	6,103
Additions for the nine months ended December 31, 2021 (including premiums)	305
Deductions for the nine months ended December 31, 2021 (including withdrawals)	(295)
Balance, end of nine months ended December 31, 2021	6,113

(Expressed in thousands of Bermuda Dollars)

8. Liability for future policyholder benefits (continued)

The Group's liability for future policyholder benefits as of March 31, 2021 comprised of:

	Gross	Ceded	Net
Fixed universal life insurance	6,103	–	6,103
Single premium immediate annuity (Limited-Pay)	126	–	126
	6,229	–	6,229

	Fixed universal life insurance
Balance, beginning of year	6,214
Additions for the year (including premiums)	368
Deductions for the year (including withdrawals)	(479)
Balance, end of year	6,103

9. Intangible assets

Intangible assets refer to customer lists which are initially measured at fair value by estimating the net present value of future cash flows from the contracts in force at the date of acquisition.

	December 31, 2021	March 31, 2021
Gross carrying amount	13,194	13,194
Accumulated amortization and impairment losses		
Balance, beginning of period/year	13,082	12,831
Amortization charge for the period/year	110	251
Balance, end of period/year	13,192	13,082
Net carrying value	2	112

10. Reinsurance balances payable

Reinsurance balance payable is comprised of amounts due to reinsurers.

11. Fund held on behalf of third parties

Fund held on behalf of third parties is comprised of amounts due to policy holders.

12. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities is comprised of:

	December 31, 2021	March 31, 2021
Accruals and deferred income	441	351

13. Financial instrument risk management

The Group has policies relating to the identification, measurement, monitoring, mitigation, and control of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risks, interest rate and other price risks including equity risks.

13.1 Investment risk

Investment policy is established by the Board of Directors to manage this risk. Investment policy sets parameters within which the Group's external investment managers must operate. Important parameters include guidelines on permissible asset classes, duration ranges, credit quality, currency, maturity, sectors, geographical, sovereign and issuer exposures. Compliance with guidelines is monitored on a quarterly basis. Any adjustments to the investment policy are approved by the Board of Directors.

The Group's fixed maturity portfolios are managed by two external investment managers. The Group also has a diversified low volatility multi-strategy portfolio of bond and equity funds and a small equity portfolio. The performance of the managers is monitored on an ongoing basis.

All portfolios' duration is matched to the duration of the insurance liabilities within an agreed range. The portfolios are invested in fixed maturity securities, fixed maturity funds and cash and short-term investments. The portfolios may, at times, contain assets significantly in excess of those required to meet insurance liabilities or other defined funding needs.

The Group reviews the composition, duration and asset allocation of its investment portfolio on a regular basis in order to respond to changes in interest rates and other market conditions. If certain asset classes are anticipated to produce a higher return within management's risk tolerance, an adjustment in asset allocation may be made. Conversely, if the risk profile is expected to move outside of tolerance levels, adjustments may be made to reduce the risks in the portfolio.

The Board of Directors meets quarterly to ensure that the Group's strategic investment actions are consistent with investment risk preferences, appetite, risk and return objectives and tolerances.

(Expressed in thousands of Bermuda Dollars)

13. Financial instrument risk management (continued)

13.2 Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will suffer a deterioration in perceived financial strength or be unable to pay amounts in full when due.

The concentration of credit risk exposures held by insurers may be expected to be greater than those associated with other industries, due to the specific nature of reinsurance markets and the extent of investments held in financial markets. By the nature of the business, reinsurers interact with similar customers in similar markets. However, the Group uses a panel of reinsurers with global operations and diversified portfolios and limits its exposure to any one reinsurer.

Reinsurance is placed with counterparties that have a strong credit rating. Management regularly monitors and performs an assessment of creditworthiness of reinsurers.

13.2.1 Maximum exposure to credit risk

The following table summarizes the Group's maximum exposure to credit risk related to financial instruments and insurance contracts. The maximum credit exposure is the carrying value of the financial assets and insurance assets net of any allowances for losses.

	Note	December 31 2021	March 31 2021
Cash and short-term investments	3	3,391	4,094
Investments in bond funds	4	10,345	10,084
Reinsurer's cost asset	6	190	45
Fees receivable	7	989	976
Total consolidated balance sheet maximum credit exposure		14,915	15,199

The Group manages credit risk by its specific investment diversification requirements such as investing by asset class, geography and industry, review of credit quality ratings for portfolio investments and an active credit risk governance, including independent monitoring and review and reporting to management and the Board of Directors.

13.2.2 Concentration of credit risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or group of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due. The Group holds investments in bond funds of $10.3 million and $10.1 million at December 31, 2021 and March 31, 2021, respectively.

13.2.3 Asset Quality

Bonds by credit rating

The Group's investment in bond funds had an average rating of A- in 2021.

(Expressed in thousands of Bermuda Dollars)

13. Financial instrument risk management (continued)

13.2 Credit risk (continued)

13.2.4 Age analysis of financial assets past due

As of December 31, 2021 and March 31, 2021, there were no past due receivables from operations. There was no impairment recorded during the both periods.

13.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet all cash outflow obligations as they come due. The Group's asset-liability management process allows it to maintain its good financial position by ensuring that sufficient liquid assets are available to cover its potential funding requirements. The Group invests in various types of assets with a view to matching them with its liabilities. To strengthen its liquidity further, the Group actively manages and monitors its capital and asset levels, diversification and credit quality of its investments and cash forecasts and actual amounts against established targets.

The short-term (less than one year) liquidity needs are more than adequately met by maturing bonds, the sale of equities, as well as by current operating cash flows. Longer duration cash flows are also backed by a broader range of asset classes including equity and other non-fixed income assets.

Reinvestment strategies and policies are in place for maturing assets backing long-term liabilities and are reflected in the Life and annuity policy reserves. Based on the Group's historical cash flows and current financial performance, management believes that the cash flow from the Group's operating activities will continue to provide sufficient liquidity for the Group to meet its contractual obligations and to pay other expenses, as they fall due.

Liability maturity profile

The following is an analysis by liability type of the estimated timing of net cash flows based on the Group's liabilities. The settlement profile is based on current estimates and historical trends and the actual timing of future cash flows may differ materially from the disclosure below.

	December 31, 2021				
	Within 1 year	2-5 years	6-10 years	Over 10 years	Total
Liability for future policyholder's benefits	448	1,668	1,678	2,417	6,211
Due to related parties	417	–	–	–	417
Insurance balance payable	4,779	–	–	–	4,779
Accounts payable and accrued liabilities	441	–	–	–	441
					11,848

(Expressed in thousands of Bermuda Dollars)

13. Financial instrument risk management (continued)

13.3 Liquidity risk (continued)

	March 31, 2021				
	Within 1 year	2-5 years	6-10 years	Over 10 years	Total
Liability for future policyholder's benefits	449	1,673	1,683	2,424	6,229
Due to related parties	1,767	–	–	–	1,767
Insurance balance payable	4,771	–	–	–	4,771
Accounts payable and accrued liabilities	351	–	–	–	351
					13,118

13.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The Group has no exposure to currency risk, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

13.4.1 Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. Changes in market interest rates can impact the reinvestment of matured investments, as the returns available on the new investment may be significantly different from the returns previously achieved. The Group manages these risks through:

- Asset allocation and diversification of the investment portfolio;
- Investing in fixed income assets that closely match the life product liability cash flows for products with fixed and highly predictable benefit payments; and
- Quantifying and reviewing regularly the risk associated with the mismatch in portfolio duration and cash flow.

13.4.2 Equity risk

Equity investments are held in accordance with the Group's investment policy as part of the well diversified asset portfolio that are appropriate for the operating segment. Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. If actual returns are lower than the expected returns, the Group's Life and annuity policy reserves will increase and will reduce the Group's net earnings. Overall, it is expected that the impact of an immediate 10% increase in value across all equity markets would be an increase in total income of $0.2 million; conversely the impact of a 10% would have an equal but opposite effect. The direct exposure to equity markets generally falls within the risk-taking philosophy of the Group's investment policy and is regularly monitored by management.

13. Financial instrument risk management (continued)

13.4 Market risk (continued)

13.4.3 Limitations of sensitivity analysis

The sensitivity information given above demonstrates the estimated impact of a change in a major input assumption while other assumptions remain unchanged. In reality, there are normally significant levels of correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. Furthermore, estimates of sensitivity may become less reliable in unusual market conditions such as instances when risk free rates fall towards zero.

14. Insurance risk management

As discussed in Note 2, a separate account is linked to each variable universal life insurance policy and deferred variable annuity policies issued to policyholders. The Group's exposure for this type of policy is limited to the minimum guarantees. The Group purchases reinsurance as part of its risk mitigation programme. Existing variable universal life insurance policies are reinsured for the net amount at risk less the retention based on treaties entered into with a number of reinsurers. Generally, the maximum automatic treaty limit per insured is $35.0 million. The Group may periodically, on a facultative basis, place larger amounts. The net amount at risk is defined to be the death benefit minus the policy cash value. The amount of reinsurance coverage for each month is the net amount at risk at the end of such month minus the initial amount retained by the Group being $50,000 to $100,000 per insured for all reinsured policies issued after January 1, 2002 ($15,000 for policies issued before 2002). For policies issued in 2001 and prior years, the Group reinsured the variable universal life insurance policies for the lesser of five times the initial net amount at risk or $20.0 million. The Group periodically, on a facultative basis, placed larger amounts.

Bermuda Life Worldwide Limited insures a book of fixed universal life business and reinsures a portion of it. It generally retains $50,000 per insured.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

(Expressed in thousands of Bermuda Dollars)

15. Policy charges and fee income

Income recognized for the nine months ended December 31, 2021 and for the year ended March 31, 2021 are as follows:

	December 31, 2021	March 31, 2021
Cost of insurance	2,785	2,961
Fee income	919	1,164
	3,704	4,125

Fee income from policyholder administration under separate account assets arrangement is recognized based on a percentage of assets under management or another variable metric. Asset-based fees vary with assets under management, which are subject to market conditions and investor behaviors beyond the Group's control.

16. Gross policy benefits

Gross policy benefits are comprised of death benefit, surrender and annuity payments accrued and/or paid during the period and year.

17. Operating expenses

Operating expenses incurred during the nine months ended December 31, 2021 and the year ended March 31, 2021 are as follows:

	December 31, 2021	March 31, 2021
Allocation of overhead expenses from Parent (Note 18)	-	744
Finance cost	65	140
Professional fees	1,310	847
General and corporate expenses	70	18
Total operating expenses	1,445	1,749

18. Related party transactions

All related party transactions were conducted in the normal course of business. Significant related party transactions are as follows:

18.1 Due to related parties

Due to related parties includes payables arising from amounts settled by the Parent on behalf of the Group and Group's allocation of Parent overhead expense. These advances bear no interest and are net settled through the Due from related parties' outstanding balance.

18.2 Compensation of key personnel

Key personnel have been identified as the Board of Directors of the Group. These individuals have the authority and responsibility for planning, directing and controlling the activities of the Group. Fees payable to directors for the reporting nine months ended December 31, 2021 totaled $15,000.

(Expressed in thousands of Bermuda Dollars)

19. Income taxes

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

Advantage International Life Insurance Limited (AILIL) has elected under section 953(d) of the U.S. Internal Revenue Code (IRC) to be taxed as a U.S. domestic corporation. AILIL is subject to a U.S. corporate income tax rate of 21% for its fiscal year ended December 31, 2021 due to U. S. tax reform.

The Group does not expect the current tax provision computed on AILIL's income before income taxes at the weighted average tax rate to be material.

20. Separate account assets and liabilities

The assets for policies held under the separate accounts assets are allocated to separate accounts as authorized by the Advantage International Life Insurance Limited Consolidation and Amendment Act 2008.

Changes to the separate account assets are as follows:

	December 31 2021	March 31 2021
Addition to separate account assets		
Premiums	28	16
Return on investments	20,066	100,227
	20,094	100,243
Deductions from separate account assets		
Withdrawals and benefits paid	38,581	35,401
Operating expenses	4,487	6,069
	43,068	41,470
Net deductions to separate account assets for the period/year	(22,974)	58,773
Separate account assets, beginning of period/year	519,222	460,449
Separate account assets, end of period/year	496,248	519,222

21. Capital Management - Statutory Reporting

The Group's capital base is structured to exceed regulatory targets, maintain satisfactory credit ratings, align the profile of assets and liabilities taking account of risks inherent in the businesses, provide flexibility to take advantage of growth opportunities and provide an adequate return to shareholders. Capital is managed on a consolidated basis under principles that consider all the risks associated with the businesses. It is also managed at the business unit level under the principles appropriate to the jurisdiction in which it operates. The Group's capital base consists of Share capital, Contributed surplus and Accumulated deficit as disclosed in the Consolidated Balance Sheet.

The Bermuda Monetary Authority (the BMA) is the regulator of the Group. The laws and regulations of Bermuda require that as a Class C Long-Term insurer, the Group should maintain a minimum amount of statutory capital and surplus based on the enhanced capital requirement.

Management monitors the adequacy of the Group's capital from the perspective of Bermuda statutory requirements. The Bermuda Insurance Act 1978 and Related Regulations (the Act) requires the Group to file an annual audited statutory financial return and meet minimum solvency margins and minimum liquidity ratios.

The statutory capital and surplus for the Group as at December 31, 2021 was $3.2 million and the minimum solvency margin of the Group was $2.2 million.

The Bermuda Capital Solvency Requirement (BSCR) is the prescribed form of capital and solvency return in Bermuda, which was revised under new legislation enacted in 2008. The BSCR includes a standardized model used to measure the risk associated with an insurance subsidiary's assets, liabilities and premiums, and a formula to take account of catastrophe risk exposure. The BMA requires all insurers to maintain their statutory capital and surplus at a target level which is 120% of the amount calculated in accordance with the BSCR. As of December 31, 2021, the statutory capital and surplus of the insurance subsidiaries exceeded this regulatory requirement. In addition, minimum liquidity ratios must be maintained by Bermuda entities writing general insurance business whereby relevant assets, as defined by the Act, must exceed 75% of relevant liabilities. The Bermuda Insurance Act 1978 and Related Regulations limits the maximum amount of annual dividends and distributions that may be paid by the Group's insurance subsidiaries. Before reducing statutory capital by 15% or more or statutory capital and surplus by 25% or more, as set out in the prior year's statutory financial statements, the Group shall request the approval of the BMA. In addition, the Bermuda Companies Act 1981 limits the Group's ability to pay dividends and distributions to shareholders if there are reasonable grounds for believing that the Group would be unable to pay its liabilities as they become due, or if the realizable value of its assets would be less than the aggregate of its liabilities, issued share capital and contributed surplus accounts.

22. Subsequent events

On March 7, 2022, the Group's subsidiary Bermuda Life Worldwide Limited (BLW) entered into a guarantee up to the amount of US$110,000 in connection with an Irrevocable Letter of Credit between AILIL and a local bank in Bermuda for the purpose of securing AILIL's liabilities as a 953(d) entity under the Code of the Internal Revenue Service. As such, BLW's cash in bank balance has been restricted to the amount of guarantee.

Subsequent events have been reviewed through August 17, 2022 and there were no material subsequent events that are required to be disclosed till the date the financial statements were issued.