PACIFIC LIFE RE

Pacific Life Re Global Limited

Consolidated Financial Statements
for the years ended December 31, 2022 and December 31, 2021

Independent auditor's report to the members of Pacific Life Re Global Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion the consolidated financial statements of Pacific Life Re Global Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at December 31, 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

We have audited the consolidated financial statements which comprise:

- the consolidated statements of financial condition;
- the consolidated statements of operations;
- the consolidated statements of comprehensive income (loss);
- the consolidated statements of shareholder's equity;
- the consolidated statements of cash flows; and
- notes to the consolidated financial statements, including a summary of significant accounting policies, except for note 2 and information in note 13 in relation to the amount of life and health reserves and tax reserves which is marked as unaudited.

The financial reporting framework that has been applied in their preparation is the United States of America Generally Accepted Accounting Principles.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the consolidated financial statements, we have concluded that the management's use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the consolidated financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Responsibilities of management

Management is responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view, and for such internal control as the management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the consolidated financial statements ; and

- do not have a direct effect on the consolidated financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included The Insurance Act 1978, and amendments thereto, The Insurance Account Rules 2016, Companies Act 1981, Life Insurance Act 1978, as amended and Insurance Accounts Regulations 1980.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, actuarial and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the consolidated financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- The significant risk of fraud in assumptions used in the actuarial reserving pertaining to the valuation assertion. In response to this risk we performed the following:
    - Obtained an understanding of the relevant controls over the actuarial reserving process;
    - Assessed the appropriateness of key management judgements used in the year end assumption setting process by studying the factors underlying morbidity and loss experience; and
    - Assessed completeness and accuracy of the data used to support the experience and reserves calculation.

- The significant risk of fraud in revenue recognition, specifically pertaining to the cut-off assertion. In response to this risk we performed the following:
    - Tested relevant controls over the revenue recording process;
    - Performed independent recalculation of year end revenue accruals based on the accrual methodology in order to assess that revenue has been recognized in the correct period, and;
    - Obtained newly signed contracts and assessed that the treaties are recorded in the correct accounting period.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing consolidated financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with the Bermuda Monetary Authority.

__Use of our report__

This report is made solely to the company's members, as a body, in accordance with section 90 of the Bermuda Companies Act 1981. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Deloitte LLP

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Deloitte LLP
19 April 2023

Pacific Life Re Global Limited

Consolidated Statements of Financial Condition

As at December 31

(in thousands)

	Note	December 31, 2022	December 31, 2021
Assets:		**$**	**$**
Investments:			
Fixed maturity securities available for sale, at fair value	*3,4*	2,550,339	3,569,499
Total investments		2,550,339	3,569,499
Cash and cash equivalents		483,884	491,339
Restricted cash	*17*	25,586	22,112
Accrued investment income		22,273	24,432
Negative reserves	*8*	431,873	359,006
Funds withheld asset		94,232	139,306
Reinsurance receivables		625,534	685,785
Retrocession recoverables from affiliates	*8*	210,337	245,453
Retrocession recoverables from non-affiliates	*8*	20,264	40,722
Current tax recoverables		9,282	12,435
Deferred tax benefits	*13*	91,321	—
Deferred policy acquisition costs	*5*	887,543	890,915
Value of business acquired	*6*	5,718	7,157
Other assets	*7*	36,539	28,529
Total assets		**5,494,725**	**6,516,690**
Liabilities and stockholder's equity			
Liabilities:			
Future policy benefits	*8*	3,693,438	3,546,884
Reinsurers share of negative reserves	*8*	324,643	252,231
Funds withheld liability		364,160	520,070
Loans payable	*10*	114,399	400,552
Reinsurance balances payable to affiliates		27,449	26,144
Reinsurance balances payable to non-affiliates		95,523	153,433
Amounts due to affiliates	*15*	44,476	43,589
Current tax payable		7,961	3,135
Deferred tax liabilities	*13*	11,175	84,097
Accounts payable and other liabilities	*9*	28,427	27,450
Total liabilities		**4,711,651**	**5,057,585**
Stockholder's equity:			
Common stock		1,250	1,250
Additional paid-in capital		1,465,604	1,540,604
Retained earnings (deficit)		(31,700)	(23,911)
Accumulated other comprehensive (loss) income	*14*	(652,080)	(58,838)
Total stockholder's equity		**783,074**	**1,459,105**
Total liabilities and stockholder's equity		**5,494,725**	**6,516,690**

These Consolidated Financial Statements have been approved by the Board of Directors on April 18, 2023.

DocuSigned by:

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Director

See accompanying notes to Consolidated Financial Statements.

Pacific Life Re Global Limited

Consolidated Statements of Operations

For the years ended December 31

(in thousands)

	Note	December 31, 2022	December 31, 2021
		$	**$**
Revenues:			
Net written premiums	*11*	2,029,330	1,936,887
Net investment income	*3*	76,612	63,537
Net investment gain	*3*	30,545	25,286
Other income	*12*	6,113	14,727
Total revenues		**2,142,600**	**2,040,437**
Benefits and expenses:			
Claims and other policy benefits		1,765,692	1,683,418
Acquisition costs and other insurance expenses		27,080	72,052
Commission expenses		166,692	186,939
Operating expenses		207,598	186,042
Interest expense		1,162	1,423
Realized foreign currency losses		3,091	—
Total benefits and expenses		**2,171,315**	**2,129,874**
Loss before benefit (provision) for income taxes		**(28,715)**	**(89,437)**
Benefit (provision) for income taxes	*13*	20,926	(17,712)
Net loss		**(7,789)**	**(107,149)**

See accompanying notes to Consolidated Financial Statements.

Pacific Life Re Global Limited

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31

(in thousands)

	December 31, 2022	December 31, 2021
	$	$
Net loss	(7,789)	(107,149)
Other comprehensive loss, net of tax:		
Net unrealized losses on securities	(503,393)	(166,289)
Net foreign currency translation adjustments and other	(89,849)	(24,938)
Other comprehensive loss	**(593,242)**	**(191,227)**
Total comprehensive loss	**(601,031)**	**(298,376)**

See accompanying notes to Consolidated Financial Statements.

Pacific Life Re Global Limited

Consolidated Statements of Shareholder's Equity

For the years ended December 31

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficits)	Accumulated Other Comprehensive Income (Loss)	Total Shareholder's Equity
	$	$	$	$	$
Balance at January 1, 2021	**1,250**	**460,557**	**83,238**	**132,389**	**677,434**
Comprehensive loss:					
Net loss			(107,149)		(107,149)
Other comprehensive loss				(191,227)	(191,227)
Total comprehensive loss					(298,376)
Common stock issued to Pacific Life Re Holdings LLC		102,398			102,398
Capital contribution received from Pacific Life Re Holdings LLC		977,649			977,649
Balance at December 31, 2021	**1,250**	**1,540,604**	**(23,911)**	**(58,838)**	**1,459,105**
Balance at January 1, 2022	**1,250**	**1,540,604**	**(23,911)**	**(58,838)**	**1,459,105**
Comprehensive loss:					
Net loss			(7,789)		(7,789)
Other comprehensive loss				(593,242)	(593,242)
Total comprehensive loss					(601,031)
Distribution to Pacific Life Re Holdings LLC		(75,000)			(75,000)
Balance at December 31, 2022	**1,250**	**1,465,604**	**(31,700)**	**(652,080)**	**783,074**

See accompanying notes to Consolidated Financial Statements.

Pacific Life Re Global Limited

Consolidated Statements of Cash Flows

For the years ended December 31

(in thousands)

	2022	2021
Cash flows from operating activities	$	$
Net loss	(7,789)	(107,149)
Adjustment to reconcile net loss from continuing operations to net cash provided by operating activities:		
Net accretion (amortization) on fixed maturity securities	(5,737)	5,452
Net change in deferred taxes	(48,566)	(18,770)
Net change in current tax recoverables	9,582	33,303
Net investment (gain)/loss	36,326	(25,544)
Net change in reinsurance receivables	60,251	(75,637)
Net change in accrued investment income	(148)	17,130
Net change in deferred policy acquisition costs	(37,771)	(224,087)
Net change in value of business acquired	866	(2,686)
Net change in other assets	(69,346)	106,415
Net change in future policy benefits	403,593	793,066
Net change in funds withheld	(22,434)	45,450
Net change in loans payable	(286,153)	279,487
Net change in reinsurance balances payable to affiliates	(68,668)	(137,028)
Net change in reinsurance balances payable to non-affiliates	(29,772)	40,609
Net change in accounts payable and other liabilities	11,725	(90,759)
Net cash provided (used) by (in) operating activities	(54,041)	639,252
Cash flows from investing activities		
Available for sale securities:		
Purchases	(743,739)	(824,520)
Sales	565,200	243,917
Maturities and repayments	322,744	101,304
Net cash provided (used) by (in) investing activities	144,205	(479,299)
Cash flows from financing activities		
Capital contributed by Pacific Life Re Holdings LLC into Pacific Life Re (Australia) Pty Limited	—	187,503
Cash added through contribution of Pacific Life Re Holdings Limited	—	102,398
Distribution to Pacific Life Re Holdings LLC	(75,000)	—
Net cash provided (used) by (in) financing activities	(75,000)	289,901
Net change in cash, cash equivalents and restricted cash	15,164	449,854
Change in cash, cash equivalents and restricted cash due to foreign currency	(19,145)	(7,402)
Cash, cash equivalents and restricted cash, beginning of year	513,451	70,999
Cash, cash equivalents and restricted cash, end of year	**509,470**	**513,451**
Supplemental disclosures of cash flow information		
Income taxes paid, net	18,571	6,528
Reconciliation to Consolidated Statements of Financial Condition		
Cash and cash equivalents	483,884	491,339
Restricted cash	25,586	22,112
Total cash, cash equivalents and restricted cash	**509,470**	**513,451**

See accompanying notes to Consolidated Financial Statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND DESCRIPTION OF BUSINESS

Pacific Life Re Global Limited ("RGBM"), including its wholly owned and controlled subsidiaries, Pacific Life Re International Limited ("RIBM"), Pacific Life Re Holdings Limited ("PLRH"), Pacific Life Re Limited ("PLRL") and Pacific Life Re (Australia) Pty Limited ("PLRA"), is a wholly owned subsidiary of Pacific Life Re Holdings LLC ("PLRH LLC"), which is in turn wholly owned by Pacific LifeCorp ("PLC"). PLRH LLC is a limited liability company organized under the laws of Delaware. PLC is an intermediate Delaware stock holding company. PLC is a wholly owned subsidiary of Pacific Mutual Holding Company ("PMHC"), a Nebraska mutual holding company (and ultimate parent of the Company). Unless the context indicates otherwise, the terms "the Company" or "our" means RGBM and its consolidated subsidiaries. The Company provides life reinsurance and life retrocession solutions to its customers.

RIBM is a reinsurance carrier participating in PMHC's global life reinsurance division ("Pacific Life Re", "PL Re" or the "Division"). The Division operates through a Division Centre and five business units ("BU" or "Business Unit") based on geographic location and/or business channel, as follows: Pacific Life Re Europe ("Europe"), Pacific Life Re Asia ("Asia"), Pacific Life Re Australia ("Australia"), Pacific Life Re Retro ("Retro"), and UnderwriteMe.

Both RGBM and RIBM are Bermuda domiciled reinsurance companies licensed individually as Class E long-term insurers by the Bermuda Monetary Authority ("BMA"). RGBM assumes life retrocession business from affiliated and non-affiliated companies. From 1 January 2023, RGBM no longer assumes life retrocession business from non-affiliated companies. RIBM provides reinsurance services, directly and via its branches, in the UK, Ireland and Singapore, as well as retrocession services for PLRA. From January 1, 2023, it also started to provide reinsurance and retrocession services, via its branches in South Korea and Canada. PLRH, a UK domiciled holdings company, is a wholly owned and direct subsidiary of RIBM. PLRL, a wholly owned direct subsidiary of PLRH, is an international reinsurance company registered in the United Kingdom and regulated and authorized by the Prudential Regulatory Authority and the Financial Conduct Authority. Until January 1, 2022, PLRL wrote life reinsurance business in Europe, Asia, and Canada and provided retrocession services to PLRA. From January 1, 2022, PLRL only wrote new business in South Korea and Canada. On January 1 2023, the Canada and South Korea business were transferred to RIBM from PLRL. Having transferred all the business out of PLRL, PLRL has approved and commenced the process of cancelling all of its regulatory permissions in the UK legal entity and its branches. It is expected that PLRL will be fully deauthorized and then subsequently wound up in the first half of 2024. PLRH is expected to be wound up in the first half of 2024 alongside PLRL.

PLRA, an Australia domiciled reinsurance company that is regulated and authorized by the Australian Prudential Regulation Authority ("APRA"), is a wholly owned and direct subsidiary of RIBM. PLRA is engaged in providing traditional reinsurance which includes individual and group life, disability and critical illness and income protection reinsurance in Australia.

Business Transfers and Restructuring

The Division commenced a project ("Project Valentine") in 2019 to move the Division's headquarters to Bermuda and created two new regulated entities in Bermuda, RGBM and RIBM. On June 25, 2021, a Business Transfer Agreement was signed governing the transfer of business between PLRL and RIBM.

On July 1, 2021, two treaties written in the Singapore branch of PLRL were transferred to RIBM by means of individual novation of treaties. On January 1, 2022, the remaining reinsurance business written by the Singapore branch of PLRL was transferred to RIBM by means of individual novation of treaties. On the same day, the reinsurance business governed by English Law was transferred to RIBM by means of an insurance business transfer under Part VII of the Financial Services and Markets Act 2000 and an additional business transfer under a Guernsey insurance business transfer scheme was completed with an effective date of January 1, 2022. The remaining Europe Business Unit treaties not written under English law were transferred to RIBM by means of

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

individual novation of treaties with an effective date of January 1, 2022. The retrocession contract with PLRA was also novated to RIBM on January 1, 2022. Loan notes were issued by RIBM to PLRL as consideration for the transfers that occurred on January 1, 2022.

On January 1, 2022, the retrocession treaties between Pacific Life Insurance Company ("PLIC") and PLRL were novated to UK branch of RIBM.

On January 1, 2022, the retrocession treaty between RGBM and PLRL was novated to the UK branch of RIBM. On January 1, 2022, the retrocession treaty was recaptured.

On January 1, 2022, the retrocession treaty between Pacific Life Re (Australia) Pty Limited (PLRA) and PLRL was novated to RIBM. PLRL has no further obligations under that treaty, and all investment management and custody arrangements in relation to that business have also been contractually transferred to RIBM. APRA has designated RIBM as an 'appropriate retrocessionaire' of PLRA.

On January 1, 2023, the PLRL Canada Branch business was transferred to the Canada Branch of RIBM by way of individual novation of treaties. Loan notes were issued by RIBM to PLRL as consideration for the Canada business transfers. On January 1, 2023, the majority of Canadian market reinsurance business in RGBM was transferred to RIBM Canada branch through novation of individual treaties. On the same day the retrocession arrangement between PLRL Canada Branch and PLIC was recaptured. Also on January 1, 2023, RIBM Canada branch set up two new 75% retrocession treaties with RGBM, one for Protection and the other for Longevity business.

On January 1, 2023, the PLRL Korea Branch business was transferred to the Korea Branch of RIBM by way of a South Korean law portfolio transfer for cash.

Having transferred all the business out of PLRL during the period, PLRL has approved and commenced the process of cancelling all of its regulatory permissions in the UK legal entity and its branches. (The Singapore Branch of PLRL was deauthorized on June 8, 2022.) It is expected that PLRL will be fully deauthorized and then subsequently wound up in the first half of 2024.

PLRH is expected to be wound up in the first half of 2024 alongside PLRL.

<u>Business Developments in 2022</u>

The following are significant business developments that have had a notable impact on the Consolidated Financial Statements of the Company:

The Company implemented a new transaction structure transferring the Global Funded Solutions ("GFS") business in PLRL to RIBM UK branch on January 1, 2022, as part of the UK Part VII transfers. GFS business was set-up in 2021 to expand into the funded reinsurance solutions market by writing asset intensive business. Funded reinsurance involves reinsurance of both insurance and asset risks in the Company's chosen markets. It brings together the insurance risk pricing and management capability of the Company and the investment management capability of the affiliated company PLIC.

In 2021, when the first GFS transactions were written into PLRL, the business was 100% retroceded from PLRL to PLIC (the "2021 structure"). As PLRL bore no insurance risk, GFS business was accounted for under the deposit method under the arrangement, and this has remained the case following the transfer of all this GFS business from PLRL to RIBM UK Branch. The most significant impact on the Consolidated Financial Statements under this transaction structure arises from fee income payable to the Company from PLIC, which is paid in advance as each contract incepts and is amortized annually as the fee is earned.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In 2022, there was a transaction written under the 2021 structure (i.e. written into the RIBM UK Branch) as well as transactions written directly into RIBM rather than via a branch, with insurance risk being retained. As RIBM retains insurance risk, insurance accounting is applied under the new structure.

BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The accompanying Consolidated Financial Statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of RGBM and its wholly owned and controlled subsidiaries. All significant intercompany transactions and balances have been eliminated on consolidation.

The preparation of Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In developing these estimates, management makes subjective and complex judgments that are inherently uncertain and subject to material change as facts and circumstances develop. Management has identified the following estimates as critical, as they involve a higher degree of judgment and are subject to a significant degree of variability:

1. Other than temporary impairment ("OTTI") losses of investments - there is judgement on whether an impairment is permanent.
2. Value of business acquired ("VOBA") and deferred acquisition costs – there are estimates on projected premiums, and judgements on recoverability and deterioration of financial performance leading to premium deficiencies.
3. The liability for future policy benefits – estimates include cost of settling claims, reported and incurred but not reported claims.

For the purpose of these Consolidated Financial Statements, "affiliated" and "related parties" refers to entities that are under common control of RGBM's ultimate parent, PMHC.

The Company has evaluated events subsequent to December 31, 2022 through April 19, 2023, the date the Consolidated Financial Statements were available to be issued. See Note 18.

A. Investments

Fixed maturity securities available for sale are reported at fair value, with unrealized gains and losses, net of deferred income taxes, recognized as a component of other comprehensive income (loss) ("OCI"). For asset-backed securities included in fixed maturity securities available for sale, the Company recognizes income using a constant effective yield based on anticipated prepayments and the estimated economic life of the securities. When estimates of prepayments change, the effective yield is recalculated to reflect actual payments to date and anticipated future payments.

Amortization of premium and accretion of discount on fixed maturity securities is recorded using the effective interest method.

Net Investment income consists primarily of interest income net of investment management expenses, and is recognized on an effective interest basis.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Available for sale securities are initially measured at fair value with subsequent remeasurement to fair value at each reporting period recognized in OCI. The change in unrealized gains or losses on available for sale securities is included in OCI. The unrealized gains or losses on available for sale securities in Accumulated Other Comprehensive Income (loss) ("AOCI") are reclassified to net income once the investments are sold or when an impairment charge is recorded.

The Company's available for sale securities are assessed for OTTI, if impaired. If a decline in the fair value of an available for sale security is deemed to be other than temporary, the OTTI is recognized equal to the difference between the fair value and net carrying amount of the security. If the OTTI for a fixed maturity security is attributable to both credit and other factors, then the OTTI is bifurcated and the non credit-related portion is recognized in OCI while the credit portion is recognized in earnings, specifically OTTI. If the OTTI is related to credit factors only or management has determined that it is more likely than not going to be required to sell the security prior to recovery, the OTTI is recognized in earnings, specifically OTTI. OTTI is recognized under net investment gain in the Consolidated Statements of Operations.

The evaluation of OTTI is a quantitative and qualitative process subject to significant estimates and management judgment. The Company has controls and procedures in place to monitor securities and identify those that are subject to greater analysis for OTTI. The Company reviews and evaluates securities for potential OTTI at minimum on a semi-annual basis at the relevant investment committee.

In evaluating whether a decline in value is other than temporary, the Company considers many factors including, but not limited to, the following: the extent and duration of the decline in value; the reasons for the decline (credit event, currency, interest rate related, or spread widening); the ability and intent to hold the investment for a period of time to allow for a recovery of value; and the financial condition of and near-term prospects of the issuer.

For fixed maturity securities in unrealized loss positions, the Company evaluates whether it intends to sell, or will be required to sell the security before anticipated recovery of amortized cost. If a security meets either criteria, it is considered an OTTI. If a security does not meet either criteria, an analysis is performed on whether projected future cash flows are sufficient to recover the amortized cost.

Realized gains and losses on investment transactions are determined on a specific identification basis at trade date and are included in net investment gain.

B. Cash and Cash Equivalents

Cash and cash equivalents include all short-term, highly liquid investments with a maturity of three months or less from purchase date. Cash and cash equivalents consist primarily of operating bank accounts, investment cash and liquidity funds.

C. Restricted Cash

Restricted cash primarily consists of liquidity reserves related to security deposits, commitment fees, cash collateral and cash held in trusts.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Transfer of Entities Under Common Control

On January 1, 2021, as part of Project Valentine, the entire share capital of PLRH was contributed to RGBM from PLRH LLC, and on July 1, 2021 the entire share capital of PLRH was contributed to RIBM from RGBM. The results of operations for the Company for the year ended December 31, 2022 and for prior year December 31, 2021 include the results of PLRH as of the beginning of 2021 in accordance with U.S. GAAP guidance Accounting Standards Codification ("ASC" or "Codification") 805-50 on mergers of entities under common control.

E. Deferred Policy Acquisition Costs

The direct and incremental costs associated with the successful acquisition of new or renewal business, have been deferred to the extent that such costs are deemed recoverable from future premiums or gross profits. Such costs include commissions and allowances as well as certain costs of policy issuance and underwriting. Management of the Company performs periodic tests to determine that the cost of business acquired remains recoverable, and if financial performance significantly deteriorates to the point where a premium deficiency exists, the cumulative amortization is re-estimated and adjusted by a cumulative charge or credit to current operations.

Deferred acquisition costs related to traditional life insurance contracts, substantially all of which relate to long-duration contracts, are amortized over the premium-paying period of the related policies in proportion to the ratio of individual period premium revenues to total anticipated premium revenues over the life of the policy. Such anticipated premium revenues are estimated using the same assumptions used for computing liabilities for future policy benefits.

Modifications or exchanges of contracts that constitute a substantial contract change are accounted for as an extinguishment of the replaced contract resulting in a release of unamortized deferred acquisition costs, unearned revenue and deferred sales inducements associated with the replaced contract.

The development, and amortization, of deferred acquisition costs for the Company’s products requires management to make estimates and assumptions. Actual results could differ materially from those estimates. Management of the Company monitors actual experience, and should circumstances warrant, will revise its assumptions and the related estimates.

F. Value of Business Acquired

At the acquisition date, VOBA is equal to the U.S. GAAP reserves less the fair value of liabilities (“FVL”). The FVL is calculated in accordance with the Codification’s Fair Value Measurements and Disclosures Topic and is essentially the present value of policyholder liability cash flows. VOBA is amortized based on projected premiums. Management performs periodic tests to determine that VOBA remains recoverable, and if financial performance significantly deteriorates to the point where a premium deficiency exists, the cumulative amortization is re-estimated and adjusted by a cumulative charge or credit. Both annual amortization and any adjustment to cumulative amortization is charged to the current year’s Consolidated Statements of Operations.

G. Retrocession recoverables from affiliates and non-affiliates

Retrocession recoverables are balances due from retrocessionaires for paid and unpaid losses. Amounts receivable and balances payable are offset for account settlement purposes for contracts where the legal right of offset exists, as the Company intends to settle on a net basis.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Other Assets

Other assets include balances due from affiliates.

If the Company determines that a contract does not expose it to a reasonable possibility of a significant loss from insurance risk, the Company records the contract on a deposit method of accounting with the net amount receivable reflected in other assets on the Consolidated Statements of Financial Condition. Amounts receivable and balances payable are offset for account settlement purposes for contracts where the legal right of offset exists, as the Company intends to settle on a net basis.

Other assets also include prepayments, leases, as detailed in section R, as well as property, plant and equipment. Property, plant and equipments are recorded at cost and depreciated over their useful lives, estimated between 1 and 3 years.

I. Future Policy Benefits

The liability for future policy benefits includes a liability for unpaid claims, established based on the Company's estimated cost of settling all claims. Unpaid claims include estimates of claims reported and those that the Company believes have been incurred but have not yet been reported as of the Consolidated Statements of Financial Condition date. The estimates used to determine the liability for unpaid claims are derived principally from the Company's historical experience.

Insurance reserves are composed of benefit reserves and additional liabilities. Benefit reserves are valued using the net level premium method on the basis of actuarial assumptions appropriate at policy issue, including a margin for possible unfavorable deviations. Mortality and persistency assumptions are generally based on the Company's experience, and, together with interest and expense assumptions, are "locked in" upon the issuance of new business. Although certain assumptions are "locked in", significant changes in experience or assumptions may require us to provide for expected future losses on a product by establishing premium deficiency reserves. Premium deficiency reserves are determined based on best estimate assumptions that exist at the time the premium deficiency reserve is established and do not include a provision for adverse deviation.

Profit sharing exists in some contracts in the form of an experience refund provision. Where applicable, projected future experience refund payments net of past losses carried over from prior period, to the extent these losses are deemed recoverable from future profits, are included in the calculation of reserve for future policy benefits.

Estimates of future policy benefit reserves and liabilities are continually reviewed and, as experience develops, are adjusted as necessary. The Company may also identify and implement actuarial modelling refinements to projection models that may result in increases and decreases to the liability for future policy benefits. Such changes in estimates are included in earnings for the period in which such changes occur.

Where future policy benefits are in an asset position they are recognized as negative reserves in the Consolidated Statement of Financial Condition. Reinsurers share of negative reserves are recognized as liabilities in the Consolidated Statement of Financial Condition.

J. Reinsurance Balances Payable

Balances payable to affiliates result from a coinsurance agreement between PLIC, a wholly owned life insurance subsidiary of PLC, and RGBM, and the retrocession contracts for certain reinsurance business ceding from PLRL Canada branch and RIBM UK branch to PLIC, as described further in Note 15. Balances payable to non-affiliates represent amounts owed that are resulting from the agreements between these non-affiliates and the Company. Amounts receivable and balances payable are offset for account settlement purposes for contracts where the right of offset exists.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Reinsurance

In the ordinary course of business, the Company has ceded retrocession agreements with other insurance companies to limit potential losses and reduce exposure arising from larger risks. The ceding of risk does not discharge the Company from its primary obligations to retrocedents. To the extent that the retrocessionaires become unable to meet their obligations under reinsurance contracts, the Company remains contingently liable. Each retrocessionaire is reviewed to evaluate its financial stability before entering into each reinsurance contract and throughout the period that the reinsurance contract is in place.

As part of its risk management process, the Company routinely evaluates its retrocession programs and may change retention limits, retrocessionaires, or other features at any time. The Company along with its affiliate, PLIC, manage retention across all affiliated entities on a group basis.

The Company utilizes reinsurance accounting for ceded retrocession and assumed reinsurance transactions when risk transfer provisions have been met. To meet risk transfer requirements, a reinsurance contract must include insurance risk, consisting of both underwriting and timing risk, and a reasonable possibility of a significant loss to the reinsurer.

Reinsurance premiums ceded and reinsurance recoveries on benefits and claims incurred are deductible from their respective revenue, benefit and expense accounts. Amounts receivable and payable to reinsurers are offset for account settlement purposes for contracts where the right of offset exists, with net reinsurance receivables included in other assets and net reinsurance payables included in other liabilities. Reinsurance receivables and payables may include balances due from reinsurance companies paid and unpaid losses. Reinsurance terminations and recapture gains are recorded in other income.

L. Accounts Payable and Other Liabilities

Accounts payable and other liabilities consist primarily of various expense accruals and other payables to affiliates and non-affiliates. These are stated initially at fair value and subsequently measured at amortized cost. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liability.

The Company recognizes a deferred fee income in relation to fee income received up-front by RIBM (2021: PLRL) for acquisition related activities it performs, see section N, *Revenue, Benefits and Expenses*, for details on the fee income.

Other liabilities also include leases, as detailed in section Q.

M. Foreign Currency

The reporting currency for these Consolidated Financial Statements is the U.S. Dollar (“USD”). The Company, due to its subsidiaries, uses a number of functional currencies; USD, Great British Pound ("GBP"), Canadian Dollar (“CAD”), Australian Dollar (“AUD”) and South Korean won ("KRW"). A functional currency is defined as the currency of the primary economic environment in which an entity operates. The translation of the functional currencies into USD is performed for asset and liability accounts using current exchange rates in effect as of the last day of the year and for revenue and benefit and expense accounts using the quarterly average rates. Gains or losses, net of applicable deferred income taxes, resulting from such translation are recognized in OCI in the Consolidated Statements of Comprehensive Income (Loss) and accumulated in AOCI in the Consolidated Statements of Financial Condition.

Gains or losses from foreign currency transactions, including the effect of remeasurement of foreign-denominated monetary assets and liabilities to the appropriate functional currency, are recognized in realized foreign currency losses in the Consolidated Statements of Operations in the period in which they occur.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Revenues, Benefits and Expenses

Reinsurance premiums from life policies and health policies with life contingencies are recognized as revenue when due from policyholders. Life policies include those contracts with fixed, variable and guaranteed premiums and benefits, and consist principally of whole life, universal life and term insurance policies. Health policies consist of individual critical illness and disability risk coverages. Retrocession premiums and retrocession recoveries on benefits and claims incurred are deducted from their respective revenue, benefit and expense accounts.

Benefits and expenses are provided for as premiums are earned so as to result in the recognition of profits over the life of the contracts. This is achieved by means of the provision for future policy benefits and deferral and subsequent amortization of DAC and VOBA.

For each of its reinsurance contracts, the Company must determine if the contract provides indemnification against loss or liability relating to insurance risk, consisting of both underwriting and timing risk, and a reasonable possibility of a significant loss to the Company or retrocessionaire, in accordance with applicable accounting standards. To meet risk transfer requirements, a reinsurance contract must include insurance risk.

If the Company determines that a contract does not expose it to a reasonable possibility of a significant loss from insurance risk, the Company records the contract on a deposit method of accounting with the net amount payable/receivable reflected in other liabilities or assets on the Consolidated Statements of Financial Condition. Fees earned on the contracts are reflected as other income on the Consolidated Statements of Operations.

Fee Income is recognized as revenue, in line with ASC 606 Revenue Recognition, such that the performance obligations are satisfied over time whereby on execution of the contract, the Company shall recognize a percentage of the fee which is considered to be the stand-alone transaction price for acquisition related activities it performs. Thereafter, annually, it shall recognize a percentage of the fees, which is considered to be the stand-alone transaction price for maintenance related activities it performs.

O. Income Taxes

Under the provisions of the Bermuda Exempted Undertakings Tax Protection Act of 1966, the Company is exempt from paying any taxes on Bermuda profits during its first fifteen years of operation. The Company obtains a Tax Assurance Certificate and is exempt from paying any taxes on Bermuda profits until March 31, 2035.

RGBM has an election under Section 953(d) of the Internal Revenue Code and is subject to U.S. taxation as if it were a U.S. corporation. RGBM is included in the PMHC consolidated income tax returns in the U.S. Federal and various state jurisdictions. RGBM and other members of PMHC allocate tax expenses or benefits based principally on the effect of including their operations in the return under a tax sharing agreement. For example, RGBM will be reimbursed for tax benefits expected to be utilized in PMHC's current year consolidated tax returns, which are shown as a current benefit in Note 13. RIBM, PLRA, and PLRL are treated as controlled foreign corporations for U.S. federal income tax purposes. In years prior to and including 2020, RIBM had elected to be treated as a disregarded entity for U.S. federal income tax purposes. In 2021, RIBM reversed this election to be treated as a controlled foreign corporation for U.S. federal income tax purposes in 2021 and on all subsequent years.

PLRA is subject to tax in Australia. PLRL is subject to tax in the UK, as well as Singapore, Canada and South Korea through its branches.

PLRL made a branch profits exemption election ("BPE") which was notified to Her Majesty's Revenue and Customs ("HMRC") on December 22, 2020, with an effective date of January 1, 2021. The overseas branches of PLRL were subject to tax in the UK prior

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

to the election, but are no longer subject to UK tax after the election. The Singapore, Canada, and South Korea branches were subject to tax in their local jurisdictions up until the transfers to RIBM.

RIBM through its branches is subject to tax in the UK and Singapore, while RIBM will be subject to Canada and South Korea taxes through its branches once the business transfers have been completed to these branches as of January 1, 2023.

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the Consolidated Financial Statements. Under this method, the Company determines deferred tax assets and liabilities on the basis of the differences between the Consolidated Financial Statements and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse.

The Company recognizes deferred tax assets to the extent that these assets are more likely than not to be realized.

The Company records uncertain tax positions in accordance with the ASC 740 Income Taxes Topic on the basis of a two-step process in which (1) the Company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. As of December 31, 2022, the Company had no liability for uncertain tax positions.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision (benefit) for income taxes in the Consolidated Statements of Operations. Accrued interest and penalties are included in other liabilities in the Consolidated Statements of Financial Condition.

RGBM is accounting for the taxes due on future U.S. inclusions in taxable income related to global intangible low-taxed income as a current period expense when incurred (i.e., using the period cost method).

The Inflation Reduction Act was enacted on August 16, 2022 and imposes a 15% Corporate Alternative Minimum Tax (CAMT) on corporations with three-year average financial statement income over $1 billion that is effective January 1, 2023. The CAMT is payable to the extent the CAMT liability exceeds the regular corporate income tax liability; however, any CAMT paid would be available as a credit with indefinite carryover that could reduce future regular tax in excess of CAMT. The Company has determined that the consolidated group of corporations of which the Company is a member expects to be subject to the CAMT; however, it has not determined if it expects to be liable for the CAMT.

In 2022, the Korean National Assembly officially passed the 2022 Tax Revision Bill, decreasing the corporate tax rate by 1% from 25% to 24%. The new tax rate is applicable to years 2023 and onward. Utilization of tax loss is limited to 70% of taxable income for years beginning on or after January 1, 2018 and to 60% of taxable income from years beginning on or after January 1, 2019.

The U.K. passed tax legislation applicable to the Company in 2022. Beginning on April 1, 2023, the tax corporate tax rate will increase from 19% to 25%.

P. Contingencies

The Company evaluates all identified contingent matters on an individual basis. A loss is recorded if the contingent matter is probable of occurring and reasonably estimable. The Company establishes reserves for these contingencies at the best estimate, or, if no one amount within the range of possible losses is more probable than any other, the Company records an estimated reserve at the low end of the range of losses.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability in the Consolidated Statement of Financial Condition, with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). For leases classified as operating, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease or if that rate cannot be readily determined, the lessee's incremental borrowing rate.

R. Future Adoption of Accounting Pronouncements

In 2018, the Financial Accounting Standards Board (“FASB”) issued targeted improvements to the accounting for long-duration insurance contracts, Accounting Standards Update (“ASU”) 2018-12. The objective of this guidance is to make improvements to the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The new guidance improves the timeliness of recognizing changes in the liability for future policy benefits for traditional long-duration contracts by requiring that underlying cash flow assumptions be reviewed and updated at least annually. The rate used to discount future cash flows must be based on an upper-medium grade fixed income investment yield. The change in the reserve estimate as a result of updating cash flow assumptions will be recognized in net income. The change in the reserve estimate as a result of updating the discount rate assumption will be recognized in OCI.

The new guidance simplifies the amortization of deferred policy acquisition costs and other similar capitalized balances (i.e. Unearned Revenue Reserves ("URR")) by requiring such costs to be amortized on a constant-level basis that approximates the straight-line method. Lastly, the new guidance increases and enhances the disclosures related to long-duration insurance contracts. The new guidance is effective for fiscal years beginning after December 15, 2024 and interim periods within fiscal years beginning after December 15, 2025. Early adoption is permitted. The Company is currently evaluating the impact of this guidance on its Consolidated Financial Statements.

In March 2020, the FASB issued ASU 2020-04, which together with all subsequent amendments, provides guidance on facilitation of the effects of reference rate reform on financial reporting. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform. If certain criteria are met, an entity will not be required to remeasure or reassess certain contract modifications that result from the discontinuation of the London Inter-Bank Offered Rate (LIBOR) or another reference rate. Changes to the critical terms of a hedging relationship affected by reference rate reform will not require entities to de-designate the relationship if certain criteria are met. Optional expedients also allow derivative instruments impacted by changes in the interest rate used for margining, discounting, or contract price alignment to qualify for certain optional relief. This standard may be elected and applied to contract modifications made between March 12, 2020 through December 31, 2024. The Company has evaluated the impact of the discontinued use of LIBOR in its contract obligations and taken actions to update contracts where necessary. The Company is currently evaluating the impact of this guidance on its Consolidated Financial Statements.

In 2016, the FASB issued ASU 2016-13 that provides guidance on the measurement of credit losses for certain financial assets. This ASU replaces the incurred loss impairment methodology with one that reflects expected credit losses. The measurement of expected credit losses should be based on historical loss information, current conditions, and reasonable and supportable forecasts. The guidance also requires enhanced disclosures. This ASU is effective for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years. The Company is currently evaluating the impact of this guidance on its Consolidated Financial Statements.

2. CAPITAL MANAGEMENT (unaudited)

RGBM DIVIDEND AND DISTRIBUTION RESTRICTIONS

The payment of dividends by RGBM to its shareholders is subject to restrictions set forth in the regulations of insurance business in Bermuda. RGBM may declare dividends subject to it continuing to meet the minimum levels of solvency, liquidity, and its risk-based capital requirements. For Bermuda regulatory purposes no dividend payments shall be made which would result in the Enhanced Capital Requirement ("ECR") falling below 135%. The ECR is calculated using the Bermuda Solvency Capital Requirement model which is a risk-based capital model.

Proposed dividends cannot exceed 25% of total unconsolidated statutory capital and surplus reported in the Company's statutory Consolidated Statements of Financial Condition in the previous financial year unless at least 7 days before payment of those dividends it files with the Bermuda Monetary Authority ("BMA") an affidavit signed by at least two directors of RGBM (one of whom must be a director resident in Bermuda), and by RGBM's principal representative in Bermuda, which states that in the opinion of those signing, declaration of those dividends has not caused the entity to fail to meet its solvency margin requirements. Any dividend payable would also require certification by RGBM's approved actuary. The actuary shall ensure that the value of the Company's assets in excess of its liabilities is greater than the ECR and that the amount of any such dividend shall not exceed that excess. The BMA will be notified of the payment of any dividends as part of the Company's normal communications with the supervisory team.

At December 31, 2022, the maximum dividend that RGBM could pay out of retained earnings, based on the aforementioned regulatory requirements, was $194.8 million (2021: $359.5 million). The statutory financial return and capital and solvency return of the Company as at, and for the year ended, December 31, 2022 are due to be submitted to the BMA by April 30, 2023. The statutory financial return and capital and solvency return are subject to the review of the BMA.

Restrictions to reduction of capital

Capital reduction cannot exceed 15% of unconsolidated statutory capital reported in the Company's statutory Consolidated Statement of Financial Condition in the previous financial year unless the Company seeks for an approval from BMA. An application must include: an affidavit signed by at least two directors of RGBM (one of whom must be a director resident in Bermuda), and by RGBM's principal representative in Bermuda, which states that in the opinion of those signing, the proposed reduction of capital will not cause the entity to fail to meet its relevant margins. The BMA will be notified of any reduction in the capital as part of the Company's normal communications with the supervisory team.

At December 31, 2022, the maximum reduction in capital which RGBM could pay out of unconsolidated statutory capital without BMA approval is $220.0 million (2021: $231.3 million).

In addition to the required statutory capital and surplus requirements the Company assesses its own solvency capital needs taking into account factors which may not be fully reflected in the BMA statutory requirements. The Company's solvency capital requirements determined under these self-assessments may also impact the level of dividends and distributions paid to its parent, PLRH LLC.

RIBM DIVIDEND AND DISTRIBUTION RESTRICTIONS

RIBM is subject to the same dividend and distribution restrictions as RGBM.

At December 31, 2022, the maximum dividend that RIBM could pay out of retained earnings was $262.2 million (2021: $364.0 million). The maximum capital reduction allowed from unconsolidated statutory capital without BMA approval is $98.2 million (2021: $251.3 million). The statutory financial return and capital and solvency return of RIBM as at, and for the year ended, December 31,

2. CAPITAL MANAGEMENT (unaudited) (continued)

2022 are due to be submitted to the BMA by April 30, 2023. The statutory financial return and capital and solvency return are subject to the review of the BMA.

PLRA DIVIDEND RESTRICTIONS

PLRA is subject to minimum regulatory capital requirements in accordance with APRA Prudential Standards relevant to life insurers, in respect of the principal risks to which PLRA is exposed. In particular, minimum capital requirements in this context is the minimum capital base required to meet the Prudential Capital Amount (PCA) and, where different, the Prudential Capital Requirement (PCR) as defined in the Prudential Standards.

PLRA monitors and maintains capital in accordance with its Board adopted Internal Capital Adequacy Assessment Process (“ICAAP”). This ensures that there is a low likelihood that PLRA will breach its regulatory requirements, and that PLRA will have sufficient capital to manage its near term business prospects and be able to take necessary action to deal with reasonably foreseeable adverse events that may impact the business.

Surplus capital above the Prudential Capital Amount at December 31, 2022 was $80.8 million (2021: $129.5 million).

PLRL DIVIDEND RESTRICTIONS

PLRL is required to hold sufficient capital to meet Solvency II regulatory requirements. A regulatory solvency ratio, which is the ratio of eligible capital resources to Solvency Capital Requirement (“SCR”), is used to report PLRL’s solvency position to the Prudential Regulatory Authority ("PRA") on a quarterly basis, in accordance with the Solvency II regime.

Solvency monitoring is performed quarterly and presented to the Chief Finance Officer and the Approved Actuary using three levels of triggers to determine when additional capital or other action is required.

Surplus capital can be distributed to shareholders subject to restrictions with regard to the level of distributable profits that are available in accordance with the Companies Act 2006 (UK).

The SCR and total available capital resources as at December 31, 2022 was $244.2 million and $387.3 million, respectively, and the surplus capital above the SCR was $143.1 million.

3. INVESTMENTS

The following table shows the net carrying amount, gross unrealized gains and losses, and fair value of the Company's available for sale investment assets. See Note 4 for information on the Company's fair value measurements and disclosure.

		Gross Unrealized		
As of December 31, 2022:	**Net Carrying Amount**	**Gains**	**Losses**	**Fair Value**
(in thousands)	**$**	**$**	**$**	**$**
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	20,185	—	(1,281)	18,904
Debt securities issued by foreign governments	1,736,555	3,707	(260,210)	1,480,052
Corporate debt securities	1,160,743	12,197	(122,414)	1,050,526
Residential mortgage-backed securities	1,155	65	(363)	857
Total fixed maturity securities	**2,918,638**	**15,969**	**(384,268)**	**2,550,339**

		Gross Unrealized		
As of December 31, 2021:	**Net Carrying Amount**	**Gains**	**Losses**	**Fair Value**
(in thousands)	**$**	**$**	**$**	**$**
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	255,294	18	(544)	254,768
Debt securities issued by foreign governments	1,741,254	193,708	(15,029)	1,919,933
Corporate debt securities	1,314,705	91,901	(12,814)	1,393,792
Residential mortgage-backed securities	1,189	93	(276)	1,006
Total fixed maturity securities	**3,312,442**	**285,720**	**(28,663)**	**3,569,499**

The amount of investments included in this caption which have been non-income producing for the twelve months preceding the Consolidated Statements of Financial Condition date is nil (2021: nil).

The net carrying amount and fair value of fixed maturity securities available for sale as of December 31, 2022 and December 31, 2021, by contractual repayment date of principal, are shown below. Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

3. INVESTMENTS (continued)

As of December 31, 2022:	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(in thousands)	$	$	$	$
Due in one year or less	129,590	9	(1,153)	128,446
Due after one year through five years	759,716	1,202	(43,969)	716,949
Due after five through ten years	612,443	1,892	(60,832)	553,503
Due after ten years	1,415,734	12,801	(277,951)	1,150,584
Sub-total	**2,917,483**	**15,904**	**(383,905)**	**2,549,482**
Residential mortgage-backed securities	1,155	65	(363)	857
Total fixed maturity securities	**2,918,638**	**15,969**	**(384,268)**	**2,550,339**

As of December 31, 2021:	Net Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(in thousands)	$	$	$	$
Due in one year or less	333,849	735	(15)	334,569
Due after one year through five years	712,377	15,852	(4,928)	723,301
Due after five through ten years	845,583	42,829	(8,874)	879,538
Due after ten years	1,419,444	226,211	(14,570)	1,631,085
Sub-total	**3,311,253**	**285,627**	**(28,387)**	**3,568,493**
Residential mortgage-backed securities	1,189	93	(276)	1,006
Total fixed maturity securities	**3,312,442**	**285,720**	**(28,663)**	**3,569,499**

3. INVESTMENTS (continued)

The following tables present the fair value and gross unrealized losses on investments where the fair value has declined and remained continuously below the net carrying amount for less than twelve months and for twelve months or greater.

	Less than 12 Months		12 Months or Greater		Total	
As of December 31, 2022:	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
(in thousands)	**$**	**$**	**$**	**$**	**$**	**$**
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	18,904	(1,281)	—	—	18,904	(1,281)
Debt securities issued by foreign governments	1,141,330	(196,588)	208,317	(63,622)	1,349,647	(260,210)
Corporate debt securities	590,068	(70,989)	241,747	(51,425)	831,815	(122,414)
Residential mortgage-backed securities	723	(118)	—	(245)	723	(363)
Total fixed maturity securities	**1,751,025**	**(268,976)**	**450,064**	**(115,292)**	**2,201,089**	**(384,268)**

	Less than 12 Months		12 Months or Greater		Total	
As of December 31, 2021:	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
(in thousands)	**$**	**$**	**$**	**$**	**$**	**$**
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	17,657	(509)	231,987	(37)	249,644	(546)
Debt securities issued by foreign governments	189,474	(5,308)	162,626	(9,719)	352,100	(15,027)
Corporate debt securities	328,752	(7,649)	107,995	(5,165)	436,747	(12,814)
Residential mortgage-backed securities	—	—	1,023	(276)	1,023	(276)
Total fixed maturity securities	**535,883**	**(13,466)**	**503,631**	**(15,197)**	**1,039,514**	**(28,663)**

The number of securities in the Company's portfolio with an unrealized loss position for less than 12 months as of December 31, 2022 were 374 (2021: 145). The number of securities in an unrealized loss position for 12 months or greater as of December 31, 2022 were 127 (2021: 64).

The Company has evaluated fixed maturity securities available for sale with gross unrealized losses and has determined that the unrealized losses are temporary. The Company does not intend to sell the investments as a result of these losses and it is more likely than not that the Company will not be required to sell the investments before recovery of their net carrying amounts.

Certain assets related to RGBM's reinsurance and retrocession business (Note 15) are held as collateral in restricted reinsurance trusts. If the fair market value of the assets in these trusts falls below a minimum value, the Company is required to deposit additional funds into the trusts to account for any shortfall. As of December 31, 2022, fixed maturity securities available for sale and restricted cash with a fair value of $1,326.7 million and $25.6 million (2021: $805.8 million and $5.3 million), respectively, were held in these trusts.

3. INVESTMENTS (continued)

Major categories of the Company's investment income and related investment expense are summarized as follows:

Year ended December 31:	**2022**	**2021**
(in thousands)	**$**	**$**
Fixed maturity securities	81,216	68,903
Other	464	24
Total investment income	**81,680**	**68,927**
Interest on funds withheld	(1,286)	(977)
Investment expense	(3,782)	(4,413)
Net investment income	**76,612**	**63,537**

The components of net investment gain are as follows:

Year ended December 31:	**2022**	**2021**
(in thousands)	**$**	**$**
Fixed maturity securities:		
Gross gains on sales	10,863	8,211
Gross losses on sales	(27,666)	(2,440)
Fair value movement on funds withheld	47,348	19,515
Net investment gain	**30,545**	**25,286**

On January 1, 2022, the formerly PLRL to PLIC retrocession was transferred from PLRL to RIBM UK branch with PLIC remaining as the retrocessionaire. There is one block of Annuity business and two blocks of Longevity Swap business for which the retrocession gives PLIC a security interest in the underlying custody assets held by the Company. The custody assets are measured at fair value with movements in fair value recognized in OCI. The Company recognizes a corresponding funds withheld liability at fair value in accordance with U.S. GAAP ASC 820 Fair Value Measurement, with movements in fair value recognized in the Consolidated Statements of Operations.

The funds withheld liability increases or decreases in line with the fair value of the custody assets.

A fair value gain of $47.3 million (2021: $19.5 million gain) was recognized in the Consolidated Statements of Operations during the year.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Codification's Fair Value Measurements and Disclosures Topic establishes a hierarchy that prioritizes the inputs of valuation methods used to measure fair value for financial assets and financial liabilities that are carried at fair value. The determination of fair value requires the use of observable market data when available. The hierarchy consists of the following three levels that are prioritized based on observable and unobservable inputs.

Level 1 Unadjusted quoted prices for identical instruments in active markets. Level 1 financial instruments include securities that are traded in an active exchange market.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; and model-derived valuations for which all significant inputs are observable market data.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs are not market observable.

The following tables present, by fair value hierarchy level, the Company's financial assets and liabilities that are carried at fair value as of December 31, 2022 and December 31, 2021.

As of December 31, 2022:	**Level 1**	**Level 2**	**Level 3**	**Total**
(in thousands)	**$**	**$**	**$**	**$**
Assets:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	—	18,904	—	18,904
Debt securities issued by foreign governments	—	1,480,052	—	1,480,052
Corporate debt securities	—	1,050,526	—	1,050,526
Residential mortgage-backed securities	—	857	—	857
Total fixed maturity securities	**—**	**2,550,339**	**—**	**2,550,339**

As of December 31, 2021:	**Level 1**	**Level 2**	**Level 3**	**Total**
(in thousands)	**$**	**$**	**$**	**$**
Assets:				
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	—	254,768	—	254,768
Debt securities issued by foreign governments	—	1,919,933	—	1,919,933
Corporate debt securities	—	1,393,792	—	1,393,792
Residential mortgage-backed securities	—	1,006	—	1,006
Total fixed maturity securities	**—**	**3,569,499**	**—**	**3,569,499**

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following methods and assumptions were used to estimate the fair value of these financial instruments:

FAIR VALUE MEASUREMENT

The Codification's Fair Value Measurements and Disclosures Topic defines fair value as the price that would be received to sell the asset or paid to transfer the liability at the measurement date. This "exit price" notion is a market-based measurement that requires a focus on the value that market participants would assign for an asset or liability. The following section describes the valuation methodologies used by the Company to measure various types of financial instruments at fair value and the controls that surround the valuation process. The Company reviews its valuation methodologies and controls on an ongoing basis and assesses whether these methodologies are appropriate based on the current economic environment.

FIXED MATURITY SECURITIES

The fair values of fixed maturity securities available for sale are determined by management after considering external pricing sources and internal valuation techniques.

For securities with sufficient trading volume, prices are obtained from third-party pricing services. Fair values for mortgage-backed securities and other asset-backed securities are determined by evaluating prices from third-party pricing services.

The Company's management analyses and evaluates these prices and determines whether they are reasonable estimates of fair value. Management's analysis may include, but is not limited to, review of third-party pricing methodologies and inputs, analysis of recent trades, comparison to prices received from other third parties, and development of internal models utilizing observable market data of comparable securities. Based on this analysis, prices received from third parties may be adjusted if the Company determines that there is a more appropriate fair value based on available market information. All securities priced by a major independent third-party service have been classified as Level 2, as management has verified that the inputs used in determining their fair values are market observable and appropriate. The Company only invests in highly liquid investment grade credit. The fair values of fixed maturity securities available for sale are determined by reference to third party pricing sources.

The Company did not have any significant nonfinancial assets or liabilities measured at fair value on a non-recurring basis resulting from impairments as of December 31, 2022 (2021: nil). The Company has not made any changes in the valuation methodologies for nonfinancial assets and liabilities.

The fair value table excludes the following financial instruments: accrued investment income, receivables and payables. The fair value of these financial instruments, which are primarily classified as Level 2, approximates carrying value as they are short-term in nature such that there is minimal risk of material changes in fair value due to changes in interest rates.

CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash, cash equivalents and restricted cash are considered Level 1. The carrying amounts approximate fair values due to the short-term maturities of these instruments.

5. DEFERRED POLICY ACQUISITION COSTS

The table below shows the Company's DAC components:

	2022	2021
(in thousands)	**$**	**$**
Balance, January 1	890,915	27,516
Adopted balance from contribution of PLRH	—	648,116
	890,915	675,632
Additions:		
Capitalized during the year	189,747	333,625
Amortization:		
Impact of assumption unlocking	—	82
All other	(132,446)	(109,235)
Total amortization	(132,446)	(109,153)
Allocation to OCI[1]	(60,673)	(9,189)
Balance, December 31	**887,543**	**890,915**

[1] Allocation to OCI is due to the impact of the translation of foreign currencies

6. VALUE OF BUSINESS ACQUIRED

Components of the Company's VOBA are as follows:

	2022	2021
(in thousands)	**$**	**$**
Gross carrying value at January 1	27,750	11,979
Adopted balance from contribution of PLRH	—	15,771
	27,750	27,750
Amortization at January 1	(20,593)	(7,513)
Amortization brought forward from transfer of PLRH, January 1	—	(12,177)
Amortization at January 1	(20,593)	(19,690)
Amortization expense during the year	(590)	(662)
Adjustment to cumulative amortization during the year	(849)	(241)
Amortization at December 31	(22,032)	(20,593)
Net carrying value at December 31	**5,718**	**7,157**

6. VALUE OF BUSINESS ACQUIRED (continued)

The estimated aggregate amortization expense for each of the five succeeding fiscal years is as follows:

Years ended December 31, 2022:	
(in thousands)	**$**
2023	967
2024	872
2025	784
2026	697
2027	618

Years ended December 31, 2021:	
(in thousands)	**$**
2022	906
2023	788
2024	698
2025	618
2026	534

7. OTHER ASSETS

Components of the Company's other assets are as follows:

As of December 31:	**2022**	**2021**
(in thousands)	**$**	**$**
Marketing advances	17,905	8,263
Prepayments	7,622	12,943
Right-of-use asset	3,797	5,525
Amount due from affiliates	2,494	106
Accounts Receivable	2,351	—
Property, plant and equipment	1,042	1,340
Miscellaneous	1,328	352
Total other assets	**36,539**	**28,529**

There are no receivables at December 31, 2022 (2021: nil) that have been assessed as impaired and no allowance for doubtful debts.

8. POLICYHOLDER LIABILITIES

FUTURE POLICY BENEFITS

Components of the Company's liability for future policy benefits are as follows:

As of December 31:	**2022**	**2021**
(in thousands)	**$**	**$**
Claims incurred but not reported	825,399	907,518
Unpaid claims and claim expenses	499,462	596,503
Future policy benefits	2,363,285	2,038,085
Unearned premiums	5,292	4,778
Total future policy benefits	**3,693,438**	**3,546,884**
Reinsurers share of negative reserves	324,643	252,231
Negative reserves	(431,873)	(359,006)
Retrocession recoverables from affiliates	(210,337)	(245,453)
Retrocession recoverables from non-affiliates	(20,264)	(40,722)
Total net liability	**3,355,607**	**3,153,934**

Reinsurers share of negative reserves are made up of ceded reserves due from RIBM (2021: PLRL) to PLIC in relation to the RIBM (2021: PLRL) to PLIC retrocession treaty as detailed in Note 15. Interest rate assumptions used to estimate life insurance reserves ranged from 0.0% to 8.8% (2021: 0.0% to 8.8%).

9. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Components of the Company's accounts payable and other liabilities are as follows:

As of December 31:	**2022**	**2021**
(in thousands)	**$**	**$**
Deferred fee income	14,391	12,795
Accounts payable and accrued expenses	10,150	9,105
Lease liability	3,886	5,550
Total accounts payable and other liabilities	**28,427**	**27,450**

The deferred fee income comprises of fees paid to RIBM UK branch (2021: PLRL) in advance by PLIC with regards to the GFS business. This is unwound annually based on a percentage of the present value of remaining annuity payments under the contract.

10. LOANS AND PROMISSORY NOTES PAYABLES

On March 11, 2020, PLRL entered into a 5-year term loan facility of JPY 10 billion (with an option to expand for another JPY 5 billion) with Mitsubishi UFJ Financial Group ("MUFG"). The loan amount of JPY 10 billion was fully drawn in March 2020 and the expansion option was exercised partially to draw JPY 2.5 billion in September 2020. On October 18, 2021, PLRL amended the term loan to increase the total capacity from JPY 15 billion to JPY 20 billion. On October 22, 2021, PLRL drew an additional JPY 2.5 billion, reducing the uncommitted loan capacity to JPY 5 billion. Interest is calculated at the Tokyo Interbank Offered Rate plus an agreed margin. Effective January 1, 2022, RIBM became the primary borrower under the MUFG term loan and its obligations under the loan are guaranteed by PLC. The outstanding loan balance as at December 31, 2022 was $114.4 million or JPY15 billion (2021: $130.3 million or JPY15 billion). RIBM pays PLC a guarantee fee of 0.7% on the loan amount. The guarantee fee paid for the year ended December 31, 2022 was $0.8 million.

On November 6, 2019, PLC issued a promissory note to RGBM to draw up to $50 million at an interest rate of London Inter-Bank Offered Rate ("LIBOR") plus 3.375% per annum. The debt was repaid in February 2021, and the facility expired on December 31, 2021. No interest fee (2021: $0.3 million) and undrawn fee (2021: $0.03 million) were charged to RGBM for the year ended December 31, 2022.

On December 9, 2021, RGBM received a short-term promissory note of $200 million from PLC which matured on March 31, 2022. The full amount was drawn down in 2021. Interest on the loan was calculated at a fixed rate of 0.6% on the drawn amount and 0.15% on the undrawn facility. The total interest paid for the year ended December 31, 2022 was $0.3 million (2021: $0.1 million), with no undrawn fee (2021: nil) as the full amount was drawn down. This amount was fully repaid on March 22, 2022.

On September 23, 2021, RIBM received a 1-year term promissory note of $100 million from PLIC. There was an initial draw down of $70 million, which was repayable as of September 30, 2022. Interest on the loan was calculated at a fixed rate of 0.7% on the drawn amount and 0.2% on the undrawn facility. The total interest paid for the year ended December 31, 2022 was $0.2 million (2021: $0.1 million), with an undrawn fee of $0.02 million. This amount was fully repaid and the note was cancelled on May 6, 2022.

On November 2, 2022, RIBM entered into an uncommitted revolving credit facility with its ultimate parent, PMHC and various subsidiaries of PMHC, intended for short-term liquidity management purposes. The amount of credit facility will be agreed when drawdown and subject to regulatory requirements. No drawdowns have been made as of December 31, 2022.

11. REINSURANCE

The accounting for reinsurance requires extensive use of assumptions and estimates, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risk. The Company periodically reviews, and modifies as appropriate, the estimates and assumptions used to establish assets and liabilities relating to assumed and ceded reinsurance.

The components of net written premiums are as follows:

Year ended December 31:	**2022**	**2021**
(in thousands)	**$**	**$**
Reinsurance assumed	2,104,697	2,053,090
Ceded retrocession	(75,367)	(116,203)
Net written premiums	**2,029,330**	**1,936,887**

12. OTHER INCOME

The components of the Company's other income are as follows:

Year ended December 31:	**2022**	**2021**
(in thousands)	**$**	**$**
Risk fee income from PLIC	—	3,326
Service fee income from PLIC	2,481	4,137
Realized foreign currency gains	—	2,906
Other fee income	3,632	4,358
Total other income	**6,113**	**14,727**

The risk fee income relates to a guarantee fee from the PLIC to RGBM treaty. There was no fee income received in 2022 due to the PLIC to RGBM treaty restrike.

Service Fee income from PLIC relates to the 1% fee received by RIBM UK branch (2021: PLRL) from PLIC in relation to GFS. RIBM UK branch (2021: PLRL) recognizes a fee income which is considered to be the stand-alone transaction price for acquisition related activities it performs. See note 15 for further details on transactions with affiliates.

Other fee income consists of leaders fees which are due to RIBM UK branch (2021: PLRL) as it holds a credit facility on behalf of some counterparties as well as fee income on deposit accounted business and fee income related to collateral arrangements.

13. INCOME TAXES

The benefit (provision) for income taxes is as follows:

Year ended December 31:	**2022**	**2021**
(in thousands)	**$**	**$**
Current:		
United States	614	(3,608)
Canada	(1,508)	2,432
United Kingdom	73,155	(5,341)
Singapore	(457)	(8)
South Korea	13	(137)
Australia	3,261	(194)
Total current	75,078	(6,856)
Deferred:		
United States	(18,766)	(10,885)
Canada	1,975	(2,064)
United Kingdom	(84,289)	28,794
South Korea	(6,190)	6,565
Singapore	11,266	2,159
Australia	—	—
Total deferred	(96,004)	24,569
Benefit (provision) for income taxes	**(20,926)**	**17,712**

13. INCOME TAXES (continued)

The Company's effective tax rate differs from its statutory tax rate in Bermuda due to tax effects attributable to the statutory rates in other jurisdictions where the Company operates.The net deferred tax liability is comprised of the following tax effected temporary differences:

As of December 31:	2022	2021
(in thousands)	**$**	**$**
Deferred tax assets:		
Tax net operating loss carryforwards	144,601	204,853
DAC	487	3,075
Policyholder reserves	191,076	90,402
Investments including derivatives	415	1,917
Other	14,953	2,560
Total deferred tax assets before valuation allowance	**351,532**	**302,807**
Valuation allowance adjustment	(94,701)	(104,038)
Total deferred tax assets after valuation allowance	**256,831**	**198,769**
Deferred tax liabilities:		
Policyholder reserves	(49,299)	(76,652)
DAC	(133,914)	(173,950)
VOBA	—	(14,827)
Deferred compensation	(978)	—
Other	(14,294)	(3,486)
Total deferred tax liabilities	**(198,485)**	(268,915)
Net deferred tax asset/(liability) from operations	**58,346**	**(70,146)**
Unrealized gain on securities available for sale	21,801	(13,239)
Other adjustments	0	(712)
Net deferred tax asset/(liability)	**80,147**	**(84,097)**

The Company has $95 million (2021: $93 million) U.S. life company Federal loss carryovers that expire between 2026 and 2032 and $58 million of carryovers with an indefinite life, for a total loss carryover of $153 million.

Management has assessed that it is more likely than not that the deferred tax assets recognized on the Consolidated Statements of Financial Condition as of December 31, 2022 will be realized through projected future taxable income and the reversal of existing deferred tax liabilities listed above, with the exception of the Australian tax loss carryovers.

The Company has $265.5 million (2021: $343.6 million) of Australian loss carryovers that do not expire. Australian tax loss carryovers have not been recognized as a deferred tax asset on the Consolidated Statements of Financial Condition as there is insufficient evidence that they will be realized through projected future taxable income.

The Company has $150.8 million of UK loss carryovers that do not expire in RIBM UK Branch as at December 31, 2022. The UK loss carryovers are recognized as a deferred tax asset on the Consolidated Statements of Financial Condition.

There are $26.2 million (2021: $29.6 million) of South Korea loss carryovers that expire between December 31, 2025 and December 31, 2031.

The Company has $11.2 million of Singapore loss carryovers in RIBM Singapore branch that do not expire. Singapore tax loss carryovers have not been recognized as a deferred tax asset on the Consolidated Statements of Financial Condition as there is insufficient evidence that they will be realized through projected future taxable income.

13. INCOME TAXES (continued)

RGBM considers the earnings in the foreign subsidiary to be indefinitely invested outside the U.S. on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and specific plans for reinvestment of those subsidiary earnings. Accordingly, deferred income taxes have not been recorded for any excess of the amount for financial reporting over the tax basis in its non-U.S. subsidiary, including undistributed earnings.

The Company operates in multiple jurisdictions and is thus subject to tax audits and examinations from various tax authorities in the normal course of business. Each entity's tax returns remain subject to examination until either audits are completed, or the relevant statute of limitation expires. RGBM is included in the U.S. consolidated Federal income tax return of PMHC since 2017. PMHC is under continuous audit by the Internal Revenue Services ("IRS"). The IRS is currently examining PMHC's tax returns for the years ended December 31, 2013 through 2018. The exam of the Federal tax returns through tax years ended December 31, 2012 has been completed and certain issues are under appeals.

As of December 31, 2022, the amount of life and health reserves in RGBM are approximately $1,829 million (unaudited) (2021: $2,082 million (unaudited)), if computed pursuant to the methods adopted by the National Association of Insurance Commissioners. The equivalent tax reserves are estimated to be $820 million (unaudited), as of December 31, 2022 (2021: $893 million [unaudited]).

14. OTHER COMPREHENSIVE INCOME

The Company displays comprehensive income (loss) and its components on the Consolidated Statements of Comprehensive Income (Loss) and Consolidated Statements of Shareholder's Equity. The balance of and changes in each component of OCI attributable to the Company are as follows:

	Unrealized Gain (Loss) on Securities Available for Sale, Net	Foreign Currency Translation Adjustments and Other, Net	Total OCI
(in thousands)	**$**	**$**	**$**
Balance as of January 1, 2022	(39,158)	(19,680)	(58,838)
Net change during the year	(614,060)	(94,860)	(708,920)
Income tax expense	110,667	5,011	115,678
Balance as of December 31, 2022	**(542,551)**	**(109,529)**	**(652,080)**

	Unrealized Gain (Loss) on Securities Available for Sale, Net	Foreign Currency Translation Adjustments and Other, Net	Total OCI
(in thousands)	**$**	**$**	**$**
Balance as of			
Balance as of January 1, 2021	127,136	5,253	132,389
Net change during the year	(210,169)	(24,530)	(234,699)
Income tax expense	43,875	(403)	43,472
Balance as of Balance as of December 31, 2021	**(39,158)**	**(19,680)**	**(58,838)**

15. TRANSACTIONS WITH AFFILIATES

The Company is a wholly owned and controlled entity of the PMHC and enters into transactions with other affiliated companies. These transactions include reinsurance agreements, promissory notes, guarantee arrangements, ancillary own funds, service agreements, reinsurance trusts and group relief. All transactions are made on normal commercial terms and at market rates.

	Amounts due from/(to) related party at January 1, 2022	Amount of transactions for the period	Settlements paid/ (received) during the period	Foreign currency gains/ (losses)	Amounts due from/(to) related party at December 31, 2022
(in thousands)	$	$	$	$	$
(a) Retrocession arrangements					
Pacific Life Insurance Company					
Reinsurance premiums, claims and commissions	(78,366)	(165,669)	214,391	(12,300)	(41,944)
Net deposits due from (to) PLIC	(212,776)	42,389	(31,735)	37,120	(165,002)
Reinsurer's share of technical provisions	(317,385)	(77,527)	—	1,804	(393,108)
Other	67,968	(13,004)	1,356	1,191	57,511
(b) Promissory notes					
Pacific Life Insurance Company	(70,135)	(178)	70,313	—	—
Pacific Life Corp	(200,073)	(227)	200,300	—	—
(c) Guarantees					
Pacific Life Insurance Company	(924)	(13,040)	847	431	(12,686)
Pacific Life Corp	(136)	(2,912)	(47)	76	(3,019)
(d) Ancillary Own Funds					
Pacific Life Corp	—	(1,610)	1,610	—	—
(e) Management services					
Pacific Life Re Services Limited	(2,074)	(89,551)	88,600	351	(2,674)
UnderwriteMe Australia Pty Limited	—	387	(344)	(40)	3
Pacific Life Re Services Singapore Pte Limited	8	(28,522)	28,314	(37)	(237)
Pacific Life Insurance Company	(157)	(16,169)	16,283	108	65
Pacific Services Canada Limited	—	(12,476)	13,244	—	768
Pacific Life Services Bermuda Limited	(430)	(9,264)	10,230	2	538
Pacific Life Re Holdings LLC	10	35	(47)	2	—
UnderwriteMe Technology Solutions Limited	16		(16)	—	—
Total	**(814,454)**	**(387,338)**	**613,299**	**28,708**	**(559,785)**

15. TRANSACTIONS WITH AFFILIATES (continued)

	Amounts due from/ (to) related party at January 1, 2021	Adopted balance from contribution of PLRH at January 1, 2021	Amount of transactions for the period	Settlements paid/ (received) during the period	Foreign currency gains/ (losses)	Amounts due from/ (to) related party at December 31, 2021
(in thousands)	$	$	$	$	$	$
(a) Retrocession arrangements						
Pacific Life Insurance Company						
Reinsurance premiums, claims and commissions	—	(65,322)	(58,108)	69,117	(24,053)	(78,366)
Net deposits due from (to) PLIC	—	(268,832)	10,087	26,842	19,126	(212,776)
Reinsurance receivables / (payable)	75,071	—	(80,413)	5,342	—	—
Reinsurer's share of technical provisions	—	124,925	(443,841)	—	1,531	(317,385)
Other	—	—	84,900	(16,921)	(11)	67,968
(b) Promissory notes						
Pacific Life Insurance Company	(6,268)	—	(69,905)	6,000	—	(70,173)
Pacific Life Corp	—	—	(200,073)	—	—	(200,073)
(c) Guarantees						
Pacific Life Insurance Company	(1,141)	—	(25,326)	25,590	(47)	(924)
Pacific Life Corp	(200)	—	(4,443)	4,515	(8)	(136)
(d) Ancillary Own Funds						
Pacific Life Corp	—	—	(2,224)	2,224	—	—
(e) Management services						
Pacific Life Insurance Company	(17)	—	(8,744)	8,619	(15)	(157)
Pacific Services Canada Limited	47	—	(649)	601	1	—
UnderwriteMe Australia Pty Limited	120	—	502	(623)	—	—
UnderwriteMe Technology Solutions Limited	79	3	(83)	17	—	16
Pacific Life Re Services Limited	(700)	6,211	(74,667)	66,906	177	(2,074)
Pacific Life Re Services Singapore Pte Limited	—	—	(13,911)	13,870	49	8
Pacific Life Services Bermuda Limited	—	—	(5,365)	4,413	522	(430)
Pacific Life Re Holdings LLC	28	98	421	(552)	16	10
(f) Reinsurance Trusts						
Pacific Life Insurance Company	(36,070)	—	36,291	(221)	—	—

15. TRANSACTIONS WITH AFFILIATES (continued)

	Amounts due from/ (to) related party at January 1, 2021	Adopted balance from contribution of PLRH at January 1, 2021	Amount of transactions for the period	Settlements paid/ (received) during the period	Foreign currency gains/ (losses)	Amounts due from/ (to) related party at December 31, 2021
(g) Group Relief						
Pacific Life Re Services Limited	—	—	1,431	(1,431)	—	—
UnderwriteMe Limited	—	—	457	(457)	—	—
UnderwriteMe Technology Solutions Limited	—	—	407	(407)	—	—
Total	**30,949**	**(202,917)**	**(853,256)**	**213,444**	**(2,712)**	**(814,492)**

Below are the descriptions of the transactions with affiliates:

(a) **REINSURANCE AGREEMENTS**

RGBM has a reinsurance agreement with PLIC ("PLIC to RGBM treaty"). The underlying reinsurance is comprised of coinsurance and yearly renewable term (“YRT”) treaties. PLIC retrocedes the majority of the underlying YRT U.S. Treaties on a 100% coinsurance basis to RGBM. In June 2021, RGBM became a reciprocal reinsurer under Nebraska law, allowing it to reinsure business ceded to it from PLIC without the need to post collateral. Effective July 1, 2021, the PLIC to RGBM treaty was amended to remove the Company's obligation to provide a $345 million letter of credit ("RGBM LOC") and the RGBM LOC was terminated on July 16, 2021. The treaty was modified from a 100% coinsurance with funds withheld to a 100% coinsurance agreement. In connection with the RGBM LOC, PLC provided a guarantee to the bank for certain obligations under the letter of credit reimbursement agreement, which was terminated in August 2021. PLC continues to have a capital maintenance agreement with RGBM.

PLRL Canada branch and RIBM UK branch (previously PLRL) have retrocession contracts with PLIC for certain reinsurance business. The amount due to affiliates balance consists of accrued premiums and commissions, retrocession recoverables, deposits due to and from PLIC, guarantee fees charged to PLRL Canada branch and RIBM UK branch (previously PLRL) by PLIC, and outstanding balances on the quarterly PLIC statement. The transactional amounts relating to this agreement are recognized in the Consolidated Statements of Operations in the net written premiums, claims and other policy benefits, as well as acquisition costs and other insurance expenses. The agreement also generates Consolidated Statements of Financial Position items that are recognized in reinsurance receivables, funds withheld, other assets and reinsurance payable to affiliates. The amount impacting the primary statements has been outlined in the related parties table below. On January 1, 2022, the PLRL to PLIC retrocession contract transferred from PLRL to the RIBM UK branch by way of the Part VII.

PLRL had an outwards reinsurance arrangement in place with RGBM that was novated from PLRL to RIBM on January 1, 2022. Subsequently on January 1, 2022, the retrocession was recaptured. RIBM (previously PLRL) retrocedes excess of loss on a small amount of protection business as part of a retrocession pool. RIBM (previously PLRL) further retrocedes a share of risk on certain mortality policies. This retrocession arrangement is based on arm’s length commercial terms and conditions. The transactional amounts relating to this agreement are recognized in the Consolidated Statements of Operations in the net written premiums, claims and other policy benefits, as well as acquisition costs and other insurance expenses. The agreement also generates Consolidated Statements of Financial Position items that are recognized in reinsurance receivables, other assets, other liabilities and reinsurance payable to affiliates. The amount impacting the primary statements has been outlined in the related parties table below. On January 1, 2022, this contract was novated from PLRL to the RIBM UK branch.

15. TRANSACTIONS WITH AFFILIATES (continued)

In 2021, when the first GFS transactions were written into PLRL, the business was 100% retroceded from PLRL to PLIC (the “2021 Structure”). As PLRL bore no insurance risk, GFS business was accounted for under the deposit method under this arrangement and this has remained the case following the transfer of all this GFS business from PLRL to RIBM UK Branch.

The most significant impact on the Consolidated Financial Statements under this transaction structure arises from fee income payable to the Company from PLIC, which is paid in advance as each contract incepts and is unwound annually as the fee is earned.

In 2022, there was a transaction written under the 2021 structure (i.e. written into RIBM UK Branch) and transactions written directly into the Company’s core rather than into a branch, with insurance risk being retained. As the Company retains insurance risk, insurance accounting will be applied under the new structure.

(b) PROMISSORY NOTES

On November 6, 2019, PLC issued a promissory note to RGBM to draw up to $50 million at an interest rate of London Inter-Bank Offered Rate ("LIBOR") plus 3.375% per annum. The debt was repaid in February 2021, and the facility expired on December 31, 2021. No interest fee (2021: $0.3 million) and undrawn fee (2021: $0.03 million) were charged to RGBM for the year ended December 31, 2022.

On December 9, 2021, RGBM received a short-term promissory note of $200 million from PLC which matured on March 31, 2022. The full amount was drawn down in 2021. Interest on the loan was calculated at a fixed rate of 0.6% on the drawn amount and 0.15% on the undrawn facility. The total interest paid for the year ended December 31, 2022 was $0.3 million (2021: $0.1 million), with no undrawn fee (2021: nil) as the full amount was drawn down. This amount was fully repaid on March 22, 2022.

On September 23, 2021, RIBM received a 1-year term promissory note of $100 million from PLIC. There was an initial draw down of $70 million, which was repayable as on September 30, 2022. Interest on the loan was calculated at a fixed rate of 0.7% on the drawn amount and 0.2% on the undrawn facility. The total interest paid for the year ended December 31, 2022 was $0.2 million (2021: $0.1 million), with an undrawn fee of $0.02 million. This amount was fully repaid and the note was cancelled on May 6, 2022.

On November 2, 2022, RIBM entered into an uncommitted revolving credit facility with its ultimate parent, PMHC and various subsidiaries of PMHC, intended for short-term liquidity management purposes. No drawdowns have been made.

Expenses associated with the promissory notes, such as interest and undrawn fees, are included in the operating expenses in the Consolidated Statements of Operations.

(c) GUARANTEE ARRANGEMENTS

PLC and PLIC, wholly owned subsidiaries of PMHC, provide guarantees to RIBM, PLRA and PLRL for the performance of its non-affiliate reinsurance obligations. The PLIC guarantee is secondary to the agreement provided by PLC and will only be triggered in the event of non-performance by PLC. There is also a similar guarantee in place with PLIC only for a subset of the RGBM business.

The Company pays fees to PLC and PLIC for these guarantees which are settled on an annual basis and are recognized under operating expenses in the Consolidated Statements of Operations. The guarantee arrangements have an indefinite term.

Effective January 1, 2022, RIBM became the primary borrower under the MUFG term loan and its obligations under the loan are guaranteed by PLC. RIBM pays PLC a guarantee fee of 0.7% on the loan amount.

15. TRANSACTIONS WITH AFFILIATES (continued)

(d) **ANCILLARY OWN FUNDS**

A share subscription agreement was entered into by RIBM, RGBM, PLRH LLC and PLC in relation to an Ancillary Own Fund arrangement ("AOF"), which became effective January 1, 2022 (the "SSA"). RIBM received approval from the BMA for the arrangement to the amount of $230 million effective from January 1, 2022. The arrangement represents unpaid shares which can be recognized as Tier 2 capital in the BMA Capital and Solvency Return.

Under the SSA, RIBM may, on demand, require that PLC procures that RGBM subscribes for up 230 million shares in RIBM. If triggered, PLC shall make an advance to PLRH LLC which PLRH LLC shall use to subscribe for shares in RGBM of the same amount. If RIBM breaches minimum solvency requirements, it must exercise its rights under the SSA. RGBM will then in turn be required to subscribe for an equivalent amount of shares in RIBM. RIBM also entered into a fee letter with PLC relating to the payment of fees by RIBM to PLC in consideration of the obligations to be entered into by PLC under the SSA. The annual fee is calculated as 0.7% of the total unpaid shares issued.

On January 1, 2022, the PLRL AOF arrangement (which involved £165 million ($222 million) unpaid shares issued to PLC) was released and corresponding unpaid issues shares were cancelled on January 20, 2022.

(e) SERVICE AGREEMENTS

RGBM has service agreements with PLIC and Pacific Services Canada Ltd ("PSCL"). The services provided include management, IT Infrastructure and administrative services.

RGBM, PLRA and RIBM have support service agreements with Pacific Life Re Services Limited ("PLRS") and Pacific Life Services Bermuda Limited ("RSBM"). The services provided by PLRS and RSBM include management, IT Infrastructure, finance and administrative services.

RIBM and PLRL have support service agreements with Pacific Life Re Services Singapore Pte. Limited ("RSSG"). The services provided include tenancy, management, finance and administrative services.

PLRL has a support service agreement with PSCL. The services provided include tenancy, management, finance and administrative services.

PLRA has a support services agreement with PSCL under which it is charged for selected research and development services.

UnderwriteMe Australia Pty Limited ("UMAL") has entered into a support services agreement with PLRA. The services provided by PLRA include tenancy, management, finance, legal and administration services. PLRA also recharged amounts to UnderwriteMe Technology Solutions Limited.

PLRH LLC has an agreement in place with PLRA to reimburse costs directly related to Project Valentine.

All service agreement intercompany transactions are settled on a monthly basis.

(f) REINSURANCE TRUSTS

In connection with the acquisition of the life retrocession business from Manulife Financial Corporation on August 31, 2011, PLIC entered into agreements to reinsure a block of U.S. life reinsurance business on a 100% coinsurance basis. The underlying reinsurance is comprised of coinsurance and yearly renewable term (YRT) treaties. Upon closing the transaction in August 2011, PLIC retroceded the underlying YRT treaties on a 100% modified coinsurance basis to the Company effective July 1, 2011. RGBM received $30 million in funding from PLIC to establish a reinsurance trust in order to satisfy the obligations of RGBM to the

15. TRANSACTIONS WITH AFFILIATES (continued)

beneficiary, PLIC. Following the restrike of the PLIC to RGBM treaty effective July 1, 2021, this trust was now nil and any obligation on the part of RGBM to provide a reinsurance trust was removed.

(g) GROUP RELIEF

When unused tax losses are transferred to the Company from another group company, the Company makes a payment in cash that is equal to the amount of the tax losses surrendered.

16. TRANSFER OF ENTITIES UNDER COMMON CONTROL

On January 1, 2021, as part of Project Valentine, the entire share capital of PLRH was contributed to RGBM from PLRH LLC, and on July 1, 2021 the entire share capital of PLRH was contributed to RIBM from RGBM. The results of operations for the Company for the year ended December 31, 2022 and for prior year December 31, 2021 include the results of PLRH as of the beginning of 2021 in accordance with U.S. GAAP guidance Accounting Standards Codification ("ASC" or "Codification") 805-50 on mergers of entities under common control.

PLRL, a wholly owned direct subsidiary of PLRH, is an international reinsurance company registered in the United Kingdom and regulated and authorized by the Prudential Regulatory Authority and the Financial Conduct Authority. Until January 1, 2022, PLRL wrote life reinsurance business in Europe, Asia, and Canada and provided retrocession services to PLRA. From January 1, 2022, PLRL only wrote new business in South Korea and Canada. On January 1 2023, the Canada and South Korea business were transferred to RIBM from PLRL. Having transferred all the business out of PLRL, PLRL has approved and commenced the process of cancelling all of its regulatory permissions in the UK legal entity and its branches. It is expected that PLRL will be fully deauthorized and then subsequently wound up in the first half of 2024. PLRH is expected to be wound up in the first half of 2024 alongside PLRL.

17. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

The Company leases office facilities in Australia and South Korea under various operating leases, which in most, but not all cases, are non-cancellable. Rent expense, which is included in operating and other expenses, in connection with these leases was $1.6 million for the year ended December 31, 2022 (2021: $1.7 million). Aggregate minimum future office lease commitments are as follows:

Years ended December 31, 2022:

(in thousands)	**$**
Aggregate minimum future office lease commitments:	
2023	2,148
2024	2,388
2025	1,383
2026	905
2027	883
2028+	2,503
Total	**10,210**

LETTERS OF CREDIT

On June 29, 2017, the Company entered into a revolving bond facility of £100 million ($135.3 million) with Australia and New Zealand Banking Group Limited ("ANZ"), expiring June 30, 2022. On June 30, 2017, ANZ issued a letter of credit pursuant to this facility for £50 million ($67.6 million) to Rothesay Life with a maturity date of June 30, 2022. The facility was transferred across from PLRL to RIBM UK branch as part of the Part VII transfers. On June 29, 2022, the letter of credit was reduced from £50 million ($67.6 million) to £40 million ($54.1 million), the expiry date was extended to June 30, 2027, and the letter of credit was transferred from the expiring 2017 facility into a 2022 renewed and amended facility with the same bank.

PLEDGED ASSETS

As general and continuing collateral security for the due payment, performance and satisfaction of the obligations under the coinsurance agreements with Manulife, RGBM has pledged assets to the benefit of Manulife. RGBM ensures that the fair value of pledged assets is greater than or equal to the minimum value as per the Reinsurance Security Agreements on a regular basis. Should the fair value of pledged assets fall below the minimum value, RGBM will promptly deposit additional assets into the account to cover any shortfall. The assets are included in the investments (restricted) and restricted cash on the Consolidated Statements of Financial Operations. The restricted assets are held by a custodian in Canada and the amounts pledged are presented in table below.

17. COMMITMENTS AND CONTINGENCIES (continued)

As general and continuing collateral security covering obligations under the guidelines by Office of the Superintendent of Financial Institution (OSFI). PLRL Canada Branch manages its capital to meet these requirements and to maintain an optimal capital structure. Should the fair value of pledged assets fall below the minimum value, PLRL Canada Branch will promptly deposit additional assets into the account to cover any shortfall. The assets are included in the investments (restricted) and restricted cash on the Consolidated Statements of Financial Operations. The restricted assets are held by a custodian in Canada.

As general and continuing collateral security covering obligations under reinsurance arrangements held with certain counterparties, RIBM (previously PLRL) has pledged assets to the benefit of these counterparties. RIBM (previously PLRL) ensures that the carrying value of pledged assets is greater than or equal to the minimum value as per the reinsurance security agreements on a regular basis. Should the carrying value fall below the minimum value, RIBM (previously PLRL) deposits additional assets to cover any shortfall. The assets are included in investments and restricted cash on the Consolidated Statement of Financial Condition. Assets are held by a custodian and the amounts pledged are presented in the table below.

Year ended December 31:	**2022**	**2021**
(in thousands)	**$**	**$**
Pledged assets		
Fixed maturity securities	1,326,719	1,156,799
Cash	25,204	10,529
Other restricted cash	382	11,583
Total restricted investments	1,326,719	1,156,799
Total restricted cash	25,586	22,112
Total restricted assets	**1,352,305**	**1,178,911**
Total as a percentage of investable assets	**44%**	**29%**

18. SUBSEQUENT EVENTS

On January 1, 2023, the PLRL Canada Branch business was transferred to the Canada Branch of RIBM by way of individual novation of treaties. Loan notes were issued by RIBM to PLRL as consideration for the Canada business transfers. On the same day the retrocession arrangement between PLRL Canada Branch and PLIC was recaptured.

On January 1, 2023, the majority of Canadian market reinsurance business in RGBM was transferred to RIBM Canada branch through novation of individual treaties.

On January 1, 2023, the PLRL Canada Branch business was transferred to the Canada Branch of RIBM by way of individual novation of treaties. Loan notes were issued by RIBM to PLRL as consideration for the Canada business transfers. On January 1, 2023, the majority of Canadian market reinsurance business in RGBM was transferred to RIBM Canada branch through novation of individual treaties. On the same day the retrocession arrangement between PLRL Canada Branch and PLIC was recaptured. Also on January 1, 2023, RIBM Canada branch set up two new 75% retrocession treaties with RGBM, one for Protection and the other for Longevity business.

On January 1, 2023, the PLRL Korea Branch business was transferred to the Korea Branch of RIBM by way of a South Korean law portfolio transfer for cash.

18. SUBSEQUENT EVENTS (continued)

Having transferred all the business out of PLRL during the period, PLRL has approved and commenced the process of cancelling all of its regulatory permissions in the legal entity in UK and its branches. (The Singapore Branch of PLRL was deauthorized on June 8, 2022.) It is expected that PLRL will be fully deauthorized and then subsequently wound up in the first half of 2024.

PLRH is expected to be wound up in the first half of 2024 alongside PLRL.

On March 20, 2023, RGBM declared a distribution of £9 million ($11 million) to PLRH LLC, which was settled on March 28, 2023.

The Pacific Life group has been designated an Internationally Active Insurance Group (IAIG) with effect from February 5, 2023. The designation has been made by the Nebraska Department of Insurance (Nebraska DOI) under the rules of the International Association of Insurance Supervisors.