Aspida Life Re Ltd.

Financial Statements

December 31, 2022 and 2021

With Report of Independent Auditors

Table of Contents

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Report of Independent Auditors

The Board of Directors
Aspida Life Re Ltd.

Opinion

We have audited the financial statements of Aspida Life Re Ltd. (the Company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations and comprehensive (loss), shareholder's equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

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

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

Ernst & Young Ltd.

Hamilton, Bermuda
April 27, 2023

Aspida Life Re Ltd.

Balance Sheets
December 31, 2022 and December 31, 2021

(Expressed in thousands USD)

	December 31, 2022	December 31, 2021
ASSETS		
Investments:		
Fixed maturity securities, available for sale, at fair value (amortized cost of $208,985 at December 31, 2022 and $59,420 at December 31, 2021)	$ 195,102	$ 59,087
Funds withheld at interest (portion at fair value: 2022 - $(523,755) and 2021 - $9,255)	4,888,510	3,222,292
Derivative assets	34,348	84,163
Total investments	5,117,960	3,365,542
Cash and cash equivalents	91,027	66,122
Restricted cash and cash equivalents	49,425	12,140
Accrued investment income	1,650	386
Reinsurance recoverable	296,376	29,751
Deferred policy acquistion costs and value of business acquired	196,960	56,652
Deferred sales inducements	4,900	5,343
Other assets	2,164	1,139
Total Assets	5,760,462	3,537,075
LIABILITIES AND SHAREHOLDER'S EQUITY		
Interest sensitive contract liabilities (portion at fair value: 2022- $223,916 and 2021 - $309,785)	$ 5,643,584	$ 3,226,124
Future policy benefits	57,604	32,492
Payables for reinsurance	29,600	10,698
Ceding commission payable	61,412	-
Payable to affiliates and related parties	14,282	5,034
Payable for securities	1,666	-
Other liabilities	4,033	2,177
Total liabilities	5,812,181	3,276,525
Shareholder's Equity:		
Common stock ($1.00 par value, 375 shares authorized, 375 shares issued and outstanding at December 31, 2022 and 2021)	375	375
Additional paid-in-capital	417,007	257,007
Accumulated other comprehensive loss	(13,880)	(333)
Retained (deficit) earnings	(455,221)	3,501
Total shareholder's (deficit) equity	(51,719)	260,550
Total Liabilities and Shareholder's Equity	$ 5,760,462	$ 3,537,075

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

Aspida Life Re Ltd.

Statements of Operations and Comprehensive Loss
For the years ended December 31, 2022 and December 31, 2021

(Expressed in thousands USD)

	Year Ended December 31, 2022	Year Ended December 31, 2021
Revenues:		
Product charges	$ 14,729	$ 10,086
Net investment income	3,534	676
Investment related (losses) gains	(455,799)	122,560
Total revenues	(437,536)	133,322
Benefits and expenses:		
Interest sensitive contract benefits	(24,486)	104,646
Amortization of deferred sales inducements	443	285
Future policy and other policy benefits	26,000	9,653
Amortization of deferred acquisition costs and value of business acquired	(8,336)	3,155
Policy and other operating expenses	27,565	21,184
Total benefits and expenses	21,186	138,923
Net loss	$ (458,722)	$ (5,601)

Statements of Comprehensive Loss

Net loss	(458,722)	(5,601)
Unrealized loss on available-for-sale securities	(13,547)	(194)
Other comprehensive loss	(13,547)	(194)
Comprehensive Loss	$ (472,269)	$ (5,795)

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

Statement of Shareholder's Equity (Deficit)
For the years ended December 31, 2022 and December 31, 2021

(Expressed in thousands USD)

	Common Stock	Additional Paid-in-Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total Shareholder's Equity (Deficit)
Balance at December 31, 2020	$ 375	$ 181,007	$ 9,102	$ (139)	$ 190,345
Net loss	-	-	(5,601)	-	(5,601)
Other comprehensive loss	-	-	-	(194)	(194)
Capital contributions received	-	76,000	-	-	76,000
Balance at December 31, 2021	375	257,007	3,501	(333)	260,550
Net loss	-	-	(458,722)	-	(458,722)
Other comprehensive loss	-	-	-	(13,547)	(13,547)
Capital contributions received	-	160,000	-	-	160,000
Balance at December 31, 2022	$ 375	$ 417,007	$ (455,221)	$ (13,880)	$ (51,719)

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

Aspida Life Re Ltd.

Statements of Cash Flows
For the years ended December 31, 2022 and December 31, 2021

(Expressed in thousands USD)

	Year Ended December 31, 2022	Year Ended December 31, 2021
Cash flows from operating activities		
Net loss	$ (458,722)	$ (5,601)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization of deferred acquisition costs and value of business acquired	(8,336)	3,155
Amortization of deferred sales inducements	443	285
Net amortization of net investment premiums, discounts and other	391	(757)
Payment at inception of reinsurance agreements, net	6,824	-
Net recognized gains on investments and derivatives	(13,550)	(111)
Policy acquisition costs deferred	(81,726)	(56,380)
Change in operating assets and liabilities:		
Funds withheld receivable at fair value	548,746	7,006
Derivative assets	44,856	(1,478)
Accrued investment income	(1,264)	(86)
Reinsurance recoverable	(264,890)	(29,751)
Other assets	(1,025)	(1,139)
Interest sensitive contract liabilties	205,103	71,450
Future policy benefits	25,112	19,173
Payables for reinsurance	18,902	(855)
Payable for securities	1,666	-
Payable to affiliates and related parties	9,248	5,034
Other liabilities	1,856	(2,230)
Net cash provided by operating activities	33,634	7,715
Cash flows from investing activities		
Sales, maturities, and repayments of:		
Available-for-sale securities	9,097	4,815
Derivative instruments and other investment assets	31,695	26,455
Investment funds	-	(21,000)
Purchases of:		
Available-for-sale securities	(156,571)	(21,537)
Derivative instruments and other investment assets	(26,736)	(27,781)
Investment funds	-	21,000
Other investing activities, net	11,071	2,027
Net cash used in investing activities	(131,444)	(16,021)
Cash flows from financing activities		
Capital contributions	160,000	76,000
Net cash provided by financing activities	160,000	76,000
Net increase in cash and cash equivalents	62,190	67,694
Cash and cash equivalents at beginning of period (1)	78,262	10,568
Cash and cash equivalents at end of period (1)	$ 140,452	$ 78,262
Supplementary Information		
Non-Cash Transactions		
Deposits on investment-type policies and contracts through reinsurance agreements	$ 2,483,579	$ 1,151,573
Withdrawals on investment-type policies and contracts through reinsurance agreements	268,615	180,171
Ceding commision on reinsurance agreements	54,588	-
Market value of hedges held as part of reinsurance agreements	1,735	-

(1) - Cash and cash equivalents includes restricted cash and cash equivalents

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

Note 1. Description of Business

Aspida Life Re Ltd. (“We”, the “Company” or “Aspida Re”), a Bermuda tax exempted company, is a wholly owned subsidiary of Aspida Holdings Ltd., an indirect subsidiary of Ares Management Corporation (“Ares”). Aspida Re provides third party reinsurance solutions covering a variety of products including fixed, deferred and pay-out annuities.

The Company registered with the Bermuda Monetary Authority (the “BMA”) as a Class E long-term insurer from a Class C reinsurer on December 18, 2020, under the Insurance Act 1978 of Bermuda.

Note 2. Summary of Significant Accounting Policies

Basis of presentation - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Use of Estimates - The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments when facts and circumstances dictate. These estimates are based on information available as of the date of the financial statements, therefore, actual results could differ from those estimates and assumptions.

Our principal estimates impact:

- The fair value of investments;
- Valuation of derivatives, including embedded derivatives;
- Deferred acquisition costs (“DAC”), deferred sales inducements (“DSI”) and value of business acquired (“VOBA”);
- Future policy benefit reserves; and
- Interest sensitive contracts.

Investments - *Fixed Maturity Securities* **–** Fixed maturity securities include U.S. government and corporate bonds, commercial mortgage-backed securities (“CMBS”), residential mortgage-backed securities (“RMBS”) and asset-backed securities (“ABS”). We classify fixed maturity securities as available-for-sale (“AFS”) at the time of purchase and subsequently carry them at fair value. Fair value hierarchy and valuation methodologies are discussed in Note 5 – Fair Value. Classification is dependent on a variety of factors including our expected holding period, election of the fair value option and asset and liability matching.

We typically record these transactions on a trade date basis, with any unsettled trades presented within other assets or other liabilities on the Balance Sheets. Bank loans and private placements are recorded on a settlement date basis.

AFS Securities **–** All of the Company’s fixed-maturity securities are classified as AFS and reported at fair value on the Balance Sheets with unrealized gains and losses, net of allowances for expected credit losses, tax and adjustments to deferred acquisition costs, deferred sales inducements, value of business acquired (“DAC, DSI, VOBA respectively”) and future policy benefits, if applicable, in accumulated other comprehensive loss (“AOCL”) on the Balance Sheets. Sales of securities are determined on a specific identification basis. Interest income is recognized when earned using an effective yield method based on

Note 2. Summary of Significant Accounting Policies (Continued)

the economic life of the securities, giving effect to amortization of premium and accretion of discount. The amortization of premium and accretion of discount also takes into consideration call and maturity dates.

We typically record these transactions on a trade date basis, with any unsettled trades presented within other assets or other liabilities on the Balance Sheets. Bank loans and private placements are recorded on a settlement date basis.

We identify securities that could potentially have impairments that are other-than-temporary ("OTTI") by monitoring market events for changes in market interest rates, credit issues, changes in business climate and other similar factors. Indicators of impairment may include changes in the issuers' credit ratings and outlook, frequency of late payments, pricing levels, key financial ratios, financial statements, revenue forecasts and cash flow projections. We review securities on a case-by-case basis to determine if a decline in value exists and whether losses should be recognized. We consider relevant facts and circumstances in evaluating whether a credit or interest rate-related impairment of a security is other than temporary. The Company recognized no OTTI expense for the years ended December 31, 2022 and 2021, respectively.

Funds Withheld at Interest– Funds withheld at interest represents a receivable for amounts contractually withheld by ceding companies in accordance with funds withheld ("FWH") and modified co-reinsurance ("MODCO") reinsurance agreements in which the Company acts as reinsurer. Generally, assets equal to statutory reserves are withheld and legally owned by the ceding company. Any excess or shortfall is settled periodically as detailed within each reinsurance agreement. Although the assets in funds withheld are legally owned by the ceding company, the assets are held separately from the general account of the cedants and all economic rights and obligations on the assets accrue to the Company. The underlying agreements typically contain embedded derivatives as discussed below.

Investment Income – We recognize investment income as it accrues or is legally due. Investment income on fixed maturity securities includes coupon interest, as well as the amortization of any premium and the accretion of any discount. Realized gains and losses on sales of investments are included in investment related (losses) gains on the Statements of Operations and Comprehensive Loss. Investment expenses are included in realized gains and losses on the income statement. Realized gains and losses on investments sold are determined based on a first-in first-out method.

Derivative Instruments – We invest in equity options to hedge the risks associated with our indexed annuity products and reinsurance agreements. Equity options are financial instruments with values that are derived from financial indices. Derivative assets and liabilities are carried at fair value on the balance sheets. We record these transactions on a trade date basis, with any unsettled trades recorded within other assets or other liabilities on the Balance Sheets.

Embedded Derivatives – We reinsure products, primarily fixed indexed annuity products, that contain embedded derivatives. If we determine the embedded derivative has economic characteristics not clearly and closely related to the economic characteristics of the host contract, and a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host contract and accounted for separately, unless the fair value option is elected on the host contract. Under the fair value option, bifurcation of the embedded derivative is not necessary as the entire contract is carried at fair value with all related gains and losses recognized in investment related (losses) gains on the Statements of Operations and Comprehensive Loss. Embedded derivatives are carried on the Balance Sheets at fair value in the same line item as the host contract.

Note 2. Summary of Significant Accounting Policies (Continued)

Fixed indexed annuity contracts allow the policyholder to elect a fixed interest rate return or an equity market component for which interest credited is based on the performance of certain equity market indices. The equity market option is an embedded derivative. The benefit reserve is equal to the sum of the fair value of the embedded derivative and the host (or guaranteed) component of the contracts. The fair value of the embedded derivatives is computed as the present value of benefits attributable to the excess of the projected policy contract values over the projected minimum guaranteed contract values. The projections of policy contract values are based on assumptions for future policy growth, which include assumptions for expected index credits on the next index crediting date, expected future equity option costs in subsequent renewal periods, interest rates and policyholder behavior assumptions including lapses, partial withdrawals, mortality and the use of benefit riders. The projections of minimum guaranteed contract values include the same assumptions for policyholder behavior as were used to project policy contract values. The embedded derivative cash flows are discounted using a rate that reflects our own credit rating. The host contract is established at contract inception or in the case of an acquisition, the purchase date, as the initial account value less the initial fair value of the embedded derivative and accreted over the policy's life. The host contract accretion rate is calculated as of the policy issue date or purchase date, whichever is later, and remains locked in thereafter. Changes in the fair value of embedded derivatives associated with fixed indexed annuities, are included in interest sensitive contract benefits on the Statements of Operations and Comprehensive Loss.

Additionally, reinsurance agreements written on a FWH or MODCO basis contain embedded derivatives. We have determined that the right to receive the total return on the assets supporting the funds withheld at interest, represents a total return swap with a floating rate leg. The fair value of embedded derivatives on funds withheld and MODCO agreements is computed as the unrealized gain (loss) on the underlying assets and is included within funds withheld at interest on the balance sheets for assumed and ceded agreements. The change in the fair value of the embedded derivatives is recorded in investment related (losses) gains on the Statements of Operations and Comprehensive Loss. Assumed earnings from funds withheld at interest, and changes in the fair value of embedded derivatives are reported in operating activities on the statement of cash flows. Contributions to and withdrawals from funds withheld at interest are reported in operating activities on the Statements of Cash Flows.

Reinsurance - We assume investment contracts under coinsurance, FWH and MODCO bases. Assets and liabilities assumed are presented gross on the Balance sheets. The change in assumed reserves is presented net in interest sensitive contract benefits on the Statements of Operations and Comprehensive Loss. Amounts owed to/from ceding companies are presented net on a treaty-by-treaty basis in reinsurance recoverable and payables for reinsurance on the Balance Sheets.

Accounting for reinsurance requires the use of assumptions, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risk. We attempt to minimize our counterparty credit risk through the structuring of the terms of our reinsurance agreements, including the use of trusts, and we monitor credit ratings of counterparties for signs of declining credit quality. When a ceding company does not report information on a timely basis, we record accruals based on the best available information at the time, which includes the reinsurance agreement terms and historical experience.

Note 2. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents – Highly liquid securities and other investments with an original or remaining maturity of three months or less at the date of purchase are considered to be cash equivalents. The Company held cash of $56.0 million and $66.1 million at December 31, 2022 and 2021 respectively. The Company held cash equivalents of $35.0 million and $0.0 at December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, substantially all cash balances were at major financial institutions earning interest. At times the Company's cash balances exceed those that are federally insured. To date, the Company has not recognized any losses caused by uninsured balances.

Restricted Cash and Cash Equivalents – Restricted cash and cash equivalents consists of balances held in trust as part of certain reinsurance agreements to secure statutory reserves and liabilities of the insured parties. The Company held restricted cash equivalents of $49.4 million and $12.1 million at December 31, 2022 and 2021, respectively. Restricted cash and cash equivalents is reported as a separate line item on the Balance Sheets but is included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the Statements of Cash Flows.

Deferred Policy Acquisition Costs, and Value of Business Acquired and Deferred Sales Inducements – Costs related directly to the successful acquisition of new, or renewal of, insurance or investment contracts are deferred to the extent they are recoverable from future premiums or gross profits. These costs consist of commissions and policy issuance costs, as well as sales inducements credited to policyholder account balances, and are included in deferred acquisition costs, deferred sales inducements and value of business acquired on the Balance Sheets. We perform periodic tests, including at issuance, to determine if the deferred costs are recoverable. If we determine that the deferred costs are not recoverable, we record a cumulative charge to the current period. Costs deferred and recognized as DAC or DSI are amortized over the lives of the policies, based upon the proportion of the present value of actual and expected deferred costs to the present value of actual and expected gross profits to be earned over the life of the policies.

We establish VOBA for blocks of insurance contracts acquired through the acquisition of insurance entities. We record the fair value of the liabilities assumed in two components: reserves and VOBA. Reserves are established using our best estimate assumptions consistent with the policies described below for interest sensitive contract liabilities and future policy benefits. VOBA is the difference between the fair value of the liabilities and the reserves. VOBA can be either positive or negative. Any negative VOBA is recorded within the associated reserves. Positive VOBA is recorded in deferred policy acquisition costs and value of business acquired on the Balance Sheets. We perform periodic tests to determine if the VOBA remains recoverable. If we determine that VOBA is not recoverable, we record a cumulative charge to the current period.

VOBA associated with investment contracts without significant revenue streams from sources other than investment of the policyholder funds is amortized using the effective interest method. Negative VOBA is amortized at a constant rate in relation to applicable net policyholder liabilities.

Interest Sensitive Contract Liabilities – Investment contracts include fixed indexed and traditional fixed annuities in the accumulation phase. We carry liabilities for fixed annuities at the account balances without reduction for potential surrender or withdrawal charges. Liabilities for immediate annuities without significant mortality risk are calculated as the present value of future liability cash flows and policy maintenance expenses discounted at contractual interest rates. For a discussion regarding our indexed products, refer above to the embedded derivative discussion. Changes in interest sensitive contract

Note 2. Summary of Significant Accounting Policies (Continued)

liabilities, excluding deposits and withdrawals, are recorded in interest sensitive contract benefits or product charges on the Statements of Operations and Comprehensive Loss.

Future Policy Benefits – Liabilities for nonparticipating long-duration contracts are established using accepted actuarial valuation methods which require the use of assumptions related to expenses, investment yields, mortality, morbidity and persistency, with a provision for adverse deviation, at the date of issue or acquisition. We base other key assumptions, such as mortality and morbidity, on industry standard data adjusted to align with actual company experience, if necessary.

We reinsure deferred annuity contracts which contain guaranteed lifetime withdrawal benefit ("GLWB") and guaranteed minimum death benefit ("GMDB") riders. We establish future policy benefits for GLWB and GMDB riders by estimating the expected value of withdrawal, and death benefits in excess of the projected policyholder account balances. We recognize the excess proportionally over the accumulation period based on total actual and expected assessments. The methods we use to estimate the liabilities have assumptions about policyholder behavior, which includes lapses, withdrawals and utilization of benefit riders; mortality, expected yield on investments supporting the liability; and market conditions affecting the account balance growth.

Ceding Commission Payable – During the year ended December 31, 2022, the Company entered into a reinsurance treaty in which it is stated that a ceding commission of $68.2 million is payable from the Company, as reinsurer, to the cedant. The commission is to be paid in ten equal annual installments of $6.8 million and the first payment was made during the year ended December 31, 2022. The remaining amount payable is $61.4 million, of which $6.8 million is considered short-term and is due to be paid within 12 months of December 31, 2022. The amount payable is presented as a separate line item on the Balance Sheets and met the criteria to be recorded as DAC. Therefore, there is a corresponding asset recorded in deferred policy acquisition costs and value of business acquired on the Balance Sheets.

Due to Related Parties - Amounts reported as due to related parties arise from operational, administrative and asset management services provided by certain affiliates. See Note 10.

Legal Matters and Contingencies – The Company records legal fees and accruals in accordance with Accounting Standards Codification ("ASC") Topic 450, *Contingencies.* Contingencies arising from regulatory judgments, claims, assessments, guarantees, litigation, recourse reserves, fines, penalties, and other sources are recorded when deemed probable and reasonably estimable. Appropriate disclosure is made when a loss contingency is considered material and is either (i) probable but not reasonably estimable; or (ii) reasonably possible but not probable.

Recognition of Revenues and Related Expenses – Revenues for investment contracts, including surrender charges, market value adjustments, and GLWB/GMDB rider fees, are earned when assessed against policyholder account balances during the period. Interest credited to policyholder account balances and the change in fair value of embedded derivatives within fixed indexed annuity contracts is included in interest sensitive contract benefits on the Statements of Operations and Comprehensive Loss.

Advertising Expenses – Advertising costs are expensed as incurred. Total advertising costs were $0.04 million and $0 for the years ended December 31, 2022, and 2021, respectively. Advertising costs are recorded in "Policy and other operating expenses" within the Statements of Operations and Comprehensive Loss.

Note 2. Summary of Significant Accounting Policies (Continued)

Income taxes – At the present time, no taxes are levied in Bermuda on the Company's receipts, dividends, capital gains, gifts, or net profit. If such taxes are levied, the Company has received an undertaking from the Bermuda Government exempting it from all such taxes until March 31, 2035. As of November 18, 2021, the Company established a tax domicile in the United Kingdom ("UK"). The Company files UK taxes timely and in accordance with local tax law.

Reclassification – Certain reclassifications have been made in the Statements of Operations and Comprehensive Loss and certain comparative footnote tables to conform with current year presentation. Such reclassifications had no impact on net income.

Recent accounting pronouncements - In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, Leases (Topic 842), and amendments thereto, related to the accounting for leases (collectively referred to as "ASC 842"). ASC 842 establishes a right-of-use, or ROU, model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The Company adopted this guidance effective January 1, 2022, applying the modified retrospective transition approach. Adoption of this guidance did not have a significant impact on the Company's financial statements as the Company is only party to one operating lease for building space. The ROU asset of $0.9 million is presented within other assets on the Balance Sheets and also therein the associated liability of $0.9 million is presented within other liabilities. Further disclosures required by ASC 842 are considered immaterial to the Company's financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses(Topic 326): Measurement of Credit Losses on Financial Instruments*, and amendments thereto, introducing a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses ("CECL"). The new CECL model generally calls for the immediate recognition of all expected credit losses and applies to loans, accounts and trade receivables as well as other financial assets measured at amortized cost, loan commitments and off-balance sheet credit exposures, debt securities and other financial assets measured at fair value through other comprehensive income, and beneficial interests in securitized financial assets. The new guidance replaces the current incurred loss model for measuring expected credit losses, requires expected losses on available-for-sale debt securities to be recognized through an allowance for credit losses rather than as reductions in the amortized cost of the securities, and provides for additional disclosure requirements. The Company adopted this guidance effective January 1, 2023 applying the modified retrospective approach. We incurred a one-time allowance adjustment of $0.6 million. This amount was recorded as part of opening retained deficit, effective January 1, 2023.

On March 12, 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848) – Facilitation of the effects of Reference Rate Reform on Financial Reporting* and amendments thereto. The new guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, derivative contracts (including derivative instruments that use interest rates for margining, discounting, or contract price alignment), and other transactions affected by reference rate reform if certain criteria are met. The expedients and exceptions provided by the amendments do not apply to contract modifications made or hedging relationships entered into or evaluated after December 31, 2022, with exceptions for certain hedging relationships. The amendments are available for election from March 12, 2020, through December 31, 2022. This guidance may be elected and applied prospectively as contracts and hedging relationships

Note 2. Summary of Significant Accounting Policies (Continued)

are amended for the effects of reference rate reform. No such amendments were elected during the years ended December 31, 2022 or 2021.

In August 2018, the FASB issued ASU 2018-12, *Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts,* and amendments thereto. The new guidance will significantly change how insurers account for long-duration contracts. The amendments will change existing recognition, measurement, presentation, and disclosure requirements. Issues addressed in the new guidance include: 1) a requirement to review and, if there is a change, update assumptions for the liability for future policy benefits at least annually, and to update the discount rate assumption quarterly, 2) accounting for market risk benefits at fair value, 3) simplified amortization for deferred acquisition costs, and 4) enhanced financial statement presentation and disclosures. The guidance is effective for periods beginning after December 15, 2025 (the Company's fiscal year ended December 31, 2026) and certain provisions are required to be adopted on a fully retrospective basis, while others may be adopted on a modified retrospective basis. The Company is currently evaluating the impact of this guidance on its financial statements.

Note 3. Investments

AFS Securities – The following tables summarize the amortized cost, gross unrealized gains and unrealized losses, and estimated fair value of our AFS investments by security type at December 31, 2022 and 2021:

Amounts presented in thousands (USD)

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government and agencies	$ 500	$ -	$ (23)	$ 477
U.S. state, municipal and political subdivision	5,528	-	(823)	4,705
U.S. corporate bonds	154,605	476	(10,165)	144,916
ABS	14,708	59	(424)	14,343
CMBS	30,421	18	(2,457)	27,982
RMBS	3,223	-	(544)	2,679
Total	$ 208,985	$ 553	$ (14,436)	$ 195,102

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government and agencies	$ 500	$ -	$ (5)	$ 495
U.S. state, municipal and political subdivision	5,581	114	(26)	5,669
U.S. corporate bonds	53,339	176	(592)	52,923
Total	$ 59,420	$ 290	$ (623)	$ 59,087

Note 3. Investments (Continued)

The amortized cost and fair value of AFS securities are shown by contractual maturity below:

Amounts presented in thousands (USD)

	December 31, 2022	
	Amortized Cost	Fair Value
Due in one year or less	$ 4,137	$ 4,043
Due after one year through five years	57,071	55,024
Due after five years through ten years	63,179	60,176
Due after ten years	36,246	30,855
ABS, CMBS,RMBS	48,352	45,004
Investments, available for sale	$ 208,985	$ 195,102

Actual maturities can differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Unrealized Losses on AFS Securities – The following tables summarize the fair value and gross unrealized losses for AFS securities aggregated by class of security and length of time the fair value has remained below amortized cost:

Amounts presented in thousands (USD)

	December 31, 2022					
	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. government and agencies	$ -	$ -	$ 476	$ (23)	$ 476	$ (23)
U.S. state, municipal and political subdivision	1,995	(397)	2,709	(426)	4,704	(823)
U.S. corporate	60,004	(4,297)	31,214	(5,868)	91,218	(10,165)
ABS	5,355	(424)	-	-	5,355	(424)
CMBS	25,242	(2,457)	-	-	25,242	(2,457)
RMBS	2,678	(544)	-	-	2,678	(544)
Total	$ 95,274	$ (8,119)	$ 34,399	$ (6,317)	$ 129,673	$ (14,436)

	December 31, 2021					
	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. government and agencies	$ -	$ -	$ 495	$ (5)	$ 495	$ (5)
U.S. state, municipal and political subdivision	3,148	(26)	-	-	3,148	(26)
U.S. corporate	40,905	(592)	-	-	40,905	(592)
Total	$ 44,053	$ (618)	$ 495	$ (5)	$ 44,548	$ (623)

At December 31, 2022, the Company held 128 AFS securities that were in an unrealized loss position. 43 of these securities were in an unrealized loss position longer than 12 months. At December 31, 2021, the Company held 47 AFS securities that were in an unrealized loss position. One of the AFS securities was in an unrealized loss position longer than 12 months. Unrealized losses on AFS securities can primarily be attributed to changes in market interest rates since acquisition. We did not recognize the unrealized losses in income as we intend to hold these securities and it is not more likely than not we will be required to sell a security before the recovery of its amortized cost.

Note 3. Investments (Continued)

Net Investment Income – Net investment income by asset class consists of the following:

Amounts presented in thousands (USD)

	Year Ended December 31, 2022	Year Ended December 31, 2021
Investment income:		
AFS	$ 3,315	$ 675
Cash, cash equivalents and short-term investments	-	1
Other	219	-
Net investment income	$ 3,534	$ 676

Investment Related (Losses) Gains– The Company's investment related (losses) gains are net of investment expenses and include the difference between the amortized cost and proceeds from the sale and redemption of AFS securities, net of impairment losses and expenses recorded through income. Investment related (losses) gains are also generated from changes in the fair values of derivatives and embedded derivatives.

Investment related (losses) gains by asset class consists of the following:

Amounts presented in thousands (USD)

	Year Ended December 31, 2022	Year Ended December 31, 2021
Fixed maturity AFS securities:		
Realized gains on investment activity	$ 10	$ 3
Realized losses on investment activity	(258)	(114)
Net losses on AFS	(248)	(111)
Derivative (losses) gains, net	(54,720)	46,541
Embedded derivatives, net	(379,083)	89,685
Less: Investment expenses	(21,748)	(13,555)
Total investment related (losses) gains, net	$ (455,799)	$ 122,560

Funds Withheld at Interest – Funds withheld at interest represents a receivable for amounts contractually withheld by ceding companies in accordance with MODCO and funds withheld reinsurance agreements in which we act as the reinsurer. Generally, assets equal to statutory reserves are withheld and legally owned by the ceding company.

The funds withheld at interest is comprised of the host contract and an embedded derivative. We are subject to the investment performance on the withheld assets with the total return directly impacting the host contract and the embedded derivative. The change in the embedded derivative in our reinsurance agreements, which is similar to a total return swap on the income generated by the underlying assets held by the ceding companies, is recorded in investment related gains (losses). Although we do not directly control the underlying investments in the funds withheld at interest, in each instance the ceding company has hired Ares Insurance Services (AIS) to manage the withheld assets in accordance with our investment guidelines.

Note 3. Investments (Continued)

The following summarizes the underlying investment composition of the funds withheld at interest at December 31, 2022 and 2021 respectively:

Amounts presented in thousands (USD)

	December 31, 2022	
	Carrying Value	Percent
U.S. Government and agencies	$ 243,780	5.0%
States, municipalities and territories	147,279	3.0%
Foreign corporate securities and foreign governments	5,617	0.1%
Corporate securities	1,386,345	28.4%
Collateralized loan obligations	79,275	1.6%
Residential mortgage backed securities	605,344	12.4%
Commercial mortgage backed securities	222,953	4.6%
Other asset backed securities	1,486,703	30.4%
Equity securities	320,030	6.5%
Money market funds	-	0.0%
Cash and cash equivalents	247,491	5.1%
Derivative instruments	1,507	0.0%
Investment Funds	142,186	2.9%
Total funds witheld at interest, including related party	$ 4,888,510	100%

	December 31, 2021	
	Carrying Value	Percent
U.S. Government and agencies	$ 48,527	1.5%
States, municipalities and territories	200,094	6.2%
Foreign corporate securities and foreign governments	8,145	0.3%
Corporate securities	1,504,577	46.7%
Collateralized loan obligations	35,945	1.1%
Residential mortgage backed securities	375,906	11.7%
Commercial mortgage backed securities	37,052	1.1%
Other asset backed securities	728,403	22.6%
Equity securities	36,029	1.1%
Money market funds	36,304	1.1%
Short-term investments	-	0.0%
Cash and cash equivalents	110,591	3.4%
Derivative instruments	6,792	0.3%
Investment Funds	93,927	2.9%
Total funds witheld at interest, including related party	$ 3,222,292	100%

Note 4. Derivative Instruments

We use a variety of derivative instruments to manage liability risks associated with our indexed annuity products. None of the Company's derivative instruments are classified as hedges for accounting purposes and, accordingly, all changes in the fair value of derivatives are included in investment related (losses) gains on the Statements of Operations and Comprehensive Loss.

The following table presents the notional amount and fair value of derivative instruments:

Amounts presented in thousands (USD)

	December 31, 2022			December 31, 2021		
	Notional Amount	Fair Value Assets	Fair Value Liabilities	Notional Amount	Fair Value Assets	Fair Value Liabilities
Derivatives not designated as hedges						
Equity options	$ 901,028	$ 34,348	$ -	$ 1,012,260	$ 84,163	$ -
Embedded Derivatives:						
Funds withheld receivable		(523,755)	-		9,255	-
Interest sensitive contract liabilties			223,916		-	309,785
Total derivatives not designated as hedges		$ (489,407)	$ 223,916		$ 93,418	$ 309,785

Derivatives Not Designated as Hedges

Equity options **–** We use equity indexed options to economically hedge fixed indexed annuity products that guarantee the return of principal to the policyholder and credit interest based on a percentage of the gain in a specified market index, primarily the S&P 500. To hedge against adverse changes in equity indices, we enter into contracts to buy equity indexed options. The contracts are net settled in cash based on differentials in the indices at the time of exercise and the strike price.

Embedded derivatives **–** We have embedded derivatives which are required to be separated from their host contracts and reported as derivatives. Host contracts include reinsurance agreements structured on MODCO or FWH basis and indexed annuity products.

Credit Risk – We may be exposed to credit-related losses in the event of counterparty nonperformance on derivative financial instruments. Generally, the current credit exposure of our derivative contracts is the fair value at the reporting date less any collateral received from the counterparty. We manage credit risk related to over-the-counter derivatives by entering into transactions with creditworthy counterparties.

A summary of the losses included in the Statements of Operations and Comprehensive Loss related to the Company's derivative instruments is presented below:

Amounts presented in thousands (USD)

	Year Ended December 31, 2022	Year Ended December 31, 2021
Derivatives:		
Equity options	(54,720)	46,541
Embedded derivatives funds withheld	(379,083)	89,685
Amounts recognized in investment related gains	(433,803)	136,226
Interest sensitive contract liabilities (1)	85,869	(36,116)
Total (losses) gains on derivatives not designated as hedges	(347,934)	100,110

(1) - Amounts are incuded within interest sensitive contract benefits on the Statement of Income.

Note 5. Fair Value Measurements

Fair value is the price we would receive to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants. We determine fair value based on the following fair value hierarchy:

Level 1 - Unadjusted quoted prices for identical assets or liabilities in an active market;

Level 2 - Quoted prices for inactive markets or valuation techniques that require observable direct or indirect inputs for substantially the full term of the asset or liability. Level 2 inputs include the following:

i. Quoted prices for similar assets or liabilities in active markets;
ii. Observable inputs other than quoted market prices; and
iii. Observable inputs derived principally from market data through correlation or other means.

Level 3 - Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These valuations use critical assumptions not readily available to market participants. Level 3 valuations are based on market standard valuation methodologies, including discounted cash flows, matrix pricing or other similar techniques.

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

The Company measures the fair value of its securities based on assumptions used by market participants in pricing the security. The most appropriate valuation methodology is selected based on the specific characteristics of the fixed maturity security and the Company will then consistently apply the valuation methodology to measure the security’s fair value. The Company's fair value measurement is based on a market approach, which utilizes prices and other relevant information generated by market transactions involving identical or comparable securities. Sources of inputs to the market approach include third-party pricing services, independent broker quotations, or pricing matrices. The Company uses observable and unobservable inputs in its valuation methodologies. Observable inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data. In addition, market indicators and industry and economic events are monitored, and further market data will be acquired when certain thresholds are met.

For certain security types, additional inputs may be used, or some of the inputs described above may not be applicable. For broker-quoted only securities, quotes from market makers or broker-dealers are obtained from sources recognized to be market participants. Management believes the broker quotes are prices at which trades could be executed based on historical trades executed at broker-quoted or slightly higher prices.

The fair value measurement of the call option derivatives is determined via market observable information. The market observable inputs are the market value of the option.

Aspida Life Re Ltd.
Notes to the Financial Statements

Note 5. Fair Value Measurements (Continued)

The Company's assets and liabilities measured at fair value on a recurring basis are summarized according to the fair value hierarchy as follows:

Amounts presented in thousands (USD)

	December 31, 2022			
	Quoted Prices in Active Markets (Level 1)	Significant Obervable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Available-for-sale securities:				
U.S. government and agency	$ -	$ 477	$ -	$ 477
U.S. state, municipal and political subdivision	-	4,705	-	4,705
U.S. corporate	-	144,916	-	144,916
ABS	-	14,343	-	14,343
CMBS	-	2,679	-	2,679
RMBS	-	27,982	-	27,982
Total AFS securities	$ -	$ 195,102	$ -	$ 195,102
Derivative assets	-	34,348	-	34,348
Cash and equivalents	91,027	-	-	91,027
Restricted cash	49,425	-	-	49,425
Funds withheld receivable	-	-	(523,755)	(523,755)
Total	$ 140,452	$ 229,450	$ (523,755)	$ (153,853)
Liabilities:				
Interest sensitive contract liability - embedded derivative	-	-	223,916	223,916
Total	$ -	$ -	$ 223,916	$ 223,916

	December 31, 2021			
	Quoted Prices in Active Markets (Level 1)	Significant Obervable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Available-for-sale securities:				
U.S. government and agency	$ -	$ 495	$ -	$ 495
U.S. state, municipal and political subdivision	-	5,669	-	5,669
U.S. corporate	-	52,923	-	52,923
Total AFS securities	$ -	$ 59,087	$ -	$ 59,087
Derivative assets	-	84,163	-	84,163
Cash and equivalents	66,122	-	-	66,122
Restricted cash	12,140	-	-	12,140
Funds withheld receivable	-	-	9,255	9,255
Total	$ 78,262	$ 143,250	$ 9,255	$ 230,767
Liabilities:				
Interest sensitive contract liability - embedded derivative	-	-	309,785	309,785
Total	$ -	$ -	$ 309,785	$ 309,785

Note 5. Fair Value Measurements (Continued)

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

AFS securities – We obtain the fair value for most marketable securities without an active market from a commercial pricing service. These are classified as Level 2 assets. The pricing services incorporate a variety of market observable information in their valuation techniques, including benchmark yields, trading activity, credit quality, issuer spreads, bids, offers and other reference data. This category typically includes corporate bonds, and US agency and government guaranteed securities, ABS, CMBS and RMBS.

Funds withheld at interest embedded derivative – We estimate the fair value of the embedded derivative based on the change in the fair value of the assets supporting the funds withheld receivable under MODCO and FWH reinsurance agreements. As a result, the fair value of the embedded derivative is classified as Level 3 based on the valuation methods used for the assets held supporting the reinsurance agreements.

Derivatives – Derivative contracts can be exchange traded or over-the-counter. Exchange-traded derivatives typically fall within Level 1 of the fair value hierarchy depending on trading activity. Over-the-counter derivatives are valued using valuation models or an income approach using third-party broker valuations. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates and correlation of the inputs. We consider and incorporate counterparty credit risk in the valuation process through counterparty credit rating requirements and monitoring of overall exposure. We also evaluate and include our own nonperformance risk in valuing derivatives. The majority of our derivatives trade in liquid markets; therefore, we can verify model inputs and model selection does not involve significant management judgment. These are typically classified within Level 2 of the fair value hierarchy.

Cash and cash equivalents, including restricted cash and cash equivalents – The carrying amount for cash equals fair value. We estimate the fair value for cash equivalents based on quoted market prices. These assets are classified as Level 1.

Interest sensitive contract liabilities embedded derivative – Embedded derivatives related to interest sensitive contract liabilities with fixed indexed annuity products are classified as Level 3. The valuations include significant unobservable inputs associated with economic assumptions and actuarial assumptions for policyholder behavior.

Level 3 Financial Instruments – The following are reconciliations for Level 3 assets and liabilities measured at fair value on a recurring basis:

Amounts presented in thousands (USD)

	December 31, 2022						
	Fair Value at January 1, 2022	Gains (Losses) Included in Income	Gains (Losses) Included in OCL	Purchases, Issuances, and Sales	Settlements	Transfers In (Out)	Fair Value at December 31, 2022
Assets							
Funds withheld receivables	$ 9,255	$ (533,010)	$ -	$ -	$ -	$ -	$ (523,755)
Total Level 3 Assets	9,255	(533,010)	-	-	-	-	(523,755)
Libabilities							
Interest sensitive contract liablities -embedded derivates	309,785	85,869	-	-	-	-	223,916
Total Level 3 Liabilities	$ 309,785	$ 85,869	$ -	$ -	$ -	$ -	$ 223,916

Note 5. Fair Value Measurements (Continued)

	December 31, 2021						
	Fair Value at January 1, 2021	Gains (Losses) Included in Income	Gains (Losses) Included in OCI	Purchases, Issuances, and Sales	Settlements	Transfers In (Out)	Fair Value at December 31, 2021
Assets							
Funds withheld receivables	$ 9,050	$ 205	$ -	$ -	$ -	$ -	$ 9,255
Total Level 3 Assets	9,050	205	-	-	-	-	9,255
Libabilities							
Interest sensitive contract liablities -embedded derivates	273,669	(36,116)	-	-	-	-	309,785
Total Level 3 Liabilities	$ 291,769	$ (36,116)	$ -	$ -	$ -	$ -	$ 309,785

Significant Unobservable Inputs – Significant unobservable inputs occur when we could not obtain or corroborate the quantitative detail of the inputs. This applies to fixed maturity securities and certain derivatives. Additional significant unobservable inputs are described below.

Interest sensitive contract liabilities – embedded derivative – Significant unobservable inputs we use in the fixed indexed annuities embedded derivative of the interest sensitive contract liabilities valuation include:

1. Nonperformance risk – For contracts we issue, we use the credit spread, relative to the US Department of the Treasury (Treasury) curve based on our public credit rating as of the valuation date. This represents our credit risk for use in the estimate of the fair value of embedded derivatives.

2. Option budget – We assume future hedge costs in the derivative's fair value estimate. The level of option budgets determines the future costs of the options and impacts future policyholder account value growth.

3. Policyholder behavior – We regularly review the lapse and withdrawal assumptions (surrender rate). These are based on our initial pricing assumptions updated for actual experience. Actual experience may be limited for recently issued products.

The following table summarizes the unobservable inputs for AFS securities and the embedded derivatives of fixed indexed annuities:

Amounts presented in thousands (USD)

	December 31, 2022						
	Fair Value	Valuation Technique	Significant Unobservable Inputs	Minimum	Maximum	Weighted Average of Inputs	Impact of increase in input on fair value
Interest sensitive contract liablities - fixed indexed annuities embedded derivates	223,916	Option budge method	Nonperformance risk	1.7%	1.7%	1.7%	Decrease
			Option budget	0.4%	5.8%	2.3%	Increase
			Surrender rate	4.4%	13.9%	7.5%	Decrease

Note 5. Fair Value Measurements (Continued)

	December 31, 2021						
	Fair Value	Valuation Technique	Significant Unobservable Inputs	Minimum	Maximum	Weighted Average of Inputs	Impact of increase in input on fair value
Interest sensitive contract liablities - fixed indexed annuities embedded derivates	309,785	Option budget method	Nonperformance risk	0.9%	0.9%	0.9%	Decrease
			Option budget	0.4%	5.3%	1.8%	Increase
			Surrender rate	2.9%	12.4%	5.9%	Decrease

Fair Value of Financial Instruments Not Carried at Fair Value – The following represents our financial instruments not carried at fair value on the Balance Sheets:

Amounts presented in thousands (USD)

	December 31, 2022					
	CV	FV	NAV	Level 1	Level 2	Level 3
Financial Assets						
Funds withheld at interest	5,412,265	5,412,265	-	-	-	5,412,265
Total Financial Assets Not Carried at Fair Value	5,412,265	5,412,265	-	-	-	5,412,265
Financial Liabilities						
Interest sensitive contract liabilities	5,470,904	5,470,904	-	-	-	5,470,904
Total Financial Liabilities Not Carried at Fair Value	5,470,904	5,470,904	-	-	-	5,470,904

	December 31, 2021					
	CV	FV	NAV	Level 1	Level 2	Level 3
Financial Assets						
Funds withheld at interest	3,213,037	3,213,037	-	-	-	3,213,037
Total Financial Assets Not Carried at Fair Value	3,213,037	3,213,037	-	-	-	3,213,037
Financial Liabilities						
Interest sensitive contract liabilities	2,944,653	2,944,653	-	-	-	2,944,653
Total Financial Liabilities Not Carried at Fair Value	2,944,653	2,944,653	-	-	-	2,944,653

We estimate the fair value for financial instruments not carried at fair value using the same methods and assumptions as those we carry at fair value. The financial instruments presented above are reported at carrying value on the balance sheets; however, in the case of funds withheld at interest and interest sensitive contract liabilities the carrying amount approximates fair value.

Net Asset Value ("NAV") – Our funds withheld at interest portfolio includes investments in certain non-fixed income, alternative investments in the form of limited partnerships or similar legal structures. Such investments are typically measured using NAV as a practical expedient in determining fair value and are not classified in the fair value hierarchy.

Note 6. Reinsurance

Reinsurance treaties typically provide for recapture rights on the part of the ceding company for certain events of default. Additionally, some agreements require us to place assets in trust accounts for the benefit of the ceding entity. The required minimum assets are equal to or greater than statutory reserves, as defined by the individual treaties, and were $316.6 million and $83.2 million as of December 31, 2022, and 2021,

Note 6. Reinsurance (Continued)

respectively. Although we own the assets placed in trust, their use is restricted based on the trust agreement terms and recorded within fixed maturity securities, available for sale at fair value, cash and cash equivalents, and restricted cash and cash equivalents on the balance sheet. If the statutory book value of the assets, or in certain cases fair value, in a trust decline because of impairments or other reasons, we may be required to contribute additional assets to the trust.

We have entered into a modified coinsurance FWH agreements to reinsure blocks of deferred annuities. The following summarizes that agreement at inception:

Amounts presented in thousands (USD)

	Years ended December 31,	
	2022	2021
Liabilties Assumed	$ 294,621	$ -
Assets Received	249,704	-
Less: Ceding Commission paid	(6,824)	-
Net Cost of Reinsurance	$ 51,741	$ -
DAC	51,741	-
Net cost of reinsurance	$ 51,741	$ -

DAC balances are amortized over the life of the reinsurance agreements on a basis consistent with our DAC amortization policy.

The following summarizes our reinsurance recoverable by counterparties in excess of 10% of the total balance sheet amount at December 31, 2022 and 2021:

Amounts presented in thousands (USD)

	Years ended December 31,	
	2022	2021
F&G Life Insurance Company	$ 275,851	$ 26,024
Capitol Life Insurance Company	563	3,222
Other (1)	19,962	505
	$ 296,376	$ 29,751

(1) - Represents all other counterparties, with no single one having a carrying value in excess of 10% of total recoverable

Note 7. Deferred Acquisition Costs, Deferred Sales Inducements, and Value of Acquired Business

The following represents a roll forward of deferred acquisition costs, deferred sales inducements, and value of business acquired:

Amounts presented in thousands (USD)

	DAC	DSI	VOBA	Total
Balance at December 31, 2020	$ -	$ -	$ 31,680	$ 31,680
Additions	50,752	5,628	-	56,380
Measurement period adjustment	-	-	(21,319)	(21,319)
Amortization	(3,367)	(285)	(1,094)	(4,746)
Balance at December 31, 2021	47,385	5,343	9,267	61,995
Additions	134,579	-	-	134,579
Amortization	4,230	(443)	1,499	5,286
Balance at December 31, 2022	$ 186,194	$ 4,900	$ 10,766	$ 201,860

The expected amortization of VOBA for the next five years is as follows:

Year	VOBA Asset Amortization
2023	$ (1,452)
2024	(1,014)
2025	(761)
2026	(575)
2027	(465)

Note 8. Equity

The Company has one class of common stock, which represents 100% of the Company's total voting shares. The Company is authorized to issue, and has issued, 375,000 shares at a par value of $1.00 (one dollar) each. All issued shares are owned by the Company's direct parent, Aspida Holdings Ltd.

The Company received capital contributions of $160.0 million and $76.0 million during the years ended December 31, 2022, and 2021, respectively.

The change in AOCL for the year ending December 31, 2022, included unrealized losses of $13.5 million on AFS securities. Included in the period ended December 31, 2021 was unrealized loss of $0.2 million on AFS securities.

Note 9. Statutory Requirements

The Company is licensed by the BMA as a Class E long-term insurer and is subject to the Insurance Act 1978, as amended ("Bermuda Insurance Act") and regulations promulgated thereunder. Effective January 1, 2016, the BMA implemented the Economic Balance Sheet ("EBS") framework into the Bermuda Solvency and Capital Requirement ("BSCR") for commercial insurers which was granted equivalency to the European Union's Directive (2009/138/EC) ("Solvency II") in March 2016. Under this framework a Class E long-term insurer must produce three sets of financial statements:

Note 9. Statutory Requirements (Continued)

1. U.S. GAAP Financial Statements – Financial statements prepared in accordance with an internationally recognized comprehensive basis of accounting, and for which the Company has elected to prepare U.S.GAAP financial statements. These financial statements form the basis for the preparation of both the Statutory Financial Statements and the Economic Balance Sheet.

2. Statutory Financial Statements ("SFS") – Equal to the U.S. GAAP financial statements adjusted for:
   a. Prudential filters that include adjustments to eliminate non-admitted assets including goodwill and other similar intangible assets not considered admissible for solvency purposes and include certain assets and liabilities that are generally off-balance sheet under general purpose reporting. These include items such as guarantees and other instruments that do not relate to the insurer's own insurance contracts.
   b. Directions or permitted practices issued by the BMA.

3. Economic Balance Sheet ("EBS") – A balance sheet where assets are recorded based on U.S. GAAP fair values and insurance reserves are based on technical provisions comprised of a best estimate liability plus a risk margin. The best estimate liability may be calculated by applying the standard approach or the scenario approach. Under the standard approach the discount rate for insurance reserves is a rate prescribed by the BMA. Under the scenario approach the discount rate for insurance reserves is based on the yield on eligible assets owned by the insurer as determined under the worst result of nine prescribed stressed conditions. We utilized the scenario approach. The EBS is not subject to stand-alone audit procedures.

Under the Bermuda Insurance Act, the Company is required to maintain minimum EBS capital and surplus levels in order to meet the Enhanced Capital Requirement (ECR). Our ECR is equal to the greater of $8,000, 2% of the first $500,000 of statutory assets plus 1.5% of statutory assets above $500,000 or 25% of ECR. The ECR is calculated based on a risk-based capital model where risk factor charges are applied to the EBS. As a result of the BMA's prudential review of the year ended December 31, 2021, the BSCR was re-submitted and the updated 2021 ratio is reflected below. For the years ended December 31, 2022, and 2021 the Company was in excess of the minimum levels required. The following represents the EBS capital and surplus and BSCR ratio at December 31, 2022 and 2021:

Amounts presented in thousands (USD)

	EBS capital & surplus		BSCR ratio	
	December 31,		December 31,	
	2022	2021	2022	2021
Aspida Re	510,309	243,444	242%	182%

** EBS capital and surplus and the BSCR ratio represent best estimates as at the time of reporting. Changes are expected between disclosed figures and final BSCR as filed.*

To enable the BMA to better assess the quality of the insurer's capital resources, a Class E long-term insurer is required to disclose the makeup of its capital in accordance with a "3-tiered capital system". Highest quality capital is classified as Tier 1 Capital, lesser quality capital is classified as either Tier 2 or Tier 3 Capital. As of December 31, 2022, all of the Company's eligible capital used to meet the MSM and ECR was Tier 1 Capital.

Note 9. Statutory Requirements (Continued)

Under the EBS framework, statutory financial statements are generally equivalent to U.S. GAAP financial statements, with the exception of permitted practices granted by the BMA.

For the year ended December 31, 2022, the Company was granted a permitted practice that caused a variance between the U.S. GAAP Shareholder's Equity and Statutory Capital and Surplus of $498.2. million.

This variance is driven by the FWH funding agreements the Company currently holds with its third party cedants. While U.S. GAAP reports the transaction as a derivative at fair value, the Company has received an exemption under Section 6C of the Insurance Act of 1978 ("the Act") from the Bermuda Monetary Authority to account for the FWH funding agreement on the statutory financial statements as reinsurance. Given this modification, the fixed maturity securities were recorded at amortized cost, while on the U.S. GAAP basis, it was recorded at fair value.

The Company's granted practice to its statutory financial statements and the resulting adjustments to Investment Related Gains and Losses did not have an effect for the year ended December 31, 2021.

Under the Bermuda Insurance Act, the Company is prohibited from paying a dividend in an amount exceeding 25% of the prior year's statutory capital and surplus, unless at least two members of the Company's board of directors and its principal representative in Bermuda sign and submit to the BMA an affidavit attesting that a dividend in excess of this amount would not cause the Company to fail to meet its relevant margins. The following table represents the Company's Statutory capital and surplus:

Amounts presented in thousands (USD)

	December 31,	
	2022	**2021**
Total shareholder's equity per GAAP	(51,719)	260,550
Non-admitted assets (1)	(140)	(229)
Total effect of permitted practice (2)	498,209	-
Statutory capital and surplus	446,350	260,321

1. Non-admitted assets arose which are not admissible for the statutory capital and surplus. Such assets are comprised of prepaid expenses.

2. For the fiscal year ended December 31 2022, the Company was granted a permitted practice that allowed for, on a Bermuda Statutory Basis, assets supporting the Company's embedded derivatives associated with the FWH portfolio to be marked at amortized cost.

No dividends were paid during the years ending December 31, 2022 or 2021.

Note 10. Related Parties

The Company contracts with Ares Insurance Solutions, LLC ("AIS") to manage substantially all of its investments. AIS provides a full suite of services that includes: direct investment management; asset sourcing and allocation; mergers and acquisition sourcing, and strategic support and advice. AIS also provides certain operational support services for our investment portfolio including investment compliance, legal and risk management support.

Note 10. Related Parties (Continued)

For the years ended December 31, 2022, and 2021, the Company incurred management fee expenses of $21.1 million and $12.2 million, respectively, and these amounts are included in investment related (losses) gains on the Statements of Operations and Comprehensive Loss. As of December 31, 2022, and 2021, management fees payable of $12.1 million and $4.1 million respectively, included in payable to affiliates and related parties on the Balance Sheets. The Company is provided with operational and administrative services from an affiliated entity whereby the total cost of such services incurred by the affiliated entity is allocated to the Company, and other affiliates, based on a formal allocation agreement. Total expenses allocated to the Company were $4.2 million and $0.9 million for the years ending December 31, 2022 and 2021, respectively, and are presented in policy and other operating expenses on the Statements of Operations and Comprehensive loss. At December 31, 2022 and 2021, amounts payable to the affiliated entity were $2.1 million and $0.9 million, respectively, and are included in payable to affiliates and related parties on the Balance Sheets.

At December 31, 2022 and 2021, the Company held $225.3 million and $117.8 million, respectively of investments in related party assets consisting of investment funds and other securities for which an affiliate is the manager of the underlying securitization vehicle. These investments are included on the Balance Sheets in funds withheld at interest. Related to these investments the Company has unfunded commitments of $120.1 million at December 31, 2022. We expect these commitments will be invested over the next 3 years, however, commitments could become due upon request.

Note 11. Commitment and Contingencies

At times, the Company may be involved in various claims and legal actions arising in the ordinary course of business. Management believes that proceedings arising in the ordinary course of business will not have a material adverse impact on the financial position of the Company.

At December 31, 2022, the Company's funds withheld at interest account relating to one cedant required a deposit of $41.9 million to remain in compliance with the treaty requirements. The account balance was funded during January, 2023, to remain in compliance with treaty requirements.

The Company, as lessee, entered into an operating lease for office space during the year ended December 31, 2021. This lease has a remaining term of 3 years and 5 months at December 31, 2022. Lease expense incurred for the year ended December 31, 2022, was $0.3 million.

Amounts presented in thousands (USD)

	Total Lease Commitments
2023	$ 291
2024	291
2025	291
2026	146
2027	-
	$ 1,019

Note 11. Commitment and Contingencies (Continued)

The Company has certain restricted assets which are related to reinsurance trusts established in accordance with coinsurance, FWH and MODCO treaty agreements and account control agreements. Total restricted assets included on the Balance Sheets at December 31, 2022 and 2021 are as follows:

Amounts presented in thousands (USD)

	December 31,	
	2022	2021
AFS securities	$ 195,102	$ 59,087
Restricted cash	49,425	12,140
Short-term investments	-	4,729
Derivatives	34,348	84,163
Total restricted assets	$ 278,875	$ 160,119

Note 12. Subsequent Events

On March 10, 2023, Silicon Valley Bank ("SVB") was placed in FDIC receivership and on March 12, 2023, Federal regulators announced that all depositors will have access to all of their money starting March 13, 2023. In addition, Federal regulators also announced on March 12, 2023, that Signature Bank ("SB") was closed by its state chartering authority, but that its depositors would have access to all of their money starting on March 13, 2023. On March 14, 2023, Credit Suisse revealed a material weakness on its balance sheet that was identified from an internal audit. On March 15th, Credit Suisse announced it would borrow 54 billion Swiss francs from Switzerland's Swiss National Bank under a covered loan facility and a short-term liquidity facility. The recent banking crisis has had a negative impact on First Republic's stock price and, according to Fitch Ratings, the bank is operating at a net loss that is not sustainable over the longer term, absent a balance sheet restructuring. On March 22, 223, Fitch Ratings downgraded First Republic's long-term issuer default rating from BB to B and downgraded the viability rating from bb to b.

At December 31, 2022, the Company had several financing relationships with SB, SVB, Credit Suisse and First Republic. The total amortized cost of relevant corporate bonds held at December 31, 2022 was $18.1 million, and respective fair value was $15.2 million. Between December 31, 2022, and March 30, 2023, the decline in fair value experienced for these bonds was $10.2 million. The Company is continuing to monitor this evolving situation with various banks and financial institutions and assessing potential follow-on impacts. At present, management does not believe that this impact is material to the financial statements of the Company.

Through March 31, 2023, the Company received capital contributions of $88.0 million from parent Company Aspida Holdings Ltd to support ongoing growth initiatives.

Management has evaluated events occurring after December 31, 2022, through April 27, 2023, the date the financial statements were available to be issued and identified no further subsequent events for disclosure.