Wilton Reinsurance Bermuda Limited and Subsidiary

Consolidated Financial Statements and Supplementary Information as of and for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report

WILTON REINSURANCE BERMUDA LIMITED AND SUBSIDIARY

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Deloitte & Touche LLP
30 Rockefeller Plaza
New York, NY 10112-0015
USA

Tel: +1 212 492 4000
Fax: +1 212 489 1687
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Wilton Reinsurance Bermuda Limited and Subsidiary:

We have audited the accompanying consolidated financial statements of Wilton Reinsurance Bermuda Limited and its subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wilton Reinsurance Bermuda Limited and its subsidiary at December 31, 2019 and 2018, 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 20, 2020

WILTON REINSURANCE BERMUDA LIMITED AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2019 AND 2018
(Expressed in thousands of U.S. dollars, except share amounts)

	2019	2018
ASSETS		
FIXED MATURITY AND EQUITY SECURITIES AT FAIR VALUE	$ 744,690	$ 525,242
POLICY LOANS	17,291	26,986
FUNDS WITHHELD (INCLUDES $18,986,097 AND $17,318,840 AT FAIR VALUE AT DECEMBER 31, 2019 AND 2018, RESPECTIVELY)	19,805,329	18,127,939
OTHER INVESTED ASSETS (INCLUDES $217,371 AND $245,266 AT FAIR VALUE AT DECEMBER 31, 2019 AND 2018, RESPECTIVELY)	231,755	260,639
Total investments	20,799,065	18,940,806
CASH AND CASH EQUIVALENTS	36,650	39,592
ACCRUED INVESTMENT INCOME	4,952	4,112
PREMIUMS RECEIVABLE	18,034	18,424
REINSURANCE RECOVERABLE	-	293
OTHER REINSURANCE RECEIVABLES	11,692	83,906
NET DEFERRED ACQUISITION COSTS	45,081	55,720
VALUE OF IN-FORCE BUSINESS ACQUIRED	522,333	847,513
NET DEFERRED INCOME TAXES	174,887	460,396
OTHER ASSETS	203,574	193,519
TOTAL ASSETS	$21,816,268	$20,644,281
LIABILITIES AND SHAREHOLDER'S EQUITY		
RESERVES FOR FUTURE POLICY BENEFITS	$ 9,673,443	$ 9,875,132
INTEREST SENSITIVE CONTRACT LIABILITIES	9,836,607	9,602,366
OTHER REINSURANCE LIABILITIES	62,153	2,642
OTHER LIABILITIES	58,552	28,988
Total liabilities	19,630,755	19,509,128
SHAREHOLDER'S EQUITY:		
Class A-1 common shares $1.00 par value; 31,780 shares authorized, issued and outstanding at December 31, 2019 and 2018 respectively	32	32
Class A-2 common shares $1.00 par value; 50,000 shares authorized, 10,594 issued and outstanding outstanding at December 31, 2019 and 2018 respectively	11	11
Class B common shares $1.00 par value; 218,220 shares authorized, issued and outstanding outstanding at December 31, 2019 and 2018 respectively	218	218
Additional paid-in capital	798,110	798,110
Retained earnings and accumulated other comprehensive income	1,387,142	336,782
Total shareholder's equity	2,185,513	1,135,153
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$21,816,268	$20,644,281

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

WILTON REINSURANCE BERMUDA LIMITED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of U.S. dollars)

	2019	2018
REVENUES:		
Net premiums	$ 78,618	$ 77,845
Policy fees and charges	105,453	103,954
Inuring third-party reinsurance commissions	1,297	3,246
Investment earnings—net	628,414	511,556
Net change in unrealized gains (losses) on investments classified as trading and other	51,957	(25,239)
Change in value of derivatives and embedded derivatives—net	1,518,637	(896,167)
Total revenues	2,384,376	(224,805)
BENEFITS AND EXPENSES:		
Claims and policy benefits—net of reinsurance ceded	417,496	402,898
Interest credited to interest sensitive contract liabilities	238,426	230,162
Acquisition costs and other insurance expenses	389,721	(166,743)
Operating expenses	9,454	12,193
Total benefits and expenses	1,055,097	478,510
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) BEFORE INCOME TAXES AND NET EARNINGS OF EQUITY METHOD INVESTEE	1,329,279	(703,315)
INCOME TAX EXPENSE (BENEFIT)	278,919	(442,861)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) BEFORE NET EARNINGS OF EQUITY METHOD INVESTEE	1,050,360	(260,454)
SHARE OF NET EARNINGS OF EQUITY METHOD INVESTEE	-	11,434
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	$1,050,360	$(249,020)

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

WILTON REINSURANCE BERMUDA LIMITED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of U.S. dollars)

	2019	2018
COMMON SHARES:		
Balance—beginning of year	$ -	$ 250
Common shares redeemed	-	(250)
Balance—end of year	-	-
COMMON SHARES (CLASS A-1):		
Balance—beginning of year	32	-
Common shares issued	-	32
Balance—end of year	32	32
COMMON SHARES (CLASS A-2):		
Balance—beginning of year	11	-
Common shares issued	-	11
Balance—end of year	11	11
COMMON SHARES (CLASS B):		
Balance—beginning of year	218	-
Common shares issued	-	218
Balance—end of year	218	218
ADDITIONAL PAID-IN CAPITAL:		
Balance—beginning of year	798,110	764,221
Contributed capital	-	33,889
Balance—end of year	798,110	798,110
RETAINED EARNINGS:		
Balance—beginning of year	336,782	585,802
Net income (loss) and comprehensive income (loss)	1,050,360	(249,020)
Balance—end of year	1,387,142	336,782
TOTAL SHAREHOLDER'S EQUITY	$2,185,513	$1,135,153

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

WILTON REINSURANCE BERMUDA LIMITED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of U.S. dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) and comprehensive income (loss)	$ 1,050,360	$(249,019)
Adjustments to reconcile net income (loss) and comprehensive income (loss) to net cash from (used in) operating activities:		
Amortization of net investment premium, discounts and other	2,063	872
Investment related realized (gains) losses—net	(1,377)	14,731
Investment related unrealized (gains) losses—net	(22,176)	23,673
Earnings of equity method investee	11,384	(8,575)
Mark-to-market on embedded derivative	(1,518,637)	896,167
Amortization and other adjustments to deferred acquisition costs	7,182	6,559
Amortization and other adjustments to value of business acquired	22,188	13,560
Interest credited to interest sensitive contracts	238,426	230,162
Other reserve changes of interest sensitive contract liabilities	274,881	(145,283)
Cash from closed block reinsurance	-	127,907
Change in assets and liabilities:		
Fixed maturity and equity securities	(170,326)	126,517
Accrued investment income	(840)	480
Deferred income taxes	285,509	(460,396)
Premiums receivable	391	509
Reinsurance recoverable	293	4,690
Other reinsurance receivables	72,214	(83,906)
Funds withheld at interest	(158,752)	615,358
Deferred acquisition costs	3,457	(432)
Value of in-force business acquired	302,992	(260,909)
Other assets	(10,059)	38,008
Reserves for future policy benefits	(201,689)	(190,343)
Other reinsurance liabilities	59,511	103
Other liabilities	(24,818)	(143,385)
Net cash flows from (used in) operating activities	222,177	557,048

(Continued)

WILTON REINSURANCE BERMUDA LIMITED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of U.S. dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales, maturities and repayments of:		
Limited partnership interests	$ 1,351	$ 26,844
Purchases of:		
Life settlement contracts	(17,466)	(213,394)
Limited partnership interests	(11,752)	(14,635)
Other invested assets	(6,461)	-
Premiums paid on Life settlement contracts	(22,276)	-
Net proceeds from maturity of Life settlement contracts	46,473	-
Change in policy loans	9,695	1,006
Change in short-term investments	-	10,000
Net cash flows from (used in) investing activities	(436)	(190,179)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common shares	-	11
Contributed capital	-	33,889
Proceeds from secured borrowing	59,849	-
Paydown of secured borrowing	(5,466)	-
Deposits into interest sensitive contracts	15,235	27,340
Redemption and benefit payments on interest sensitive contracts	(294,301)	(403,450)
Net cash flows from (used in) financing activities	(224,683)	(342,210)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,942)	24,659
CASH AND CASH EQUIVALENTS—Beginning of the year	39,592	14,933
CASH AND CASH EQUIVALENTS—End of the year	$ 36,650	$ 39,592
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION—Cash received (paid) during the period for—income taxes	$ -	$ 23,500

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

(Concluded)

1. ORGANIZATION

Wilton Reinsurance Bermuda Limited (WREB or the Company) has one wholly owned subsidiary, Mills Creek LLC (Mills Creek). Mills Creek was formed on January 7, 2019 as a Delaware limited liability company authorized to issue 100 Common Units.

WREB is a subsidiary of Wilton Re Ltd. (96%) and Wilton Re U.S. Holdings, Inc. (4%) 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). WRL is the ultimate parent corporation in the Company's holding company system.

In April 2018, the Wilton Re U.S. Holdings, Inc. (Wilton Re US Holdings), an affiliate incorporated in Delaware, acquired a 4% interest and became a 25% voting shareholder of the Company. Previously, the Company was wholly owned by WRL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated 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 consolidated 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 consolidated financial statements reflect management's best estimates and assumptions, the actual results could be materially different from the amounts reported in the consolidated 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 gains (losses) on investments classified as trading and other in the consolidated statements of comprehensive income (loss). 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 consolidated statements of comprehensive income (loss). Gains and losses realized on the sale of investments are determined on the first in—first out method.

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 consolidated statements of comprehensive income (loss). At December 31, 2019 and 2018, the fair value of these embedded derivatives, and the change in fair value for the year then ended, included:

Funds Withheld at Interest	**2019**	**2018**
Fair value	$1,176,722	$(342,224)
Change in fair value	1,518,946	(896,167)

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 limited liability corporations (limited partnerships), surplus debentures and life settlement contracts.

Limited Partnerships—Limited partnerships are accounted for using the equity method when the Company has more than a minor ownership interest, more than a minor influence over the investees operations or if the limited partner maintains separate capital accounts for their investors. The most recently available financial information provided by the general partner or manager of each of the investments is used, which is one to three months prior to the end of our reporting period. Changes in the fair value of these securities are included in investment earnings—net in the consolidated statements of comprehensive income (loss).

Surplus Debentures—Surplus debentures are similar to corporate securities, but are subordinated obligations of insurance companies and may be subject to restrictions by the insurance commissioners and are carried at fair value.

Life Settlement Contracts—Direct Investment—The Company acquired the ownership and beneficiary rights of underlying life insurance policies through the acquisition of life settlement contracts from the owners of the life insurance contracts. On January 29, 2019, the Company sold 25 Common Units of Mills Creek to SPC Opps Fund Holdings II, L.P., a Delaware limited partnership for an amount equal to 25% of the Company's investment in Mills Creek. The Company recorded the proceeds from the sale as a secured borrowing, included within other liabilities of the consolidated balance sheet. The balance of the secured borrowing is $54,383 at December 31, 2019, using the fair value method.

The Company accounts for its investments in life settlement contracts using the fair value method. Under the fair value method, each life settlement contract is carried at its fair value at the end of each reporting period within other invested assets on the consolidated balance sheets. The change in fair value, life insurance proceeds received and periodic maintenance costs necessary to keep the underlying policy in force, such as premiums, are recorded in the investment earnings—net in the consolidated statements of comprehensive income (loss).

Life Settlement Contracts—Equity Method Investment—The Company owned a 25% economic and voting interest in Leargas Fund I, LLC (the Leargas Fund) a life settlement fund managed by Leargas Capital LLC, a specialized mortality-linked investment manager. With the ability to exercise significant influence over the Leargas Fund, this investment is accounted for under the equity method. On April 2, 2018, the Company sold its interest in the Leargas Fund to Wilton Re Overseas Limited, an affiliate, for $21,504. Income from the investment is presented in Share of net earnings of equity method investee in the consolidated statements of comprehensive income (loss).

Cash and Cash Equivalents

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

Premiums Receivable

Premium receivables are recognized when due and in accordance with information received from the ceding company. 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, 2019 or 2018. Included in the premiums receivable balance at December 31, 2019 and 2018 is $17,278 and $17,594, respectively from affiliates.

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, 2019 or 2018.

Other Reinsurance Receivable or Liabilities

Other reinsurance receivables and liabilities primarily include material reinsurance settlements not yet paid, but which generally settle quarterly. As of December 31, 2019, and 2018, Other reinsurance receivables includes reinsurance settlement due of $11,692 and $83,906 and Other reinsurance liabilities includes payables of $60,794 and $0 respectively. All of the above amounts are due to or payable 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 2019 or 2018. 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 margins including unrealized gains (losses) on investments classified as trading 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").

Income Taxes

The income tax provision is calculated under the liability method on those operations that are subject to income taxes. Deferred tax assets and liabilities result from temporary differences between the carrying amounts of assets and liabilities recorded in the financial statements and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax rates would be recognized in the consolidated statements of comprehensive income (loss) in the period in which the tax rate change is enacted. A valuation allowance for a portion or all of deferred tax assets is recorded as a reduction to deferred tax assets when it is more likely than not that such portion or all of such deferred tax assets will not be realized.

Reserves for Future Policy Benefits

The Company's liabilities for reinsurance of traditional life insurance and payout annuities (including structured settlements) with life contingencies are recognized as reserves for future policy benefits. 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.

The average discount rates used to compute the Company's reserves for future policy benefits are as follows:

	2019	**2018**
Traditional life insurance	5.24 %	5.24 %
Payout annuities with life contingencies	3.73	3.72

Interest Sensitive Contract Liabilities

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 consolidated statements of comprehensive income (loss). The Company had no such derivatives in 2019 or 2018.

In situations where mortality profits are followed by mortality losses (PFBL), 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. The calculation of these liabilities is based on management's best estimates and assumptions regarding expected mortality, lapse, persistency, expenses and investment experience, which are reviewed and unlocked at least annually if necessary. Additional liabilities are established for universal life products related to unearned policy charges. As of December 31, 2019, the Company has passed PFBL testing with no projected losses for all years, and therefore, has not recorded an additional liability related to benefits provided in the future.

Claim Reserves

For both non-interest sensitive and interest sensitive life insurance, liabilities are established for estimated death benefits that have been incurred, but not yet reported. These liabilities are based on periodic analyses of the actual reporting lag between when a claim occurs and when it is reported to the Company, including a provision for adverse deviation.

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 consolidated balance sheets. Fees earned on these contracts are reflected as policy fees and charges, as opposed to premiums, on the consolidated statements of comprehensive income (loss).

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 3.68%% and 3.70% during 2019 and 2018, respectively.

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 consolidated balance sheets 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 including unrealized gains (losses) on investments classified as trading. 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 (ASU) 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 consolidated financial statements.

ASUs Adopted during the Year Ended December 31, 2019

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 adopted the guidance on a retrospective basis. The adoption of the guidance was not material to the Company's financial position.

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 early adopted the guidance on a retrospective basis. The adoption of the guidance was not material to the Company's financial position.

In August 2018, the FASB modified the disclosure requirements for fair value measurements by removing, modifying and adding certain disclosures. The guidance removes the requirement to disclose:

(i) The amount and reasons for any transfers between Level 1 and Level 2 of the fair value hierarchy;

(ii) A description of the valuation processes used to value Level 3 fair value measurements;

(iii) The policy for timing of transfers between levels; and,

(iv) The changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period.

Additionally, in lieu of a rollforward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. The additional disclosures added by the guidance are not applicable to nonpublic entities. The guidance is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The Company early adopted the guidance on a retrospective basis. This resulted in the removal or modification of the aforementioned fair value measurement disclosures presented in the Company's consolidated financial statements.

ASUs Issued but not Adopted as of December 31, 2019

In June 2016, the FASB issued an accounting standard update which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, the update eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect it's current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available for sale debt securities, credit losses should be measured in a manner similar to current GAAP; however, the update will require that credit losses to be presented as an allowance rather than as a write-down. The guidance is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

In August 2018, the FASB issued an accounting standard update with the objective of making targeted improvements to the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The standard prescribes significant and comprehensive changes to recognition, measurement, presentation and disclosure as summarized below:

- Requires the review and if necessary update of future policy benefit assumptions at least annually for traditional and limited pay long-duration contracts, with the recognition and separate presentation of any resulting re-measurement gain or loss (except for discount rate changes as noted below) in the income statement.

- Requires the discount rate assumption to be updated at the end of each reporting period using an upper medium grade (low-credit risk) fixed income instrument yield that maximizes the use of observable market inputs and recognizes the impact of changes to discount rates in other comprehensive income.

- Simplifies the amortization of DAC to a constant level basis over the expected term of the related contracts with adjustments for unexpected terminations, but no longer requires an impairment test.

- Requires the measurement of all market risk benefits associated with deposit (or account balance) contracts at fair value through the income statement with the exception of instrument-specific credit risk changes, which will be recognized in other comprehensive income.

- Increased disclosures of disaggregated roll-forwards of policy benefits, account balances, market risk benefits, separate account liabilities and information about significant inputs, judgments and methods used in measurement and changes thereto and impact of those changes.

The Company plans to adopt the standard on its effective date of January 1, 2024. The Company is evaluating the method of adoption and impact of the standard on our reported consolidated financial statements and required disclosures. The adoption of this standard is expected to have a significant impact on our consolidated financial statements and required disclosures, as well as systems, processes and controls.

In January 2019, the FASB issued an accounting standard update based on the principle that entities should recognize assets and liabilities arising from leases, does not significantly change the lessees' recognition, measurement and presentation of expenses and cash flows from the previous accounting standard. Leases are classified as finance or operating. The new standard's primary change is the requirement for entities to recognize a lease liability for payments and a right of use asset representing the right to use the leased asset during the term of operating lease arrangements. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. Lessors' accounting is largely unchanged from the previous accounting standard. In addition, the new standard expands the disclosure requirements of lease arrangements. The guidance is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

In December 2019, the FASB amended the guidance on simplifying the accounting for income taxes. The amendment eliminates the need for an organization to analyze whether the following apply in a given period (1) exception to the incremental approach for intraperiod tax allocation (2) exceptions to accounting for basis differences when there are ownership changes in foreign investments and (3) exceptions in interim period income tax accounting for year-to-date losses that exceed anticipated losses. The accounting standards update is also designed to improve financial statement preparers' application of income tax-related guidance and simplify GAAP for (1) franchise taxes that are partially based on income, (2) transactions with a government that result in a step-up in the tax basis of goodwill, (3) separate financial statements of legal entities that are not subject to tax, and (4) enacted changes in tax laws in interim periods. The guidance is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption of the amendments is permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

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.

Pursuant to contractual amendments to the Aegon transaction during 2018, the Company received $125,724 cash from WRAC to settle the true up and initial ceding commission.

4. INVESTMENTS

Fixed Maturity and Equity Securities

The amortized cost, fair value and related gross unrealized gain and loss of investments, classified as trading as of December 31, 2019 and 2018, are as follows:

December 31, 2019	**Amortized Cost**	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
Fixed maturities:				
U.S. government and agencies	$ 92,329	$ 1,740	$ (51)	$ 94,018
State and political subdivisions	41,948	2,933	(5)	44,876
Foreign sovereign	6,880	341	-	7,221
Corporate securities	232,845	17,049	(281)	249,613
Residential mortgage-backed securities	119,451	4,706	(8)	124,149
Commercial mortgage-backed securities	83,866	3,726	(273)	87,319
Asset-backed securities	79,372	2,476	(178)	81,670
Collateralized debt obligations	49,492	190	(253)	49,429
Total fixed maturities	706,183	33,161	(1,049)	738,295
Preferred stocks	6,061	334	-	6,395
Total fixed maturity and equity securities	$712,244	$33,495	$(1,049)	$744,690

December 31, 2018	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Fixed maturities:				
U.S. government and agencies	$ 71,784	$ 551	$ (852)	$ 71,483
State and political subdivisions	40,003	585	(532)	40,056
Foreign sovereign	6,863	16	(497)	6,382
Corporate securities	206,214	524	(12,830)	193,908
Residential mortgage-backed securities	74,152	722	(1,605)	73,269
Commercial mortgage-backed securities	66,617	235	(2,872)	63,980
Asset-backed securities	55,373	502	(897)	54,978
Collateralized debt obligations	20,034	61	(422)	19,673
Total fixed maturities	541,040	3,196	(20,507)	523,729
Preferred stocks	1,563	-	(50)	1,513
Total fixed maturity and equity securities	$542,603	$3,196	$(20,557)	$525,242

The unrealized loss and fair values by investment category and by the duration the investments were in a continuous unrealized loss position at December 31, 2019 and 2018, are as follows:

	Less than 12 Months		12 Months or More		Total	
At December 31, 2019	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Fixed maturities:						
U.S. government and agencies	$15,155	$ (51)	$ -	$ -	$15,155	$ (51)
State and political subdivisions	1,393	(5)	-	-	1,393	(5)
Corporate securities	6,382	(211)	2,030	(70)	8,412	(281)
Residential mortgage-backed securities	7,489	(8)	-	-	7,489	(8)
Commercial mortgage-backed securities	3,305	(46)	1,074	(227)	4,379	(273)
Asset-backed securities	11,333	(178)	-	-	11,333	(178)
Collateralized debt obligations	22,550	(81)	12,333	(172)	34,883	(253)
Total fixed maturities	67,607	(580)	15,437	(469)	83,044	(1,049)
Preferred stock	-	-	-	-	-	-
Total fixed maturity and equity securities	$67,607	$(580)	$15,437	$(469)	$83,044	$(1,049)

	Less than 12 Months		12 Months or More		Total	
At December 31, 2018	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Fixed maturities:						
U.S. government and agencies	$ 12,251	$ (551)	$ 19,192	$ (301)	$ 31,443	$ (852)
State and political subdivisions	14,031	(509)	1,049	(23)	15,080	(532)
Foreign sovereign	5,874	(497)	-	-	5,874	(497)
Corporate securities	119,145	(8,244)	52,920	(4,586)	172,065	(12,830)
Residential mortgage-backed securities	24,755	(872)	28,889	(733)	53,644	(1,605)
Commercial mortgage-backed securities	17,450	(868)	30,860	(2,004)	48,310	(2,872)
Asset-backed securities	19,535	(624)	7,994	(273)	27,529	(897)
Collateralized debt obligations	12,684	(335)	5,952	(87)	18,636	(422)
Total fixed maturities	225,725	(12,500)	146,856	(8,007)	372,581	(20,507)
Preferred stock	1,513	(50)	-	-	1,513	(50)
Total fixed maturity and equity securities	$227,238	$(12,550)	$146,856	$(8,007)	$374,094	$(20,557)

At December 31, 2019, twenty two fixed-maturity investments with a total unrealized loss of $469 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, 3 securities had fair values below 70% of book value with a total unrealized loss of $108. At December 31, 2018, ninety-six fixed-maturity investments with a total unrealized loss of $8,007 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, 2019, 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:

	Amortized Cost	**Fair Value**
One or less	$ 2,280	$ 2,312
One through five	42,302	42,956
After five through ten	102,238	108,243
After ten through twenty	99,922	105,324
After twenty	127,260	136,893
Residential mortgage-backed securities	119,451	124,149
Commercial mortgage-backed securities	83,866	87,319
Asset-backed securities	79,372	81,670
Collateralized debt obligations	49,492	49,429
Total fixed maturity securities	$706,183	$738,295

The Company's largest five exposures by issuer as of December 31, 2019 Walmart, Inc., The Walt Disney Company, 7 Third Avenue Leasehold LLC, Johnson & Johnson, and Morgan Stanley, each of which comprised less than 0.8%, and in aggregate comprise 2.94%, of total investments.

The Company's largest five exposures by issuer as of December 31, 2018, were Africa Finance Corporation, United Nations, Successor Agency to the Pomona Redevelopment Agency, FBI Bronx Trust 2018, and Banco Santander, S.A., each of which comprised less than 2.5%, and in aggregate comprise 0.13%, of total investments.

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

	2019	2018
Fixed maturity and equity securities	$ 26,024	$ 27,366
Policy loans	1,250	1,523
Funds withheld at interest—net of reinsurance ceded	559,228	629,423
Short-term investments and cash and cash equivalents	629	1,028
Life settlements contracts	4,335	-
Other invested assets	(12,422)	10,536
Investment income	579,044	669,876
Investment expenses	(3,367)	(1,800)
Investment income—net	575,677	668,076
Realized gains on investments	2,025	296
Realized losses on investments	(648)	(26,556)
Net realized gains (losses) on funds withheld at interest	51,360	(130,260)
Investment earnings—net	$628,414	$ 511,556

Life Settlement Contracts—Direct Investment

The Company uses an actuarial model to estimate the aggregate face amount of life insurance that are expected to settle in each future year and the corresponding fair value. This model projects the likelihood of the insured's death for each inforce policy based upon the estimated mortality rates, which may vary due to the relatively small size of the portfolio of life settlement contracts. The number of life settlement contracts presented in the following table is based upon the average face amount of inforce policies estimated to settle in each future year:

	Number of Contracts	Face Amount of Policies	Carry Value
2020	2	$ 5,300	$ 3,710
2021	10	43,500	27,383
2022	31	72,156	38,619
2023	38	112,505	48,860
2024	28	86,906	32,404
Thereafter	83	227,731	51,331
Total	192	$548,098	$202,307

Policy Loans

Policy loans comprised approximately 0.1% and 0.1% of the Company's investments as of December 31, 2019 and 2018, 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 95.2% and 95.7% of the Company's total investments as of December 31, 2019 and 2018, 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	**2019**	**2018**
Segregated portfolio of assets—general account	$ 14,839,849	$ 13,480,347
Segregated portfolio of assets—separate account	3,667,604	3,392,352
Non-segregated portfolio of assets	498,105	466,012
Funds withheld at interest, at fair value—affiliated	19,005,558	17,338,711
Unaffiliated Ceding Company		
Segregated portfolio of assets—general account	795,875	779,812
Non-segregated portfolio of assets	3,896	9,416
Funds withheld at interest, at fair value—unaffiliated	799,771	789,228
Total funds withheld at interest, at fair value	$ 19,805,329	$ 18,127,939

The disclosures that follow are for the segregated portfolio—general account only, both affiliated and unaffiliated, and exclude other invested assets, short term investments and cash of $1,778,418 and $1,505,284 as of December 31, 2019 and 2018, 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 gain and loss of the segregated portfolio of assets—general account supporting the funds withheld at interest as of December 31, 2019 and 2018, are as follows:

At December 31, 2019	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Fixed maturities:				
U.S. government and agencies	$ 2,194,171	$ 206,671	$ (398)	$ 2,400,444
State and political subdivisions	792,162	59,477	(1,496)	850,143
Foreign sovereign	28,736	4,098	-	32,834
Corporate securities	6,980,651	721,235	(9,255)	7,692,631
Residential mortgage-backed securities	1,036,178	60,890	(1,981)	1,095,087
Commercial mortgage-backed securities	465,635	30,469	(1,548)	494,556
Asset-backed securities	814,249	31,392	(1,056)	844,585
Collateralized debt obligations	321,181	2,428	(6,530)	317,079
Total fixed maturities	12,632,963	1,116,660	(22,264)	13,727,359
Preferred stocks	131,464	4,849	(6,367)	129,946
Common stocks	-	1	-	1
Total fixed maturity and equity securities	$12,764,427	$1,121,510	$ (28,631)	$13,857,306

At December 31, 2018	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Fixed maturities:				
U.S. government and agencies	$ 1,894,477	$ 6,482	$ (81,218)	$ 1,819,741
State and political subdivisions	709,594	13,591	(9,938)	713,247
Foreign sovereign	54,276	407	(2,728)	51,955
Corporate securities	7,703,132	63,599	(312,358)	7,454,373
Residential mortgage-backed securities	1,013,273	10,860	(17,933)	1,006,200
Commercial mortgage-backed securities	636,559	6,924	(15,117)	628,366
Asset-backed securities	808,507	6,652	(10,055)	805,104
Collateralized debt obligations	202,619	2,206	(3,029)	201,796
Total fixed maturities	13,022,437	110,721	(452,376)	12,680,782
Preferred stocks	71,529	8,599	(6,036)	74,092
Common stocks	-	1	-	1
Total fixed maturity and equity securities	$13,093,966	$119,321	$ (458,412)	$12,754,875

The unrealized loss and fair values by investment category and by duration of the investments in a continuous unrealized loss position of the segregated portfolio—general account assets supporting the funds withheld at interest at December 31, 2019 and 2018, were as follows:

	Less than 12 Months		12 Months or More		Total	
At December 31, 2019	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Fixed maturities:						
U.S. government and agencies	$ 87,559	$ (382)	$ 2,294	$ (16)	$ 89,853	$ (398)
State and political subdivisions	13,248	(1,496)	-	-	13,248	(1,496)
Corporate securities	135,470	(3,819)	97,410	(5,436)	232,880	(9,255)
Residential mortgage-backed securities	20,798	(217)	6,230	(1,764)	27,028	(1,981)
Commercial mortgage-backed securities	38,840	(442)	5,724	(1,106)	44,564	(1,548)
Asset-backed securities	79,980	(581)	4,749	(475)	84,729	(1,056)
Collateralized debt obligations	66,866	(351)	109,180	(6,179)	176,046	(6,530)
Total fixed maturities	442,761	(7,288)	225,587	(14,976)	668,348	(22,264)
Preferred stocks	353	(12)	33,860	(6,355)	34,213	(6,367)
Total fixed maturity and equity securities	$443,114	$ (7,300)	$ 259,447	$ (21,331)	$ 702,561	$ (28,631)

	Less than 12 Months		12 Months or More		Total	
At December 31, 2018	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Fixed maturities:						
U.S. government and agencies	$ 841,134	$ (29,727)	$ 582,465	$ (51,490)	$ 1,423,599	$ (81,217)
State and political subdivisions	203,085	(9,389)	10,954	(549)	214,039	(9,938)
Foreign sovereign	32,450	(2,397)	2,958	(331)	35,408	(2,728)
Corporate securities	5,290,537	(269,249)	534,094	(43,110)	5,824,631	(312,359)
Residential mortgage-backed securities	340,653	(7,764)	313,344	(10,169)	653,997	(17,933)
Commercial mortgage-backed securities	240,461	(7,472)	147,749	(7,645)	388,210	(15,117)
Asset-backed securities	306,196	(9,318)	21,211	(737)	327,407	(10,055)
Collateralized debt obligations	152,310	(2,892)	3,340	(137)	155,650	(3,029)
Total fixed maturities	7,406,826	(338,208)	1,616,115	(114,168)	9,022,941	(452,376)
Preferred stocks	24,541	(798)	34,270	(5,238)	58,811	(6,036)
Total fixed maturity and equity securities	$7,431,367	$ (339,006)	$ 1,650,385	$ (119,406)	$ 9,081,752	$ (458,412)

At December 31, 2019, eighty fixed-maturity investments with a total unrealized loss of $14,976 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,four securities were below 70% of book value with an unrealized loss of $1,789.

At December 31, 2018, three hundred fifty-five fixed-maturity investments with a total unrealized loss of $114,168 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, two securities was below 70% of book value with an unrealized loss of $771.

The contractual maturities of the fixed maturity securities in the segregated assets supporting funds withheld at interest as of December 31, 2019, 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.

	Amortized Cost	Fair Value
0 to 1 Year	$ 120,417	$ 119,527
1 to 5 years	381,796	397,012
5 to 10 years	823,308	883,653
10 to 20 years	2,993,073	3,291,412
> 20 years	5,677,126	6,284,448
Residential mortgage-backed securities	1,036,178	1,095,087
Commercial mortgage-backed securities	465,635	494,556
Asset-backed securities	814,249	844,585
Collateralized debt obligations	321,181	317,079
Total fixed maturities	$ 12,632,963	$ 13,727,359

6. CONCENTRATION OF CREDIT RISK

As of December 31, 2019 and 2018, 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 ASSUMED AND CEDED

At December 31, 2019, the Company has five reinsurance agreements with WRAC involving certain pre-XXX term, universal life, whole life and final expense exposures. The treaties were initially effective in 2005 and 2006 and have been amended periodically. In 2017, 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 the Company, with the retrocession on a 100% coinsurance funds withheld basis. Also in 2017, Wilcac Life Insurance Company, an Illinois domiciled affiliate (WCAC), ceded its block of payouts to the Company on a 100% coinsurance funds withheld basis.

The following table presents information for the Company's reinsurance liabilities as of December 31, 2019 and 2018.

Reinsurance Liability Assumed	**2019**	**2018**
Affiliates—WRAC & WCAC	$18,725,986	$18,655,100
Non-affiliates—other insurers	771,203	808,402
Other	12,858	13,995
Total Reserve for future policy benefits and Interest sensitive contract liabilities	$19,510,047	$19,477,497

During the year the Company had retrocession agreements that enabled it to substantially limit the amount of traditional life reinsurance it retained. 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. As of December 31, 2019, the retrocession agreements with third parties for our Traditional Reinsurance business were recaptured.

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.

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, 2019 and 2018, no allowances were deemed necessary.

The following table presents information for the Company's reinsurance recoverable, including the respective amount and A.M. Best rating as of December 31, 2019 and 2018:

Reinsurer	**A. M. Best Rating**	**2019**	**2018**
Affiliate	A+	$ -	$ -
Non-affiliate—other reinsurers	A to A+	-	293
Total		$ -	$ 293

The effect on net premiums earned is as follows:

	2019	**2018**
Direct	$ -	$ -
Reinsurance assumed—affiliate	75,530	76,066
Reinsurance assumed—non-affiliate	3,215	3,235
Reinsurance ceded—affiliate	-	(1,169)
Reinsurance ceded—non-affiliate	(127)	(287)
Net premiums	$ 78,618	$ 77,845

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

	2019	2018
Direct	$ -	$ -
Reinsurance assumed—affiliate	403,365	393,095
Reinsurance assumed—non-affiliate	11,398	11,911
Reinsurance ceded—affiliate	-	(1,740)
Reinsurance ceded—non-affiliate	2,733	(368)
Net claims and policy benefits	$ 417,496	$ 402,898

At December 31, 2019 and 2018, 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, 2019	$ 11,554	$ 20,574,767	$ -	$ 20,586,321
December 31, 2018	$ 12,501	$ 21,372,981	$ (8,920)	$ 21,376,562

8. DEFERRED ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

The balances and changes in DAC for the years ended December 31, 2019 and 2018, are as follows:

	2019	2018
Beginning of year	$ 55,720	$ 61,847
Recaptures of existing treaties	(3,785)	-
Capitalized	-	22
Amortized	(7,182)	(6,559)
Attributable to realized/unrealized gains and losses	213	2,175
Impact of unlocking	115	(1,765)
End of year	$ 45,081	$ 55,720

The balances and changes in VOBA for the years ended December 31, 2019 and 2018, are as follows:

	2019	2018
Beginning of year	$ 847,513	$ 602,135
Revisions to initial closed block accounting	18,366	-
Amortized	(22,188)	(13,560)
Attributable to realized/unrealized gains and losses	(330,124)	250,238
Impact of unlocking	8,766	8,700
End of year	$ 522,333	$ 847,513

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

2020	$ 11,937
2021	11,981
2022	12,533
2023	17,286
2024	18,920

9. INCOME TAXES

WREB became a US taxpayer as of January 1, 2018.

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.

At December 31, 2019 and 2018, the Company had net operating losses of $68,593 and $0 respectively, and no tax credits for either year. At December 31, 2019 and 2018, the Company had capital loss carryforwards $13,359 and $14,586, respectively, which will begin to expire in 2023.

As a result of becoming a US taxpayer, the Company recognized a deferred tax benefit of $297,425, representing the tax effects of temporary differences as of January 1, 2018.

Income tax expense at 21% attributable to income from continuing operations and the opening balance sheet for the year ended December 31, 2019 is as follows:

	2019	2018	Change
Current tax expense (benefit)	$ (6,590)	$ 17,535	$ (24,125)
Deferred tax expense (benefit)	285,509	(460,396)	745,905
Income tax expense (benefit)	$ 278,919	$ (442,861)	$ 721,780

The income tax expense differs from applying the U.S. federal income tax rate of 21%:

	2019	**2018**
Computed expected tax expense (benefit) at 21%	$ 279,149	$ (145,295)
Sec 953(d) election	-	(297,425)
Other	(230)	(141)
Income tax expense (benefit)	$ 278,919	$ (442,861)

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities at December 31, 2019 are presented in the following table:

	2019	**2018**
Deferred income tax assets:		
Reserves for future policy benefits	$ 1,626,691	$ 1,709,972
Net operating losses	14,404	-
Capital losses	2,805	3,063
Nondeductible accruals	1,738	992
Investments	3	190,325
Total deferred tax assets	1,645,641	1,904,352
Deferred income tax liabilities:		
Differences between tax and financial reporting amounts concerning certain reinsurance transactions	(1,233,619)	(1,263,042)
Investments	(132,507)	-
Deferred acquisition costs/value of business acquired	(104,628)	(180,914)
Total deferred tax liabilities	(1,470,754)	(1,443,956)
Valuation allowance	-	-
Net deferred tax asset	$ 174,887	$ 460,396

Deferred income taxes reflect the tax impact of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and those for income tax purposes. The Company records valuation allowances when it believes that it is more likely than not that gross deferred income tax assets will not be realized.

The Company’s U.S. federal income tax return for tax years 2018 and 2019 are open and subject to examination by the Internal Revenue Service.

As of December 31, 2019, the Company had no unrecognized tax benefits.

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 can pay dividends of $546,378 in 2020 without prior regulatory approval.

11. 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 2019 and 2018, the Company incurred $3,040 and $2,548, respectively of expenses for these services. Amounts payable to parents, subsidiaries and affiliates of $6,173 and $3,866 at December 31, 2019 and 2018, respectively, were primarily related to the Services Agreement.

12. 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.

On April 2, 2018, the Company was recapitalized. In exchange for its 250,000 Class A common shares, WRL received 31,780 shares of Class A-1 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. The Company also increased its authorized share capital from $250,000 to $300,000 by the creation of 50,000 undesignated Class A-2 Voting Common Shares.

On April 2, 2018, 10,594 shares of Class A-2 Voting Common Shares, $1.00 par value per share, were issued to Wilton Re US Holdings, Inc. for $33,900 including a capital contribution of $33,889.

13. COMMITMENTS AND CONTINGENCIES

Funding of Investments

The Company has commitments to fund limited partnership investments of $25,000 and as of December 31, 2019, $7,801 is unfunded. The Company anticipates that the majority will be invested over the next five years; however, these commitments could become due any time at the request of the counterparties.

Liquidity Facilities

WRL 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 October 2018, WRL, along with the Wilton Re US Holdings, extended its existing credit facility with a $500,000 senior revolving credit facility (Wells Fargo Facility I) 2 years, with new expiry in 2023 with a syndicate of lenders. The facility includes a $100,000 letter of credit sublimit. The facility also requires WRL's combined leverage ratio not to be greater than 0.35 to 1.00 and that WRL maintain a minimum adjusted consolidated tangible net worth. Borrowings under the Wells Fargo Facility I 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 majority of the financial strength rating of WRAC, the Company, and ivari. The applicable margin for base rate loans ranges from 0.125% to 1.000%. The applicable margin for LIBOR loans/CDOR Loans ranges from 1.125% to 2.000%. Any amounts borrowed may be repaid at any time without prepayment penalty.

LOCs issued under the Wells Fargo facility I may be collateralized by qualifying cash and securities (liquid collateral). The market value of collateral held by the Company at December 31, 2019 and 2018, was $26,116 and $11,163, respectively. At December 31, 2019 and 2018, there were approximately $19,325 and $9,810, 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 2019, WRL, along with Wilton Re US Holdings, renewed its 364-day $500,000 senior revolving credit facility (Wells Fargo Facility II), which was first added in October 2017, with a syndicate of lenders. Wells Fargo Facility II has the same financial covenant restrictions and rates as Wells Fargo Facility I. At December 31, 2019 and 2018, 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, 2019 and 2018, the balance in the trust was $3,063 and $83,065, 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. At the current time the Company is not a party to any pending litigation.

Capital Maintenance Agreement

Effective April 5, 2019, the Company entered into a Capital Maintenance Agreement (CMA) with WRL. Under the CMA terms, WRL agrees to maintain in the Company, "Available Statutory Economic Capital and Surplus" in excess of 125% of its "Enhanced Capital Requirement" at all times as defined in the Insurance (Prudential Standards) (Class C, D and Class E Solvency Requirement) Rules 2011, up to an aggregate amount of $400,000.

14. FAIR VALUE

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 consolidated 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, US 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.

The types of financial instruments included in Level 2 include publicly traded issues such as US 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, commercial mortgage loans and limited partnership interests.

Recurring Fair Value Measurements

The assets and liabilities measured at fair value on a recurring basis and their placement in the fair value hierarchy, including those items for which the Company has elected the FVO, are summarized below at:

At December 31, 2019	Fair Value	Level 1	Level 2	Level 3
Invested assets:				
U.S. government and agencies	$ 94,018	$ 25,729	$ 68,289	$ -
State and political subdivisions	44,876	-	41,482	3,394
Foreign sovereign	7,221	-	7,221	-
Corporate securities	249,613	-	244,691	4,922
Residential mortgage-backed securities	124,149	-	124,149	-
Commercial mortgage-backed securities	87,319	-	87,319	-
Asset backed securities	81,670	-	69,850	11,820
Collateralized debt obligations	49,429	-	49,429	-
Total fixed maturity	738,295	25,729	692,430	20,136
Preferred stocks	6,395	-	6,395	-
Total fixed maturity and equity securities	744,690	25,729	698,825	20,136
Other invested assets:				
Life settlement contracts—direct	202,314	-	-	202,314
All other	15,057 [1]	-	15,057	-
Total invested assets	962,061	25,729	713,882	222,450
Funds withheld at interest:				
U.S. government and agencies	2,400,444	1,978,282	422,162	-
State and political subdivisions	850,143	-	803,145	46,998
Foreign sovereign	32,834	-	32,834	-
Corporate securities	7,692,631	-	7,416,205	276,426
Residential mortgage-backed securities	1,095,087	-	1,095,063	24
Commercial mortgage-backed securities	494,556	-	494,556	-
Asset backed securities	844,585	-	569,463	275,122
Collateralized debt obligations	317,079	-	260,132	56,947
Total fixed maturity	13,727,359	1,978,282	11,093,560	655,517
Preferred stocks	129,946	-	129,946	-
Common stocks	1	-	-	1
Total fixed maturity and equity securities	13,857,306	1,978,282	11,223,506	655,518
Commercial mortgage loans	1,104,310	-	-	1,104,310
Other invested assets	356,778	-	204,037	152,741
Funds withheld at interest—segregated portfolio of assets—general account	15,318,394	1,978,282	11,427,543	1,912,569
Funds withheld at interest—segregated portfolio of assets—separate account	3,667,604	-	3,667,604	-
Total funds withheld at interest	18,985,998 [2] [3]	1,978,282	15,095,147	1,912,569
Other liabilities:				
Life settlement contracts—secured borrowing	(54,383)	-	-	(54,383)
Total	$19,893,676	$2,004,011	$15,809,029	$2,080,636

[1] Limited partnerships of $14,391 is a component of other invested assets not measured at fair value on a recurring basis.

[2] Cash and short-term investments of $317,330 is a component of funds withheld at interest: segregated portfolio of assets—general account not measured at fair value on a recurring basis.

[3] Funds withheld at interest: Non segregated portfolio of assets of $502,001 are a component of Funds withheld at interest not measured at fair value on a recurring basis.

At December 31, 2018	Fair Value	Level 1	Level 2	Level 3
Invested assets:				
U.S. government and agencies	$ 71,483	$ 11,977	$ 59,506	$ -
State and political subdivisions	40,056	-	39,655	401
Foreign sovereign	6,382	-	6,382	-
Corporate securities	193,908	-	188,930	4,978
Residential mortgage-backed securities	73,269	-	73,269	-
Commercial mortgage-backed securities	63,980	-	63,980	-
Asset backed securities	54,978	-	44,027	10,951
Collateralized debt obligations	19,673	-	19,673	-
Total fixed maturity	523,729	11,977	495,422	16,330
Preferred stocks	1,513	-	1,513	-
Total fixed maturity and equity securities	525,242	11,977	496,935	16,330
Other invested assets:				
Life settlement contracts—direct	238,820	-	-	238,820
All other	6,446 [1]	-	6,446	-
Total invested assets	770,508	11,977	503,381	255,150
Funds withheld at interest:				
U.S. government and agencies	1,819,742	1,348,104	471,638	-
State and political subdivisions	713,247	-	705,163	8,084
Foreign sovereign	51,955	-	51,955	-
Corporate securities	7,454,373	-	7,288,988	165,385
Residential mortgage-backed securities	1,006,200	-	1,006,177	23
Commercial mortgage-backed securities	628,366	-	628,366	-
Asset backed securities	805,103	-	561,255	243,849
Collateralized debt obligations	201,796	-	169,579	32,217
Total fixed maturity	12,680,782	1,348,104	10,883,121	449,558
		-	-	-
Preferred stocks	74,092	-	74,092	-
Common stocks	1	-	-	1
Total fixed maturity and equity securities	12,754,875	1,348,104	10,957,213	449,559
Commercial mortgage loans	992,248	-	-	992,248
Other invested assets	179,365	-	118,658	60,707
Funds withheld at interest—segregated portfolio of assets—general account	13,926,488	1,348,104	11,075,871	1,502,514
Funds withheld at interest—segregated portfolio of assets—separate account	3,392,352	-	3,392,352	-
Funds withheld at interest—Non Segregated	475,428	-	475,428	-
Total funds withheld at interest	17,794,268 [2]	1,348,104	14,943,651	1,502,514

[1] Limited partnerships of $15,373 is a component of other invested assets not measured at fair value on a recurring basis.

[2] Cash and short-term investments of $333,671 is a component of funds withheld at interest: segregated portfolio of assets—general account not measured at fair value on a recurring basis.

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.

U.S. Government and Agencies, State and Political Subdivisions, Foreign Sovereign and Corporate Securities—US 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 and municipal 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 US 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, Asset-Backed Securities and Collateralized Debt Obligations— 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 obligations. Level 2 securities are priced from information provided by third-party pricing services and independent broker quotes. For mortgage-backed and asset-backed 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.

Preferred and Common Stock—The fair values of preferred and common stocks are primarily based upon quoted market prices in active markets and are classified within Level 1 in the fair value hierarchy. The fair values of preferred and common stocks, for which quoted market prices are not readily available, are based on prices obtained from independent pricing services and are generally classified within Level 2 in the fair value hierarchy.

Funds Withheld

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.

Changes of Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis

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 we do 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.

For all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3), the following table presents select activity for the years ended December 31, 2019 and 2018:

	2019			2018		
	Purchases	**Transfer into**	**Transfer out of**	**Purchases**	**Transfer into**	**Transfer out of**
Invested assets:						
State and political subdivisions	$ 3,000	$ -	$ -	$ -	$ -	$ -
Corporate securities	-	-	-	4,523	-	-
Residential mortgage-backed securities	-	-	-	54	-	10,573
Asset-backed securities	4,479	-	(2,985)	10,532	-	7,274
Total invested assets	$ 7,479	$ -	$ (2,985)	$ 15,109	$ -	$ 17,847

15. SUBSEQUENT EVENTS

The Company has evaluated the impact of subsequent events through April 20, 2020, representing the date at which the consolidated financial statements were available to be issued. The following events occurred subsequent to December 31, 2019:

Dividends

On March 26, 2020, the Company declared a dividend of $400,000 payable to its shareholders, WRL and Wilton Re US Holdings. The dividend was paid using cash and fixed income securities by April 6, 2020.

Liquidity Facilities

On March 17, 2020, WREB' s parent WRL drew $500,000 from its Wells Fargo Facility II. The Company has elected a 6 month LIBOR interest period plus the applicable margin of 1.25%.

COVID-19

As a result of the spread of COVID-19 globally, the World Health Organization declared a global emergency on January 30, 2020. The COVID-19 pandemic could have a material adverse effect on global, national and local economies, as well as the Company. The extent to which COVID-19 impacts the Company's results will depend on future developments.

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SUPPLEMENTARY INFORMATION

Deloitte & Touche LLP
30 Rockefeller Plaza
New York, NY 10112-0015
USA

Tel: +1 212 492 4000
Fax: +1 212 489 1687
www.deloitte.com

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
Wilton Re Bermuda Limited and Subsidiary:

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating balance sheets as of December 31, 2019, and the supplementary consolidating statement of comprehensive income (loss) for the year then ended are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. This supplementary information is the responsibility of the Company's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion such information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

April 20, 2020

WILTON RE BERMUDA LIMITED AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2019
(Amounts in thousands of U.S. dollars)

	WREB	Mills Creek	Eliminations	WREB Consolidated
ASSETS				
FIXED MATURITY AND EQUITY SECURITIES	$ 744,690	$ -	$ -	$ 744,690
COMMERCIAL MORTGAGE LOANS	-	-	-	-
POLICY LOANS	17,291	-	-	17,291
FUNDS WITHHELD AT INTEREST	19,805,329	-	-	19,805,329
OTHER INVESTED ASSETS	29,447	202,308	-	231,755
Total investments	20,596,757	202,308	-	20,799,064
CASH AND CASH EQUIVALENTS	34,150	2,499	-	36,650
ACCRUED INVESTMENT INCOME	4,952	-	-	4,952
PREMIUMS RECEIVABLE	18,034	-	-	18,034
REINSURANCE RECOVERABLE	-	-	-	-
OTHER REINSURANCE RECEIVABLES	11,692	-	-	11,692
DEFERRED ACQUISITION COSTS	45,081	-	-	45,081
VALUE OF IN-FORCE BUSINESS ACQUIRED	522,333	-	-	522,333
NET DEFERRED TAX ASSETS	174,887	-	-	174,887
OTHER ASSETS	407,979	10,500	(214,902)	203,577
TOTAL ASSETS	$ 21,815,864	$ 215,307	$ (214,902)	$ 21,816,269
LIABILITIES AND SHAREHOLDERS EQUITY				
Liabilities:				
Reserves for future policy benefits	$ 9,673,443	$ -	$ -	$ 9,673,443
Interest sensitive contract liabilities	9,836,607	-	-	9,836,607
Other reinsurance liabilities	62,153	-	-	62,153
Other liabilities	58,149	404	-	58,553
Total liabilities	19,630,351	404	-	19,630,756
Shareholders equity				
Class A common shares	261	-	-	261
Class B common shares	-	-	-	-
Additional paid-in capital	798,110	210,567	(210,567)	798,110
Retained earnings and accumulated other comprehensive income (loss)	1,387,142	4,335	(4,335)	1,387,142
Total shareholder’s equity	2,185,513	214,903	(214,902)	2,185,513
TOTAL LIABILITIES AND SHAREHOLDER’S EQUITY	$ 21,815,864	$ 215,307	$ (214,902)	$ 21,816,269

WILTON RE BERMUDA LIMITED AND SUBSIDIARY

CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in thousands of US dollars)

	WREB	Mills Creek	Eliminations	WREB Consolidated
REVENUES:				
Net premiums	$ 78,618	$ -	$ -	$ 78,618
Policy fees and charges	105,453	-	-	105,453
Inuring third-party reinsurance commissions	1,297	-	-	1,297
Investment earnings—net	12,115	4,335	-	16,450
Investment income on funds withheld at interest	610,587	-	-	610,587
Net unrealized appreciation (depreciation) on investments	1,377	-	-	1,377
classified as trading and other	51,957	-	-	51,957
Change in value of derivatives and embedded derivatives—net	1,518,637	-	-	1,518,637
Total revenues	2,380,041	4,335	-	2,384,376
BENEFITS AND EXPENSES:				
Claims and policy benefits—net of reinsurance ceded	417,496	-	-	417,496
Interest credited to interest sensitive contract liabilities	238,426	-	-	238,426
Acquisition costs and other insurance expenses	389,721	-	-	389,721
Operating expenses	9,454	-	-	9,454
Total benefits and expenses	1,055,097	-	-	1,055,097
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) BEFORE INCOME TAXES AND EQUITY IN NET INCOME (LOSS) OF SUBSIDIARY	1,324,943	4,335	-	1,329,279
INCOME TAX EXPENSE (BENEFIT)	278,919	-	-	278,919
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) BEFORE EQUITY IN NET INCOME (LOSS) OF SUBSIDIARY	1,046,024	4,335	-	1,050,360
EQUITY IN NET INCOME (LOSS) OF SUBSIDIARY	4,335	-	(4,335)	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	$1,050,360	$ 4,335	$ (4,335)	$1,050,360