

Wilton Reinsurance Bermuda Limited
Reporting Period January 1, 2017 to December 31, 2017

FINANCIAL CONDITION REPORT

Introduction

Wilton Reinsurance Bermuda Limited (“the Company”) was incorporated under the laws of Bermuda on December 17, 2004. The Company’s registered office is currently located at 14 Par-La-Ville Road, Hamilton, Bermuda. The Company holds a Long-Term Insurer License Class E under the Bermuda Insurance Act of 1978 (“the Act”) and may reinsure the long-term risk of its Wilton Re affiliates and unrelated third parties. As at December 31, 2017, the Company was a wholly owned subsidiary of Wilton Re Ltd. (“WRL”), a holding company domiciled in Nova Scotia, Canada.

In accordance with Bermuda Insurance (Public Disclosure) Rules 2015 (the “Rules”) issued in March 2016 by the Bermuda Monetary Authority (the “Authority”) under the powers contained in the Insurance Act 1978, the Company is required to prepare a financial condition report (the “Report”) per Schedule I of the Rules. The Report shall be comprised of an electronic version and a printed version and shall be filed with the Authority on or before the filing date. For year-end 2017, the Report shall be published on the Company website on the filing date. The Report provides the particulars of the following matters: business and performance, governance structure, risk profile, solvency valuation and capital management, and subsequent events.

1. Business and Performance

a.	Insurer	Wilton Reinsurance Bermuda Limited (“WREB”)
	Insurance Group	Wilton Re
b.	Insurance Supervisor:	Bermuda Monetary Authority (“BMA”)
	Name and contact information	Eric Donkoh, (441) 278-0350, edonkoh@bma.bm
	Group supervisor name and jurisdiction	
	Name and contact information	
c.	Approved auditor and jurisdiction	Deloitte Ltd., Bermuda
	Name and contact information	Muhammad Khan, (441) 299-1357, muhammad.khan@deloitte.bm
d.	Ownership	As of December 31, 2017, 100% shares owned by Wilton Re Ltd.
		As of March 28, 2018, 96% shares owned by Wilton Re Ltd. and 4% shares owned by Wilton Re U.S. Holdings, Inc.
e.	Corporate structure chart	See Exhibit 1

f. Gross written premium by segment:

<u>Segment</u>	<u>Gross Premium</u> <i>(in \$000's)</i>
Mortality	161,899
Longevity	0
Deferred Annuity	(2)
Disability	<u>206</u>
Total	162,148
Gross written premium by country:	
United States	162,148

g. Performance of investments by asset class (excludes cash):

As of 12/31/17

	<i>(in \$ millions)</i>	
<u>Security Type</u>	<u>Market Value</u>	<u>Yield</u>
U.S. Government Bonds	1,568.6	2.62%
U.S. Government Agency MBS	407.7	2.95%
U.S. Government Agencies	840.8	3.43%
Non-U.S. Government	108.9	3.76%
Municipal Bonds	656.2	3.55%
Corporate Securities	10,524.2	3.88%
Asset Backed Securities	547.7	3.83%
Residential MBS	69.2	3.67%
Commercial MBS	449.1	3.62%
Commercial Mortgage Loans	1,140.7	3.34%
Preferred Stock	92.0	0.00%
Other	<u>48.3</u>	<u>0.40%</u>
Total Assets	16,453.4	3.62%

Marketing and Operating Expenses

Expenses for the year are comprised of the following components:

	<i>(in \$000's)</i>
Employee expenses	1,870.9
Building costs	75.8
Legal and professional fees	785.4
Contract resources and outsourced services	4,846.0
Systems costs	78.2
Other	<u>5,775.7</u>
Total Marketing and Operating Expenses	<u>13,432.0</u>

Income

Income for the year is comprised of the following major components:

Revenue	<i>(in \$000's)</i>
Net premiums and policy fees	159,334
Net investment income	577,324
Other income	518,822
Total Revenue	1,255,480
Expenses	
Claims and policy benefits	341,682
Interest credited to interest sensitive contracts	188,590
Acquisition and other insurance expenses	222,403
Marketing and operating expenses	13,432
Total Expenses	766,107
Total Net Income	489,373

h. Significant events during reporting period

Transamerica Transaction: In June 2017, the Company completed an intergroup reinsurance agreement with its US affiliate, Wilton Reassurance Company ("WRAC"), in conjunction with WRAC's reinsurance of Transamerica's two largest U.S. run-off businesses: the payout annuity business and the bank owned / corporate owned life insurance business (BOLI/COLI). In total, \$14 billion of general account and separate account liabilities were ceded by Transamerica to WRAC, and as part of the same transaction, these liabilities were 100% ceded from WRAC to WREB on a coinsurance fund withheld basis.

Wilcac Life Insurance Company Transaction: In June 2017, the Company completed an intergroup reinsurance arrangement with its US affiliate Wilcac Life Insurance Company ("Wilcac"), under which Wilcac ceded \$1.5 billion of structured settlement liabilities to WREB on a coinsurance funds withheld basis.

2. Governance Structure**a. Board and Senior Executives**

The Company's business is managed under the supervision of its Board of Directors (the "Board"). The Board is comprised of the Chief Executive Officer ("CEO") and three outside directors. All of the outside directors are also directors of Wilton Re Ltd. ("WRL"), the ultimate controlling parent of the Company, and are executives of Canada Pension Plan Investment Board ("CPPIB"), the majority shareholder of WRL.

The Board is responsible for setting appropriate strategies and the oversight of the implementation of these strategies. The Board also is responsible for ensuring that Company management establishes a framework to implement the Company's strategic business objectives. The Board is responsible for providing suitable prudential oversight of the Company's risk management and internal controls framework, including any activities and

functions which are delegated or outsourced. The Board is governed by the Company bye-laws and fulfills all the oversight responsibilities listed in Section 4.2 *Oversight Responsibilities of the Board* of the Bermuda Insurance Code of Conduct.

The Company employs two Bermuda resident professionals, a CEO and an in-house corporate counsel. The CEO is a qualified actuary with over 25 years of experience in the life insurance industry. The CEO oversees the day-to-day management of the Company and acts as the Company's principal representative in accordance with the Bermuda Insurance Act. The CEO, along with the Company's Board of Directors, is responsible for oversight of all aspects of the Company's operations. The CEO fulfills all of the responsibilities listed in Section 4.3 *Responsibility of the Chief and Senior Executives* of the Bermuda Insurance Code of Conduct. The in-house corporate counsel, a practicing Bermuda attorney, provides advice on Bermuda legal issues affecting the Company.

For the Wilton Re group, the annual incentive compensation and the long-term incentive program are driven by the group's earnings and embedded value, as well as the accomplishment of qualitative goals that cascade from the enterprise level down to individual goals. The embedded value calculation takes actual experience into account, which encourages a risk-based focus on the origination of new deals and maintenance of closed deals.

b. Fit and Proper Requirements

Executive employees are vetted by the Company Board and the parent company's Compensation Committee. The parent company periodically engages industry experts to conduct Board performance assessments. Descriptions of the professional qualifications, skills and expertise of the Board and senior executive are as follows:

Michael Douglas serves as a non-executive director and the chairman of the WREB Board. Mr. Douglas is Senior Principal, Direct Private Equity of the CPPIB Toronto Office. Prior to joining CPP Investment Board in January 2007, Mr. Douglas worked at Ernst & Young Orenda Corporate Finance, where he advised middle market clients on mergers, acquisitions, and financings. He currently serves on the boards of LHP Hospital Group, Wilton Re Overseas Limited and Wilton Re Ltd. Mr. Douglas holds a Bachelor of Commerce degree from Queen's University and is a CFA Charterholder. Mr. Douglas is a member of the WRL Compensation and Investment Committees.

Ryan Selwood serves as a non-executive director of the WREB Board. Mr. Selwood is Managing Director, Direct Private Equity of the CPPIB Toronto Office, where he heads up the financial institutions investing initiative. He had previously led CPPIB's direct private equity activities in Europe. Mr. Selwood is a member of the Private Investments Investment Committee. Prior to joining CPPIB in July 2006, Mr. Selwood was a Vice-President at Merrill Lynch & Co. in the Financial Institutions Group in the Investment Banking Division in New York. He currently serves on the boards of Dorna Sports S.L., Antares, Ascot Underwriting, Wilton Re Overseas Limited and Wilton Re Ltd. He was formerly a director of AWAS Aviation Capital. Mr. Selwood holds his MBA and law degrees from York University and a BA from the University of Western Ontario. Mr. Selwood is the Chair of the WRL Compensation Committee and the WRL Investment Committee.

Devon Kirk joined the WREB Board as a non-executive director in March 2018. Ms. Kirk is Principal, Direct Private Equity of the CPPIB Toronto Office. Prior to joining CPP Investment

Board in August 2011, Ms. Kirk was an Associate at Linklaters in London, where she focused on M&A and capital markets. Prior to that, she was a member of BMO's M&A team in Chicago. Ms. Kirk holds a J.D. from Harvard Law School and a B. Comm from McGill University. She is a member of the New York State Bar and a CFA Charterholder and currently serves on the board of Wilton Re Ltd. Ms. Kirk is a member of the WRL Compensation and Investment Committees.

Sylvia Oliveira, director, serves as the CEO and Principal Representative of Wilton Reinsurance Bermuda Limited. Prior to joining Wilton Re, Ms. Oliveira has served as Senior Vice President and Chief Actuary of ACE Tempest Life Reinsurance Ltd (now part of The Chubb Corporation). Prior to ACE, Ms. Oliveira worked as an actuary at Annuity & Life Re in Bermuda and at John Hancock Mutual Life Insurance Company in Boston. She has over 25 years of experience in the life insurance industry. Ms. Oliveira is a Fellow of the Society of Actuaries and a CFA Charterholder. She holds a B.A. and an M.A. in Mathematics, both from Boston University. Ms. Oliveira is responsible for oversight of all aspects of the Wilton Re Bermuda operations. She currently serves on the boards of Wilton Re (Canada) Limited, Wilton Re Overseas Limited, the Bermuda International Long Term Insurers and Reinsurers Association (BILTIR) and Association of Bermuda International Companies (ABIC). She also holds responsibility for the enterprise risk management of the Wilton Re group.

c. Risk Management and Solvency Self-Assessment

The Company's risk management is governed as part of the overall Wilton Re group ("Wilton Re"). Risk management is an integral part of Wilton Re's business processes and decision-making. Wilton Re's risk management framework has a goal of maximizing its ability to achieve its business objectives by creating a systematic and disciplined approach to identifying, measuring, monitoring and reporting on material risks.

Wilton Re is committed to maintaining a rigorous and comprehensive risk management framework that is embedded in all decision-making processes. Functional heads are responsible for day-to-day risk management activities, senior management and the Chief Risk Officer ("CRO") are responsible for facilitating sound risk management practices, and the board and audit functions are responsible for reviewing the effectiveness of the risk controls and risk management practices. The design and operating effectiveness of the framework are subject to review by internal audit, external independent audit and our embedded value processes. Internal controls are thoroughly tested and the key controls are currently subject to an independent validation in connection with Sarbanes-Oxley Section 404.

Risk management activities are embedded within Wilton Re's approach to diligence, risk acceptance, and capital deployment. Wilton Re's senior management and the WRL Board of Directors regularly review its risk profile to ensure its risk appetite is aligned with its business strategy and risk-return profile.

Wilton Re has established an Own Risk and Solvency Assessment ("ORSA") process, which prescribes regular assessments of its risk profile, the adequacy of its risk management framework, and assessments of its current and projected future solvency positions. Assessments of all material risks associated with its business plan, and the sufficiency of capital resources to support those risks, are conducted on a quarterly basis at a minimum. Management has established and maintains policies, procedures and controls to appropriately manage and mitigate its material risks.

Wilton Re has documented its risk management policies and procedures in the Wilton Re Enterprise Risk Management (“ERM”) Policy. This document demonstrates the Company’s adherence to requirements and standards mandated in the Bermuda Insurance Code of Conduct’s Risk Management section. The Wilton Re ERM Policy outlines the ERM framework, which includes the processes and policies for risk appetite and risk tolerances, risk identification and categorization, risk assessment, risk monitoring, risk management and risk reporting. The ERM Policy is reviewed by the WRL Board annually as part of the ORSA process. The ORSA process ensures that Wilton Re’s ERM framework is adequate and appropriate for the group’s size and complexity.

As part of the first phase of the ORSA process, Wilton Re establishes and maintains a Risk Appetite Statement that aligns with Wilton Re’s business strategy. Using this Risk Appetite Statement as a guide, Wilton Re seeks and accepts exposures to certain risks in pursuit of its business objectives. Wilton Re is focused on core life insurance business, which leads to an appetite for mortality, longevity and lapse risk. Wilton Re also accepts exposure to credit risk, interest rate risk and the associated operational risks.

In the second phase of Wilton Re’s ORSA process, Wilton Re’s risk exposures are measured and assessed in accordance with the established ERM framework. In the third phase of the ORSA process, available capital is assessed relative to the capital required to meet its business objectives, given its current risk exposures. Capital adequacy is also assessed in the future and under stress scenarios. Each phase of the ORSA process provides output that feeds back in to the other phases of the process. The nature of Wilton Re’s efficient management structure allows for this feedback loop to function quickly and efficiently.

On a quarterly basis, the CRO prepares a risk report for WRL, which is approved by WRL senior executives and presented to the WRL Board. Each year, the results of the Wilton Re ORSA process are summarized into an ORSA Summary Report, which is provided to the Company Board for review and approval, and is submitted to the Company’s regulators as well as Wilton Re’s group supervisor.

d. Internal Controls

The internal control system for WREB is managed by the group’s Internal Audit department, with oversight from the parent company’s Audit Committee. Appropriate and relevant internal controls covering the key risk monitoring activities are established, monitored and tested by the Internal Audit department. All key controls are tracked by Internal Audit on an interactive spreadsheet which requires quarterly sign-offs by each control owner to verify that the controls are up-to-date and are performed in a timely fashion. The Company also participates in the Wilton Re group’s Sarbanes-Oxley IC certification process which cover all financial reporting controls.

The WREB CEO is responsible for regulatory compliance. As an active director of the BILTIR Association, the WREB CEO remains closely tied to all Bermuda regulatory matters to ensure compliance with current and upcoming rules and regulations. In addition, the Company employs a full time in-house legal counsel who is well-versed in Bermuda law.

e. Internal Audit

The Company’s internal audit is managed by the group’s Internal Audit department with oversight from the parent company’s Audit Committee. Internal Audit establishes, reviews and

maintains controls and procedures that provide assurance to management, the Audit Committee and external auditors, that operations, financial statements and reporting comply with Wilton Re policy, as well as generally accepted accounting practices. Internal Audit develops, implements and maintains an internal audit program that addresses key business and operational risks across the entire organization, including WREB, and the group's business partnerships. Internal Audit performs and documents an annual risk assessment process to develop each year's Audit Plan. Internal Audit is also responsible for the internal control system described in the previous section.

f. Actuarial Function

The Company CEO is a qualified actuary who undertakes the main actuarial functions of the Company, with the exception of the Approved Actuary role. This role is outsourced to an internationally recognized actuarial consulting firm. The actuarial function may occasionally be supplemented by affiliate and third-party actuarial service providers. The Company ensures the fitness and propriety of any individuals performing the actuarial function.

g. Outsourcing

The Company relies on services performed by an affiliated company, Wilton Re Services, Inc., to support several functions, including investment management, premium processing, claims administration, financial reporting, information technology, internal controls and other general administrative activities. Certain legal and IT services are outsourced externally within Bermuda. For functions outsourced either externally to third parties or internally to affiliated entities, the Company Board and CEO maintain oversight and accountability for all outsourced functions as if these functions were performed internally and subject to Company standards on governance and internal controls.

3. Risk Profile

The Company's pursuit of its business objectives in conjunction with its risk appetite produces certain key risk exposures. When assessing the Company's risk exposures, i.e. its risk profile, Wilton Re considers its business as a whole, and at an entity level. The material risks identified by Wilton Re are listed in the Wilton Re Risk Register. Each risk is assigned a risk owner, who is responsible for assessing the likelihood and impact scores for the risks based on a scale defined within the ERM Policy. Risk owners must also maintain a Risk Monitoring Inventory, which lists all of the periodic monitoring activities undertaken to monitor the likelihood and/or impact of each risk within the Risk Register. A log of Emerging Issues is also recorded in the Risk Register. The Emerging Issues Log serves as a risk radar for the Company to monitor trends and events in the environment that could impact the achievement of our objectives. Risk owners are required to review the Risk Register, the Risk Monitoring Inventory and the Emerging Issues Log for completeness and accuracy each quarter, and they must suggest additions, modifications or deletions when necessary. Each risk owner considers a list of targeted trigger questions when conducting their quarterly reviews.

Descriptions of the Company's key exposures and mitigating measures are provided below:

a. Insurance Underwriting Risk

The underwriting of insurance risks is a material risk to Wilton Re and to the Company. The primary risks in this category are mortality risk, longevity risk and persistency risk. Wilton Re's expertise lies in the careful underwriting of these risks using robust models and well-vetted assumptions.

Wilton Re has processes, procedures and controls in place to mitigate its insurance risks. These include standardized pricing documentation, rigorous peer review, a robust due diligence process, a highly specialized and experienced team, a Risk Committee and Board review process, and a thorough treaty review with inclusion of protections to limit risks. Pricing assumptions are tested and validated through an annual embedded value review (both internal and external) and by embedded value sensitivity testing.

Catastrophic mortality risk (i.e. pandemic risk) is also covered within this risk category. This risk is mitigated by inuring reinsurance coverage and is monitored carefully. Even with mitigation, management understands and accepts that Wilton Re retains a material exposure to a severe pandemic.

b. Investment, Liquidity and Concentration Risk

The investment and liquidity of assets held to pay claims to policyholders is a material risk to Wilton Re and to the Company. Wilton Re's investment risk exposure is mitigated by its conservative investment strategy, adherence to investment policy limits, and rigorous monitoring activities. Wilton Re's investment portfolio consists primarily of bonds, policy loans, short-term securities and cash, with over 90% of all bond holdings at investment grade. Impairments have been modest in recent years. Investment risks, including concentration risk, are mitigated and controlled by compliance with the Wilton Re Investment Guidelines.

The Wilton Re Investment Guidelines were developed based on a "prudent person" principle, where Wilton Re only assumes investment risks that it can properly identify, measure, respond to, monitor, control, and report, while taking into consideration its capital requirements and adequacy, short-term and long-term liquidity requirements and policyholder obligations. Investment decisions are executed in the best interest of Wilton Re's policyholders.

Wilton Re maintains an appropriate level of liquidity in line with its risk profile. This degree of liquidity allows for unexpected cash needs to be met without forcing the potentially untimely sale of investments. Liquidity ratios are monitored and maintained well within acceptable limits.

c. Market Risk

Wilton Re is materially exposed to interest rate risk in two ways. First, sustained low interest rates exposes Wilton Re to spread compression risk on future reinvested assets. Second, interest-sensitive liabilities expose Wilton Re to rising interest rates and the related disintermediation risk.

In general, interest rate risks are monitored and managed under Wilton Re's Asset-Liability Management Policy. Other control activities include active involvement in credited rate determination of underlying reinsured policies, crediting rate strategy, and careful monitoring of lapse rates.

Exposure to equity risk from equity-linked products is fully hedged, and equity investments are limited by investment guidelines.

d. Credit Risk

Wilton Re is materially exposed to credit risk in two ways. First, Wilton Re is exposed to investment credit risk, which is addressed above in 3b. *Investment, Liquidity and Concentration Risk*. Second, Wilton Re is exposed to counterparty credit risk to its reinsurers and retrocessionaires, both directly and through inuring reinsurance on acquired blocks of business. This exposure is mitigated through diversification of reinsurance counterparties, careful due diligence and ongoing annual reviews of counterparty creditworthiness, and compliance with relevant controls.

e. Operational Risk

Various aspects of operational risks are considered material risks to Wilton Re and to the Company. Most operational risks, such as fraud, business processing, outsourcing, and IT, are mitigated by our internal control system. These controls are tested regularly for compliance. The outsourcing of administrative processes is fundamental to Wilton Re's business model, and strong oversight is maintained over these processes through monthly reporting and monitoring of service level agreements and business operating guidelines.

The Board is satisfied that the operational controls in place with such service providers are adequate to mitigate the operational risks inherent in Wilton Re's business.

f. Group Risk

The Company is not reliant upon any parental guarantee from WRL or any other affiliate within the Wilton Re group. The Company's risk to the group is therefore limited to operational risks inherent in outsourcing services to an affiliated company. Refer to Operational Risk above for further details.

g. Strategic Risk

Strategic risk could impact Wilton Re's ability to establish and execute a sound business strategy. Wilton Re and the Company are exposed to strategic risk when considering a transaction involving new products or markets. This risk is mitigated by a business case process which addresses business potential, expected returns, counterparty, distribution methods, required investment, and impact to Wilton Re's processes and risks. Any changes in business strategy must be reviewed and approved by the Wilton Re Risk Committee, and the WRL Board and, where relevant, the WREB Board.

h. Reputational Risk

Reputational risk could occur due to actions by Wilton Re, including the Company or its employees, that damages Wilton Re's reputation, including any actual or perceived infraction. Reputational damage could prohibit new sales or lead to termination of existing contracts. To mitigate this risk, Wilton Re maintains transparency in working with its clients. Wilton Re also maintains strict hiring standards and a Code of Business Conduct and Ethics process. As part of the Code of Business Conduct and Ethics process, employees are reminded annually that integrity is the fundamental value at Wilton Re, and that Wilton Re's reputation and continued success is dependent upon the conduct of its associates. Each associate must annually reaffirm to adhere to the principles of the Code and its spirit of ethical conduct.

i. Legal / Litigation Risk

The Company currently has no pending or threatened material litigation. Wilton Re's compliance risk is mitigated by its internal control system. Wilton Re has processes and

procedures in place to ensure monitoring of relevant rules and regulations. Wilton Re actively participates in several industry groups and committees to stay informed of proposed changes to rules and regulations, as well as to advocate for Wilton Re.

Litigation risk is mitigated by Wilton Re’s experienced legal and compliance staff, supplemented with regular use of outside counsel. Legal associates are generally involved in all aspects of the Company’s operations, and management is trained to seek legal department guidance on contract and other general and strategic operational matters.

j. Stress Testing and Sensitivity Analysis

Each year Wilton Re determines a series of stress tests specific to the group’s risk profile. The stress testing is performed using an Embedded Value model. Sensitivities of Wilton Re’s most material risk drivers are analyzed by testing the impact of driver movements on the group’s Embedded Value. The results show that Wilton Re’s main risk exposures are a severe pandemic; and material adverse mortality experience, investment defaults and adverse lapse experience.

4. Solvency Valuation

The Company’s solvency basis is the Bermuda Economic Balance Sheet (“EBS”), where all assets and liability values are calculated in accordance to the Bermuda EBS rules and regulations.

a. Assets

All assets are held at fair market value.

b. Technical Provisions

Technical provisions were derived using the Scenario Method described in the statutory accounting rules. The Company’s technical provisions as of December 31, 2017 were as follows (in \$millions):

Best Estimate Liability	15,709.9
Risk Margin	<u>308.8</u>
Technical Provisions	16,018.7

c. Reinsurance Recoverables

The Company had material recoverables from only one reinsurer at year-end 2017, an affiliate domestic reinsurer, Wilton Re (Canada) Ltd., in the amount of \$4.8 million, held in accordance with GAAP.

d. Other Liabilities

The valuation basis used to derive the value of other liabilities is US GAAP.

5. Capital Management

a. Eligible Capital

The Company assesses its capital adequacy in relation to its risk profile on a quarterly basis, and this capital assessment is well-integrated with the Company’s strategic and capital management activities. As a planning tool, internal target risk capital is established for each

Wilton Re operating company as the level of capital needed to achieve its business objectives, with consideration of the current risk profile and risk appetite. Generally, the internal Target Capital measure starts with regulatory capital requirements with an additional level of conservatism if deemed appropriate for its risk profile. The ORSA process validates the Company's Target Capital as appropriate given the Company's risk exposures. The Company examines rating agency capital and other regulatory measures to assess solvency and for comparison purposes. The Company calculates required capital amounts under NAIC RBC, AM Best BCAR and BSCR capital. The available capital is compared to these measures on a quarterly basis to monitor solvency and rating agency requirements. The goal of this analysis is to determine the Company's risk capital needs and to compare that risk capital to available capital to assess capital adequacy. The capital levels are analyzed with consideration of current business opportunities and risk profile, to inform management's decision-making regarding capital infusions or reductions. Liquidity needs vs. available liquidity, and potential capital and liquidity sources are also considered. This analysis is presented to WRL management and the WRL Board (which include the WREB Board members) each quarter.

Development of the Eligible Capital amount is shown below (in \$ millions):

Fully paid common Shares plus Contributed surplus	764.5
Statutory economic surplus from Economic Balance Sheet	(5.3)
Less: Encumbered assets not securing policyholder obligations	(11.0)
Less: Excess encumbered assets transferred to Tier 2	(221.5)
Total Tier 1 Eligible Capital	526.7
Total Tier 2 Eligible Capital	221.5
Total Eligible Capital	748.2

b. Regulatory Capital Requirements

The Company is in compliance with the MSM and ECR requirements as of December 31, 2017. The amount of eligible capital exceeds the minimum requirements shown below (in \$ millions):

Minimum Margin of Solvency (MSM)	269.4
Enhanced Capital Requirement (ECR)	584.3
Regulatory Target Capital (120% ECR)	701.2

The regulatory requirement states that at least 80% of the MSM requirement and 50% of the ECR requirement must be met with Tier 1 Eligible Capital, and no more than 25% of the MSM requirement or 50% of the ECR requirement can be met with Tier 2 Eligible Capital. The Company's eligible capital amounts meet these requirements.

c. Approved Internal Models

No internal models were used to derive the ECR.

6. Subsequent Events

The Company has evaluated the impact of subsequent events through May 21, 2018, representing the date which this Report was filed.

May 21, 2018

The Company changed to its ownership structure in April 2018 by issuing additional shares of its stock to Wilton Re U.S. Holdings, Inc. in exchange for cash. In connection with the restructuring, the Company also increased its authorized shared capital from \$250,000 to \$300,000, and Devon Kirk was added as a member of the Board of Directors.

7. Declaration on Financial Condition Report

I have responsibility for the actuarial or risk management function of the Company. I declare that, to the best of my knowledge and belief, this financial condition report fairly represents the financial condition of the insurer in all material respects.

By: _____
Name: Sylvia Oliveira
Title: Chief Executive Officer