PROTECTIVE LIFE
REINSURANCE BERMUDA LTD.

(a wholly owned subsidiary of Protective Life Corporation)

Financial Statements

As of and for the years ended December 31, 2022 and 2021

PROTECTIVE LIFE REINSURANCE BERMUDA LTD.
(a wholly owned subsidiary of Protective Life Corporation)
TABLE OF CONTENTS

Financial statements

KPMG Audit Limited
Crown House
4 Par-la-Ville Road
Hamilton
HM 08
Bermuda

Telephone +1 441 295 5063
Fax +1 441 295 9132
Internet www.kpmg.bm

INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of Protective Life Reinsurance Bermuda Ltd.

Opinion

We have audited the financial statements of Protective Life Reinsurance Bermuda Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income (loss), comprehensive income (loss), shareowner's equity, and cash flows for the years then ended, and the related notes to 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, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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 scepticism 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.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda
April 26, 2023

PROTECTIVE LIFE REINSURANCE BERMUDA LTD.
(a wholly owned subsidiary of Protective Life Corporation)
STATEMENTS OF INCOME (LOSS)
for the years ended December 31, 2022 and 2021

	2022	2021
Revenues		
Policy fees	$ 547,874	$ 73,779
Net investment income	58,411,994	18,499,786
Net realized gains (losses) on investments	(2,077,631)	—
Realized gains (losses) on funds withheld asset	(315,886,582)	(12,605,462)
Other income	15,181,509	4,905,599
Total revenues	(243,822,836)	10,873,702
Benefits and expenses		
Benefits and settlement expenses	(152,033,021)	(1,273,690)
Amortization of deferred acquisition costs	17,870	16,404
Other operating expenses	1,841,346	933,551
Total benefits and expenses	(150,173,805)	(323,735)
Income (loss) before income tax	(93,649,031)	11,197,437
Income tax expense (benefit)	(19,664,257)	2,351,461
Net income (loss)	$ (73,984,774)	$ 8,845,976

PROTECTIVE LIFE REINSURANCE BERMUDA LTD.
(a wholly owned subsidiary of Protective Life Corporation)
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
for the years ended December 31, 2022 and 2021

	2022	2021
Net income (loss)	$ (73,984,774)	$ 8,845,976
Other comprehensive income (loss):		
Change in net unrealized gains on investments, net of income tax: (2022 - ($893,107); 2021 - ($227,751))	(3,359,784)	(856,776)
Reclassification adjustment for investment amounts included in net income (loss), net of income tax: (2022 - ($7,104); 2021 - $0)	(26,725)	—
Total other comprehensive income (loss)	(3,386,509)	(856,776)
Total comprehensive income (loss)	$ (77,371,283)	$ 7,989,200

PROTECTIVE LIFE REINSURANCE BERMUDA LTD.
(a wholly owned subsidiary of Protective Life Corporation)
BALANCE SHEETS
as of December 31, 2022 and 2021

	2022	2021
Assets		
Fixed maturities, at fair value (amortized cost: 2022 - $84,561,766; 2021 - $16,981,092)	$ 81,300,432	$ 18,006,477
Equity securities	23,865,781	—
Short-term investments	9,186,561	818,416
Funds withheld asset, at fair value	1,487,815,072	523,662,502
Total investments	1,602,167,846	542,487,395
Cash	190,497	9,766
Accrued investment income	661,185	115,555
Deferred acquisition costs	200,911	107,689
Income tax receivable	985,055	994,766
Deferred income taxes	9,041,602	—
Other assets	—	481,104
Total Assets	$ 1,613,247,096	$ 544,196,275
Liabilities		
Annuity contract liabilities, at fair value	1,524,436,792	466,589,124
Deferred income taxes	—	11,522,866
Other liabilities	97,302	—
Total liabilities	1,524,534,094	478,111,990
Shareowner's equity		
Additional paid-in-capital	117,450,000	17,450,000
Retained earnings	(26,160,543)	47,824,231
Accumulated other comprehensive income:		
Net unrealized gains (losses) on investments, net of income tax: (2022 - ($684,881); 2021 - $215,331)	(2,576,455)	810,054
Total shareowner's equity	88,713,002	66,084,285
Total liabilities and shareowner's equity	$ 1,613,247,096	$ 544,196,275

PROTECTIVE LIFE REINSURANCE BERMUDA LTD.
(a wholly owned subsidiary of Protective Life Corporation)
STATEMENTS OF SHAREOWNER'S EQUITY
for the years ended December 31, 2022 and 2021

	Additional Paid-In-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareowner's Equity
Balance, December 31, 2020	$ 17,450,000	$ 38,978,255	$ 1,666,830	$ 58,095,085
Net income (loss)	—	8,845,976	—	8,845,976
Other comprehensive (loss)	—	—	(856,776)	(856,776)
Balance, December 31, 2021	$ 17,450,000	$ 47,824,231	$ 810,054	$ 66,084,285
Net income (loss)	0	(73,984,774)	—	(73,984,774)
Other comprehensive (loss)	—	—	(3,359,784)	(3,359,784)
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	(26,725)	—
Capital contributions received	100,000,000	—	—	—
Balance, December 31, 2022	$ 117,450,000	$ (26,160,543)	$ (2,576,455)	$ 88,713,002

PROTECTIVE LIFE REINSURANCE BERMUDA LTD.
(a wholly owned subsidiary of Protective Life Corporation)
STATEMENTS OF CASH FLOWS
for the years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Net income (loss)	$ (73,984,774)	$ 8,845,976
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Realized (gains) losses	317,964,213	12,605,462
Deferred income tax	(19,664,257)	1,540,148
Accrued income tax	—	811,313
Change in funds withheld asset	11,205,221	(21,931,590)
Change in annuity contract liabilities	(221,221,017)	(26,444,607)
Change in other liabilities	(12,042,601)	(41,903)
Change in other assets	481,104	18,599,248
Other, net	(796,431)	6,245,440
Net cash provided by operating activities	1,941,458	229,487
Cash flows from investing activities		
Maturities and principal reductions of investments	142,845	—
Sale of investments	6,055,420	—
Purchase of investments	(99,590,847)	(1,000,593)
Change in short-term investments, net	(8,368,145)	438,379
Net cash used in investing activities	(101,760,727)	(562,214)
Cash flows from financing activities		
Capital contributions	100,000,000	—
Net cash provided by financing activities	100,000,000	—
Change in cash	180,731	(332,727)
Cash at beginning of period	9,766	342,493
Cash at end of period	$ 190,497	$ 9,766

1. BASIS OF PRESENTATION

Nature of Operations

Protective Life Reinsurance Bermuda Ltd. (the "Company") is a Bermuda exempted company, which was capitalized on November 8, 2019 and subsequently approved by the Bermuda Monetary Authority to operate as a Class C Insurer effective March 23, 2020, pursuant to Section 4 of the Insurance Act of 1978 of Bermuda. The Company is a wholly owned subsidiary of Protective Life Corporation ("PLC"), an insurance holding company, and is engaged in the reinsurance of fixed indexed and single premium deferred annuity business from its affiliate companies. PLC is a subsidiary of Dai-ichi Life Holdings, Inc., ("Dai-ichi Life").

Effective April 1, 2020, the Company began reinsuring business related to fixed indexed annuities ("FIA") and single premium deferred annuities ("SPDA") with guaranteed living withdrawal benefit ("GLWB") riders from Protective Life Insurance Company ("PLICO") under coinsurance with funds withheld. The policies assumed under the agreement were in force on or before April 1, 2020.

Effective April 1, 2022, the Company reinsured another block of business related to FIA and SPDA contracts with GLWB riders from PLICO under coinsurance with funds withheld. The policies assumed under the agreement were in force on or before April 1, 2022.

Refer to the *Reinsurance* section within *Note 2, Summary of Significant Accounting Policies* and *Note 10, Funds Withheld Asset* for more detail.

Basis of Presentation

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which differ in certain respects to those followed in reports to the Bermuda Monetary Authority ("BMA"), the Company's insurance regulatory authority (see also *Note 12*, *Statutory Reporting Practices and Other Regulatory Matters*).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates include those used in determining annuity contract balances, funds withheld asset, investments, and certain derivative fair values, and provision for income taxes.

Significant Accounting Policies

Income Statement

Net Investment Income

Investment income is recognized when earned, net of applicable management or other fees. Investment income on fixed maturity securities includes coupon interest, amortization of any premium and accretion of any discount. Investment income on equity securities includes dividend income and preferred coupons interest.

Investment income on commercial mortgage-backed securities ("CMBS"), residential mortgage-backed securities ("RMBS"), and other asset-backed securities is initially based upon yield, cash flow and prepayment assumptions at the date of purchase. Subsequent revisions in those assumptions are recorded using the retrospective or prospective method. Under the retrospective method used primarily for mortgage-backed and asset-backed securities of high credit quality which cannot be contractually prepaid in such a manner that we would not recover a substantial portion of the initial investment, amortized cost of the security is adjusted to the amount that would have existed had the revised assumptions been in place at the date of purchase. The adjustments to amortized cost are recorded as a charge or credit to net investment income. Under the prospective method, which is used for all other mortgage-backed and asset-backed securities, future cash flows are estimated and interest income is recognized going forward using the new internal rate of return.

Net realized gains (losses)

Net realized gains (losses) includes realized gains and losses from the sale of investments and changes in fair value of equity securities. Net realized gains and losses on investments are calculated on the basis of specific identification on the trade date.

Balance Sheet

Valuation of Investment Securities

The Company determines the appropriate classification of investment securities at the time of purchase and periodically re-evaluates such designations. Investment securities are classified as either trading, available-for-sale, or held-to-maturity securities. Investment securities classified as trading are recorded at fair value with changes in fair value recorded in realized gains (losses). Investment securities purchased for long term investment purposes are classified as available-for-sale and are recorded at fair value with changes in unrealized gains and losses, net of taxes, reported as a component of other comprehensive income (loss). Investment securities are classified as held-to-maturity when the Company has the intent and ability to hold the securities to maturity and are reported at amortized cost. Interest income on available-for-sale and held-to-maturity securities includes the amortization of premiums and accretion of discounts and is recorded in investment income. During the period presented, the Company held no investment securities classified as held-to-maturity or trading and all investments held were classified as available-for-sale.

The fair value of fixed maturity, short-term, and equity securities is determined by management after considering one of three primary sources of information; third party pricing services, non-binding independent broker quotations, or pricing matrices. Security pricing is applied using a "waterfall" approach whereby publicly available prices are first sought from third party pricing services, the remaining unpriced securities are submitted to independent brokers for non-binding prices, or lastly, securities are priced using a pricing matrix. Typical inputs used by these three pricing methods include, but are not limited to: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Based on the typical trading volumes and the lack of quoted market prices for fixed maturities, third party pricing services derive the majority of security prices from observable market inputs such as recent reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information as outlined above. If there are no recent reported trades, the third party pricing services and brokers may use matrix or model processes to develop a security price where future cash flow expectations are developed based upon collateral performance and discounted at an estimated market rate. Certain securities are priced via independent non-binding broker quotations. Where multiple broker quotes are obtained, the Company reviews the quotes and selects the quote that provides the best estimate of the price a market participant would pay for these specific assets in an arm's length transaction. A pricing matrix is used to price securities for which the Company is unable to obtain or effectively rely on either a price from a third party service or an independent broker quotation. Included in the pricing of other asset-backed securities, collateralized mortgage obligations ("CMOs"), and mortgage-backed securities ("MBS") are estimates of the rate of future prepayments of principal and underlying collateral support over the remaining life of the securities. Such estimates are derived based on the characteristics of the underlying structure and rates of prepayments previously experienced at the interest rate levels projected for the underlying collateral. The basis for the cost of securities sold was determined at the Committee on Uniform Securities Identification Procedures ("CUSIP") level. The committee supplies a unique nine-character identification, called a CUSIP number, for each class of security approved for trading in the U.S., to facilitate clearing and settlement. These numbers are used when any buy and sell orders are recorded.

Allowance for Credit Losses – Fixed Maturity and Structured Investments

Each quarter the Company reviews investments with unrealized losses to determine whether such impairments are the result of credit losses. The Company analyzes various factors to make such determination including, but are not limited to: 1) actions taken by rating agencies, 2) default by the issuer, 3) the significance of the decline, 4) an assessment of the Company's intent to sell the security (including a more likely than not assessment of whether the Company will be required to sell the security) before recovering the security's amortized cost, 5) an economic analysis of the issuer's industry, and 6) the financial strength, liquidity, and recoverability of the issuer. Management performs a security by security review each quarter to evaluate whether a credit loss has occurred.

For securities which the Company does not intend to sell and does not expect to be required to sell before recovering the security's amortized cost basis, analysis of expected cash flows is used to measure the amount of the credit loss. To the extent the amortized cost basis of the security exceeds the present value of future cash flows expected to be collected, this difference represents a credit loss. Credit losses are recorded in net realized gains (losses) with a corresponding adjustment to the allowance for credit losses, except that the credit loss recognized cannot exceed the difference between the book value and fair value of the security as of the date of the analysis. In future periods, recoveries in the present value of expected cash flows are recorded as a reversal of the previously recognized allowance for credit losses with an offsetting adjustment to net realized gains (losses). The Company considers contractual cash flows and all known market data related to cash flows when developing its estimates of expected cash flows. The Company uses the effective interest rate implicit in the security at the date of acquisition to discount expected cash flows. For floating rate securities, the Company's policy is to lock in the interest rate at the first instance of an impairment. Estimates of expected cash flows are not probability-weighted but reflect the Company's best estimate based on past events, current conditions, and reasonable and supportable forecasts of future events. Debt securities that the Company intends to sell or expects to be required to sell before recovery are written down to fair value with the change recognized in net realized gains (losses).

The Company presents accrued interest receivable separately from other components of the amortized cost basis of its fixed maturity and structured investments and has made an accounting policy election not to measure an allowance for credit losses for accrued interest receivable. The Company's policy is to write off uncollectible accrued interest receivables through a reversal of interest income in the period in which a credit loss is identified.

The Company did not record any credit impairments during the years ended December 31, 2022 and 2021.

Reinsurance

The Company assumes insurance contracts under coinsurance with funds withheld. The Company follows reinsurance accounting for transactions that provide indemnification against loss or liability relating to insurance risk (risk transfer). To meet risk transfer requirements, a reinsurance agreement must include insurance risk consisting of underwriting, investment, timing risk, and any other significant risks.

The Company's reinsurance contracts are subject to requirements under the Accounting Standard Codification ("ASC" or "Update") Financial Services-Insurance Topic and the recognition of the impact of reinsurance costs on the Company's financial statements are in line with the requirements of that standard. Assets and liabilities assumed under funds withheld agreements are presented gross on the balance sheet. The total return on funds withheld is presented in net investment income on the statement of income (loss). Assumed surrender charges on the underlying annuity contracts are included in the policy fees line of the statement of income (loss). The Company capitalizes ceding commissions on premium received after initial cession of the contracts to the Company. These capitalized costs are included in "deferred acquisition costs" on the balance sheet. Amortization of capitalized ceding commissions is based on future estimated gross profits. Assumptions regarding mortality, lapses, and interest rates are continuously reviewed and may be periodically changed. These changes will result in "unlocking" that changes the balances of the assets and can affect the amortization/accretion thereof.

We periodically compare actual and anticipated experience to the assumptions used to establish reinsurance assets and liabilities. Refer to *Note 4*, *Deferred Acquisition Costs.*

In accordance with the provisions of ASC 825-10-15-4, the Company has elected to carry assets and liabilities associated with reinsurance contracts at fair value. This election is made on a contract-by-contract basis. For those contracts for which this election is made, assets and liabilities associated with the reinsurance contract are carried at fair value with the change in the fair value of the assets and the liabilities being recorded in ""realized gains on funds withheld asset" and "benefits and settlement expenses" on the statement of income (loss). The reinsurance contract assets are carried at fair value within "funds withheld asset" on the balance sheet. The reinsurance contract liabilities are carried at fair value within "annuity contract liabilities" on the balance sheet.

Short-term Investments

Short-term investments primarily consist of money market mutual funds and other highly-liquid securities, as well as investments with remaining maturities of one year or less, but greater than three months, at the time of purchase. These securities and investments are generally carried at fair value or amortized cost that approximates fair value.

Cash

Cash includes all demand deposits reduced by the amount of outstanding checks and drafts. The Company has deposits with certain financial institutions which, at times, exceed federally insured limits. The Company has reviewed the creditworthiness of these financial institutions and believes there is minimal risk of a material loss.

Income Taxes

The Company made an election under IRC §953(d) to be taxed as a U.S. taxpayer. The election is effective starting with the tax year ended December 31, 2020. The Company is required to file a separate U.S. income tax return for the first five tax years, and can join in the consolidated U.S. income tax return of Protective Life Corporation and Subsidiaries in 2025.

The Company uses the asset and liability method of accounting for income taxes. Generally, most items in pretax book income are also included in taxable income in the same year. However, some items are recognized for book purposes and for tax purposes in different years or are never recognized for either book or tax purposes. Those differences that will never be recognized for either book or tax purposes are permanent differences (e.g., investment income not subject to tax). As a result, the effective tax rate reflected in the financial statements may differ from the statutory rate reflected in the tax return. Those differences that are reported in different years for book and tax purposes are temporary and will reverse over time (e.g., the valuation of future policy benefits). These temporary differences are accounted for in the intervening periods as deferred tax assets and liabilities. Deferred tax assets generally represent revenue that is taxable before it is recognized in financial income and expenses that are deductible after they are recognized in financial income. Deferred tax liabilities generally represent revenues that are taxable after they are recognized in financial income or expenses or losses that are deductible before they are recognized in financial income. Components of accumulated other comprehensive income (loss) ("AOCI") are presented net of tax, and it is the Company's policy to use the aggregate portfolio approach to clear the disproportionate tax effects that remain in AOCI as a result of tax rate changes and certain other events. Under the aggregate portfolio approach, disproportionate tax effects are cleared only when the portfolio of investments that gave rise to the deferred tax item is sold or otherwise disposed of in its entirety.

The Company is required to evaluate the recoverability of the Company's deferred tax assets and establish a valuation allowance, if necessary, to reduce the Company's deferred tax assets to an amount that is more likely than not to be realized. Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. In evaluating the need for a valuation allowance the Company may consider many factors, including: (1) the nature of the deferred tax assets and liabilities; (2) whether they are ordinary or capital; (3) in which tax jurisdictions they were generated and the timing of their reversal; (4) taxable income in prior carryback years as well as projected taxable earnings exclusive of reversing temporary differences and carryforwards; (5) the length of time that carryovers can be utilized in the various taxing jurisdictions; (6) any unique tax rules that would impact the utilization of the deferred tax assets; and (7) any tax planning strategies that the Company would employ to avoid a tax benefit from expiring unused. Although realization is not assured, management believes it is more likely than not that the deferred tax assets will be realized.

Other Income

Other income consists entirely of rider charges associated with guaranteed benefits on annuity contracts assumed from PLICO.

Annuity Contract Liabilities

The Company records its annuity contract liabilities at fair value in the balance sheet in "annuity contract liabilities". The Company reports changes in the fair value in "benefits and settlement expenses" on the statement of income (loss). For additional information, see *Note 13, Fair Values of Financial Instruments*.

Statement of Cash Flows

Withdrawals from the Company's funds withheld asset are based on statutory levels of the associated assets and liabilities. The excess (shortfall) under these agreements is settled on a quarterly basis. The Company presents activity within the funds withheld asset as well as activities related to the reinsurance arrangement as operating cash flows as this is the best representation of the Company's operations and business.

Accounting Pronouncements Not Yet Adopted

ASU No. 2018-12 - Financial Services - Insurance (Topic 944): Targeted Improvements to Accounting for Long-Duration Contracts. The amendments in this Update are designed to make improvements to the existing recognition, measurement, presentation, and disclosure requirements for certain long-duration contracts issued by an insurance company. The new amendments require insurance entities to provide a more current measure of the liability for future policy benefits for traditional and limited-payment contracts by regularly refining the liability for actual past experience and updated future assumptions. This differs from current requirements where assumptions are locked-in at contract issuance for these contract types. In addition, the updated liability will be discounted using an upper-medium grade (low-credit-risk) fixed income instrument yield that reflects the characteristics of the liability which differs from currently used rates based on the invested assets supporting the liability. In addition, the amendments introduce new requirements to assess market-based insurance contract options and guarantees for Market Risk Benefits and measure them at fair value. This Update also requires insurance entities to amortize deferred acquisition costs on a constant-level basis over the expected life of the contract. Finally, this Update requires new disclosures including liability rollforwards and information about significant inputs, judgments, assumptions, and methods used in the measurement. In November 2020, the Financial Accounting Standards Board ("FASB") issued ASU No. 2020-11 - *Financial Services - Insurance (Topic 944); Effective Date and Early Application* which deferred the effective date until the year ending December 31, 2025. The Company is currently reviewing its policies, processes, and applicable systems to determine the impact this standard will have on its operations and financial results.

3. INVESTMENT OPERATIONS

Major categories of net investment income are summarized as follows:

	For The Years Ended December 31,	
	2022	2021
Fixed maturities	$ 1,469,615	$ 558,476
Equity securities	494,583	—
Short-term investments	503,200	110
Funds withheld by ceding company	57,160,756	18,320,142
	59,628,154	18,878,728
Other investment expenses	1,216,160	378,942
Net investment income	$ 58,411,994	$ 18,499,786

Net realized gains (losses) are summarized as follows:

	For The Years Ended December 31,	
	2022	2021
Fixed maturities	$ 33,829	$ —
Equity securities	(2,111,460)	—
Net realized gains (losses)	$ (2,077,631)	$ —

The chart below summarizes the sales proceeds and gains (losses) realized on securities:

	For The Years Ended December 31,	
	2022	2021
Securities in an unrealized gain position		
Sales proceeds	$ 2,031,960	$ —
Realized gains	$ 33,829	$ —

The Company did not dispose of any securities in an unrealized loss position during the years ended December 31, 2022 and 2021.

The net gains (losses) from equity securities still held at period end were ($2,127,012) for the year ended December 31, 2022. The Company recognized gains of $15,552 on equity securities sold during the year ended December 31, 2022. The Company did not hold or recognize gains on any equity securities during the year ended December 31, 2021.

The amortized cost, gross unrealized gains and losses, allowance for expected credit losses, and fair value of the Company's investments are as follows:

As of December 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Expected Credit Losses	Fair Value
Fixed maturities:					
Residential mortgage-backed securities	$ 35,426,556	$ 294,906	$ (313,560)	$ —	$ 35,407,902
Corporate securities	47,635,210	409,201	(3,702,281)	—	44,342,130
Redeemable preferred stocks	1,500,000	50,400	—	—	1,550,400
	84,561,766	754,507	(4,015,841)	—	81,300,432
Short-term investments	9,186,561	—	—	—	9,186,561
	$ 93,748,327	$ 754,507	$ (4,015,841)	$ —	$ 90,486,993

As of December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Expected Credit Losses	Fair Value
Fixed maturities:					
Other government-related securities	$ 1,996,956	$ 132,749	$ —	$ —	$ 2,129,705
Corporate securities	14,984,137	892,974	(339)	—	15,876,772
	16,981,093	1,025,723	(339)	—	18,006,477
Short-term investments	818,416	—	—	—	818,416
	$ 17,799,509	$ 1,025,723	$ (339)	$ —	$ 18,824,893

The amortized cost and fair value of fixed maturities as of December 31, 2022, by expected maturity are shown below. Expected maturities of securities without a single maturity date are allocated based on estimated rates of prepayment that may differ from actual rates of prepayment.

	Amortized Cost	Fair Value
Due in one year or less	$ —	$ —
Due after one year through five years	750,378	665,822
Due after five years through ten years	29,796,709	27,626,539
Due after ten years	54,014,679	53,008,071
	$ 84,561,766	$ 81,300,432

During the years ended December 31, 2022 and 2021, there was no activity related to allowance for expected credit losses on debt securities held by the Company.

As of December 31, 2022, the Company held no securities which were rated below investment grade.

The change in unrealized gains (losses), excluding the allowance for expected credit losses, net of income tax, on fixed maturities, is summarized as follows:

	For The Years Ended December 31,	
	2022	2021
Fixed maturities	$ (3,386,509)	$ (856,776)

4. DEFERRED ACQUISITION COSTS

The balances and changes in deferred acquisition costs are as follows:

	For The Years Ended December 31,			
	2022		2021	
Balance, beginning of period	$	107,689	$	121,871
Capitalization of commissions, sales and issue expenses		111,092		2,222
Amortization		(17,870)		(16,404)
Balance, end of period	$	200,911	$	107,689

5. REINSURANCE

Affiliated reinsurance

The Company reinsures business related to fixed indexed and single premium deferred annuities from PLICO, the largest operating subsidiary of PLC. As of December 31, 2022 and 2021, the Company had a $0.0 million and $0.5 million reinsurance receivable from PLICO, respectively, recorded as a component of *other assets* on the balance sheet.

6. RESERVES

The following table summarizes the Company's annuity contract liabilities by product:

	As of December 31,			
	2022		2021	
Single premium deferred annuities	$	895,747,909	$	211,428,227
Fixed indexed annuities		628,688,883		255,160,897
Total	$	1,524,436,792	$	466,589,124

7. COMMITMENTS AND CONTINGENCIES

The Company, like other insurance companies, in the ordinary course of business, could be involved in legal proceedings. The Company cannot predict the outcome of any legal proceeding nor can it provide an estimate of the possible loss, or range of loss, that may result from such legal proceeding. However, with respect to such legal proceedings, the Company does not expect that its ultimate liability, if any, will be material to its financial condition. The financial services and insurance industries are also sometimes the target of law enforcement and regulatory investigations relating to the numerous laws and regulations that govern such companies. Some companies have been the subject of law enforcement or regulatory actions or other actions resulting from such investigation.

A number of judgments have been returned against insurers, broker dealers and other providers of financial services involving, among other things, sales, underwriting practices, product design, product disclosure, administration, denial or delay of benefits, charging excessive or impermissible fees, recommending unsuitable products to customers, breaching fiduciary or other duties to customers, refund or claims practices, alleged agent misconduct, failure to properly supervise representatives, relationships with agents or persons with whom the insurer does business, payment of sales and other contingent commissions, and other matters. Often these legal proceedings have resulted in the award of substantial judgments that are disproportionate to actual damages, including material amounts of punitive and non-economic compensatory damages. In some states, juries, judges, and arbitrators have substantial discretion in awarding punitive non-economic compensatory damages which creates the potential for unpredictable material adverse judgments or awards in any given legal proceeding. Arbitration awards are subject to very limited appellate review. In addition, in some legal proceedings, companies have made material settlement payments. In some instances, substantial judgments may be the result of a party's perceived ability to satisfy such judgments as opposed to the facts and circumstances regarding the claims made.

The Company establishes liabilities for litigation and regulatory actions when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. For matters where a loss is believed to be reasonably possible, but not probable, no liability is established. For such matters, the Company may provide an estimate of the possible loss or range of loss or a statement that such an estimate cannot be made. The Company is not currently aware of any litigation or regulatory action against the Company.

8. SHAREOWNER'S EQUITY

PLC owns all of the shares of common stock issued by the Company. Dividends are non-cumulative and may be paid as determined by the Board of Directors. No dividends were declared or paid during the years ended December 31, 2022 or 2021. As discussed within *Note 12, Statutory Reporting Practices and Other Regulatory Matters*, under the Bermuda Insurance Act, the Company is prohibited from paying a dividend in an amount exceeding 25% of the prior year's statutory capital and surplus, unless at least two members of the Company's board of directors and its principal representative in Bermuda sign and submit to the BMA an affidavit attesting that a dividend in excess of this amount would not cause the Company to fail to meet its relevant margins.

9. INCOME TAXES

The Company's effective income tax rate related to continuing operations was 21%, the same as the federal statutory income tax rate, for the years ended December 31, 2022 and 2021.

The annual provision for federal income tax in these financial statements differs from the annual amounts of income tax expense reported in the Company's income tax returns. Certain significant revenues and expenses are appropriately reported in different years with respect to the financial statements and the tax returns.

The components of the Company's income tax expense (benefit) are as follows:

	For The Years Ended December 31,	
	2022	**2021**
Income tax expense (benefit):		
Current federal	$ —	$ 811,313
Deferred federal	(19,664,257)	1,540,148
Total income tax expense (benefit)	$ (19,664,257)	$ 2,351,461

The components of the Company’s net deferred income tax liability are as follows:

	As of December 31,	
	2022	2021
Deferred income tax assets:		
Net unrealized losses on investments	$ 684,881	$ —
Invested assets (other than unrealized gains (losses))	56,728,803	—
Loss and credit carryforwards	4,294,673	—
Total deferred income tax assets	61,708,357	—
Deferred income tax liabilities:		
Premium receivables and policy liabilities	52,624,563	4,996,400
Deferred acquisition costs	42,192	22,615
Invested assets (other than unrealized gains (losses))	—	6,288,520
Net unrealized gains on investments	—	215,331
Total deferred income tax liabilities	52,666,755	11,522,866
Net deferred income tax asset (liability)	$ 9,041,602	$ (11,522,866)

As of December 31, 2022, some of the Company’s fixed maturities were reported at an unrealized loss. If the Company were to realize a tax-basis net capital loss for a year, then such loss could not be deducted against that year’s other taxable income. However, such a loss could be carried back and forward against any prior year or future year tax-basis net capital gains. Therefore, the Company has relied upon a prudent and feasible tax-planning strategy regarding its fixed maturities that were reported at an unrealized loss. The Company has the ability and the intent to either hold such fixed maturities to maturity, thereby avoiding a realized loss, or to generate an offsetting realized gain from unrealized gain fixed maturities if such unrealized loss fixed maturities are sold at a loss prior to maturity.

The Company has considered the need for the recognition of uncertain tax positions and has determined that there were none to be recorded or disclosed.

As of December 31, 2022, the Company had net operating loss carryforwards for federal income tax purposes of $20,450,826 which are available to offset future federal taxable income (with limitations) and do not expire.

10. FUNDS WITHHELD ASSET

The funds withheld asset represents the receivable for assets supporting funds withheld and modco reinsurance. These assets are held in trusts or custodial accounts that are segregated from our third party ceding companies' general accounts and are managed by PLICO, a related party to the Company. In the event of a ceding company's insolvency, we would need to assert a claim on the assets supporting our reserve liabilities. However, we have the ability to offset amounts we owe to the ceding company, which reduces our risk of loss. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The Company is subject to the investment performance and has all economic rights and obligations on the funds withheld assets in a fashion similar to invested assets directly by the Company.

Information on the underlying assets within the funds withheld asset is presented below:

	As of December 31,	
	2022	2021
Fixed maturities		
Residential mortgage-backed securities	$ 41,105,010	$ 24,964,954
Commercial mortgage-backed securities	30,363,449	16,042,480
Other asset-backed securities	14,853,719	14,566,587
States, municipals, and political	11,495,443	22,468,037
Corporate securities	1,392,898,145	457,672,694
Redeemable preferred stocks	39,584,000	—
Short-term investments	10,140,066	5,189,329
Equity securities	12,336,000	—
Derivatives	5,612,574	9,941,365
Total investments	1,558,388,406	550,845,446
Accrued investment income	17,164,345	3,967,370
Other assets and liabilities	(87,737,679)	(31,150,314)
Funds withheld asset	$ 1,487,815,072	$ 523,662,502

11. RELATED PARTY TRANSACTIONS

The Company routinely receives from or pays to affiliates under the control of PLC reimbursements for expenses incurred on one another's behalf. Receivables and payables among affiliates are generally settled monthly. As of December 31, 2022 and 2021, the Company had intercompany net payables to its affiliates of $126,839 and intercompany net receivables from its affiliates of $4,022, respectively. As described in *Note 5, Reinsurance*, the Company assumes fixed and deferred annuity business from PLICO. It is possible that the terms and conditions of these related party transactions may not be the same as those which would be negotiated between wholly unrelated parties.

The Company has no employees, but has certain service agreements with PLC. These agreements provide the Company with investment, legal, data processing, managerial and administrative services for a fee. The fees are determined on a shared cost basis. In addition, the Company has agreements with affiliates relating to allocation of costs for services performed by employees of one affiliate for another. The Company incurred $163,085 and $194,220 for expenses associated with these agreements for the years ended December 31, 2022 and 2021, respectively.

PLC entered into an intercompany loan agreement, dated as of January 28, 2020, with the Company allowing PLC in its sole discretion to provide loan advances to the Company under certain circumstances for operating capital and other purposes. As of December 31, 2022 and 2021, PLC had no outstanding loan advances to the Company.

12. STATUTORY REPORTING PRACTICES AND OTHER REGULATORY MATTERS

The Company is licensed by the Bermuda Monetary Authority ("BMA") as a Class C long term insurer and is subject to the Insurance Act of 1978, as amended ("Bermuda Insurance Act") and regulations promulgated thereunder. The BMA implemented the Economic Balance Sheet ("EBS") framework contained in the Bermuda Solvency and Capital Requirement ("BSCR") for commercial insurers which was granted equivalency to the European Union's Directive (2009/138/EC) ("Solvency II"). Under this framework, a Class C insurer must produce three sets of financial statements:

1. ***GAAP Financial Statements*** **-** Financial statements prepared in accordance with an internationally recognized comprehensive base of accounting, and for which the Company has elected to prepare GAAP financial statements. These

financial statements form the basis for the preparation of both the Statutory Financial Statements and the Economic Balance Sheet.

2. ***Statutory Financial Statements ("SFS")*** - Equal to the GAAP financial statements adjusted for;

   a. Prudential filters that include 1) adjustments to eliminate non-admitted assets including goodwill and other similar intangible assets, not considered admissible for solvency purposes, and 2) adjustments to include certain assets and liabilities that are generally off-balance sheet under general purpose reporting. These include items such as guarantees and other instruments that do not relate to the insurer's own insurance contracts.

   b. Directions (i.e. permitted practices) issued by the BMA.

3. ***Economic Balance Sheet ("EBS") -*** A balance sheet where assets are recorded based on GAAP fair values and insurance reserves are based on technical provisions comprised of the sum of a best estimate liability plus a risk margin. The best estimate liability may be calculated by applying the standard approach or the scenario approach. Under the standard approach the discount rate for insurance reserves is a rate prescribed by the BMA. Under the scenario approach the discount rate for insurance reserves is based on the yield on eligible assets owned by the insurer as determined under the worst result of nine prescribed stressed scenarios.

Under the Bermuda Insurance Act, the Company is required to maintain SFS capital and surplus to meet the Minimum Margin of Solvency ("MMS") which is equal to the greater of $500,000 or 1.5% of SFS assets. As of January 1, 2017, the MMS is subject to a floor of 25% of the Enhanced Capital Ratio ("ECR"). The Company met the minimum requirements.

Under the Bermuda Insurance Act, the Company is also required to maintain the minimum EBS capital and surplus to meet the ECR which is equal to risk based capital model where risk factor charges are applied to the EBS balance sheet in order to determine the ECR. The Company met the minimum requirements.

The BMA has granted the Company a direction in the SFS to utilize amortized cost for the valuation of certain investments instead of fair value. The impact on the SFS of the directions is disclosed within Schedule V(g) of the BSCR reporting template.

To enable the BMA to better assess the quality of the insurer's capital resources, a Class C insurer is required to disclose the makeup of its capital in accordance with the '3 tiered capital system'. Highest quality capital is classified as Tier 1 Capital, lesser quality capital is classified as either Tier 2 Capital or Tier 3 Capital. The Bermuda Insurance Act requires that Class C insurers have Tier 1 Capital equal to or greater than 50% of the value of its ECR and Tier 3 Capital of not more than 17.65% of the aggregate of its Tier 1 Capital and Tier 2 Capital. As of December 31, 2022 and 2021 all of the eligible capital used by the Company to meet the MMS and ECR was Tier 1. The Company monitors its capital tiers and any encumbrances on capital when determining capital tiers, including assessing any capital restricted in trusts and funds withheld or modco arrangements.

Under the Bermuda Insurance Act, the Company is prohibited from paying a dividend in an amount exceeding 25% of the prior year's statutory capital and surplus, unless at least two members of the Company's board of directors and its principal representative in Bermuda sign and submit to the BMA an affidavit attesting that a dividend in excess of this amount would not cause the Company to fail to meet its relevant margins. In certain instances, the Company would also be required to provide prior notice to the BMA in advance of the payment of dividends. In the event that such an affidavit is submitted to the BMA in accordance with the Bermuda Insurance Act, and further subject to the Company meeting its MMS and ECR, the Company is permitted to distribute up to the sum of 100% of statutory surplus and an amount less than 15% of statutory capital. Distributions in excess of this amount require the approval of the BMA.

13. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company determined the fair value of its financial instruments based on the fair value hierarchy established in FASB guidance referenced in the Fair Value Measurements and Disclosures Topic which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company adopted the provisions from the FASB guidance that is referenced in the Fair Value Measurements and Disclosures Topic for non-financial assets and liabilities (such as property and equipment, goodwill, and other intangible assets) that are required to be measured at fair value on a periodic basis. The effect on the Company's periodic fair value measurements for non-financial assets and liabilities was not material.

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

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

- **Level 1:** Unadjusted quoted prices for identical assets or liabilities in an active market.
- **Level 2:** Quoted prices in markets that are not active or significant inputs that are observable either directly or indirectly. Level 2 inputs include the following:
  - Quoted prices for similar assets or liabilities in active markets
  - Quoted prices for identical or similar assets or liabilities in non-active markets
  - Inputs other than quoted market prices that are observable
  - Inputs that are derived principally from or corroborated by observable market data through correlation or other means.
- **Level 3:** Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. They reflect management's own estimate about the assumptions a market participant would use in pricing the asset or liability.

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities				
Residential mortgage-backed securities	—	35,407,902	—	35,407,902
Corporate securities	—	44,342,130	—	44,342,130
Redeemable preferred stocks	1,550,400	—	—	1,550,400
Total fixed maturity investments	1,550,400	79,750,032	—	81,300,432
Funds withheld asset	62,060,066	1,341,510,304	84,244,702	1,487,815,072
Equity securities	23,865,781	—		23,865,781
Short-term investments	9,186,561	—	—	9,186,561
Total investments	96,662,808	1,421,260,336	84,244,702	1,602,167,846
Cash	190,497	—	—	190,497
Total assets measured at fair value on a recurring basis	$ 96,853,305	$1,421,260,336	$ 84,244,702	$ 1,602,358,343
Liabilities:				
Annuity contract liabilities	—	—	1,524,436,792	1,524,436,792
Total liabilities measured at fair value on a recurring basis	—	—	1,524,436,792	1,524,436,792

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities				
Other government-related securities	—	2,129,705	—	2,129,705
Corporate securities	—	15,876,772	—	15,876,772
Total fixed maturity investments	—	18,006,477	—	18,006,477
Funds withheld asset	5,308,881	518,353,621	—	523,662,502
Short-term investments	818,416	—	—	818,416
Total investments	6,127,297	536,360,098	—	542,487,395
Cash	9,766	—	—	9,766
Total assets measured at fair value on a recurring basis	$ 6,137,063	$ 536,360,098	$ —	$ 542,497,161
Liabilities:				
Annuity contract liabilities	—	—	466,589,124	466,589,124
Total liabilities measured at fair value on a recurring basis	—	—	466,589,124	466,589,124

Determination of fair values

The valuation methodologies used to determine the fair values of assets and liabilities reflect market participant assumptions and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The Company determines the fair values of certain financial assets and financial liabilities based on quoted market prices, where available. The Company also determines certain fair values based on future cash flows discounted at the appropriate current market rate. Fair values reflect adjustments for counterparty credit quality, the Company's credit standing, liquidity, and where appropriate, risk margins on unobservable parameters. The following is a discussion of the methodologies used to determine fair values for the financial instruments as listed in the above table.

The fair value of fixed maturity, short-term, and equity securities is determined by management after considering one of three primary sources of information: third party pricing services, non-binding independent broker quotations, or pricing matrices. Security pricing is applied using a "waterfall" approach whereby publicly available prices are first sought from third party pricing services, the remaining unpriced securities are submitted to independent brokers for non-binding prices, or lastly, securities are priced using a pricing matrix. Typical inputs used by these three pricing methods include, but are not limited to: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Third party pricing services price approximately 81.44% of the Company's fixed maturity securities. Based on the typical trading volumes and the lack of quoted market prices for fixed maturities, third party pricing services derive the majority of security prices from observable market inputs such as recent reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information outlined above. If there are no recent reported trades, the third party pricing services and brokers may use matrix or model processes to develop a security price where future cash flow expectations are developed based upon collateral performance and discounted at an estimated market rate. Certain securities are priced via independent non-binding broker quotations, which are considered to have no significant unobservable inputs. When using non-binding independent broker quotations, when available the Company obtains two quotes per security. Where multiple broker quotes are obtained, the Company reviews the quotes and selects the quote that provides the best estimate of the price a market participant would pay for these specific assets in an arm's length transaction. A pricing matrix is used to price securities for which the Company is unable to obtain or effectively rely on either a price from a third party pricing service or an independent broker quotation.

The pricing matrix used by the Company begins with current spread levels to determine the market price for the security. The credit spreads, assigned by brokers, incorporate the issuer's credit rating, liquidity discounts, weighted-average of contracted cash flows, risk premium, if warranted, due to the issuer's industry, and the security's time to maturity. The Company uses credit ratings provided by nationally recognized rating agencies.

For securities that are priced via non-binding independent broker quotations, the Company assesses whether prices received from independent brokers represent a reasonable estimate of fair value. The Company's assessment incorporates various metrics (yield curves, credit spreads, prepayment rates, etc.) along with other information available to the Company from both internal and external sources to determine the valuation of such holdings. As a result of this analysis, if the Company determines there is a more appropriate fair value based upon the analysis, the price received from the independent broker is adjusted accordingly. The Company did not adjust any quotes or prices received from brokers during the year ended December 31, 2022.

The Company has analyzed the third party pricing services' valuation methodologies and related inputs and has also evaluated the various types of securities in its investment portfolio to determine an appropriate fair value hierarchy level based upon trading activity and the observability of market inputs that is in accordance with the Fair Value Measurements and Disclosures Topic of the ASC. Based on this evaluation and investment class analysis, each price was classified into Level 1, 2 or 3. Most prices provided by third party pricing services are classified into Level 2 because the significant inputs used in pricing the securities are market observable and the observable inputs are corroborated by the Company. Since the matrix pricing of certain debt securities includes significant non-observable inputs, they are classified as Level 3.

Residential Mortgage-Backed Securities

As of December 31, 2022, the Company held $35.4 million of residential mortgage-backed securities ("RMBS") classified as Level 2. These securities are priced from information provided by third-party pricing services and independent broker quotes. The third-party pricing services and brokers mainly value securities using both a market and income approach to valuation. As part of this valuation process they consider the following characteristics of the item being measured to be relevant inputs: 1) weighted-average coupon rate, 2) weighted-average years to maturity, 3) types of underlying assets, 4) weighted-average coupon rate of the underlying assets, 5) weighted-average years to maturity of the underlying assets, 6) seniority level of the tranches owned, and 7) credit ratings of the securities.

After reviewing these characteristics of the RMBS, the third-party pricing service and brokers use certain inputs to determine the value of the security. For RMBS classified as Level 2, the valuation would consist of predominantly market observable inputs such as, but not limited to: 1) monthly principal and interest payments on the underlying assets, 2) average life of the security, 3) prepayment speeds, 4) credit spreads, 5) treasury and swap yield curves, and 6) discount margin. The Company reviews the methodologies and valuation techniques (including the ability to observe inputs) in assessing the information received from external pricing services and in consideration of the fair value presentation.

As of December 31, 2022, the Company did not classify any RMBS as Level 3 valuations.

Corporate Securities

As of December 31, 2022, the Company classified approximately $44.3 million of corporate securities as Level 2. The fair value of the Level 2 bonds and securities is predominantly priced by broker quotes and a third party pricing service. The Company has reviewed the valuation techniques of the brokers and third party pricing service and has determined that such techniques used Level 2 market observable inputs. The following characteristics of the bonds and securities are considered to be the primary relevant inputs to the valuation: 1) weighted-average coupon rate, 2) weighted-average years to maturity, 3) seniority, and 4) credit ratings. The Company reviews the methodologies and valuation techniques (including the ability to observe inputs) in assessing the information received from external pricing services and in consideration of the fair value presentation.

The brokers and third party pricing service utilize valuation models that consist of a hybrid income and market approach to valuation. The pricing models utilize the following inputs: 1) principal and interest payments, 2) treasury yield curve, 3) credit spreads from new issue and secondary trading markets, 4) dealer quotes with adjustments for issues with early redemption features, 5) liquidity premiums present on private placements, and 6) discount margins from dealers in the new issue market.

As of December 31, 2022, the Company did not classify any corporate securities as Level 3 valuations.

Funds withheld asset

Asset-Backed Securities

This category mainly consists of RMBS, CMBS, and other asset-backed securities (collectively referred to as asset-backed securities or "ABS"). As of December 31, 2022, the Company classified $86.3 million of ABS within the funds withheld asset as Level 2. These securities are priced from information provided by third party pricing services and independent broker quotes. The third party pricing services and brokers mainly value securities using both a market and income approach to valuation. As part of this valuation process they consider the following characteristics of the item being measured to be relevant inputs: 1) weighted-average coupon rate, 2) weighted-average years to maturity, 3) types of underlying assets, 4) weighted-average coupon rate of the underlying assets, 5) weighted-average years to maturity of the underlying assets, 6) seniority level of the tranches owned, and 7) credit ratings of the securities.

After reviewing these characteristics of the ABS, the third party pricing service and brokers use certain inputs to determine the value of the security. For ABS classified as Level 2, the valuation would consist of predominantly market observable inputs such as, but not limited to: 1) monthly principal and interest payments on the underlying assets, 2) average life of the security, 3) prepayment speeds, 4) credit spreads, 5) treasury and swap yield curves, and 6) discount margin. The Company reviews the methodologies and valuation techniques (including the ability to observe inputs) in assessing the information received from external pricing services and in consideration of the fair value presentation.

As of December 31, 2022, the Company did not classify any ABS within the funds withheld asset as Level 3 valuations.

Corporate Securities and Securities issued by States, Municipals, and Political Subdivisions

As of December 31, 2022, the Company classified $1.3 billion of corporate securities and securities issued by states, municipals, and political subdivisions within the funds withheld asset as Level 2. The fair value of the Level 2 securities is predominantly priced by broker quotes and third party pricing services. The Company has reviewed the valuation techniques of the brokers and third party pricing services and has determined that such techniques used Level 2 market observable inputs. The following characteristics of the securities are considered to be the primary relevant inputs to the valuation: 1) weighted-average coupon rate, 2) weighted-average years to maturity, 3) seniority, and 4) credit ratings. The Company reviews the methodologies and valuation techniques (including the ability to observe inputs) in assessing the information received from external pricing services and in consideration of the fair value presentation.

The brokers and third party pricing services utilize valuation models that consist of a hybrid methodology that utilizes a cash flow analysis and market approach to valuation. The pricing models utilize the following inputs: 1) principal and interest payments, 2) treasury yield curve, 3) credit spreads from new issue and secondary trading markets, 4) dealer quotes with adjustments for issues with early redemption features, 5) liquidity premiums present on private placements, and 6) discount margins from dealers in the new issue market.

As of December 31, 2022, the Company classified $84.2 million of corporate securities within the funds withheld asset as Level 3 valuations. Level 3 securities primarily represent investments in illiquid bonds for which no price is readily available. To determine a price, the Company uses a discounted cash flow model with both observable and unobservable inputs. These inputs are entered into an industry standard pricing model to determine the final price of the security. These inputs include: 1) principal and interest payments, 2) coupon rate, 3) sector and issuer level spread over treasury, 4) underlying collateral, 5) credit ratings, 6) maturity, 7) embedded options, 8) recent new issuance, 9) comparative bond analysis, and 10) an illiquidity premium.

Derivatives

The funds withheld asset includes free-standing derivative financial instruments. Derivative financial instruments are valued using exchange prices or independent broker quotations. As of December 31, 2022, 100% of derivatives based upon notional values were priced using exchange prices or independent broker quotations. Inputs used to value derivatives include, but are not limited to, interest swap rates, credit spreads, interest rate and equity market volatility indices, equity index levels, and treasury rates. The Company performs monthly analysis on derivative valuations that includes both quantitative and qualitative analyses. As of December 31, 2022, the Company held no derivative instruments classified as Level 1. Derivative instruments classified as Level 1 generally include options, which are traded on active exchange markets.

As of December 31, 2022, the Company classified approximately $5.6 million of derivative financial instruments as Level 2. Derivative instruments classified as Level 2 primarily include options, which are traded over-the-counter, and exchange-traded options which are customizable. These derivative valuations are determined using independent broker quotations, which are corroborated with observable market inputs.

There are no derivative instruments classified in Level 3.

Annuity contract liabilities

The Company reinsures FIA and SPDA contracts which contain GLWB riders. The Company establishes annuity contract liabilities using a stochastic approach. Account balances and all benefit payments (including excess rider benefits) and rider fees are projected over 1,000 different economic scenarios. The resulting cashflows are then discounted at a scenario specific discount rate, plus adjustments for own company credit and an initial locked in market value adjustment. The average present value of benefit payments, less the average present value of rider fees is the resulting contract liability balance. The methods the Company uses to estimate the liabilities have assumptions about policyholder behavior, mortality, and market conditions affecting the account balance growth. The Company periodically revises the key assumptions used in the calculation of the liabilities.

Valuation of Level 3 Financial Instruments

The following tables present the valuation method for material financial instruments included in Level 3, as well as the unobservable inputs used in the valuation of those financial instruments:

	Fair Value as of December 31, 2022		Valuation Technique	Unobservable Input	Range (Weighted Average)
Assets:					
Funds withheld asset	$	84,244,702	Discounted cash flow	Spread over treasury	1.55% - 2.10% (1.84%)
Liabilities:(1)					
Annuity Contract Liabilities	$	1,524,436,792	Actuarial cash flow model	Expenses	$60.74 per policy
				Withdrawal rate	0.4% - 2.4% prior to age 72, or WB withdrawal rate if elected
					RMD for ages 72+ or WB withdrawal rate
				Mortality	2015 Ruark ALB table with WB attained age factors and Mortality Improvement
				Lapse	0.2% - 15% depending on duration/surrender charge period
					Dynamically adjusted for WB moneyness and projected market rates vs. credited rates

	Fair Value as of December 31, 2021		Valuation Technique	Unobservable Input	Range (Weighted Average)
Liabilities:(1)					
Annuity Contract Liabilities	$	466,589,124	Actuarial cash flow model	Expenses	$61.48 per policy
				Withdrawal rate	0.4% - 2.4% prior to age 72, or WB withdrawal rate if elected
					RMD for ages 72+ or WB withdrawal rate
				Mortality	2015 Ruark ALB table with WB attained age factors
				Lapse	0.2% - 15% depending on duration/surrender charge period
					Dynamically adjusted for WB moneyness and projected market rates vs. credited rates

(1) Excludes coinsurance arrangements.

The fair value of corporate bonds classified as Level 3 is sensitive to changes in the interest rate spread over the corresponding U.S. Treasury rate. This spread represents a risk premium that is impacted by company specific and market factors. An increase in the spread can be caused by a perceived increase in credit risk of a specific issuer and/or an increase in the overall market risk premium associated with similar securities. The fair values of corporate bonds are sensitive to changes in spread. When holding the treasury rate constant, the fair value of corporate bonds increases when spreads decrease, and decreases when spreads increase.

Total realized and unrealized gains (losses) on Level 3 assets and liabilities are primarily reported in either realized investment gains (losses) within the statements of income (loss) or other comprehensive income (loss) within shareowner's equity based on the appropriate accounting treatment for the item.

Purchases, sales, issuances, and settlements, net, represent the activity that occurred during the period that results in a change of the asset or liability but does not represent changes in fair value for the instruments held at the beginning of the period. Such activity primarily relates to purchases and sales of fixed maturity securities.

The Company reviews the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers in and out of Level 3 at the beginning fair value for the reporting period in which the changes occur. There were no transfers in and out of Level 3.

14. SUBSEQUENT EVENTS

The Company has evaluated the effects of events subsequent to December 31, 2022, and through April 26, 2023 (the date of the issuance of the financial statements included herein), and there are no other material subsequent events to report.