Wilton Reinsurance Bermuda Limited

Audited Financial Statements as of and for the Years Ended December 31, 2017 and 2016, and Independent Auditors' Report

WILTON REINSURANCE BERMUDA LIMITED

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Wilton Reinsurance Bermuda Limited:

We have audited the accompanying financial statements of Wilton Reinsurance Bermuda Limited (Wilton Re Bermuda or the Company), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of comprehensive income, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wilton Reinsurance Bermuda Limited at December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

April 12, 2018

WILTON REINSURANCE BERMUDA LIMITED

BALANCE SHEETS
AS OF DECEMBER 31, 2017 AND 2016
(Expressed in thousands of U.S. dollars, except share amounts)

	2017	2016
ASSETS		
FIXED MATURITY AND EQUITY SECURITIES	$ 703,324	$ 106,467
POLICY LOANS	27,992	16,748
FUNDS WITHHELD AT INTEREST	19,734,288	1,340,968
SHORT TERM INVESTMENTS	9,992	10,996
OTHER INVESTED ASSETS	14,737	-
Total investments	20,490,333	1,475,179
CASH AND CASH EQUIVALENTS	14,933	24,200
ACCRUED INVESTMENT INCOME	4,592	427
PREMIUMS RECEIVABLE	18,933	20,126
REINSURANCE RECOVERABLE	4,984	4,763
DEFERRED ACQUISITION COSTS	61,847	70,965
VALUE OF IN-FORCE BUSINESS ACQUIRED	602,135	34,596
OTHER ASSETS	232,557	17
TOTAL ASSETS	$ 21,430,314	$1,630,273
LIABILITIES AND SHAREHOLDER'S EQUITY		
LIABILITIES:		
Reserves for future policy benefits	$ 10,039,211	$ 322,451
Interest sensitive contract liabilities	9,892,436	1,001,477
Other reinsurance liabilities	2,539	2,100
Other liabilities	145,855	5,432
Total liabilities	20,080,041	1,331,460
SHAREHOLDER'S EQUITY:		
Class A common shares—($1.00 par value; 250,000 shares authorized, 250,000 issued and outstanding)	250	250
Additional paid in-capital	764,221	202,134
Retained earnings	585,802	96,429
Total shareholder's equity	1,350,273	298,813
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 21,430,314	$1,630,273

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

WILTON REINSURANCE BERMUDA LIMITED

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of U.S. dollars)

	2017	2016
REVENUES:		
Net premiums	$ 81,292	$ 96,552
Policy fees and charges	78,043	7,182
Inuring third party reinsurance commissions	2,624	2,474
Investment earnings—net	570,292	66,462
Net unrealized appreciation (depreciation) on investments classified as trading and other	7,032	1,257
Change in value of derivatives and embedded derivatives, net	516,198	11,562
Total revenues	1,255,481	185,489
EXPENSES:		
Claims and policy benefits—net of reinsurance ceded	341,682	84,381
Interest credited to interest sensitive contract liabilities	188,591	38,285
Acquisition costs and other insurance expenses	222,403	36,268
Operating expenses	13,432	8,078
Total benefits and expenses	766,108	167,012
NET INCOME AND COMPREHENSIVE INCOME	$ 489,373	$ 18,477

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

WILTON REINSURANCE BERMUDA LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of U.S. dollars)

	2017	2016
COMMON SHARES:		
Balance at beginning and end of year	$ 250	$ 250
ADDITIONAL PAID-IN CAPITAL:		
Balance at beginning of year	202,134	212,134
Contributed capital	562,087	
Return of capital	-	(10,000)
Balance at end of year	764,221	202,134
RETAINED EARNINGS:		
Balance at beginning of year	96,429	77,952
Net income and comprehensive income	489,373	18,477
Balance at end of year	585,802	96,429
TOTAL SHAREHOLDER'S EQUITY	$1,350,273	$298,813

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

WILTON REINSURANCE BERMUDA LIMITED

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of U.S. dollars)

	2017	2016
OPERATING ACTIVITIES:		
Net income and comprehensive income	$ 489,373	$ 18,477
Adjustments to reconcile net income and comprehensive income to net cash from operating activities:		
Proceeds from sales of fixed maturity and equity securities	13,852	15,235
Proceeds from maturities of fixed maturity and equity securities	11,434	8,807
Purchases of fixed maturity and equity securities	(615,872)	(21,990)
Accretion and amortization of discounts and premiums on fixed maturity and equity securities—net	629	(34)
Net realized (gains) losses on fixed maturity and equity securities	66	(488)
Net unrealized (appreciation) depreciation on fixed maturity and equity securities	(6,965)	(1,257)
Mark-to-market on embedded derivative	(516,198)	(14,361)
Amortization and other adjustments to deferred acquisition costs	8,856	6,796
Amortization and other adjustments to value of business acquired	7,529	6,983
Interest credited to interest sensitive contracts	188,591	38,285
Cash from closed block reinsurance	6,616	-
Change in assets and liabilities:		
Accrued investment income	(4,165)	55
Premiums receivable	884	1,624
Reinsurance recoverables	(221)	(440)
Funds withheld at interest	(198,477)	58,453
Deferred acquisition costs	262	(1,705)
Value of in-force business acquired	172,503	12,452
Other assets	6,832	(10)
Reserves for future policy benefits	78,146	(13,209)
Other reinsurance liabilities	407	20
Other liabilities	93,921	(11,342)
Net cash flows from (used in) operating activities	(261,997)	102,351
INVESTING ACTIVITIES:		
Change in policy loans	(348)	(254)
Change in short term investments	1,004	(10,946)
Change in other invested assets	(14,737)	-
Net cash flows from (used in) investing activities	(14,081)	(11,200)
FINANCING ACTIVITIES:		
Return of capital to shareholder	-	(10,000)
Contributed capital	562,087	-
Deposits into interest sensitive contracts	14,941	17,832
Redemption and benefit payments on interest sensitive contracts	(310,217)	(98,513)
Net cash flows from (used in) financing activities	266,811	(90,681)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,267)	470
CASH AND CASH EQUIVALENTS—Beginning of year	24,200	23,730
CASH AND CASH EQUIVALENTS—End of year	$ 14,933	$ 24,200

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

1. ORGANIZATION

Wilton Reinsurance Bermuda Limited (the Company) is a wholly owned subsidiary of Wilton Re Ltd. and was incorporated under the laws of Bermuda as a long term insurer on December 17, 2004.

Effective June 30, 2014, in connection with the acquisition of Wilton Re Holdings Limited (WRHL), a Bermuda company and the former ultimate parent, by an affiliate of the Canada Pension Plan Investment Board (CPPIB), WRHL was merged with and into Cheddar Merger Holdings Limited, a Bermuda company which, effective August 2014, was continued from Bermuda to Nova Scotia, Canada and renamed as Wilton Re Ltd. (WRL or the Parent Company). WRL is the ultimate parent corporation in the Company's holding company system.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying 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 conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include those used in determining deferred acquisition costs, value of in-force business acquired, premiums receivable, reserves for future policy benefits, other policy claims and benefits, and the valuation of investments. While the amounts included in the financial statements reflect management's best estimates and assumptions, the actual results could be materially different from the amounts reported in the financial statements.

Investments and Investment Earnings

Fixed Maturity and Equity Securities

Fixed maturity and equity securities include publicly-traded fixed maturity securities and preferred stocks which are classified as trading and are recorded at fair value with the change in fair value reported as net unrealized appreciation (depreciation) on investments classified as trading and other in the statements of comprehensive income. The fair value of publicly-traded securities is based on quoted market prices or obtained from independent third-party dealers in the absence of quoted market prices. The fair value of private placements is obtained from third-party dealers or is modeled.

Investment transactions are recorded on a trade date basis. The Company's investment earnings are recognized when earned and consist primarily of interest and the accretion of discount or amortization of premium on fixed maturity securities. Investment earnings are presented net of investment management, investment accounting and custody expenses on the statements of comprehensive income. Gains and losses realized on the sale of investments are determined on the first in—first out method.

The Company is involved in the normal course of business with variable interest entities (VIEs) primarily as a passive investor in residential, commercial and asset-backed securities and private equity limited partnerships. The Company is not the primary beneficiary of these VIEs and the maximum exposure to loss is limited to the investment carrying values.

Policy Loans

Policy loans are reported at the unpaid principal balance. Interest income on such loans is recorded as earned using the contractually agreed upon interest rates.

Funds Withheld at Interest

Funds withheld at interest represent amounts contractually withheld by ceding companies in accordance with reinsurance agreements. For agreements written on a modified coinsurance basis and agreements written on a coinsurance funds withheld basis, assets equal to the statutory reserves, net of reinsurance, are withheld and legally owned by the ceding company. Investment income on funds withheld at interest includes the interest income earned on these segregated assets as defined by the treaty terms.

The Company accounts for the embedded derivatives in modified coinsurance and funds withheld contracts as total return swaps. Accordingly, the value of the derivative is equal to the unrealized gain or loss on the assets underlying the funds withheld portfolio associated with each agreement. The Company's funds withheld at interest are recorded at fair value with the changes in the fair value of the embedded derivative reflected in the change in value of derivatives and embedded derivatives, net, in the statements of comprehensive income. At December 31, 2017 and 2016, the fair value of these embedded derivatives, and the change in fair value for the year then ended, included:

Funds Withheld at Interest	**2017**	**2016**
Fair value	$553,943	$37,745
Change in fair value	516,198	14,361

Short-Term Investments

Short-term investments represent investments with maturities at acquisition of greater than three months but less than twelve months and are carried at amortized cost.

Other Invested Assets

Other invested assets include investments in limited partnerships and surplus debentures, both carried at fair value.

Cash and Cash Equivalents

The Company considers all investments purchased with a maturity at acquisition of three months or less to be cash equivalents.

Reinsurance Recoverable

Reinsurance recoverables include an estimate of the amount of policy and claim reserves that are ceded under the terms of reinsurance agreements, including claims incurred but not reported (IBNR). Reinsurers and the respective amounts recoverable are regularly evaluated and a provision for uncollectible reinsurance is recorded if needed. No allowances for uncollectible reinsurance were recorded as of December 31, 2017 or 2016.

Premiums Receivable

Premiums receivables are recognized when due and in accordance with information received from the ceding company. Factors affecting management estimates of premiums receivable include adjustments for lapsed policies and collateral value. Under the legal right of offset provision in the reinsurance treaties, the Company can withhold payments for allowances and claims for unpaid premiums. Based on a review of these factors and historical experience, the Company did not believe a provision for doubtful accounts was necessary as of December 31, 2017 or 2016. Included in the premiums receivable balance at December 31, 2017 and 2016 is $18,933 and $20,126, respectively from affiliates.

Deferred Acquisition Costs (DAC)

The costs that are directly related to the successful acquisition of new and renewal life insurance and reinsurance business have been deferred to the extent that such costs are deemed recoverable from future premiums or gross profits.

The Company performs periodic tests to determine that DAC remains recoverable, and if financial performance deteriorates to the point where a premium deficiency exists, a charge to current operations would be recorded. No such adjustments were made during 2017 or 2016. Deferred costs related to traditional life insurance contracts, all of which relate to long duration contracts, are amortized generally over the premium-paying period, in proportion to the ratio of individual period premium revenues to total anticipated premium revenues over the amortization period. Such anticipated premium revenues are estimated using the same assumptions used for computing liabilities for future policy benefits. DAC related to interest sensitive insurance products, such as universal life and annuities, are recognized as expense over the term of the policies in proportion to estimated gross profits (EGPs), arising principally from surrender charges, investment results and mortality and expense margins, over the amortization period. EGPs are updated periodically with actual gross profits, and the assumptions underlying future EGPs are evaluated for continued reasonableness. Adjustments to EGPs require that amortization rates be revised retroactively to the date of the contract issuance (“unlocking”).

Reserves for Future Policy Benefits and Interest Sensitive Contract Liabilities

The Company’s liabilities for traditional life policies and reinsurance of traditional life insurance policies are recognized as reserves for future policy benefits. All of the Company’s material reinsurance contracts are long duration contracts. The Company monitors actual experience and revises assumptions and related reserve estimates as permitted. The reserve is estimated using the net level premium method utilizing assumptions for mortality, persistency, interest, and expenses established when the contract is underwritten. These assumptions are based on anticipated experience with a margin for adverse deviation. If the reserves for future policy benefits plus the present value of expected future gross premiums are insufficient to provide for expected future benefits and expense, deferred policy acquisition costs are expensed and, if required, a premium deficiency reserve is established by a charge to claims and policy benefits. Benefit liabilities for traditional life contingent payout annuities and structured settlements are recorded at the present value of expected future benefit payments. Where required, the Company also establishes an unearned profit reserve and amortizes it over expected benefit payments. Benefit liabilities for non-life contingent payout annuities are recorded at the present value of future benefit payments.

Reserves also are established to cover death claims that may have been incurred and reported to the applicable ceding company, but not yet reported to the Company. The average discount rate used to compute the Company's reserves for future policy benefits was 5.25% for 2017 and 2016.

Liabilities for interest sensitive insurance products such as universal life and deferred annuities are established based on account values before applicable surrender charges. Certain universal life products contain features that link interest credited to an equity index. These features create an embedded derivative that is not clearly and closely related to the host insurance contract. The embedded derivative is carried at fair value with changes in the fair value reported in the accompanying statements of comprehensive income. The Company had no such derivatives in 2017 or 2016.

In situations where mortality profits are followed by mortality losses, a liability is established, in addition to the account value, to recognize the portion of policy assessments that relate to benefits to be provided in the future. Additional liabilities are established for universal life products related to unearned policy charges.

The calculation of reserves for future policy benefits and for claims incurred but not reported (IBNR) for the Company's business requires management to make estimates and assumptions regarding expected mortality, lapse, persistency, expenses, and investment experience. For reinsurance assumed, such estimates are based primarily on historical experience provided by ceding companies with the exception of investment returns and expenses. Actual results could differ materially from those estimates.

Recognition of Revenue and Expenses

Assumed reinsurance and policy premiums related to traditional life products are recognized as revenue when due from the ceding companies and policyholders and are reported net of the cost of reinsurance ceded. Benefits and expenses are reported net of amounts related to reinsurance ceded and are associated with earned premiums so that profits are recognized over the life of the related contracts.

For each of its reinsurance contracts, the Company determines whether the contract provides indemnification against loss or liability relating to insurance risk. The Company must review all contractual features, particularly those that may limit the amount of insurance risk to which the Company is subject or features that delay the timely reimbursement of claims. If the Company determines that a contract does not expose it to a reasonable possibility of a significant loss from insurance risk, the Company records the contract under the deposit method of accounting with the net amount payable/receivable reflected in other reinsurance assets or liabilities on the balance sheets. Fees earned on these contracts are reflected as policy fees and charges, as opposed to premiums, on the statements of comprehensive income.

For annuity and interest-sensitive life contracts, premiums collected are not reported as revenues, but as deposits to insurance liabilities. The Company recognizes revenues for these products over time in the form of investment income, policy charges for the cost of insurance, policy administration fees, and surrender fees that have been assessed against policy account balances during the period. Policy benefits and claims that are charged to expense include claims incurred in the period in excess of related policy account balances and interest credited to policy account balances. The weighted average interest-crediting rate for interest-sensitive products was 3.71% and 3.17% during 2017 and 2016, respectively.

Related-Party Transactions

The Company is party to a Service Agreement with its affiliate, Wilton Re Services, Inc., (Wilton Services) under which Wilton Services provides certain accounting, actuarial and administrative services to the Company (the Services Agreement). During 2017 and 2016, the Company incurred $261 and $183, respectively of expenses for these services. Amounts payable to parents, subsidiaries and affiliates of $622 and $402 at December 31, 2017 and 2016, respectively, were primarily related to the Services Agreement.

Closed Block Reinsurance

Acquisitions by the Company of blocks of business in run off (i.e., where only existing policies will be renewed and new policies will not be sold), as either a reinsurance transaction or a stock purchase, are accounted for as reinsurance transactions. Results of operations only include the revenues and expenses from the effective date of acquisition of these blocks of business. The initial transfer of assets and liabilities is recorded on the balance sheet at the date of acquisition at fair value, except for the reserves for future policy benefits and value of inforce business acquired (VOBA), which are recorded at management's best estimate. Future policy benefit reserves are established based on the present value of benefits and maintenance expenses minus the present value of valuation (or net) premiums.

VOBA represents the present value of future profits from the acquired contracts using the discount rate implicit in the pricing of such transactions. In establishing the VOBA, the Company considers costs which vary with and are primarily related to the acquisition to be part of the purchase price. Such costs include initial ceding allowances, advisory and legal fees, investment banking fees, and contractually obligated involuntary severance. Other costs incurred that are not contractually required, such as transition and conversion costs, financing costs, and severance are expensed as period costs. The Company amortizes VOBA in proportion to premiums for traditional life products and in proportion to EGPs for interest sensitive life and annuity contracts. The EGP's and related amortization of VOBA for interest sensitive life and annuity products are updated (unlocked) periodically to reflect revised assumptions for lapses, mortality and investment earnings. The Company performs periodic tests to determine that VOBA associated with both traditional life products and interest sensitive life and annuity products remains recoverable, and when financial performance deteriorates to the point where VOBA is not recoverable, a cumulative charge to current operations would be recorded.

The net liability recorded (reserves for future policy benefits, net of DAC and VOBA) represents management's best estimate of future cash flows, with provisions for adverse deviation as appropriate. Such estimates are subject to refinement within one year of acquisition.

New Accounting Pronouncements

Changes to the accounting principles are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates to the FASB Accounting Standards Codification™. Accounting standard updates not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's financial statements.

In January 2016, the FASB amended the guidance on the classification and measurement of financial instruments. The amendment revises the accounting related to (1) the classification and measurement of investments in equity securities, (2) the presentation of certain fair value changes for financial liabilities measured at fair value, (3) certain disclosure requirements associated with the fair value of financial instruments. The guidance is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact of this amendment on its financial statements.

In October 2016, the FASB issued authoritative guidance that removes the exception that prohibits and immediate recognition of the current and deferred tax effects of intra-entity transfers of assets. The guidance requires the transferring entity to recognize a current tax expense or benefit upon transfer of asset. Similarly, the receiving entity is required to recognize a DTA or DTL, as well as related deferred tax benefit or expense, upon receipt of the asset. The guidance is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. A reporting entity should apply the guidance retrospectively to all periods presented. The Company is currently evaluating the impact of this amendment on its financial statements.

In March 2017, the FASB issued authoritative guidance on purchased callable debt securities. The guidance shortens the amortization period for certain callable debt securities held at a premium and requires the premium to be amortized to the earliest call date. However, the new guidance does not require an accounting change for securities held at a discount whose discount continues to be amortized to maturity. The guidance is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. A reporting entity should apply the guidance retrospectively to all periods presented. The Company is currently evaluating the impact of this amendment on its consolidated financial statements—contractual basis.

3. CLOSED BLOCK REINSURANCE

Effective April 1, 2017, Wilton Reassurance Company, a Minnesota domiciled insurance affiliate (WRAC), reinsured from Aegon's Transamerica life subsidiaries, closed blocks of non-par payout annuities (payouts) and corporate owned and bank owned life insurance business (COLI | BOLI) on a coinsurance and modified coinsurance basis. Concurrently, WRAC retroceded the blocks to WREB, with the retrocession on a 100% coinsurance funds withheld basis.

The initial balance sheet effect of these transactions was as follows:

Assets	**Assumed**
Policy loans	$ 10,896
Funds withheld at interest	15,911,031
Total investments	15,921,927
Cash and cash equivalents	(54,760)
Value of in-force business acquired	747,571
Other assets	239,063
Total assets	$16,853,801
Liabilities	
Reserves for future policy benefits	$ 7,995,699
Interest sensitive contract liabilities	8,811,568
Other liabilities	46,534
Total liabilities	$16,853,801

Effective April 1, 2017, Wilcac Life Insurance Company, an Illinois domiciled insurance affiliate (WCAC), reinsured its block of payouts to WREB on a 100% coinsurance funds withheld basis.

The initial balance sheet effect of this transaction was as follows:

Assets	**Assumed**
Funds withheld at interest	$1,767,614
Total investments	1,767,614
Cash and cash equivalents	61,376
Total assets	$1,828,990
Liabilities	
Reserves for future policy benefits	$1,634,944
Interest sensitive contract liabilities	194,046
Total liabilities	$1,828,990

For the closed block reinsurance transactions described above, the non-cash assets and liabilities assumed have been excluded from the statement of cash flows. The cash received of $6,616 is included in cash flows from operating activities within the statement of cash flows.

4. INVESTMENTS

Fixed Maturity and Equity Securities

The amortized cost, fair value and related gross unrealized appreciation and depreciation of investments, classified as trading as of December 31, 2017 and 2016, are as follows:

December 31, 2017	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Fair Value
Fixed maturities:				
U.S. government and agencies	$ 71,710	$ 366	$ (321)	$ 71,755
State and political subdivisions	33,974	978	(12)	34,940
Foreign sovereign	6,847	100	-	6,947
Corporate securities	338,046	6,486	(894)	343,638
Residential mortgage-backed securities	98,414	495	(377)	98,532
Commercial mortgage-backed securities	81,843	357	(895)	81,305
Asset backed securities	41,872	579	(53)	42,398
Collateralized debt obligations	21,714	113	(53)	21,774
Total fixed maturities	694,420	9,474	(2,605)	701,289
Preferred stocks	1,839	196	-	2,035
Total fixed maturity and equity securities	$696,259	$9,670	$(2,605)	$703,324

December 31, 2016	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Fair Value
Fixed maturities:				
U.S. government and agencies	$ 2,602	$ 77	$ (11)	$ 2,668
State and political subdivisions	10,596	219	(91)	10,724
Foreign sovereign	491	36	-	527
Corporate securities	43,147	837	(703)	43,281
Residential mortgage-backed securities	13,786	142	(218)	13,710
Commercial mortgage-backed securities	12,740	155	(625)	12,270
Asset backed securities	12,369	225	(125)	12,469
Collateralized debt obligations	8,794	127	(30)	8,891
Total fixed maturities	104,525	1,818	(1,803)	104,540
Preferred stocks	1,842	90	(5)	1,927
Total fixed maturity and equity securities	$106,367	$1,908	$(1,808)	$106,467

The unrealized depreciation and fair values by investment category and by the duration the investments were in a continuous unrealized loss position at December 31, 2017 and 2016, are as follows:

	Less than 12 Months		12 Months or More		Total	
At December 31, 2017	**Fair Value**	**Unrealized Depreciation**	**Fair Value**	**Unrealized Depreciation**	**Fair Value**	**Unrealized Depreciation**
Fixed maturities:						
U.S. government and agencies	$ 42,080	$ (321)	$ -	$ -	$ 42,080	$ (321)
State and political subdivisions	4,754	(12)	-	-	4,754	(12)
Corporate securities	109,921	(838)	1,345	(56)	111,266	(894)
Residential mortgage-backed securities	59,253	(359)	302	(18)	59,555	(377)
Commercial mortgage-backed securities	58,760	(542)	2,151	(353)	60,911	(895)
Asset backed securities	15,727	(39)	984	(14)	16,711	(53)
Collateralized debt obligations	17,360	(53)	-	-	17,360	(53)
Total fixed maturities	307,855	(2,164)	4,782	(441)	312,637	(2,605)
Preferred stock	-	-	-	-	-	-
Total fixed maturity and equity securities	$307,855	$(2,164)	$4,782	$(441)	$312,637	$(2,605)

	Less than 12 Months		12 Months or More		Total	
At December 31, 2016	**Fair Value**	**Unrealized Depreciation**	**Fair Value**	**Unrealized Depreciation**	**Fair Value**	**Unrealized Depreciation**
Fixed maturities:						
U.S. government and agencies	$ 363	$ (11)	$ -	$ -	$ 363	$ (11)
State and political subdivisions	2,694	(91)	-	-	2,694	(91)
Corporate securities	10,249	(326)	5,473	(377)	15,722	(703)
Residential mortgage-backed securities	6,586	(218)	-	-	6,586	(218)
Commercial mortgage-backed securities	4,085	(140)	2,156	(485)	6,241	(625)
Asset backed securities	5,980	(121)	119	(4)	6,099	(125)
Collateralized debt obligations	2,523	(16)	1,986	(14)	4,509	(30)
Total fixed maturities	32,480	(923)	9,734	(880)	42,214	(1,803)
Preferred stock	294	(5)	-	-	294	(5)
Total fixed maturity and equity securities	$32,774	$(928)	$9,734	$(880)	$42,508	$(1,808)

At December 31, 2017, sixteen fixed-maturity investments with a total unrealized loss of $441 had been in an unrealized loss position for 12 months or more. At December 31, 2016, twenty-two fixed-maturity investments with a total unrealized loss of $880 had been in an unrealized loss position for 12 months or more.

Contractual maturities of the Company's fixed maturity securities as of December 31, 2017, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepay penalties:

At December 31, 2017	**Amortized Cost**	**Fair Value**
One or less	$ 458	$ 459
One through five	18,548	18,481
After five through ten	117,754	118,458
After ten through twenty	93,755	94,806
After twenty	220,062	225,076
Residential mortgage-backed securities	98,414	98,532
Commercial mortgage-backed securities	81,843	81,305
Asset backed securities	41,872	42,398
Collateralized debt obligations	21,714	21,774
Total fixed maturity securities	$694,420	$701,289

Major sources and related amounts of investment earnings are as follows:

	2017	**2016**
Fixed maturity and equity securities	$ 8,923	$ 4,910
Policy loans	1,600	1,184
Funds withheld at interest, net of reinsurance ceded	458,690	53,885
Short-term investments and cash and cash equivalents	2,699	71
Other invested assets	46	(115)
Investment income	471,958	59,935
Investment expenses	(1,921)	(1,045)
Investment income—net	470,037	58,890
Realized gains on investments	246	568
Realized losses on investments	(339)	(80)
Net realized gains (losses) on funds withheld at interest	100,348	7,084
Investment earnings—net	$570,292	$66,462

Credit ratings of the Company's fixed maturity securities as of December 31, 2017 and 2016, are shown below. Ratings are assigned by Standard & Poor's Corporation, Moody's Investor's Service or Fitch Ratings:

December 31, 2017	**Amortized Cost**	**Fair Value**
AAA	$210,869	$211,074
AA	56,906	57,965
A	204,030	206,359
BBB	215,693	218,590
BB	5,281	5,341
B	766	771
CCC or lower	875	1,189
Total fixed maturity securities	$694,420	$701,289

December 31, 2016	**Amortized Cost**	**Fair Value**
AAA	$ 22,466	$ 22,104
AA	16,178	16,137
A	27,459	27,447
BBB	35,955	36,232
BB	1,323	1,350
B	145	140
CCC or lower	999	1,130
Total fixed maturity securities	$104,525	$104,540

The Company's largest five exposures by issuer as of December 31, 2017, were Africa Finance Corporation, Intel Corporation, Banco Santander, S.A., American Financial Group, Inc. and MetLife, Inc., each of which comprised less than 1.8%, and in aggregate comprise 0.1%, of total investments.

The Company's largest five exposures by issuer as of December 31, 2016, were County of Sarasota, Applied Materials, Inc., The Port Authority of New York and New Jersey, Los Angeles Community College District, and City of New York, each of which comprised less than 5%, and in aggregate comprise 0.5%, of total investments.

Policy Loans

Policy loans comprised approximately 0.1% and 1.1% of the Company's investments as of December 31, 2017 and 2016, respectively. These policy loans present minimal credit risk because the amount of the loan cannot exceed the obligation due the ceding company or the policyholder upon the death of the insured or surrender of the underlying policy. The provisions of the underlying policies determine the policy loan interest rates. Because policy loans represent premature distributions of policy liabilities, they have the effect of reducing future disintermediation risk. In addition, the Company earns a spread between the interest rate earned on policy loans and the interest rate credited to corresponding liabilities.

5. FUNDS WITHHELD AT INTEREST

Funds withheld at interest comprised approximately 96% and 91% of the Company's total investments as of December 31, 2017 and 2016, respectively. The risk of loss to the Company due to the insolvency of a ceding company is mitigated by the Company's contractual right to offset amounts it owes the ceding company for claims or allowances with amounts owed to the Company from the ceding company. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The Company is subject to the investment performance on the funds withheld assets in a fashion similar to its invested assets.

The funds withheld at interest is comprised of the following:

Affiliated Ceding Company	**2017**	**2016**
Segregated portfolio of assets—general account	$ 14,569,209	$ -
Segregated portfolio of assets—separate account	3,634,816	-
Non-segregated portfolio of assets	664,367	440,504
Funds withheld at interest, at fair value—affiliated	18,868,392	440,504
Unaffiliated Ceding Company		
Segregated portfolio of assets—general account	852,672	885,172
Non-segregated portfolio of assets	13,223	15,292
Funds withheld at interest, at fair value—unaffiliated	865,895	900,464
Total funds withheld at interest, at fair value	$ 19,734,287	$ 1,340,968

The disclosures that follow are for the segregated portfolio—general account only, both affiliated and unaffiliated, and exclude commercial mortgage loans, other invested assets, short term investments and cash of $1,502,849 and $24,844 as of December 31, 2017 and 2016, respectively. The segregated portfolio—separate account is supported by assets with specific underlying investment objectives and are in accounts legally segregated from the ceding company. The non-segregated portfolio is supported by a proportionate share of the assets held by the ceding company.

The amortized cost, fair value and related gross unrealized appreciation and depreciation of the segregated portfolio of assets—general account supporting the funds withheld at interest as of December 31, 2017 and 2016, are as follows:

At December 31, 2017	**Amortized Cost**	**Unrealized Appreciation**	**Unrealized Depreciation**	**Fair Value**
Fixed maturities:				
U.S. government and agencies	$ 1,502,848	$ 27,434	$ (5,787)	$ 1,524,495
State and political subdivisions	544,277	24,397	(132)	568,542
Foreign sovereign	98,273	2,369	(229)	100,413
Corporate securities	9,430,170	472,892	(11,064)	9,891,998
Residential mortgage-backed securities	702,065	4,726	(5,045)	701,746
Commercial mortgage-backed securities	600,002	7,142	(3,206)	603,938
Asset backed securities	376,421	4,097	(904)	379,614
Collateralized debt obligations	63,447	2,096	(78)	65,465
Total fixed maturities	13,317,503	545,153	(26,445)	13,836,211
Preferred stocks	82,155	3,477	(2,813)	82,819
Common stocks	-	3	-	3
Total fixed maturity and equity securities	$13,399,658	$548,633	$(29,258)	$13,919,033

At December 31, 2016	**Amortized Cost**	**Unrealized Appreciation**	**Unrealized Depreciation**	**Fair Value**
Fixed maturities:				
U.S. government and agencies	$ 13,563	$ 2	$ (453)	$ 13,112
State and political subdivisions	81,234	1,499	(706)	82,027
Corporate securities	495,448	20,776	(7,893)	508,331
Residential mortgage-backed securities	73,111	2,788	(683)	75,216
Commercial mortgage-backed securities	136,475	1,083	(1,922)	135,636
Asset backed securities	35,900	293	(364)	35,829
Collateralized debt obligations	3,489	2	(21)	3,470
Total fixed maturities	839,220	26,443	(12,042)	853,621
Preferred stocks	6,202	599	(95)	6,706
Common stocks	-	1	-	1
Total fixed maturity and equity securities	$ 845,422	$ 27,043	$ (12,137)	$ 860,328

The unrealized depreciation and fair values by investment category and by duration the investments were in a continuous unrealized loss position of segregated assets supporting funds withheld at interest at December 31, 2017 and 2016, is as follows:

	Less than 12 Months		12 Months or More		Total	
At December 31, 2017	**Fair Value**	**Unrealized Depreciation**	**Fair Value**	**Unrealized Depreciation**	**Fair Value**	**Unrealized Depreciation**
Fixed maturities:						
U.S. government and agencies	$ 785,642	$ (5,274)	$ 9,845	$ (513)	$ 795,487	$ (5,787)
State and political subdivisions	27,239	(66)	2,014	(66)	29,253	(132)
Foreign sovereign	3,975	(21)	3,010	(208)	6,985	(229)
Corporate securities	876,612	(7,207)	104,216	(3,857)	980,828	(11,064)
Residential mortgage-backed securities	393,936	(3,887)	14,977	(1,158)	408,913	(5,045)
Commercial mortgage-backed securities	133,855	(857)	34,187	(2,349)	168,042	(3,206)
Asset backed securities	65,727	(286)	11,695	(618)	77,422	(904)
Collateralized debt obligations	9,986	(28)	694	(50)	10,680	(78)
Total fixed maturities	2,296,972	(17,626)	180,638	(8,819)	2,477,610	(26,445)
Preferred stocks	25,216	(610)	22,759	(2,203)	47,975	(2,813)
Total fixed maturity and equity securities	$ 2,322,188	$(18,236)	$203,397	$(11,022)	$2,525,585	$(29,258)

	Less than 12 Months		12 Months or More		Total	
At December 31, 2016	**Fair Value**	**Unrealized Depreciation**	**Fair Value**	**Unrealized Depreciation**	**Fair Value**	**Unrealized Depreciation**
Fixed maturities:						
U.S. government and agencies	$ 11,109	$ (453)	$ -	$ -	$ 11,109	$ (453)
State and political subdivisions	28,960	(706)	-	-	28,960	(706)
Corporate securities	122,375	(4,698)	29,273	(3,195)	151,648	(7,893)
Residential mortgage-backed securities	32,397	(528)	3,265	(155)	35,662	(683)
Commercial mortgage-backed securities	62,323	(1,835)	1,672	(87)	63,995	(1,922)
Asset backed securities	9,764	(347)	178	(17)	9,942	(364)
Collateralized debt obligations	746	(4)	1,472	(17)	2,218	(21)
Total fixed maturities	267,674	(8,571)	35,860	(3,471)	303,534	(12,042)
Preferred stocks	1,939	(78)	227	(17)	2,166	(95)
Total fixed maturity and equity securities	$269,613	$(8,649)	$36,087	$(3,488)	$305,700	$(12,137)

At December 31, 2017, one hundred eleven fixed-maturity investments with a total unrealized loss of $11,022 had been in an unrealized loss position for 12 months or more. Of those securities in an unrealized loss position for 12 months or more, one security was below 70% of book value with an unrealized loss of $103.

At December 31, 2016, thirty-two fixed-maturity investments with a total unrealized loss of $3,471 had been in an unrealized loss position for 12 months or more. Of those securities in an unrealized loss 12 months or more, no securities were below 70% of book value.

The contractual maturities of the fixed maturity securities in the segregated assets supporting funds withheld at interest as of December 31, 2017, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepay penalties:

December 31, 2017	Amortized Cost	Estimated Fair Value
0 to 1 Year	$ 129,150	$ 130,233
1 to 5 years	759,349	765,276
5 to 10 years	1,072,523	1,093,181
10 to 20 years	3,000,732	3,161,986
> 20 years	6,613,814	6,934,772
Residential mortgage-backed securities	702,065	701,746
Commercial mortgage-backed securities	600,002	603,938
Asset backed securities	376,421	379,614
Collateralized debt obligations	63,447	65,465
Total fixed maturity securities	$ 13,317,503	$ 13,836,211

Credit ratings of the fixed maturities of the segregated assets supporting funds withheld at interest, as provided by our ceding companies, are shown below as of December 31, 2017 and 2016:

December 31, 2017	Amortized Cost	Estimated Fair Value
AAA	$ 2,979,161	$ 3,014,216
AA	1,154,654	1,205,842
A	4,811,351	5,036,172
BBB	4,204,742	4,404,562
BB	94,575	99,368
B	37,510	38,730
CCC or lower	35,510	37,321
Total fixed maturity securities	$ 13,317,503	$ 13,836,211

December 31, 2016	Amortized Cost	Estimated Fair Value
AAA	$209,801	$210,991
AA	100,189	101,295
A	211,952	216,764
BBB	271,858	277,919
BB	19,972	20,031
B	2,867	3,060
CCC or lower	22,581	23,561
Total fixed maturity securities	$839,220	$853,621

6. CONCENTRATION OF CREDIT RISK

As of December 31, 2017 and 2016, substantially all of the Company's cash and cash equivalents were held in two financial institutions that the Company considers to be of high quality.

7. REINSURANCE CEDED

The Company has retrocession agreements that enable it to substantially limit the amount of traditional life reinsurance it retains. The contracts are automatic and effective for risks assumed and inforce subsequent to January 1, 2005 through December 31, 2007, for lives greater than $1,000 and from January 1, 2008, and subsequent for lives greater than $2,000.

The closed blocks of business acquired via stock purchase may include risks that were ceded to other reinsurers under various yearly renewable term, coinsurance and modified coinsurance agreements. The closed blocks of business acquired via coinsurance may include risks that were ceded to other reinsurers under existing inuring reinsurance agreements (inuring reinsurance). For those risks ceded to other reinsurers, the related per life retentions vary by block of business from $300 to $1,000.

Retrocession treaties do not relieve the Company from its obligations to counterparties. Failure of retrocessionaires to honor their obligations could result in losses to the Company. Consequently, allowances for uncollectible amounts would be established. At December 31, 2017 and 2016, no allowances were deemed necessary.

The Company has one retrocession agreement with an affiliate, Wilton Re (Canada) Ltd., involving certain pre-XXX term, universal life, whole life and final expense exposures that was effective in 2015.

The following table presents information for the Company's reinsurance recoverable, including the respective amount and A.M. Best rating as of December 31, 2017 and 2016:

Reinsurer	A. M. Best Rating	2017	2016
Affiliate	A+	$4,772	$4,566
Non-affiliate—other reinsurers	A to A++	212	197
Total		$4,984	$4,763

The effect of retrocessions on net premiums earned is as follows:

	2017	2016
Direct	$ -	$ -
Reinsurance assumed—affiliate	80,618	95,464
Reinsurance assumed—non-affiliate	3,487	4,053
Reinsurance ceded—affiliate	(2,367)	(3,074)
Reinsurance ceded—non-affiliate	(446)	109
Net premiums	$81,292	$96,552

The effect of retrocessions on net claims and policy benefits is as follows:

	2017	2016
Direct	$ -	$ -
Reinsurance assumed—affiliate	339,510	80,555
Reinsurance assumed—non-affiliate	6,778	7,220
Reinsurance ceded—affiliate	(4,591)	(3,391)
Reinsurance ceded—non-affiliate	(15)	(3)
Net claims and policy benefits	$341,682	$84,381

At December 31, 2017 and 2016, there were no retrocessional receivables associated with a single reinsurer in excess of 5% of total assets.

The effect of reinsurance and retrocessions on life insurance inforce is shown in the following schedule:

	Direct	Assumed	Ceded	Net
December 31, 2017	$18,123	$21,769,505	$(343,327)	$21,444,301
December 31, 2016	$20,658	$ 6,221,059	$(368,522)	$ 5,873,195

8. DEFERRED ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

The balances and changes in DAC for the years ended December 31, 2017 and 2016, are as follows:

	2017	2016
Beginning of year	$70,965	$76,056
Capitalized	37	65
Amortized	(8,856)	(6,796)
Attributable to realized/unrealized gains and losses	(1,029)	(393)
Impact of unlocking	730	2,033
End of year	$61,847	$70,965

The balances and changes in VOBA for the years ended December 31, 2017 and 2016, are as follows:

	2017	2016
Beginning of year	$ 34,596	$ 54,031
New reinsurance treaties	745,598	-
Amortized	(7,529)	(6,983)
Attributable to realized/unrealized gains and losses	(167,797)	(11,061)
Impact of unlocking	(2,733)	(1,391)
End of year	$ 602,135	$ 34,596

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

2018	$21,058
2019	22,085
2020	23,634
2021	26,309
2022	27,226

9. INCOME TAXES

Tax Reform

On December 22, 2017, President Trump signed the Tax Cuts and Jobs Act of 2017 (Tax Act) into law, which introduced significant changes to the Internal Revenue Code. The Tax Act imposes a new minimum tax on WREB's US affiliates, and is referred to as the "base erosion anti-avoidance tax" (BEAT), taxing WREB's US affiliates' modified taxable income at a rate of 5% beginning in 2018, increasing to 10% in 2019 and 12.5% in 2026.

Modified taxable income is calculated by adding back to a taxpayer's regular taxable income the amount of certain "base erosion tax benefits" with respect to certain payments made to foreign affiliates of the taxpayer such as WREB, as well as the "base erosion percentage" of any net operating loss deductions. The BEAT applies for a taxable year only to the extent it exceeds a taxpayer's regular corporate income tax liability for such year (determined without regard to certain tax credits).

BEAT is expected to apply to WREB's related U.S. affiliates with respect to deductible amounts paid or accrued to WREB starting in 2018, in the absence of any actions to mitigate the impact. The BEAT does not apply to amounts paid or accrued to WREB directly by unaffiliated ceding companies or third parties.

There is significant uncertainty regarding the computation of the BEAT including whether it applies on a net basis or instead, requires the add back of the gross amount paid or accrued to regular taxable income without reduction for claims or other expenses. In light of this uncertainty, we are undertaking certain actions and exploring various alternatives which is intended to mitigate the potential effect of the BEAT, but may impact WREB's US tax status in 2018 and forward.

Income Taxes

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on income or realized capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that, in the event of any taxes being imposed, the Company will be exempt from taxation in Bermuda until March 2035.

The Company has operated in a manner so that it should be treated as not being engaged in a U.S. trade or business or otherwise subject to U.S. tax (other than U.S. excise tax on insurance and reinsurance premium income attributable to insuring or reinsuring U.S. risks and U.S. withholding tax on some types of U.S. source investment income). However, because definitive identification of activities which constitute being engaged in a trade or business in the U.S. is not provided by the Internal Revenue Code of 1986, regulations or court decisions, there can be no assurance that the Internal Revenue Service will not contend that the Company is engaged in a U.S. trade or business or otherwise subject to taxation. If the Company was considered to be engaged in a trade or business in the U.S., the Company could be subject to the U.S. tax at regular corporate tax rates on its taxable income, if any, that is effectively connected with the U.S. trade or business plus an additional 30% branch profits tax on such income remaining, if any, after regular corporate taxes, in which case, there could be a significant adverse effect on the Company's results of operations and its financial condition.

10. STATUTORY REQUIREMENTS AND DIVIDEND RESTRICTIONS

The Company is subject to insurance laws and regulations of Bermuda. These regulations include restrictions that limit the amount of dividends or other distributions available to shareholders without prior approval of the insurance regulatory authorities.

Under Bermuda law, the following statutory conditions must all be met prior to a distribution to shareholders:

1. The value of the assets backing the Company's insurance liabilities, as certified by the Company's approved actuary, must be greater than the Company's reserves (also certified) after the distribution (Insurance Act, Section 24);

2. Company must be solvent after payment of the dividend, i.e. the realizable value of its assets must be greater than its liabilities (Companies Act, Section 54);

3. Bermuda Monetary Authority (BMA) approval is required for dividends exceeding 25% of the Company's statutory capital and surplus, per its previous year's statutory balance sheet (Insurance Act, Section 31b);

4. BMA approval is required for any distribution exceeding 15% of the Company's statutory capital, per its previous year's statutory financial statements (Insurance Act, Section 31c); and,

5. After the distribution, the Company's capital must be above regulatory margins (Insurance Act, Sections 31b and 31c).

The Company cannot pay a dividend in 2018 without prior regulatory approval.

11. SHAREHOLDER'S EQUITY

Authorized Shares

Upon incorporation, the Company issued 250,000 Class A common shares at $1.00 per share for a total of $250,000.

In 2017, the Company received a capital contribution of $562,087. In 2016, the Company paid a distribution of $10,000, which was deemed to be a return of capital.

12. COMMITMENTS AND CONTINGENCIES

Liquidity Facilities

The Parent Company obtains letters of credit for the benefit of various affiliated and unaffiliated insurance companies from which the Company assumes business. These letters of credit represent guarantees of performance under the reinsurance agreements and allow ceding companies to take statutory reserve credits.

In November 2016, the Parent Company along with Wilton Re U.S. Holdings, Inc., an affiliate incorporated in Delaware (Wilton Re US Holdings), replaced the Wells Fargo Facility II with a $500,000 senior revolving credit facility (Wells Fargo Facility III) that expires in 2021 with a syndicate of lenders. The facility includes a $100,000 letter of credit sublimit. The facility contains financial covenant restrictions that require the Parent Company and certain affiliates not to exceed a combined leverage ratio of greater than 0.35 to 1.000, and maintain a minimum adjusted consolidated tangible net worth. Borrowings under the Wells Fargo Facility III bear interest, at the applicable borrower's option, at either a base rate or a LIBOR rate (or, in the case of borrowings denominated in Canadian Dollars, at the Canadian Dollar Offered Rate or CDOR), in each case, plus an applicable margin that is determined according to a sliding scale based upon the lower of the financial strength rating of WRAC and two of its affiliates. The applicable margin for base rate loans ranges from 0.250% to 1.000%. The applicable margin for LIBOR loans/CDOR Loans ranges from 1.250% to 2.000%.

LOCs issued under the Wells Fargo facility III may be collateralized by qualifying cash and securities (liquid collateral). The market value of collateral held by the Company at December 31, 2017 and 2016, was $10,972 and $10,996, respectively. At December 31, 2017 and 2016, there were approximately $8,925 and $8,975, respectively of outstanding bank letters of credit issued by the Company under the facility in favor of non-affiliated companies, and $0 borrowed under the line of credit.

In October 2017, the Parent Company along with Wilton Re US Holdings, added a 364-day $500,000 senior revolving credit facility (Wells Fargo Facility IV) with a syndicate of lenders. Wells Fargo Facility IV has the same financial covenant restrictions as Wells Fargo Facility III. Borrowings under Wells Fargo Facility IV bear interest, at the applicable borrower's option, at either a base rate or a LIBOR rate (or, in the case of borrowings denominated in Canadian Dollars, at the CDOR), in each case, plus an applicable margin that is determined according to a sliding scale based upon the lower of the financial strength rating of WRAC, WREB, and ivari. The applicable margin for base rate loans ranges from 0.250% to 1.000%. The applicable margin for LIBOR loans/CDOR Loans ranges from 1.250% to 2.000%. At December 31, 2017, there was $0 borrowed under the facility.

Reinsurance Trust Agreement

In November 2008, the Company entered into a reinsurance trust agreement with WRAC as beneficiary, for the purpose of collateralizing the Company's obligations under the terms of the reinsurance agreements between the Company and WRAC. At December 31, 2017 and 2016, the balance in the trust was $3,251 and $43,598, respectively.

Legal Proceedings

In the normal course of business, the Company is involved in litigation, principally from claims made under insurance policies and contracts. The ultimate disposition of such litigation is not expected to have a material adverse effect on the Company's financial condition, liquidity or results of operations.

13. FAIR VALUE

The Company determines the fair value of its financial instruments based on the fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The following table presents the carrying amounts and fair values of the Company's financial instruments at December 31, 2017 and 2016:

2017	**Carrying Value**	**Estimated Fair Value**
Assets:		
Fixed maturity and equity securities	$ 703,324	$ 703,324
Policy loans	27,992	27,992
Funds withheld at interest	19,734,288	19,734,288
Short-term investments	9,992	9,992
Other invested assets	14,737	14,737
Liabilities:		
Annuities—deferred and payouts without life contingencies	682,859	729,635
Structured settlements	830,992	913,165

2016	**Carrying Value**	**Estimated Fair Value**
Assets:		
Fixed maturity and equity securities	$ 106,467	$ 106,467
Policy loans	16,748	16,748
Funds withheld at interest	1,340,968	1,340,968
Short-term investments	10,996	10,996
Liabilities:		
Annuities—deferred and payouts without life contingencies	725,600	749,612

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

Fixed Maturity and Equity Securities

Publicly traded fixed maturity securities, included in fixed maturity and equity securities and funds withheld at interest, are valued based on quoted market prices or broker prices. Private placement securities, included in fixed maturity and equity securities and funds withheld at interest, are valued based on the credit quality and duration of marketable securities deemed comparable by the Company's investment advisor, which may be of another issuer. In some cases, discounted cash flow analysis may be used.

Policy Loans

Policy loans typically carry an interest rate that is tied to the crediting rate applied to the related policy, and contract reserves, which approximates fair value.

Funds Withheld at Interest

The fair value of embedded derivatives associated with funds withheld reinsurance treaties is determined based upon a total return swap methodology with reference to the fair value of the investments held by the ceding company that support the Company's funds withheld at interest asset. The fair value of the underlying assets is generally based on market observable inputs using market valuation methodologies.

Short-Term Investments

The carrying value of short-term investments approximates fair value and is determined based on quoted market prices.

Other

The fair value of the Company's deferred fixed annuities without life contingencies and structured settlements (included in reserves for future policy benefits) are based on discounted cash flows.

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

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

Level 1—Unadjusted quoted prices for identical assets or liabilities in an active market. The types of financial investments included in Level 1 are listed equities, mutual funds, money market funds, U.S. Treasury Securities, and non-interest bearing cash.

Level 2—Pricing inputs other than quoted prices in active markets which are either directly or indirectly observable as of the reporting date, and fair value determined through the use of models or other valuation methods. Such inputs may include benchmarking prices for similar assets in active, liquid markets, quoted prices in markets that are not active and observable yields and spreads in the market. Level 2 valuations may be obtained from independent sources for identical or comparable assets or through the use of valuation methodologies using observable market-corroborated inputs. Prices from third party pricing services are validated through analytical reviews. Financial instruments in this category include publicly traded issues such as U.S. and foreign corporate securities, and residential and commercial mortgage backed securities, among others.

Level 3—Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. They reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability. Market standard techniques for determining the estimated fair value of certain securities that trade infrequently may rely on inputs that are not observable in the market or cannot be derived from or corroborated by market observable data. Prices are determined using valuation methodologies such as discounted cash flow models and other techniques. Management believes these inputs are consistent with what other market participants would use when pricing similar assets. The types of financial investments included in Level 3 primarily include private placements, certain asset-backed and mortgage-backed securities.

Assets measured at fair value on a recurring basis are summarized below (excluding the non-segregated affiliated and unaffiliated balance of funds withheld at interest of $677,590 and $455,796 for 2017 and 2016, respectively, which is supported by a non-segregated portfolio):

At December 31, 2017	**Total**	**Level 1**	**Level 2**	**Level 3**
U.S. government and agencies	$ 71,755	$ 11,902	$ 59,853	$ -
State and political subdivisions	34,940	-	34,522	418
Foreign sovereign	6,947	-	6,947	-
Corporate securities	343,638	-	341,376	2,262
Residential mortgage-backed securities	98,532	-	87,552	10,980
Commercial mortgage-backed securities	81,305	-	81,305	-
Asset backed securities	42,398	-	34,260	8,138
Collateralized debt obligations	21,774	-	21,774	-
Total fixed maturities	701,289	11,902	667,589	21,798
Preferred stocks	2,035	-	2,035	-
Cash and short-term investments	24,925	24,925	-	-
Other invested assets	14,737	-	4,761	9,976
Total financial assets	$ 742,986	$ 36,827	$ 674,385	$ 31,774
Funds Withheld at Interest				
U.S. government and agencies	$ 1,524,495	$ 1,396,215	$ 128,280	$ -
State and political subdivisions	568,542	-	560,078	8,464
Foreign sovereign	100,413	-	100,413	-
Corporate securities	9,891,998	-	9,778,777	113,221
Residential mortgage-backed securities	701,746	-	659,938	41,808
Commercial mortgage-backed securities	603,938	-	603,938	-
Asset backed securities	379,614	-	277,417	102,197
Collateralized debt obligations	65,465	-	39,758	25,707
Total fixed maturities	13,836,211	1,396,215	12,148,599	291,397
Preferred stocks	82,820	-	82,820	-
Common stocks	3	-	-	3
Cash and short-term investments	183,525	170,990	12,535	-
Other invested assets	112,724	-	97,833	14,891
Commercial mortgage loans	1,140,657	-	-	1,140,657
Total financial assets	$ 15,355,940	$ 1,567,205	$ 12,341,787	$ 1,446,948

At December 31, 2016	**Total**	**Level 1**	**Level 2**	**Level 3**
U.S. government and agencies	$ 2,667	$ -	$ 2,667	$-
State and political subdivisions	10,724	-	10,335	389
Foreign sovereign	527	-	527	-
Corporate securities	43,281	-	40,552	2,729
Residential mortgage-backed securities	13,710	-	13,710	-
Commercial mortgage-backed securities	12,271	-	12,271	-
Asset backed securities	12,469	-	12,276	193
Collateralized debt obligations	8,891	-	8,891	-
Total fixed maturities	104,540	-	101,229	3,311
Preferred stocks	1,927	-	1,927	-
Cash and short-term investments	35,196	35,196	-	-
Total financial assets	$141,663	$35,196	$103,156	$3,311
Funds Withheld at Interest				
U.S. government and agencies	$ 13,112	$13,112	$ -	$-
State and political subdivisions	82,027	-	82,027	-
Corporate securities	508,331	-	508,331	-
Residential mortgage-backed securities	75,217	-	75,217	-
Commercial mortgage-backed securities	135,635	-	135,635	-
Asset backed securities	35,829	-	35,829	-
Collateralized debt obligations	3,470	-	3,470	-
Total fixed maturities	853,621	13,112	840,509	-
Preferred stocks	6,706	-	6,706	-
Common stocks	1	-	-	1
Cash and short-term investments	24,844	24,844	-	-
Total financial assets	$885,172	$37,956	$847,215	$ 1

The Company reviews the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets. Such reclassifications are reported as transfers in and out of Level 3, or between other levels, at the ending fair value for the reporting period in which the changes occur. There were no significant transfers between Level 1, Level 2, or Level 3 during the years ended December 31, 2017 and 2016.

The fair value of a financial instrument is the estimated amount at which the instrument could be exchanged in an orderly transaction between knowledgeable, unrelated, willing parties, i.e., not in a forced transaction. The estimated fair value of a financial instrument may differ from the amount that could be realized if the security was sold in an immediate sale, e.g., a forced transaction. Additionally, the valuation of investments is more subjective during periods of market disruption, including periods of rapid interest rate changes, rapidly widening credit spreads, or illiquidity. It may be difficult to value certain securities when markets are less liquid, which may increase the potential that the estimated fair value of an investment is not reflective of the price at which an actual transaction would occur.

The Company utilizes information from third parties, such as pricing services and brokers, to assist in determining fair values. The Company uses various third parties, with expertise in specific asset classes, to perform modeling for market valuation when quoted prices in active markets are not available. The fair values of the Company's publicly traded fixed maturity, short-term, and equity securities, are determined using one of three primary sources: third party pricing services, independent broker quotations, or using standard market valuation techniques. Security pricing is applied using a "waterfall" approach whereby publicly available prices are first sought from third party pricing services, any remaining unpriced securities are submitted to independent brokers for prices, and lastly, securities are priced using a pricing matrix or other appropriate fair value model. Typical inputs used by these three pricing methods include, but are not limited to: reported trades, benchmark yields, issuer spreads, bids, offers, estimated cash flows, and rates of prepayments. Third party pricing services will normally derive the security prices through recent reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information. If there are no recent reported trades, the third party pricing services and brokers may use market observable inputs in their matrix or model processes to develop a security price.

The Company utilizes, when available, fair values based on quoted prices in active markets that are regularly and readily obtainable. When quoted prices in active markets are not available, fair value is based on standard market valuation techniques. When observable inputs are not available, the market standard valuation techniques for determining the estimated fair value of certain types of securities that trade infrequently, rely on inputs that are significant to the estimated fair value that are not observable in the market or cannot be derived principally from or corroborated by observable market data. Even though unobservable, these inputs are based on assumptions deemed appropriate given the circumstances and are believed to be consistent with what other market participants would use when pricing such securities.

The use of different techniques, assumptions and inputs may have a material effect on the estimated fair values of the Company's securities holdings and fair value information disclosed. For the years ended December 31, 2017 and 2016, the application of market standard valuation techniques applied to similar assets has been consistent.

US Government and Agency Securities, State and Political Subdivisions, Foreign Sovereign Securities, and Corporate Securities

U.S. Treasury securities, which trade based on quoted prices for identical assets in an active market, are included in Level 1.

The fair value of Level 2 bonds and securities is predominantly priced by third party pricing services and broker quotes. Their pricing models typically utilize the following inputs: principal and interest payments, treasury yield curve, credit spreads from new issue and secondary trading markets, early redemption or call features, benchmark securities and reported trades.

Level 3 bonds and securities primarily represent investments in privately placed bonds, credit tenant loans and other less liquid corporate bonds for which prices are not readily available. To determine a fair value, the Company may rely on modeling for market valuation using both observable and unobservable inputs. These inputs are entered into industry standard pricing models to determine the final price of the security. These inputs typically include: projected cash flows, discount rate, industry sector, underlying collateral, credit quality of the issuer, maturity, embedded options, recent new issuance, comparative bond analysis, and seniority of debt.

The extent of the use of each market input depends on the asset class, market conditions and the relevant market data available. Depending on the security, these inputs may change, some market inputs may not be relevant or additional inputs may be necessary.

The fair value of corporate bonds classified as Level 3 is sensitive to changes in the interest rate spread over the corresponding U.S. Treasury rate. This spread represents a risk premium that is affected by company-specific and market factors. An increase in the spread can be caused by a perceived increase in credit risk of a specific issuer and/or an increase in the overall market risk premium associated with similar securities.

Mortgage-Backed Securities and Asset-Backed Securities

This category consists of residential mortgage-backed securities, commercial mortgage-backed securities, and other asset-backed securities, such as credit card and automobile receivables, home equity loans, manufactured housing bonds, and collateralized debt obligation. Level 2 securities are priced from information provided by third party pricing services and independent broker quotes. For these securities, valuation is based primarily on matrix pricing or other similar techniques using standard market inputs including spreads for actively traded securities, spreads off benchmark yields, expected prepayment speeds and volumes, current and forecasted loss severity, credit rating, weighted average coupon, weighted average maturity, average delinquency rates, geographic region, debt-service coverage ratios and issuance-specific information including, but not limited to: collateral type, payment terms of the underlying assets, payment priority within the tranche, structure of the security, deal performance, vintage of loans, and insurance guarantees.

The Company has included mortgage-backed and asset-backed securities with less liquidity in Level 3, these securities are primarily privately placed transactions with little transparency to the market or other securities with limited or inactive trading markets. Significant inputs cannot be derived principally from or corroborated by observable market data. The significant unobservable inputs used in the fair value measurement of these securities typically include: discounted cash flows, credit rating of issuer, debt coverage ratios, type and quality of underlying collateral, prepayment rates, probability of default and loss severity in the event of default.

Included in the pricing of mortgage-backed and asset-backed securities are estimates of the rate of future prepayments of principal over the remaining life of the securities. Such estimates are derived based on the securities' underlying structure and rates of prepayments previously experienced at the interest rate levels projected for the underlying collateral. Changes in significant inputs used in the fair value measurement, such as the paydown rate (the projected annual rate of principal reduction), may affect the fair value of the securities. For example, a decrease in the paydown rate would increase the projected weighted average life and increase the sensitivity of the fair value to changes in interest rates.

The table below reconciles the fair value of all Level 3 financial instruments for the year ended December 31, 2017:

December 31, 2017	Common Stocks	State and Political Subdivisions	Corporate Securities	Residential Mortgage-Backed Securities	Asset Backed Securities	Collateralized Debt Obligations	Commercial Mortgage Loans	Other Invested Assets	Total
Beginning balance—January 1	$ -	$ 389	$ 2,729	$ -	$ 192	$ -	$ -	$ -	$ 3,310
Total realized/unrealized gains (losses) included in earnings, net:									
Net investment income	-	(2)	2	-	(103)	-	-	-	(103)
Net investment gains (losses)	-	-	-	-	(6)	-	-	-	(6)
Net unrealized appreciation (depreciation)	-	36	52	-	141	-	-	-	229
Purchases/acquisitions	-		300	10,980	7,935	-	-	9,976	29,191
Sales/disposals	-	(5)	(821)	-	(21)	-	-	-	(847)
Transfers into Level 3	-	-	-	-	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-	-	-	-
Ending balance—December 31	$ -	$ 418	$ 2,262	$ 10,980	$ 8,138	$ -	$ -	$ 9,976	$ 31,774
Total gains (losses) related to assets still held at the reporting date included in earnings:									
Net investment income	$ -	$ (2)	$ 2	$ -	$ (103)	$ -	$ -	$ -	$ (103)
Net investment gains (losses)	-	-	-	-	(6)	-	-	-	(6)
Net unrealized appreciation (depreciation)	-	36	52	-	141	-	-	-	229

Funds Withheld at Interest December 31, 2017	Common Stocks	State and Political Subdivisions	Corporate Securities	Residential Mortgage-Backed Securities	Commercial Mortgage-Backed Securities	Asset Backed Securities	Collateralized Debt Obligations	Commercial Mortgage Loans	Other Invested Assets	Total
Beginning Balance—January 1	$ 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1
Total realized/unrealized gains (losses) included in earnings, net:										
Net investment income	-	-	(62)	-	-	-	-	(10,461)	-	(10,523)
Net investment gains (losses)	-	-	-	-	-	-	-	-	-	-
Net unrealized	-	-	-	-	-	-	-	-	-	-
appreciation (depreciation)	2	333	4,039	-	63	94	657	6,101	733	12,022
Purchases/acquisitions	-	8,221	110,436	41,813	(60)	102,480	25,192	1,172,794	14,158	1,475,034
Sales/disposals	-	(90)	(1,192)	(5)	(3)	(377)	(142)	(27,777)	-	(29,586)
Transfers into Level 3	-	-	-	-	-	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-	-	-	-	-
Ending Balance—December 31	$ 3	$ 8,464	$ 113,221	$ 41,808	$ -	$ 102,197	$ 25,707	$ 1,140,657	$ 14,891	$ 1,446,948
Total gains (losses) related to assets still held at the reporting date included in earnings:										
Net investment income	-	-	(62)	-	-	-	-	(10,461)	-	(10,523)
Net investment gains (losses)	-	-	-	-	-	-	-	-	-	-
Net unrealized	-	-	-	-	-	-	-	-	-	
appreciation (depreciation)	2	333	4,039	-	-	94	657	6,101	733	11,959

We obtain our Level 3 fair value measurements from independent, third-party pricing sources. We do not develop the significant inputs used to measure the fair value of these assets and liabilities, and the information regarding the significant inputs is not readily available to us. Independent broker-quoted fair values are non-binding quotes developed by market makers or broker-dealers obtained from third-party sources recognized as market participants. The fair value of a broker-quoted asset or liability is based solely on the receipt of an updated quote from a single market maker or a broker-dealer recognized as a market participant as the Company does not adjust broker quotes when used as the fair value measurement for an asset or liability. In addition, some prices are determined based on discounted cash flow models.

14. SUBSEQUENT EVENTS

Subsequent events have been considered through April 12, 2018, the date the financial statements were available to be issued. The following events occurred subsequent to December 31, 2017:

- On April 2, 2018, the Company was recapitalized. In exchange for its 250,000 Class A shares, WRL received 31,780 shares of Class A Voting Common Shares, $1.00 par value per share, and 218,220 shares of Class B Non-Voting Shares, $1.00 par value per share. Also at that time, Wilton Re US Holdings, Inc. received 10,594 shares of Class A Voting Common Shares, $1.00 par value per share, in exchange for cash of $33,900.

- On April 2, 2018, the Company sold its interest in Leargas Fund I, LLC to Wilton Re Overseas Limited, an affiliate, for $21,504. At December 31, 2017, the carry value of the investment was $9,717, a component of the Company's other invested assets.

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