

AMERICAN FIDELITY INTERNATIONAL (BERMUDA) LTD.
Condensed Consolidated General-Purpose Financial Statements

December 31, 2023 and 2022

(With Independent Auditor's Report Thereon)

AMERICAN FIDELITY INTERNATIONAL (BERMUDA) LTD.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of American Fidelity International (Bermuda) Ltd.

Opinions

We have audited the accompanying condensed general purpose financial statements of American Fidelity International (Bermuda) Ltd. (the "Company"), which comprise the condensed balance sheet as of December 31, 2023 and 2022, and the related condensed statements of income, and capital and surplus for the years then ended, and the related notes to the condensed general purpose financial statements (the "condensed general purpose financial statements").

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying condensed general purpose financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations for the years then ended in accordance with the financial reporting provisions of The Bermuda Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 (the "Legislation") with respect to condensed general purpose financial statements described in Note 3 to the condensed general purpose financial statements.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on Accounting Principles Generally Accepted in America section of our report, the condensed general purpose financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2023 and 2022, or the results of its operations thereof for the years then ended.

Basis for Opinions

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 opinions.

Emphasis of a Matter

As discussed in related party transactions Note 15 and amounts due to affiliates Note 32, the Company's financial statements may not be indicative of the financial position and results of operations that may

have resulted had the Company functioned as a stand-alone operation independent of its Parent and affiliates. Our opinion is not modified with respect to this matter.

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 3 of the condensed general purpose financial statements, the condensed general purpose financial statements are prepared by the Company on the basis of the financial reporting provisions of the Legislation, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of financial reporting provisions of The Bermuda Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016. The effects on the condensed general purpose financial statements of the variances between the regulatory basis of accounting described in Note 3 to the condensed general purpose financial statements and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Condensed General Purpose Financial Statements

Management is responsible for the preparation and fair presentation of the condensed general purpose financial statements in accordance with the financial reporting provisions of The Bermuda Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the condensed general purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed general purpose 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 issued.

Auditor's Responsibilities for the Audit of the Condensed General Purpose Financial Statements

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

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

Deloitte Touche LLP

April 12, 2024

CONDENSED CONSOLIDATED BALANCE SHEET

American Fidelity International (Bermuda) Ltd.

 As at **December 31, 2023**

 expressed in ['000s] **United States Dollars**

LINE No.	2023	2022
1. CASH AND CASH EQUIVALENTS	13,194	9,415
2. QUOTED INVESTMENTS:		
(a) Bonds and Debentures		
i. Held to maturity	-	-
ii. Other	259,745	236,341
(b) Total Bonds and Debentures	259,745	236,341
(c) Equities		
i. Common stocks	-	-
ii. Preferred stocks	-	-
iii. Mutual funds	-	-
(d) Total equities	-	-
(e) Other quoted investments	-	-
(f) Total quoted investments	259,745	236,341
3. UNQUOTED INVESTMENTS:		
(a) Bonds and Debentures		
i. Held to maturity	-	-
ii. Other	-	-
(b) Total Bonds and Debentures	-	-
(c) Equities		
i. Common stocks	-	-
ii. Preferred stocks	-	-
iii. Mutual funds	-	-
(d) Total equities	-	-
(e) Other unquoted investments	-	-
(f) Total unquoted investments	-	-
4. INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a) Unregulated entities that conduct ancillary services	-	-
(b) Unregulated non-financial operating entities	-	-
(c) Unregulated financial operating entities	-	-
(d) Regulated non-insurance financial operating entities	-	-
(e) Regulated insurance financial operating entities	-	-
(f) Total investments in affiliates	-	-
(g) Advances to affiliates	-	-
(h) Total investments in and advances to affiliates	-	-
5. INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a) First liens	-	-
(b) Other than first liens	-	-
(c) Total investments in mortgage loans on real estate	-	-
6. POLICY LOANS	672	400
7. REAL ESTATE:		
(a) Occupied by the company (less encumbrances)	-	-
(b) Other properties (less encumbrances)	-	-
(c) Total real estate	-	-
8. COLLATERAL LOANS	-	-
9. INVESTMENT INCOME DUE AND ACCRUED	2,330	2,136
10. ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a) In course of collection	1,396	709
(b) Deferred - not yet due	-	-
(c) Receivables from retrocessional contracts	-	-
(d) Total accounts and premiums receivable	1,396	709
11. REINSURANCE BALANCES RECEIVABLE:		
(a) Foreign affiliates	-	-
(b) Domestic affiliates	-	-
(c) Pools & associations	-	-
(d) All other insurers	380	742
(e) Total reinsurance balance receivable	380	742
12. FUNDS HELD BY CEDING REINSURERS	-	-

CONDENSED CONSOLIDATED BALANCE SHEET

American Fidelity International (Bermuda) Ltd.

As at **December 31, 2023**

expressed in ['000s]

United States Dollars

LINE No.		2023	2022
13.	SUNDRY ASSETS:		
(a)	Derivative instruments	-	-
(b)	Segregated accounts companies - long-term business - variable annuities	-	-
(c)	Segregated accounts companies - long-term business - other	1,376	1,211
(d)	Segregated accounts companies - general business	-	-
(e)	Deposit assets	-	-
(f)	Deferred acquisition costs	111,126	104,534
(g)	Net receivables for investments sold	-	-
(h)	Capital Lease	-	35
(i)	Other Sundry Assets (Specify)	-	-
(j)	Other Sundry Assets (Specify)	-	-
(k)	Total sundry assets	112,502	105,780
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	390,219	355,523
	TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves	-	-
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates	-	-
	ii. Domestic affiliates	-	-
	iii. Pools & associations	-	-
	iv. All other insurers	-	-
(c)	Total ceded unearned premium reserve	-	-
(d)	Net unearned premium reserve	-	-
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions	-	-
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates	-	-
	ii. Domestic affiliates	-	-
	iii. Pools & associations	-	-
	iv. All other reinsurers	-	-
(c)	Total reinsurance recoverable balance	-	-
(d)	Net loss and loss expense provisions	-	-
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES	-	-
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	-	-
	LONG-TERM BUSINESS INSURANCE RESERVES		
20.	RESERVE FOR REPORTED CLAIMS	1,953	1,711
21.	RESERVE FOR UNREPORTED CLAIMS	136	137
22.	POLICY RESERVES - LIFE	344,406	319,433
23.	POLICY RESERVES - ACCIDENT AND HEALTH	2,015	1,797
24.	POLICYHOLDERS' FUNDS ON DEPOSIT	-	-
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS	-	-
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES	-	-
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves	348,510	323,078
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign Affiliates	-	-
	(ii) Domestic Affiliates	-	-
	(iii) Pools and Associations	-	-
	(iv) All Other Insurers	-	-
(c)	Total Reinsurance Recoverable Balance	-	-
(d)	Total Net Long-Term Business Insurance Reserves	348,510	323,078

CONDENSED CONSOLIDATED BALANCE SHEET

American Fidelity International (Bermuda) Ltd.

As at **December 31, 2023**

expressed in ['000s]

United States Dollars

LINE No.		2023	2022
	OTHER LIABILITIES		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	-	-
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE	-	-
30.	LOANS AND NOTES PAYABLE	-	-
31.	(a) INCOME TAXES PAYABLE	-	-
	(b) DEFERRED INCOME TAXES	-	-
32.	AMOUNTS DUE TO AFFILIATES	42	13
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	2,665	2,142
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:	-	-
35.	DIVIDENDS PAYABLE	-	-
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments	-	-
(b)	Segregated accounts companies	1,376	1,211
(c)	Deposit liabilities	-	-
(d)	Net payable for investments purchased	-	-
(e)	Premiums Received in Advance	693	777
(f)	OFAC Blocked Account	16	90
(g)	Miscellaneous liabilities	848	790
(h)	Total sundry liabilities	2,933	2,868
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(d)	Total letters of credit, guarantees and other instruments	-	-
38.	TOTAL OTHER LIABILITIES	5,640	5,023
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	354,150	328,101
	CAPITAL AND SURPLUS		
40.	TOTAL CAPITAL AND SURPLUS	36,069	27,422
41.	TOTAL	390,219	355,523

CONDENSED CONSOLIDATED STATEMENT OF INCOME

American Fidelity International (Bermuda) Ltd.

As at **December 31, 2023**
expressed in ['000s] **United States Dollars**

LINE No.		2023	2022
	GENERAL BUSINESS UNDERWRITING INCOME		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written	-	-
	(b) Assumed gross premiums written	-	-
	(c) Total gross premiums written	-	-
2.	REINSURANCE PREMIUMS CEDED	-	-
3.	NET PREMIUMS WRITTEN	-	-
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS	-	-
5.	NET PREMIUMS EARNED	-	-
6.	OTHER INSURANCE INCOME	-	-
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	-	-
	GENERAL BUSINESS UNDERWRITING EXPENSES		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED	-	-
9.	COMMISSIONS AND BROKERAGE	-	-
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	-	-
11.	NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS	-	-
	LONG-TERM BUSINESS INCOME		
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Direct gross premiums and other considerations	49,254	45,860
	(b) Assumed gross premiums and other considerations	1,526	1,620
	(c) Total gross premiums and other considerations	50,780	47,480
13.	PREMIUMS CEDED	23,975	22,157
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Life	26,242	24,802
	(b) Annuities	-	-
	(c) Accident and health	563	521
	(d) Total net premiums and other considerations	26,805	25,323
15.	OTHER INSURANCE INCOME	4,692	5,402
16.	TOTAL LONG-TERM BUSINESS INCOME	31,497	30,725

CONDENSED CONSOLIDATED STATEMENT OF INCOME

American Fidelity International (Bermuda) Ltd.

 As at December 31, 2023
 expressed in ['000s] United States Dollars

LINE No.		2023	2022
	LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES		
17.	CLAIMS - LIFE	3,897	3,927
18.	POLICYHOLDERS' DIVIDENDS	-	-
19.	SURRENDERS	-	-
20.	MATURITIES	-	-
21.	ANNUITIES	-	-
22.	ACCIDENT AND HEALTH BENEFITS	283	222
23.	COMMISSIONS	10,124	8,335
24.	OTHER	5,868	5,700
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	20,172	18,184
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
	(a) Life	11,174	9,620
	(b) Annuities	-	-
	(c) Accident and health	219	157
	(d) Total increase (decrease) in policy reserves	11,393	9,777
27.	TOTAL LONG-TERM BUSINESS EXPENSES	31,565	27,961
28.	NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS	(68)	2,764
29.	COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS	(68)	2,764
	UNDERNOTED ITEMS		
30.	COMBINED OPERATING EXPENSE		
	(a) General and administration	6,601	3,564
	(b) Personnel cost	-	-
	(c) Other	-	-
	(d) Total combined operating expenses	6,601	3,564
31.	COMBINED INVESTMENT INCOME - NET	11,203	9,260
32.	COMBINED OTHER INCOME (DEDUCTIONS)	-	-
33.	COMBINED INCOME BEFORE TAXES	4,534	8,460
34.	COMBINED INCOME TAXES (IF APPLICABLE):		
	(a) Current	-	-
	(b) Deferred	-	-
	(c) Total	-	-
35.	COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)	4,534	8,460
36.	COMBINED REALIZED GAINS (LOSSES)	(21)	(298)
37.	COMBINED INTEREST CHARGES	-	-
38.	NET INCOME	4,513	8,162

CONDENSED CONSOLIDATED STATEMENT OF CAPITAL AND SURPLUS

American Fidelity International (Bermuda) Ltd.

As at December 31, 2023
expressed in ['000s] United States Dollars

LINE No.		2023	2022
1.	CAPITAL:		
(a)	Capital Stock		
	(i) Common Shares	500	500
	authorized _____ shares of par		
	value _____ each issued and		
	fully paid _____ shares		
	(ii)		
	(A) Preferred shares:	-	-
	authorized _____ shares of par		
	value _____ each issued and		
	fully paid _____ shares		
	aggregate liquidation value for –		
	2023 _____		
	2022 _____		
	(B) Preferred shares issued by a subsidiary:	-	-
	authorized _____ shares of par		
	value _____ each issued and		
	fully paid _____ shares		
	aggregate liquidation value for –		
	2023 _____		
	2022 _____		
	(iii) Treasury Shares	-	-
	repurchased _____ shares of par		
	value _____ each issued		
(b)	Contributed surplus	15,523	15,523
(c)	Any other fixed capital		
	(i) Hybrid capital instruments	-	-
	(ii) Guarantees and others	-	-
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	16,023	16,023
2.	SURPLUS:		
(a)	Surplus - Beginning of Year	11,399	43,679
(b)	Add: Income for the year	4,513	8,162
(c)	Less: Dividends paid and payable	-	-
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	4,131	(40,392)
(e)	Add (Deduct) change in any other surplus	3	(50)
(f)	Surplus - End of Year	20,046	11,399
3.	MINORITY INTEREST	-	-
4.	TOTAL CAPITAL AND SURPLUS	36,069	27,422

AMERICAN FIDELITY INTERNATIONAL (BERMUDA) LTD.

NOTES TO CONDENSED CONSOLIDATED GENERAL-PURPOSE FINANCIAL STATEMENTS

December 31, 2023

General Notes to the Financial Statements

Note: For all financial figures presented herein, they are stated in thousands of U.S. Dollars (\$000's) in order to be consistent with the presentation in the accompanying Financial Statements.

1. Organization

American Fidelity International (Bermuda) Ltd (American Fidelity) was incorporated under the laws of Bermuda on June 5, 2000, and is licensed as a long-term insurer under the Insurance Act 1978 of Bermuda and related regulations. American Fidelity is a wholly owned subsidiary of the American Fidelity Corporation (incorporated in the United States). American Fidelity is a long-term Class D insurer by Bermuda Monetary Authority (BMA).

2. Nature of risks underwritten

From September 2000 through March 2006, American Fidelity wrote investment policies through a broker dealer. The Company's insurance exposure on these policies is limited to a death benefit equal to the excess, if any, of contributions paid less any partial surrenders over the surrender value of each policy. This death benefit exposure is minimal, and American Fidelity holds a \$1 insurance reserve for these death benefits.

Effective April 2003, American Fidelity began writing universal life insurance containing a no lapse guarantee feature, where the policy will not lapse if minimum premiums are paid. American Fidelity's UL products are "not" variable products, meaning all premiums are invested in the general account, not an investment account, meaning American Fidelity bears all investment risk. These policies have planned annual premiums based on the face value of the coverage written. Premiums less contract charges plus interest are credited to the policyholders account value. The death benefit for these policies, as determined by the policyholder, is either the face value of the policy or the face value of the policy plus the account value at the date of death.

American Fidelity entered several quota share reinsurance arrangements on a series of Universal Life products sold through American Fidelity. From 2003 through 2012, American Fidelity retained 10% of the risk on each insured life and ceded 90% to a pool of third-party reinsurers. Once American Fidelity reached its per life retention of \$500, 100% of the remaining amount was reinsured to the same pool of third-party reinsurers. Beginning in 2013, American Fidelity created a new reinsurance structure on UL products developed after that date. American Fidelity retained the first \$150 of risk on each of these policies, and then retained 10% of the risk exceeding that amount. The remaining 90% was ceded to a pool of third-party reinsurers. The maximum retention of American Fidelity remained at \$500 per insured life.

Effective 2021, American Fidelity began writing indexed universal life policies. These policies are a type of universal life insurance which can last the entire life of the insured. A policy can credit interest based on the performance of an independent financial index (S&P 500) and has the potential to build account value in the policy for future needs. Unlike investing directly in an index fund, the client will not lose money when the market has a downturn. This is due to a guarantee insuring it against losses which applies to the principal. Furthermore, these policies offer the flexibility of two account options within the policy: the premiums paid may be divided between fixed and indexed portions of the policy. The universal life and the indexed universal life policies have a total liability of \$235,898 for 2023 and \$219,712 for 2022 based on U.S. GAAP.

Effective 2004, American Fidelity began writing term life insurance policies. These policies have planned annual premiums for a fixed period based on the face value of the coverage written. The death benefit for these policies is the face value of the policy. From 2004 through 2014, American Fidelity retained 10% of the risk on each insured life and ceded 90% to a pool of third-party reinsurers. Once American Fidelity reached its per life retention of \$500, 100% of the remaining amount was reinsured to the same pool of third-party reinsurers. Beginning in 2015, American Fidelity created a new reinsurance structure on Term products developed after that date. American Fidelity retained the first \$150 of risk on each of these policies, and then retained 10% of the risk exceeding that amount. The remaining 90% was ceded to a pool of third-party reinsurers. The maximum retention of American Fidelity remained at \$500 per insured life. The term life policies have a total liability of \$106,729 for 2023 and \$99,711 for 2022 based on U.S. GAAP.

Effective September 15, 2003, American Fidelity entered a reinsurance arrangement whereby American Fidelity assumes a closed block of term life insurance policies issued by American Fidelity Assurance Company, an affiliated company, to US citizens prior to 2006. American Fidelity also cedes 90% of the risk for all base policies having face values exceeding \$100 to a third party retrocessionaire. These policies have a total liability of \$3,206 for 2023 and \$3,380 for 2022 based on U.S. GAAP.

In 2007, American Fidelity began issuing critical illness benefits, which provide stipulated benefits upon the onset of specified diseases. American Fidelity cedes 50% of this risk to third-party reinsurers. These policies have a total liability of \$2,147 for 2023 and \$1,914 for 2022 based on U. S. GAAP.

Accounting Standard Codification (ASC) 944 adjustments for reinsurance ceded resulted in a total liability of \$5,048 for 2023 and \$3,538 for 2022 based on U.S. GAAP.

American Fidelity reported shadow reserve of (\$4,518) for 2023 and (\$5,177) for 2022.

3. Basis of preparation

The condensed general-purpose financial statements are prepared in accordance with financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Accounts Rules 2016 with respect to condensed general purpose financial statements (the "Legislation"). The recognition and measurement principles applied are in line with U.S. GAAP. The presentation of these financial statements in accordance with the guidance prescribed under the legislation differs from U.S. GAAP in certain respects as follows:

- The format of the financial statements is prescribed by schedules IX and X of the Insurance Accounts Rules 2016.
- Statement of Cash Flows or equivalent is not included; and
- Certain disclosures required by U.S. GAAP are not included
- Comprehensive income and its components are not presented in the condensed statement of income.
- Policy reserves-life are to be reported net of reinsured amounts.

The effects of the foregoing variances from U.S. GAAP on the accompanying condensed general-purpose financial statements are presumed to be material based on our assessment of the differences.

4.-5. Basis of Accounting Policies

These financial statements are presented on the basis that American Fidelity is a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accounting standards are based on U.S. GAAP.

American Fidelity recorded net income of \$4,513 (line 38 of statement of income) in 2023 and \$8,162 for 2022. It is important to note that Shadow Adjustments do not affect net income, only U.S. GAAP equity.

As of December 31, 2023, American Fidelity recorded Deferred Acquisition Costs (DAC) of \$111,126 (Line 13(f) of the Balance Sheet), consisting of DAC balances of \$92,127 plus Shadow Adjustments of \$18,999. In addition, American Fidelity has reported long-term business insurance reserves of \$348,510 (Line 27 of Balance Sheet). The assessment of the recoverability of DAC and adequacy of long-term business insurance reserves is based on numerous assumptions, including the estimated future levels of premium persistency, lapse rates and expenses and are based on internal experience studies, reinsurer's experience, and professional judgment. In the event of actual experience being different to assumptions currently employed, DAC write-downs or policy reserve increases may be required in future periods which could affect American Fidelity's capital and surplus.

American Fidelity has an appropriate amount of capital and surplus should additional write-downs of DAC or policy reserve increases be required in the future periods. American Fidelity remains financially independent from American Fidelity Corporation.

The following are the significant accounting policies adopted by American Fidelity:

a) Cash and time deposits

Cash and time deposits include amounts held in banks and short-term investments having maturities within three months of the date of purchase by American Fidelity.

b) Investment Policy - General

The general types of asset classes and allocation percentages of investments will be reviewed annually, accounting for capital requirements of asset classes, Asset Liability Management requirements of various blocks of business, risk tolerance of the company, current economic climate and other factors determined appropriate by the American Fidelity Corporation Investment Management Group.

c) Investment Products

American Fidelity has a closed block of investment policies that permit the policyholder to vary the timing and amount of premium payments, within contractual limits. American Fidelity stopped writing new investment policies in 2006. Revenues for policies include policy charges for administration. The charges are subject to periodic adjustment by American Fidelity. Premiums received on investment policies are treated as policyholder deposits rather than revenues. The liability for policyholder account balances represents the accumulated amounts, which accrue to the benefit of the policyholders and reflect the change in the value of the underlying assets of the fund in which the policyholder has elected to invest.

American Fidelity charges recurring and non-recurring policy fees and pays agent commissions for policies written. Non-recurring fees are recognized in income and commissions not capitalized as deferred acquisition costs are expensed as incurred. Recurring policy fees are recognized over the term of the policy.

d) Premiums written and ceded

The amounts collected from policyholders on universal life-type contracts are considered deposits and are not included in revenue as premium, nor are ceded premiums. Policy charges and fees for universal life-type contracts consist of asset fees, cost of insurance charges, administrative fees and surrender charges which have been earned and assessed against policyholder account balances during the period. These charges are recognized as revenue when assessed and earned. Surrender charges are in accordance with contractual terms.

Term life premiums written are booked as income when due provided all conditions for policy acceptance have been met. Ceded reinsurance premiums are booked as written when ceded. Premium receivable in course of collection is reduced by an allowance for expected credit losses based on historical collection percentages.

e) Deferred acquisition costs (DAC)

Calculations of "Primary" DAC

American Fidelity has four major product types: 1) Universal Life; 2) Term Life (Direct); 3) Term Life (XXX Assumed); and 4) Critical Illness. Costs of acquiring new business, which vary with and are related directly to the successful acquisition of new 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.

- Term Life (Direct), Term Life (XXX Assumed), and Critical Illness: Balance sheet entries were calculated in accordance with ASC section 944-30 methodologies. Deferred acquisition costs are amortized in proportion to anticipated premiums over the estimated life of the policies using assumptions consistent with those used in estimating reserves for future policy benefits. Deviations from estimated experience are reflected in earnings in the period such deviation occurs.
- Universal Life: Balance sheet entries were calculated in accordance with ASC section 944-30 methodologies. Deferred policy acquisition costs are amortized over the expected average life of the contracts in proportion to historical using anticipated gross profits arising from surrenders charges and margins in the interest rate, mortality and expenses. At the end of each accounting period, an unlocking process refreshes both the historical and anticipated gross profits, thus affecting the amortization of deferred policy acquisition costs.

Loss Recognition Analysis of "Primary" DAC

Annually, American Fidelity performs loss recognition analysis to determine whether the DAC balances are recoverable from future estimated gross profits. The assessment of the recoverability of DAC and adequacy of long-term business insurance reserves is based on many assumptions, which include the estimated future levels of premium persistency, lapse rates and expenses and are based on internal experience studies, reinsurer's experience, and professional judgment. If deficiencies are projected, DAC write-downs or policy reserve increases may be required in future periods which could put significant strain on the Company's capital and surplus.

If DAC assets are not recoverable, the deficiency would need to be recognized in the current reporting period by reducing DAC Assets and possibly increasing reserves.

Shadow Adjustments

American Fidelity determines Shadow Adjustments in accordance with ASC 320-10. For long-duration life insurance liabilities falling under ASC 320, Shadow DAC and reserves are generated by 1) recognizing unrealized holding gains and losses in the actual gross profits; and 2) recognizes the effect on future reinvestment rates.

Loss Recognition Analysis including Shadow Adjustments

After recognizing shadow adjustments on ASC 944 DAC assets and reserves, a subsequent loss recognition analysis is completed on ASC 944 products. Based on this analysis, it may also be appropriate to recognize shadow loss recognition adjustment, which is attributed as a Shadow DAC adjustment on the Term block of business. Shadow Adjustments for December 31 were determined by ratioing Shadow Adjustments for November 30 by the change in unrealized gains over the fourth quarter, 78.2% $((\$53,244)/(\$68,067))$.

	12/31/2022	11/30/2023	12/31/2023
Unrealized Capital Gain/(Loss)	(\$61,005)	(\$68,067)	(\$53,244)
Shadow DAC (UL)	\$21,768	\$24,288	\$18,999
Shadow DAC (LRT)	\$0	\$0	\$0
Shadow Reserve (UL)	(\$5,177)	(\$5,776)	(\$4,518)
Total Shadow Adjustments to Equity	\$26,945	\$30,064	\$23,517

f) Policy Reserves Calculations

Term Life Policies

Liabilities are calculated in accordance with ASC 944. A liability for future policy benefits relating to long-duration contracts shall be accrued when premium revenue is recognized. The liability, which represents the present value of future benefits to be paid to or on behalf of policyholders and related expenses less the present value of future net premiums (portion of gross premiums required to be provide for all benefits and expenses), shall be estimated using methods that include assumptions, such as estimates of expected investment yields, mortality, morbidity, terminations, and expenses, applicable at the time the insurance contracts are made.

The assumptions are consistent with American Fidelity's own experience supplemented with information provided by reinsurers. If assumptions reflective of the current environment differ materially from those originally assumed, a new U.S. GAAP era with revised assumptions is generally established. When assumptions are set, a provision for adverse deviation (PAD) is included. The assumptions are locked-in at issue and will not change, unless there are insufficiencies discovered during the annual loss recognition analysis. The assumptions are documented in the pricing memorandums. The discount rates used to determine DAC assets and policy reserve liabilities correspond to the Net Investment Yield, ranging from 2.5% to 5.4% varying by U.S. GAAP era. Noting the variations between U.S. GAAP eras, the mortality assumptions include a 10% PAD over base mortality tables derived from mortality studies provided by the reinsurer.

Universal Life Contracts

Liabilities are calculated in accordance with ASC 944, where the retrospective deposit is applied. UL contracts have explicit account values which represent the basic benefit reserve liability. In addition to the account values, SOP 03-1 liabilities are held for the no lapse guarantee feature and for profits followed by losses. The contracts do not create unearned revenue liabilities.

The level of calculation is performed using the same cohort as DAC calculations, based on product and issue year. The SOP 03-1 liability is equal to excess of the current benefit ratio multiplied by the cumulative assessments less the cumulative excess payment plus accrued interest. The ratio is determined as the present value of total expected payments over the life of the contract over the present value of the total expected assessments over the life of the contract. Total expected assessments are the aggregate of all charges, including those for administration, mortality, expenses, surrender, and interest margin.

The actuarial assumptions used to determine SOP 03-1 liability are the same best-estimate assumptions used in calculating DAC assets. That is those related to earned and credited interest; COI and mortality rates; product loads and maintenance expenses; premium persistency; and withdrawal rates. The discount rates used to determine DAC assets and SOP 03-1 liabilities correspond to the current credited interest rates ranging from 3.0% to 4.0% varying by product and issue.

Comparable to the unlocking process for DAC assets, the SOP 03-1 liability should be regularly updated to reflect actual historical experience (retrospective unlocking) and updated to assumed future experience (prospective unlocking).

Critical Illness Policies

Liabilities are calculated using a methodology that parallels the one used for Term policies, as documented above.

g) Reinsurance

The calculation of American Fidelity's reserves for future policy benefits is based on its net retention after reinsurance ceded. Reinsurance contracts do not relieve American Fidelity from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to American Fidelity; consequently, allowances are established for amounts deemed uncollectible. The allowances for this purpose were \$14 and \$0 as of December 31, 2023 and 2022, respectively. American Fidelity evaluates the financial conditions of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. No significant concentration risk was identified, and any such risk is unlikely since reinsured amounts are pooled among various reinsurers.

h) Income Taxes

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

i) Quoted Investments includes amounts primarily invested in corporate bonds and U.S. treasury securities. These are carried at market value on an aggregate basis, with changes in market value recorded as an unrealized loss/gain in the condensed consolidated statement of capital and surplus.

Quoted investments with unrealized losses considered by management to be other than temporarily impaired are written down to fair value, creating a new cost basis for the security.

Quoted investments comprise of:

i. As of December 31, 2023, the amortized cost and fair value of investments are as follows:

	Amortized Cost	Fair Value
Fixed Maturity Securities	\$312,989	\$259,745
All Other Securities	-	-
	\$312,989	\$259,745

In 2020, American Fidelity invested in Sound Point Partners - U.S. Direct Lending Fund II that consist of short-term loans made to the middle lending market. As advised by the BMA, these instruments will be treated like bonds and classified as BSCR rating 8 since they are unrated.

ii. Investment Income

Investment income accrued to the balance sheet date include interest and dividends and is shown net of investment expenses.

6.-7. Foreign currency

All financial transactions are made in US dollars.

8. Commitments

There are no outstanding contingencies or commitment involving an obligation requiring abnormal expenditures, pending lawsuit, or long lease.

9. Defaults made by the insurer

American Fidelity has never issued security or credit agreements.

10. Dividends on preferred cumulative shares

American Fidelity has yet to return a shareholder dividend to its owner.

11. Loans made to any director or officer

During 2023 and 2022, no loans were made to any director or officer.

12. Retirement benefits relating to employees

There are no outstanding obligations related to retirement benefits for employees.

13. Fair value estimations

American Fidelity utilizes ICE Data Services, a third-party vendor, to provide fair value amounts of all investment lines with the exception of Sound Point lending fund. ICE Data Services uses observable inputs without applying significant adjustments in their pricing. Observable inputs include broker quotes, interest rates and yield curves observable at commonly quoted intervals, volatilities, and credit risks.

American Fidelity's investment in Sound Point Partners - U.S. Direct Lending Fund II is valued using American Fidelity's share of underlying GAAP equity value as a practical expedient to fair value.

American Fidelity uses three different levels to bring clarity to its investment in bonds.

Level 1 inputs are quoted prices in active markets for identical securities.

Level 2 inputs are other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 inputs are significant unobservable inputs (including the Company's own assumptions used to determine the fair value of investments).

As of December 31, 2023, the fair value of investments are as follows:

	Total	Level 1	Level 2	Level 3	Not leveled
Foreign Government bonds	\$988	-	\$988	-	-
Municipal bonds	\$14,644	-	\$14,644	-	-
Special Revenue bonds	\$17,973	-	\$17,973	-	-
Corporate bonds	\$161,571	-	\$161,571	-	-
CMO	\$4,389	-	\$4,389	-	-
Residential Mortgage-backed	\$36,189	-	\$36,189	-	-
Sound Point fixed income investments	\$23,991	-	-	-	\$23,991
	\$259,745	-	\$235,754	-	\$23,991

14. Maturity profile of investments

The amortized cost and fair value of investments by the contractual maturity profile:

Maturity	Amortized Cost	Fair Value
<1 year	-	-
1-5 years	\$8,477	\$8,103
5-10 years	\$23,761	\$22,273
>10 years	\$280,751	\$229,369
	\$312,989	\$259,745

15. Related party transactions

American Fidelity paid management fees of \$3,078 and \$3,078 to AFA during 2023 and 2022, respectively. American Fidelity paid management fees of \$2,880 and \$0 to AFC during 2023 and 2022, respectively. Amounts due to affiliated companies represent advances to American Fidelity, and expenses paid on behalf of American Fidelity of \$42 and \$13 as of December 31, 2023, and 2022. The amounts due are unsecured and have no fixed repayment terms. No interest is charged on amounts related to expenses paid by affiliated companies on behalf of American Fidelity.

16. Material post balance sheet events

No subsequent events were identified through April 12, 2023, the date on which the financial statements were issued.

17. Non-adjusting events after the end of the reporting period

It is the board of directors' opinion that all information is presented accurately.

Notes to the Consolidated Statement of Capital and Surplus

1.(a) Capital stock

American Fidelity's has 500,000 shares of common stock with a par value of \$1 in the amount of \$500, unchanged from 2022.

1. (b) Contributed surplus

American Fidelity has contributed surplus in the amount of \$15,523, unchanged from 2022.

2. (c) Dividends paid and payable

Since incorporation, no dividends have been paid.

Notes to the Consolidated Balance Sheet

1. Cash and cash equivalents

Cash and time deposits include amounts held in banks and short-term investments having maturities within three months of the date of purchase by American Fidelity.

2. Quoted investments

American Fidelity utilizes ICE Data Services, a third-party vendor, to provide fair value amounts of all investment lines with the exception of Sound Point lending fund. ICE Data Services uses observable inputs without applying significant adjustments in their pricing. Observable inputs include broker quotes, interest rates and yield curves observable at commonly quoted intervals, volatilities, and credit risks.

American Fidelity's investment in Sound Point Partners - U.S. Direct Lending Fund II is valued using American Fidelity's share of underlying GAAP equity value as a practical expedient to fair value.

American Fidelity uses three different levels to bring clarity to its investment in bonds.

Level 1 inputs are quoted prices in active markets for identical securities.

Level 2 inputs are other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 inputs are significant unobservable inputs (including the Company's own assumptions used to determine the fair value of investments).

As of December 31, 2023, investment in bonds are as follows:

	Total	Level 1	Level 2	Level 3	Not leveled
Foreign Government bonds	\$988	-	\$988	-	-
Municipal bonds	\$14,644	-	\$14,644	-	-
Special Revenue bonds	\$17,973	-	\$17,973	-	-
Corporate bonds	\$161,571	-	\$161,571	-	-
CMO	\$4,389	-	\$4,389	-	-
Residential Mortgage-backed	\$36,189	-	\$36,189	-	-
Sound Point fixed income investments	\$23,991	-	-	-	\$23,991
	\$259,745	-	\$235,754	-	\$23,991

3. Unquoted investments

Not applicable.

4. Investment in affiliates

Not applicable.

5. Investments in mortgage loans on real estate

Not applicable.

6. Policy loans

Outstanding policy loans balances total \$672. These represent loans to policyholders on the security of cash surrender value loans related to the in-force UL policies.

7. Real estate

None

8. Collateral loans

None

9. Accrued investment income

Investment income due and accrued on existing assets currently total \$2,330.

10. Accounts and premiums receivable

Accounts receivable include \$452 associated with premiums due from life insurance plus \$944 from miscellaneous accounts. Non-admitted assets totaling \$200 are excluded. None of the amounts include collateralized balances nor any balances with affiliates.

11. Reinsurance balances receivable

Reinsurance Balances receivable consists of \$380 of receivables from non-affiliated reinsurance entities, and \$0 of FAS113 (also referred to as ASC 944-210) reinsurance balances.

12. Funds held by ceding reinsurers

American Fidelity's reinsurance treaties do not require Funds Held by Reinsurers.

13. Sundry assets

Sundry Assets represent: \$1,376 held in support of the closed block of investment policies and DAC assets of \$111,126.

As related to the closed block of investment policies, American Fidelity has assets supporting the liabilities for policyholder account balances that represent the accumulated amounts, which accrue to the benefit of the policyholders.

American Fidelity records Deferred Acquisition Costs (DAC), which represents the costs of acquiring new business that vary with and are related directly to the successful acquisition of new business and 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.

14. Letters of credit, guarantees and other (not disclosed elsewhere)

None

INSURANCE RESERVES

16. Unearned premium reserve

None

17. Loss and loss expense provisions

None

LONG-TERM INSURANCE RESERVES

20. Method for calculating long-term business reserves for reported claims

Reserves for Reported Claims represent pending claims where claims have not been approved or checks have not yet been sent. American Fidelity holds \$1,953 representing net amounts payable, net of any pending reinsurance claims.

21. Method for calculating long-term business reserves for unreported claims

Reserves for Unreported Claims are established to allow for a time lag between the date a claim is incurred and is reported. American Fidelity holds \$136 of reserves for unreported claims representing the present value of estimated amounts based on company experience.

22. Method of calculation of life reserves

Reserves are generated using U.S. GAAP accounting standards and principles.

Term Life Policies

Liabilities are calculated in accordance with ASC994. A liability for future policy benefits relating to long-duration contracts shall be accrued when premium revenue is recognized. The liability, which represents the present value of future benefits to be paid to or on behalf of policyholders and related expenses less the present value of future net premiums (portion of gross premiums required to be provide for all benefits and expenses), shall be estimated using methods that include assumptions, such as estimates of expected investment yields, mortality, morbidity, terminations, and expenses, applicable at the time the insurance contracts are made.

The assumptions are consistent with American Fidelity's own experience supplemented with information provided by reinsurers. If assumptions reflective of the current environment differ materially from those originally assumed, a new U.S. GAAP era with revised assumptions is generally established. When assumptions are set, a provision for adverse deviation (PAD) is included. The assumptions are locked-in at issue and will not change, unless there are insufficiencies discovered during the annual loss recognition analysis. The assumptions are documented in the pricing memorandums. The discount rates used to determine DAC assets and policy reserve liabilities correspond to the Net Investment Yield, ranging from 2.5% to 5.4% varying by U.S. GAAP era. Noting the variations between U.S. GAAP eras, the mortality assumptions include a 10% PAD which is applied to a base mortality corresponding to the Mortality studies provided by the reinsurer.

Universal Life Contracts

Liabilities are calculated in accordance with ASC, where the retrospective deposit is applied. UL contracts have explicit account values which represent the basic benefit reserve liability. In addition to the account values, SOP 03-1 liabilities are held for the no lapse guarantee feature and for profits followed by losses. The contracts do not create unearned revenue liabilities.

The level of calculation is performed using the same cohort as DAC calculations, based on product and issue year. The SOP 03-1 liability is equal to excess of the current benefit ratio multiplied by the cumulative assessments less the cumulative excess payment plus accrued interest. The ratio is determined as the present value of total expected payments over the life of the contract over the present value of the total expected assessments over the life of the contract. Total expected assessments are the aggregate of all charges, including those for administration, mortality, expenses, surrender, and interest margin.

The actuarial assumptions used to determine SOP 03-1 liability are the same best-estimate assumptions used in calculating DAC assets. That is those related to earned and credit interest; COI and mortality rates; product loads and maintenance expenses; premiums persistency; and withdrawal rates. The discount rates used to determine DAC assets and SOP 03-1 liabilities correspond to the current credited interest rates ranging from 3.0% to 4.0% varying by product and issue.

Comparable to the unlocking process for DAC assets, the SOP 03-1 liability should be regularly updated to reflect actual historical experience (retrospective unlocking) and updated to assumed future experience (prospective unlocking).

23. Method of calculation of accident and health reserves

American Fidelity holds Accident and Health reserves of \$2,015 related to the Critical Illness policies. The reserve calculations parallel those for the term life policies.

24. Policyholder funds on deposit

American Fidelity has no obligations related to Funds on Deposit.

25. Liability for future policyholders' dividends
American Fidelity has no obligations related to participating product paying policyholder dividends.
26. Method of calculation of long-term reserves
American Fidelity has no other obligations.
27. Long-term business insurance reserves
For the long-term business insurance reserves:
(a) there are no restricted assets; nor
(b) unsecured policyholder obligations.
28. Insurance and reinsurance balances payable
The balance of insurance and reinsurance payable is currently \$5,048, none of which is payable to affiliates.

Reinsurance Recoverable Balances consist of 1) \$4,781 of amounts recoverable from reinsurers against paid losses, and 2) (\$9,829) of ceded reserves associated with reinsured amounts. According to U.S. GAAP, ASC944 requires amount recoverable to be reported as a liability if it is negative, and reinsurance receivable as an asset if positive. The amount was negative for 2022 and 2023.
29. Unearned commissions
The balance of commissions, expenses, fees, and taxes payable is currently \$0.
30. Loans and notes payable
The balance of loans and notes payable is currently \$0.
31. Taxes
The balance of income taxes, including deferred taxes, payable is currently \$0.
32. Terms of amounts due to affiliates
Amounts due to affiliated companies (American Fidelity Assurance Corporation) at year end represent advances to American Fidelity, and expenses paid on behalf of American Fidelity of \$42. The amounts due are unsecured and have no fixed repayment terms. No interest is charged on amounts related to expenses paid by affiliated companies on behalf of American Fidelity.
33. Accounts payable and accrued liabilities
Accounts payable totaled \$2,665.
34. Funds held under reinsurance contracts
The balance of funds held under reinsurance contracts is currently \$0.
35. Dividends payable
The balance of dividends payable is currently \$0.

36. Sundry Liabilities

Sundry Liabilities, American Fidelity reported liabilities totaling \$2,933.

\$1,376 represents the underlying funds in which the policyholder has elected to invest into investment policies. This amount represents accrued funds of the policyholders, reflecting changes in the value of the underlying invested assets. There is not a clearly defined repayment term for these liabilities; it is conditional on the survivorship of the policies.

\$693 represents premiums received in advance which were classified as unearned at year end. There is not a clearly defined repayment term for the liabilities; the liabilities will terminate when the related policy is issued.

\$864 is held for other miscellaneous liabilities including OFAC. There are no repayment terms here.

37. Letters of credit, guarantees and other instruments

American Fidelity currently has no obligation related to Letters of credit, guarantees and other instruments.

Notes to the Consolidated Statement of Income Notes

6. Other insurance income

Not applicable.

15. Other insurance income

Other insurance income represents Surrender Charges associated with UL policies.

32. Combined and other income (deductions)

Deductions to other income was \$0.

36. Nature of combined realized gains (losses)

Realized investment losses on bonds is currently (\$21).