Wilton Reinsurance Bermuda Limited and Subsidiary

Consolidated Financial Statements and Supplementary Information as of and for the Years Ended December 31, 2021 and 2020, and Independent Auditor's Report

WILTON REINSURANCE BERMUDA LIMITED AND SUBSIDIARY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Wilton Reinsurance Bermuda Limited:

Opinion

We have audited the consolidated financial statements of Wilton Reinsurance Bermuda Limited and subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Deloitte + Touche LLP

April 20, 2022

WILTON REINSURANCE BERMUDA LIMITED AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2021 AND 2020
(Expressed in thousands of U.S. dollars, except share amounts)

	2021	2020
Assets		
Investments		
Fixed maturity and equity securities at fair value (includes $116,164 and $235,101 at fair value at December 31, 2021 and 2020, respectively)	$ 116,164	$ 235,101
Policy loans	16,345	16,980
Funds withheld at interest (includes $21,918,369 and $22,362,571 at fair value at December 31, 2021 and 2020, respectively)	22,812,680	23,260,600
Other invested assets (includes $148,387 and $177,452 at fair value at December 31, 2021 and 2020, respectively)	170,829	189,406
Short term investments	-	800
Total investments	23,116,018	23,702,887
Cash and cash equivalents	30,260	95,096
Accrued investment income	311	1,314
Premiums receivable	18,816	21,138
Other reinsurance receivables	51,755	152,366
Net deferred acquisition costs	33,714	40,867
Value of in-force business acquired	375,506	238,668
Net deferred income taxes	150,711	85,544
Other assets	182,760	200,371
Total assets	$ 23,959,851	$ 24,538,251
Liabilities and shareholders' equity		
Liabilities:		
Reserves for future policy benefits	$ 11,962,035	$ 12,312,845
Interest sensitive contract liabilities	10,090,432	9,956,227
Other reinsurance liabilities	167,195	50,947
Other liabilities	81,974	103,069
Total liabilities	22,301,636	22,423,088
Shareholders' equity:		
Class A-1 common shares $1.00 par value; 31,780 shares authorized, issued and outstanding at December 31, 2021 and 2020 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, 2021 and 2020 respectively	11	11
Class B common shares $1.00 par value; 218,220 shares authorized, issued and outstanding outstanding at December 31, 2021 and 2020 respectively	218	218
Additional paid-in capital	798,110	798,110
Retained earnings	859,844	1,316,792
Total shareholders' equity	1,658,215	2,115,163
Total liabilities and shareholders' equity	$ 23,959,851	$ 24,538,251

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, 2021 AND 2020
(Expressed in thousands of U.S. dollars)

	2021	2020
Revenues		
Net premiums	$ 158,067	$ 94,229
Policy fees and charges	113,548	107,563
Inuring third-party reinsurance commissions	879	(8)
Investment earnings—net	792,816	726,594
Net change in unrealized gains (losses) on investments classified as trading and other	2,035	(22,823)
Change in value of embedded derivatives—net	(649,767)	1,398,027
Total revenues	417,578	2,303,582
Benefits and expenses		
Claims and policy benefits—net of reinsurance ceded	420,200	1,119,787
Interest credited to interest sensitive contract liabilities	238,098	233,462
Acquisition costs and other insurance expenses	(92,863)	330,244
Operating expenses	25,850	19,674
Total benefits and expenses	591,285	1,703,167
Net income (loss) and comprehensive income (loss) before income taxes	(173,707)	600,415
Income tax expense (benefit)	(36,759)	125,765
Net income (loss) and comprehensive income (loss)	$ (136,948)	$ 474,650

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

WILTON REINSURANCE BERMUDA LIMITED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of U.S. dollars)

	2021	2020
Common Shares (Class A-1)		
Balance at beginning and end of year	$ 32	$ 32
Common Shares (Class A-2)		
Balance at beginning and end of year	11	11
Common Shares (Class B)		
Balance at beginning and end of year	218	218
Additional Paid-In Capital		
Balance at beginning and end of year	798,110	798,110
Retained Earnings		
Balance at beginning of year	1,316,792	1,387,142
Dividends on common stock	(320,000)	(545,000)
Net income (loss) and comprehensive income (loss)	(136,948)	474,650
Balance at end of year	859,844	1,316,792
Total shareholders' equity	$ 1,658,215	$ 2,115,163

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, 2021 AND 2020
(Expressed in thousands of US dollars)

	2021	2020
Cash flows from operating activities		
Net income (loss) and comprehensive income (loss)	$ (136,948)	$ 474,650
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	258	1,318
Investment related realized (gains) losses—net	(2,985)	(11,179)
Investment related unrealized (gains) losses—net	(22,916)	(16,493)
Earnings of equity method investments	(11,757)	2,633
Mark-to-market on embedded derivative	606,769	(1,398,027)
Amortization and other adjustments to deferred acquisition costs	7,128	4,213
Amortization and other adjustments to value of business acquired	17,608	16,248
Interest credited to interest sensitive contracts	238,098	233,462
Other reserve changes of interest sensitive contract liabilities	265,056	287,928
Cash and cash equivalents from closed block reinsurance	-	45,800
Change in assets and liabilities:		
Fixed maturity and equity securities	(5,565)	296,663
Accrued investment income	(43)	3,638
Deferred income taxes	(65,167)	89,343
Premiums receivable	2,323	482
Other reinsurance receivables	100,610	(85,419)
Funds withheld at interest	(180,416)	32,210
Deferred acquisition costs	25	-
Value of in-force business acquired	(154,446)	267,417
Other assets	17,611	3,205
Reserves for future policy benefits	(372,242)	448,298
Other reinsurance liabilities	116,248	(13,624)
Other liabilities	(15,120)	52,739
Net cash flows from (used in) operating activities	404,129	735,505

(Continued)

WILTON REINSURANCE BERMUDA LIMITED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of US dollars)

	2021	2020
Cash flows from investing activities		
Sales, maturities and repayments of:		
Limited partnership interests	$ 1,272	$ 550
Other invested assets	-	8,599
Purchases of:		
Limited partnership interests	-	(746)
Other invested assets	(1,273)	(680)
Premium paid on life settlement contracts	(24,593)	(27,116)
Net proceeds from maturity of life settlement contracts	79,332	98,252
Change in policy loans	635	311
Change in short-term investments	800	(800)
Net cash flows from (used in) investing activities	56,173	78,370
Cash flows from financing activities		
Dividends on common stock	(150,212)	(344,863)
Paydown of secured borrowing	(5,976)	(8,797)
Deposits into interest sensitive contracts	10,099	11,539
Redemption and benefit payments on interest sensitive contracts	(379,048)	(413,309)
Net cash flows from (used in) financing activities	(525,137)	(755,430)
Increase (decrease) in cash and cash equivalents	(64,835)	58,445
Cash and cash equivalents—Beginning of the year	95,095	36,650
Cash and cash equivalents—End of the year	$ 30,260	$ 95,095
Supplemental disclosure of cash flow information:		
Cash received (paid) during the period for—income taxes	$ (43,000)	$ -
Cash flow information for non-cash transactions:		
Securities transferred out for dividends on common stock	$ (169,788)	$ (200,137)

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

(Concluded)

1. ORGANIZATION

Wilton Reinsurance Bermuda Limited (WREB or the Company) 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. Wilton Re Ltd. (WRL) is the ultimate parent corporation in the Company's holding company structure.

Mills Creek LLC (Mills Creek), a wholly owned subsidiary of WREB, was formed on January 7, 2019, as a Delaware limited liability company authorized to issue 100 Common Units. On January 25, 2019, WREB contributed all of its right, title and interest in its direct investment life settlement contracts valued at $240,376 in exchange for its 100 Common Units. On January 29, 2019, WREB sold 25 Common Units to SPC Opps Fund Holdings II, L.P., a Delaware limited partnership for an amount equal to 25% of WREB's investment in Mills Creek. WREB recorded the proceeds from the sale as a secured borrowing, included within other liabilities of the consolidated balance sheets. The balance of the secured borrowing is $39,610 and $45,585 at December 31, 2021 and December 31, 2020, respectively.

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). All significant intercompany accounts balances and transactions have been eliminated in consolidation.

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 the fair value of these embedded derivatives, and the change in fair value for the year then ended, included:

	2021	**2020**
Fair value	$ 1,967,980	$ 2,574,749
Change in fair value	(606,769)	1,398,027

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 value of limited partnerships are included in net unrealized gains (losses) on investments classified as trading and other in the consolidated statements of revenues and expenses—contractual basis. Income distributions from limited partnerships 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. 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).

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, 2021 or 2020. Included in the premiums receivable balance at December 31, 2021 and 2020 is $18,016 and $20,625, respectively from affiliates.

Other Reinsurance Receivables and Liabilities

Other reinsurance receivables and liabilities primarily include reinsurance settlements not yet paid, but which generally settle quarterly. As of December 31, 2021, and 2020, other reinsurance receivables includes reinsurance settlement due of $51,767 and $152,378, respectively and other reinsurance liabilities includes payables of $164,183 and $47,550 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. DAC was fully recoverable during 2021 and 2020. 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 asset and 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, accident and health (including long-term care) 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, morbidity, 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 or 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. Additionally, the Company performs a premium deficiency test of non-interest sensitive contract reserves to reflect the effect of unrealized gains or losses on fixed maturity securities, with related changes recognized within reserves for future policy benefits in the accompanying consolidated statements of comprehensive income (loss). While the treatment of investments classified as "held to maturity" and "available for sale" in the determination of premium deficiency testing is explicitly addressed in existing U.S. GAAP guidance, the treatment of changes in market rates and related temporary unrealized gains and losses on securities classified as "trading" is not explicitly addressed. Accordingly, the Company has adopted an accounting policy that essentially assumes all the securities classified as trading had been sold at the measurement date at their stated aggregate fair value and the proceeds backing the liabilities are reinvested at current market yields. This treatment can result in a premium deficiency reserve that would be considered locked in which in turn the Company will need to amortize over the remaining life of the underlying business.

As of December 31, 2021, the Company recorded a premium deficiency reserve of $735,199 and a related deferred tax asset of $154,392. As of December 31, 2020, the the Company recorded a premium deficiency reserve of $755,600 and a related deferred tax asset of $158,676.

The following table summarizes the book value, market value, unrealized gain, book yield, and market yield for the investment portfolio classified as trading included in the premium deficiency testing as of December 31, 2021 and 2020:

Book Value	$ 15,986,003	$ 16,365,387
Market Value	18,123,949	19,157,530
Unrealized Gain	2,137,946	2,792,143
Book Yield	4.21%	4.16%
Market Yield	2.71%	2.57%

During 2021, approximately $28,939, or less than 17%, of the Company's fixed maturities and equity securities had actually been sold as part of the Company's investment activities, based on sales versus average market value, resulting in realized gains of $2,223.

Had the Company determined its premium deficiency reserves in accordance with the U.S. GAAP guidance applicable to securities classified as "held to maturity", it would not have recorded premium deficiency reserves as of December 31, 2021 or 2020. Had the Company determined its premium deficiency reserves in accordance with the US GAAP guidance applicable to securities classified as "available for sale", it would have recorded premium deficiency reserves of $410,703 and $755,600 as of December 31, 2021 and 2020, respectively.

In summary, at December 31, 2020, due to the low interest rate environment, the Company recognized temporary unrealized gains on its investments classified as trading of $2,792,143 supporting business subject to the premium deficiency assessment, which resulted in a locked in premium deficiency reserve of $755,600 that needs to be amortized over the life of the business. During 2021 as interest rates increased, the Company recognized a reduction in the temporary unrealized gain or unrealized loss of $654,197 in the income statement, while the amortization of the premium deficiency reserve was $20,401.

Unrealized appreciation on investments in a low interest rate environment may cause additional future policy benefit liabilities to be recorded through a charge directly to net income.

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

	2021	**2020**
Traditional life insurance	4.20 %	5.24 %
Payout annuities with life contingencies	3.73	3.73
Accident & Health including long-term care	3.50	3.50

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 embedded derivatives in 2021 or 2020.

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, 2021 and 2020, 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.

Long-term care claim reserves are established for continuing benefit payments are calculated using assumptions of anticipated mortality and claim continuance rates that are based on established industry tables adjusted for the ceding company's historical experience. Long-term care claims reserves are discounted at 3.50% and 3.50% for 2021 and 2020, respectively.

Recognition of Revenue and Expenses

Assumed reinsurance and policy premiums related to traditional life products and long-duration accident and health contracts 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 interest sensitive contract 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 3.24% and 3.25% during 2021 and 2020, 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, 2021

There were no ASUs adopted during the year ended December 31, 2021.

ASUs Issued but not Adopted as of December 31, 2021

ASU 2016-13—Financial Instruments—Credit Losses (Topic 326)— 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 its 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.

ASU 2018-12—Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts—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.

In November 2020, the FASB granted a one-year date delay for the adoption of ASU 2018-12. The Company plans to adopt ASU 2018-12 on its effective date of January 1, 2025. 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.

ASU 2019-01—Leases (Topic 842): Codification Improvements—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. In June 2020, the FASB granted a one-year date delay for the adoption of 2019-01, which is now effective effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

ASU 2019-12—Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes—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.

ASU 2020-01—Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force)—In January 2020, the FASB issued an accounting standard update which clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under Topic 323, Investments—Equity Method and Joint Ventures, for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The guidance is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

3. CLOSED BLOCK REINSURANCE

Effective July 1, 2018, Wilton Reassurance Company, a Minnesota domiciled insurance affiliate (WRAC), reinsured a closed block of long-term care business on a coinsurance basis. Effective October 1, 2020, WRAC retroceded the block to WREB on a 50% coinsurance funds withheld basis.

During 2020, the Company received $50,000 cash from WRAC, and a further $55,256 in relation to the the true up and initial ceding commission was received in 2021.

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

Assets	
Funds withheld at interest	$ 1,890,166
Total investments	1,890,166
Cash and cash equivalents	50,000
Premiums receivable	1,594
Other reinsurance receivables	55,256
Net deferred income taxes	79,645
Total assets	$ 2,076,661
Liabilities	
Reserves for future policy benefits	$ 1,994,024
Other reinsurance liabilities	2,417
Other liabilities	80,220
Total liabilities	$ 2,076,661

Effective December 31, 2020, WRAC reinsured a closed block of XXX term policies on a coinsurance basis. Concurrently, WRAC retroceded the block to WREB on a 100% coinsurance funds withheld basis.

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

Assets	
Funds withheld at interest	$ 199,288
Total investments	199,288
Cash and cash equivalents	(4,200)
Premiums receivable	1,993
Net deferred income taxes	(57,103)
Total assets	$ 139,978
Liabilities	
Reserves for future policy benefits	$ 197,081
Other liabilities	(57,103)
Total liabilities	$ 139,978

During 2021, pursuant to the contract, the initial transaction was finalized resulting in additional reserves for future policy benefits and cash of $21,432 which was transferred to WRAC. 100% of the $21,432 was placed into a trust for the benefit of WREB on a coinsurance funds withheld basis.

For the closed block reinsurance transactions described above, the non-cash assets and liabilities assumed have been excluded from the statements of cash flows. The 2020 cash received of $45,800 is included in cash flows from operating activities within the statements of cash flows.

4. INVESTMENTS

Fixed Maturity and Equity Securities

The amortized cost, fair value and related gross unrealized gain and loss of fixed maturity and preferred stock investments, classified as trading, as of December 31 are as follows:

December 31, 2021	**Amortized Cost**	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
Fixed maturities:				
U.S. government and agencies	$ 28,352	$ 533	$ (39)	$ 28,846
State and political subdivisions	10,926	211	(46)	11,091
Foreign sovereign	250	-	-	250
Corporate securities	41,007	1,849	(404)	42,452
Residential mortgage-backed securities	2,755	206	(1)	2,960
Commercial mortgage-backed securities	4,297	20	(24)	4,293
Asset-backed securities	18,035	48	(1,152)	16,931
Collateralized debt obligations	7,736	56	(22)	7,770
Total fixed maturities	113,358	2,923	(1,688)	114,593
Preferred stock	1,500	71	-	1,571
Total fixed maturity and equity securities	$ 114,858	$ 2,994	$ (1,688)	$ 116,164

December 31, 2020	**Amortized Cost**	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
Fixed maturities:				
U.S. government and agencies	$ 33,104	$ 1,160	$ (76)	$ 34,188
State and political subdivisions	12,498	965	-	13,463
Foreign sovereign	991	179	-	1,170
Corporate securities	96,778	10,624	(377)	107,025
Residential mortgage-backed securities	1,775	111	(1)	1,885
Commercial mortgage-backed securities	22,560	1,014	(1,370)	22,204
Asset-backed securities	37,416	660	(3,698)	34,378
Collateralized debt obligations	13,601	123	(149)	13,575
Total fixed maturities	218,723	14,836	(5,671)	227,888
Preferred stock	6,559	582	-	7,141
Common stock	33	39	-	72
Total fixed maturity and equity securities	$ 225,315	$ 15,457	$ (5,671)	$ 235,101

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 are as follows:

	Less than 12 Months		12 Months or More		Total	
At December 31, 2021	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Fixed maturities:						
U.S. government and agencies	$ 28,846	$ (39)	$ -	$ -	$ 28,846	$ (39)
State and political subdivisions	11,091	(46)	-	-	11,091	(46)
Foreign sovereign	250	-	-	-	250	-
Corporate securities	40,958	(263)	1,493	(141)	42,451	(404)
Residential mortgage-backed securities	2,960	(1)	-	-	2,960	(1)
Commercial mortgage-backed securities	4,293	(24)	-	-	4,293	(24)
Asset-backed securities	12,332	(223)	4,599	(929)	16,931	(1,152)
Collateralized debt obligations	7,770	(22)	-	-	7,770	(22)
Total fixed maturities	108,500	(618)	6,092	(1,070)	114,592	(1,688)
Preferred stock	1,571	-	-	-	1,571	-
Total fixed maturity and equity securities	$ 110,071	$ (618)	$ 6,092	$ (1,070)	$ 116,163	$ (1,688)

	Less than 12 Months		12 Months or More		Total	
At December 31, 2020	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Fixed maturities:						
U.S. government and agencies	$ 4,347	$ (76)	$ -	$ -	$ 4,347	$ (76)
State and political subdivisions	-	-	-	-	-	-
Corporate securities	9,726	(309)	300	(68)	10,026	(377)
Residential mortgage-backed securities	101	(1)	-	-	101	(1)
Commercial mortgage-backed securities	11,238	(1,213)	736	(157)	11,974	(1,370)
Asset-backed securities	21,379	(3,441)	989	(257)	22,368	(3,698)
Collateralized debt obligations	4,263	(101)	2,402	(48)	6,665	(149)
Total fixed maturities	51,054	(5,141)	4,427	(530)	55,481	(5,671)
Preferred stock	-	-	-	-	-	-
Total fixed maturity and equity securities	$ 51,054	$ (5,141)	$ 4,427	$ (530)	$ 55,481	$ (5,671)

At December 31, 2021, twelve fixed-maturity investments with a total unrealized loss of $1,070 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 had fair values below 70% of book value with a total unrealized loss of $7. At December 31, 2020, eight fixed-maturity investments with a total unrealized loss of $530 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, three securities had fair values below 70% of book value with a total unrealized loss of $75.

Contractual maturities of the Company's fixed maturity securities as of December 31, 2021, 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 prepayment penalties:

	Amortized Cost	Fair Value
One year or less	$ 1,018	$ 1,033
One through five years	29,169	29,539
After five through ten years	11,134	11,557
After ten through twenty years	20,652	21,643
After twenty years	18,562	18,867
Residential mortgage-backed securities	2,755	2,960
Commercial mortgage-backed securities	4,297	4,293
Asset-backed securities	18,035	16,931
Collateralized debt obligations	7,736	7,770
Total fixed maturity securities	$ 113,358	$ 114,593

Credit ratings of the Company's fixed maturity securities as of December 31 are shown below. Ratings are assigned by Standard & Poor's Corporation, Moody's Investors Service or Fitch Ratings. The ratings assigned may not be accurate predictors of credit losses.

	2021		2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
AAA	$ 38,074	$ 38,626	$ 47,479	$ 48,792
AA	7,922	8,347	12,325	13,240
A	26,086	26,640	46,669	47,853
BBB	38,432	38,516	101,508	106,291
BB	2,291	1,981	8,862	9,821
B	248	258	1,660	1,651
CCC or lower and unrated	305	225	220	240
Total fixed maturities	$ 113,358	$ 114,593	$ 218,723	$ 227,888

The Company's largest five exposures by issuer as of December 31, 2021, were The Walt Disney Company, Walmart Inc., 7 Third Avenue Leasehold LLC, Johnson & Johnson, and Guggenheim Partners , each of which comprised less than 0.6 %, and in aggregate comprise 2.49%, of total investments.

The Company's largest five exposures by issuer as of December 31, 2020, were Walmart, Inc., The Walt Disney Company, Johnson & Johnson, 7 Third Avenue Leasehold LLC, and Anheuser-Busch InBev SA/NV, each of which comprised less than 0.8%, and in aggregate comprise 2.78%, of total investments.

Investment Earnings—Net

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

	2021	2020
Fixed maturity and equity securities	$ 5,557	$ 14,012
Policy loans	1,174	1,212
Funds withheld at interest	641,868	582,705
Short-term investments and cash and cash equivalents	20	160
Life settlements contracts	36,096	35,648
Other invested assets	(33)	(2,267)
Investment income	684,682	631,470
Investment expenses	(6,488)	(4,512)
Interest on secured borrowing	(7,541)	(7,639)
Investment income—net	670,653	619,319
Realized gains on investments	9,168	21,258
Realized losses on investments	(6,183)	(10,078)
Net realized gains (losses) on funds withheld at interest	119,178	96,095
Investment earnings—net	$ 792,816	$ 726,594

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	Fair Value
2022	1	$ 300	$ 275
2023	8	30,250	20,653
2024	24	81,335	44,098
2025	30	82,081	36,742
2026	24	73,650	24,106
Thereafter	41	101,380	22,513
Total	128	$ 368,996	$ 148,387

Policy Loans

Policy loans comprised approximately 0.1% and 0.1% of the Company's investments as of December 31, 2021 and 2020, 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 98.7% and 98.1% of the Company's total investments as of December 31, 2021 and 2020, 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	**2021**	**2020**
Segregated portfolio of assets—general account	$ 17,382,028	$ 18,085,038
Segregated portfolio of assets—separate account	3,974,912	3,820,310
Non-segregated portfolio of assets	604,424	534,488
Funds withheld at interest, at fair value—affiliated	21,961,364	22,439,836
Unaffiliated Ceding Company		
Segregated portfolio of assets—general account	839,706	815,902
Non-segregated portfolio of assets	11,610	4,862
Funds withheld at interest, at fair value—unaffiliated	851,316	820,764
Total funds withheld at interest, at fair value	$ 22,812,680	$ 23,260,600

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 $2,254,538 and $2,025,465 as of December 31, 2021 and 2020, 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 are as follows:

At December 31, 2021	**Amortized Cost**	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
Fixed maturities:				
U.S. government and agencies	$ 2,211,553	$ 469,420	$ (5,200)	$ 2,675,773
State and political subdivisions	780,544	100,672	(1,001)	880,215
Foreign sovereign	26,605	3,946	(110)	30,441
Corporate securities	8,504,225	1,313,289	(16,120)	9,801,394
Residential mortgage-backed securities	505,882	40,118	(1,832)	544,168
Commercial mortgage-backed securities	377,474	33,804	(1,152)	410,126
Asset-backed securities	728,846	38,734	(14,890)	752,690
Collateralized debt obligations	652,238	3,930	(4,272)	651,896
Total fixed maturities	13,787,367	2,003,913	(44,577)	15,746,703
Preferred stock	212,939	8,629	(1,086)	220,482
Common stock	-	11	-	11
Total fixed maturity and equity securities	$ 14,000,306	$ 2,012,553	$ (45,663)	$ 15,967,196

At December 31, 2020	**Amortized Cost**	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
Fixed maturities:				
U.S. government and agencies	$ 2,205,166	$ 655,933	$ (1,578)	$ 2,859,521
State and political subdivisions	831,484	118,066	(132)	949,418
Foreign sovereign	25,037	5,658	(12)	30,683
Corporate securities	8,474,881	1,706,267	(12,297)	10,168,851
Residential mortgage-backed securities	741,549	72,564	(1,619)	812,494
Commercial mortgage-backed securities	455,331	55,493	(2,701)	508,123
Asset-backed securities	883,908	49,283	(21,012)	912,179
Collateralized debt obligations	512,271	4,379	(10,681)	505,969
Total fixed maturities	14,129,627	2,667,643	(50,032)	16,747,238
Preferred stock	119,117	10,184	(1,067)	128,234
Common stock	-	3	-	3
Total fixed maturity and equity securities	$14,248,744	$2,677,830	$(51,099)	$16,875,475

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 were as follows:

	Less than 12 Months		12 Months or More		Total	
At December 31, 2021	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Fixed maturities:						
U.S. government and agencies	$ 2,627,982	$ (868)	$ 47,791	$ (4,332)	$ 2,675,773	$ (5,200)
State and political subdivisions	879,309	(769)	906	(232)	880,215	(1,001)
Foreign Sovereign	29,811	(63)	630	(47)	30,441	(110)
Corporate securities	9,777,216	(13,913)	24,178	(2,207)	9,801,394	(16,120)
Residential mortgage-backed securiti	535,568	(1,254)	8,600	(578)	544,168	(1,832)
Commercial mortgage-backed securiti	407,168	(828)	2,958	(324)	410,126	(1,152)
Asset-backed securities	689,450	(6,541)	63,240	(8,349)	752,690	(14,890)
Collateralized debt obligations	634,518	(3,345)	17,378	(927)	651,896	(4,272)
Total fixed maturities	15,581,022	(27,581)	165,681	(16,996)	15,746,703	(44,577)
Preferred stock	215,830	(572)	4,652	(514)	220,482	(1,086)
Common stock	11	-	-	-	11	-
Total fixed maturity and equity securiti	$ 15,796,863	$ (28,153)	$ 170,333	$ (17,510)	$ 15,967,196	$ (45,663)

	Less than 12 Months		12 Months or More		Total	
At December 31, 2020	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Fixed maturities:						
U.S. government and agencies	$ 57,136	$ (1,578)	$ -	$ -	$ 57,136	$ (1,578)
State and political subdivisions	12,965	(132)	-	-	12,965	(132)
Foreign Sovereign	665	(12)	-	-	665	(12)
Corporate securities	108,833	(8,056)	29,941	(4,241)	138,774	(12,297)
Residential mortgage-backed securities	26,067	(188)	12,176	(1,431)	38,243	(1,619)
Commercial mortgage-backed securities	59,072	(2,368)	1,905	(333)	60,977	(2,701)
Asset-backed securities	195,909	(20,130)	3,475	(882)	199,384	(21,012)
Collateralized debt obligations	150,217	(4,514)	129,249	(6,167)	279,466	(10,681)
Total fixed maturities	610,864	(36,978)	176,746	(13,054)	787,610	(50,032)
Preferred stock	6,195	(29)	8,041	(1,038)	14,236	(1,067)
Total fixed maturity and equity securities	$617,059	$(37,007)	$184,787	$(14,092)	$801,846	$(51,099)

At December 31, 2021, 85 fixed-maturity investments with a total unrealized loss of $16,996 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 were below 70% of book value with an unrealized loss of $812.

At December 31, 2020, 86 fixed-maturity investments with a total unrealized loss of $13,054 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 were below 70% of book value with an unrealized loss of $74.

The contractual maturities of the fixed maturity securities in the segregated assets supporting funds withheld at interest as of December 31, 2021, 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 prepayment penalties.

	Amortized Cost	Fair Value
0 to 1 Year	$ 40,322	$ 41,439
1 to 5 years	722,916	757,784
5 to 10 years	1,107,279	1,219,098
10 to 20 years	3,652,587	4,256,897
> 20 years	5,999,823	7,112,605
Residential mortgage-backed securities	505,882	544,167
Commercial mortgage-backed securities	377,474	410,126
Asset-backed securities	728,846	752,690
Collateralized debt obligations	652,238	651,897
Total fixed maturities	$ 13,787,367	$ 15,746,703

Commercial Mortgage Loans

Commercial mortgage loans (CMLs) represented approximately 5.2% and 5.66% of the Company's segregated portfolio of assets—general account supporting the funds withheld at interest as of December 31, 2021 and 2020, respectively. The amortized cost, fair value and the related gross unrealized gain (loss) are as follows:

	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
December 31, 2021	$ 850,248	$ 54,226	$ (57)	$ 904,417
December 31, 2020	$ 959,284	$ 65,246	$ (97)	$ 1,024,433

The unrealized loss and fair values by the duration of the CMLs in a continuous unrealized loss position are as follows:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
December 31, 2021	$ -	$ -	$ 4,738	$ (57)	$ 4,738	$ (57)
December 31, 2020	$ 7,284	$ (97)	$ -	$ -	$ 7,284	$ (97)

The CML portfolio of the Company's segregated portfolio of assets—general account supporting the funds withheld at interest is collateralized by a variety of commercial real estate property types located across the United States. The principal geographic distribution as of December 31 is shown below. No other state represented more than 5% of the portfolio.

Percentage of Loan Portfolio Fair Value	**2021**	**2020**
California	16.7 %	17.2 %
New York	15.2	14.3
Virginia	11.6	10.6
Tennessee	6.5	5.8
Ohio	5.9	6.6
Texas	5.3	-
Florida	5.0	6.2

The types of properties collateralizing the CMLs as of December 31 are as follows:

Percentage of Loan Portfolio Fair Value	**2021**	**2020**
Multifamily	41.2 %	39.1 %
Office buildings	20.4	20.4
Retail	16.9	19.8
Other commercial	13.8	13.3
Industrial	7.7	7.4
Total	100.0 %	100.0 %

The contractual maturities of the CML portfolio as of December 31, 2021, are as follows:

	Number of Loans	**Fair Value**	**Percent**
2022	2	$ 5,108	0.6 %
2023	15	186,306	20.6
2024	11	39,858	4.4
2025	20	49,683	5.5
2026	7	49,618	5.5
Thereafter	62	573,844	63.4
Total	117	$ 904,417	100.0 %

Loan-to-value (LTV) and debt service coverage (DSC) ratios are measures commonly used to assess risk and quality of CMLs. The LTV ratio, calculated at time of origination, is expressed as a percentage of the amount of the loan relative to the value of the underlying property. An LTV ratio in excess of 100% indicates the unpaid loan amount exceeds the value of the underlying collateral. There were no loans at December 31, 2021 with an LTV ratio greater than 75%. The DSC ratio, based upon the most recently received financial statements, is expressed as a percentage of the amount of estimated cash flows from the property available to the borrower to meet principal and interest payment obligations. A DSC ratio of less than 1.0 indicates that property's operations do not generate sufficient cash flows to cover the debt payments. A loan can be considered performing and not a credit issue while experiencing a DSC below 1.0 for periods of time due to timing issues with regard to the receipt of income and payment of periodic expenses, such as taxes.

The following table reflects the distribution of the Company's CMLs across these two risk and quality measures are as of December 31, 2021:

	Debt Service Coverage Ratio					
Loan-to-Value Ratios	**Less 1.0**	**1.0 to 1.25**	**1.26 to 1.5**	**1.51 to 1.75**	**Above 1.75**	**Total**
Less than 50%	$ -	$ 4,033	$ 69,849	$ 153,955	$ 563,411	$ 791,248
50% to 60%	-	33,906	18,605	15,802	7,623	75,936
60% to 75%	-	21,848	-	-	15,385	37,233
Total	$ -	$ 59,787	$ 88,454	$ 169,757	$ 586,419	$ 904,417

The following table reflects the distribution of the Company's CMLs across these two risk and quality measures are as of December 31, 2020:

	Debt Service Coverage Ratio					
Loan-to-Value Ratios	**Less 1.0**	**1.0 to 1.25**	**1.26 to 1.5**	**1.51 to 1.75**	**Above 1.75**	**Total**
Less than 50%	$ -	$ -	$ 61,380	$ 224,676	$ 586,990	$ 873,046
50% to 60%	19,819	15,911	47,734	26,673	7,494	117,631
60% to 75%	7,001	15,855	-	-	10,900	33,756
Total	$ 26,820	$ 31,766	$ 109,114	$ 251,349	$ 605,384	$ 1,024,433

6. CONCENTRATION OF CREDIT RISK

As of December 31, 2021, substantially all of the Company's cash and cash equivalents were held in three financial institutions that the Company considers to be of high quality. As of December 31, 2020, 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, 2021, 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 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.

In 2020, WRAC retroceded 50% of a closed block of long-term care business as well as a 100% of a XXX term block, both on a coinsurance funds withheld basis.

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

Reinsurance Liability Assumed	**2021**	**2020**
Affiliates—WRAC & WCAC	$ 21,218,684	$ 21,413,935
Non-affiliates—other insurers	833,784	855,137
Total Reserve for future policy benefits and Interest sensitive contract liabilities	$ 22,052,468	$ 22,269,072

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

	2021	**2020**
Reinsurance assumed—affiliate	$154,288	$ 91,017
Reinsurance assumed—non-affiliate	3,779	3,150
Reinsurance ceded—non-affiliate	-	62
Net premiums	$158,067	$ 94,229

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

	2021	**2020**
Reinsurance assumed—affiliate	$ 406,096	$ 1,008,514
Reinsurance assumed—non-affiliate	14,104	111,273
Net claims and policy benefits	$ 420,200	$ 1,119,787

At December 31, 2021 and 2020, there were no retrocessional receivables.

The effect of reinsurance and retrocessions on life insurance inforce is as follows:

	Direct	**Assumed**	**Ceded**	**Net**
December 31, 2021	$ 8,261	$ 31,531,977	$ -	$ 31,540,238
December 31, 2020	$ 9,348	$ 32,561,876	$ -	$ 32,571,224

8. DEFERRED ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

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

	2021	**2020**
Beginning of year	$ 40,867	$ 45,081
Capitalized	(25)	-
Amortized	(7,128)	(4,214)
End of year	$ 33,714	$ 40,867

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

	2021	2020
Beginning of year	$ 238,668	$ 522,333
Amortized	(17,608)	(16,248)
Attributable to realized/unrealized gains and losses	140,141	(276,980)
Impact of unlocking	14,305	9,563
End of year	$ 375,506	$ 238,668

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

2022	$ 10,201
2023	12,934
2024	15,142
2025	16,667
2026	18,149

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, 2021 and 2020, the Company did not have any net operating losses, tax credits, or capital loss carryforwards.

Income tax expense at 21.16% attributable to income from continuing operations for the year ended December 31, 2021 and 2020, is as follows:

	2021	2020
Current tax expense (benefit)	$ 28,408	$ 36,422
Deferred tax expense (benefit)	(65,167)	$ 89,343
Income tax expense (benefit)	$ (36,759)	$ 125,765

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

	2021	2020
Computed expected tax expense (benefit) at 21%	$ (36,479)	$ 126,087
Other	(280)	$ (322)
Income tax expense (benefit)	$ (36,759)	$ 125,765

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities at December 31, 2021 and 2020, are presented in the following table:

	2021	2020
Deferred income tax assets:		
Reserves for future policy benefits	$ 1,245,751	$ 1,326,194
Employee benefits	1,505	-
Nondeductible accruals	53	2,107
Other	-	3
Total deferred tax assets	1,247,309	1,328,304
Deferred income tax liabilities:		
Differences between tax and financial reporting amounts concerning certain reinsurance transactions	(748,603)	(781,927)
Investments	(282,252)	(417,508)
Deferred acquisition costs/value of business acquired	(65,740)	(43,325)
Other	(3)	-
Total deferred tax liabilities	(1,096,598)	(1,242,760)
Net deferred tax asset	$ 150,711	$ 85,544

The Company's U.S. federal income tax return for tax years 2019–2021 are open and subject to examination by the Internal Revenue Service.

As of December 31, 2021, 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 $414,554 in 2022 without prior regulatory approval.

11. SHAREHOLDERS' EQUITY

Dividends

On May 12, 2021, the Company declared a dividend of $280,000 payable to its shareholders, WRL and Wilton Re US Holdings. The dividend was paid using cash and fixed income securities on May 21, 2021.

On December 17, 2021, the Company declared a dividend of up to $70,000 payable to its shareholders, WRL and Wilton Re US Holdings. A dividend of $40,000 was paid using cash on December 20, 2021. No further dividend will be paid with the remaining $30,000 approved.

12. 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 2021 and 2020, the Company incurred $8,561 and $5,768, respectively of expenses for these services. Amounts payable to parents, subsidiaries and affiliates of $11,108 and $7,985 at December 31, 2021 and 2020, respectively, were primarily related to the Services Agreement.

13. COMMITMENTS AND CONTINGENCIES

Funding of Investments

The Company has commitments to fund limited partnership investments of $25,000 and as of December 31, 2021, $10,923 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.

Collateral Arrangements

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, 2021 and 2020, the balance in the trust was $3,344 and $3,399, 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. LONG TERM AND OTHER DEBT

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 September 2021, WRL, along with the Wilton Re US Holdings, extended its existing five-year $500,000 senior revolving credit facility (Wells Fargo Facility I) by 3 years, with a new expiry in 2026 with a syndicate of lenders. The facility includes a $100,000 letter of credit (LOC) 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 following a LIBOR replacement event, a SOFR 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* (a Canadian life insurance affiliate). The applicable margin for base rate loans ranges from 0.125% to 0.750%. The applicable margin for LIBOR loans/CDOR Loans/SOFR Loans ranges from 1.125% to 1.750%. 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, 2021 and 2020, was $22,296 and $27,340, respectively. At December 31, 2021 and 2020, there were approximately $17,550 and $17,825, respectively of outstanding bank letters of credit issued by the Company under the facility in favor of non-affiliated companies.

In September 2021, 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 and has been renewed every year since it was first added, with a syndicate of lenders. Except for the applicable interest rate margin, Wells Fargo Facility II has the same financial covenant restrictions and rates as Wells Fargo Facility I. The applicable margin for base rate loans ranges from 0.125% to 0.750%. The applicable margin for LIBOR loans/CDOR Loans/SOFR Loans ranges from 1.125% to 1.750%.

The Company is a borrower under both Wells Fargo Facility I and Wells Fargo Facility II. At December 31, 2021 and 2020, there was $0 borrowed under the facilities by the Company.

15. 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 excluding funds withheld, primarily include private placements, and certain asset-backed and mortgage-backed securities.

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, 2021	Fair Value	Level 1	Level 2	Level 3
Invested assets:				
U.S. government and agencies	$ 28,846	$ 25,900	$ 2,946	$ -
State and political subdivisions	11,091	-	6,726	4,365
Foreign sovereign	250	-	250	-
Corporate securities	42,452	-	36,194	6,258
Residential mortgage-backed securities	2,960	-	2,960	-
Commercial mortgage-backed securities	4,293	-	2,477	1,816
Asset backed securities	16,931	-	9,564	7,367
Collateralized debt obligations	7,770	-	7,770	
Total fixed maturity	114,593	25,900	68,887	19,806
Preferred stock	1,571	-	1,571	-
Common stock	-	-	-	-
Total fixed maturity and equity securities	116,164	25,900	70,458	19,806
Other invested assets:				
Life settlement contracts—direct	148,387	-	-	148,387
All other	- [1]	-	-	-
Total other invested assets	148,387	-	-	148,387
Total invested assets	264,551	25,900	70,458	168,193
Funds withheld at interest:				
U.S. government and agencies	2,675,773	2,367,428	308,345	-
State and political subdivisions	880,215	-	796,186	84,029
Foreign sovereign	30,441	-	30,441	-
Corporate securities	9,801,393	-	9,334,797	466,596
Residential mortgage-backed securities	544,168	-	544,168	-
Commercial mortgage-backed securities	410,126	-	409,019	1,107
Asset backed securities	752,690	-	458,481	294,209
Collateralized debt obligations	651,897	-	642,100	9,797
Total fixed maturity	15,746,703	2,367,428	12,523,537	855,738
Preferred stock	220,482	-	220,482	-
Common stock	11	-	-	11
Total fixed maturity and equity securities	15,967,196	2,367,428	12,744,019	855,749
Commercial mortgage loans	904,417	-	-	904,417
Other invested assets	1,071,844	-	466,348	605,496
Funds withheld at interest—segregated portfolio of assets—general account	17,943,457	2,367,428	13,210,367	2,365,662
Funds withheld at interest—segregated	-	-	-	-
portfolio of assets—separate account	3,974,912	-	3,974,912	-
Total funds withheld at interest	21,918,369 [2] [3]	2,367,428	17,185,279	2,365,662
Other liabilities—life settlement	-	-	-	-
contracts—secured borrowing	(39,610)	-	-	(39,610)
Total	$ 22,143,310	$ 2,393,328	$ 17,255,737	$ 2,494,245

1 Limited partnerships of $22,442 is a component of other invested assets not measured at fair value on a recurring basis.

2 Cash and short-term investments of $278,277 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 $616,034 are a component of Funds withheld at interest not measured at fair value on a recurring basis.

At December 31, 2020	Fair Value	Level 1	Level 2	Level 3
Invested assets:				
U.S. government and agencies	$ 34,188	$ 26,489	$ 7,699	$ -
State and political subdivisions	13,463	-	8,858	4,605
Foreign sovereign	1,170	-	1,170	-
Corporate securities	107,025	-	102,176	4,849
Residential mortgage-backed securities	1,885	-	1,630	255
Commercial mortgage-backed securities	22,204	-	22,204	-
Asset backed securities	34,378	-	26,431	7,947
Collateralized debt obligations	13,575	-	13,575	-
Total fixed maturity	227,888	26,489	183,743	17,656
Preferred stock	7,141	-	7,141	-
Common stock	72	-	72	-
Total fixed maturity and equity securities	235,101	26,489	190,956	17,656
Other invested assets:				
Life settlement contracts—direct	170,488	-	-	170,488
All other	6,964 [1]	-	6,964	-
Total other invested assets	177,452	-	6,964	170,488
Total invested assets	412,553	26,489	197,920	188,144
Funds withheld at interest:				
U.S. government and agencies	2,859,521	2,421,946	437,575	-
State and political subdivisions	949,418	-	861,199	88,219
Foreign sovereign	30,683	-	30,683	-
Corporate securities	10,168,851	-	9,768,324	400,527
Residential mortgage-backed securities	812,494	-	812,493	1
Commercial mortgage-backed securities	508,123	-	508,123	-
Asset backed securities	912,179	-	580,499	331,680
Collateralized debt obligations	505,969	-	473,671	32,298
Total fixed maturity	16,747,238	2,421,946	13,472,567	852,725
Preferred stock	128,234	-	128,234	-
Common stock	3	-	3	-
Total fixed maturity and equity securities	16,875,475	2,421,946	13,600,804	852,725
Commercial mortgage loans	1,024,433	-	-	1,024,433
Other invested assets	642,353	-	425,097	217,256
Funds withheld at interest—segregated portfolio of assets—general account	18,542,261	2,421,946	14,025,901	2,094,414
Funds withheld at interest—segregated portfolio of assets—separate account	3,820,310	-	3,820,310	-
Total funds withheld at interest	22,362,571 [2 3]	2,421,946	17,846,211	2,094,414
Other liabilities—life settlement contracts—secured borrowing	(45,585)	-	-	(45,585)
Total	$ 22,729,539	$ 2,448,435	$ 18,044,131	$ 2,236,973

1 Limited partnerships of $11,953 is a component of other invested assets not measured at fair value on a recurring basis.

2 Cash and short-term investments of $358,680 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 $539,350 are a component of Funds withheld at interest 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.

Other Invested Assets

Surplus debentures

Surplus debentures are similar to corporate securities. The fair values of surplus debentures are primarily based on prices obtained from independent pricing services or may be obtained from independent third-party dealers in the absence of quoted market prices. They 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.

The Company's policy is to recognize transfers into and out of levels within the fair value hierarchy at the end of the period in which the actual event or change in circumstances that caused the transfer occurs.

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, 2021 and 2020:

	2021			2020		
	Purchases	**Transfer into**	**Transfer out of**	**Purchases**	**Transfer into**	**Transfer out of**
Invested assets:						
State and political subdivisions	$ -	$ -	$ -	$ 48,500	$ -	$ -
Corporate securities	77,867	35,758	(1,023)	147,338	2,256	-
Residential mortgage-backed securities	-	-	-	255	-	-
Commercial mortgage-backed securities	961	1,999	-	-	-	-
Asset-backed securities	11,496	41,923	(1,811)	130,340	932	
Collateralized Debt Obligations	-	-	-	-	-	(26,340)
Common Stock		6				(3)
Commercial Mortgage Loans	4,997	-	-	7,673		
Other Invested Assets	130,555			117,765	-	-
Total invested assets	$ 225,876	$ 79,686	$ (2,834)	$ 451,871	$ 3,188	$ (26,343)

16. SUBSEQUENT EVENTS

The Company has evaluated the impact of subsequent events through April 20, 2022, representing the date at which the consolidated financial statements were available to be issued. The following event occurred subsequent to December 31, 2021:

Liquidity Facilities

On February 16, 2022, $115,000 was drawn by WREB under the 364-day $500,000 senior credit facility (Well Fargo Facility II).

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SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR’S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
Wilton Reinsurance Bermuda Limited:

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary consolidating balance sheets as of December 31, 2021 and 2020, and the supplementary consolidating statements of comprehensive income (loss) for the years then ended are presented for the purpose of additional analysis and are not a required part of the financial statements. This supplementary information is the responsibility of Wilton Reinsurance Bermuda Limited and subsidiary’s management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Deloitte & Touche LLP

April 20, 2022

WILTON REINSURANCE BERMUDA LIMITED AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2021
(Amounts in thousands of U.S. dollars)

	WREB	Mills Creek	Eliminations	WREB Consolidated
Assets				
Investments:				
Fixed maturity and equity securities at fair value	$ 116,164	$ -	$ -	$ 116,164
Policy loans	16,345	-	-	16,345
Funds withheld at interest	22,812,680	-	-	22,812,680
Other invested assets	22,442	148,387	-	170,829
Total investments	22,967,631	148,387	-	23,116,018
Cash and cash equivalents	28,251	2,009	-	30,260
Accrued investment income	311	-	-	311
Premiums receivable	18,816	-	-	18,816
Other reinsurance receivables	51,755	-	-	51,755
Net deferred acquisition costs	33,714	-	-	33,714
Value of in-force business acquired	375,506	-	-	375,506
Net deferred income taxes	150,711	-	-	150,711
Other assets	330,864	10,331	(158,435)	182,760
Total assets	$ 23,957,559	$ 160,727	$ (158,435)	$ 23,959,851
Liabilities and shareholders' equity				
Liabilities:				
Reserves for future policy benefits	$ 11,962,035	$ -	$ -	$ 11,962,035
Interest sensitive contract liabilities	10,090,432	-	-	10,090,432
Other reinsurance liabilities	167,195	-	-	167,195
Other liabilities	79,682	2,292	-	81,974
Total liabilities	22,299,344	2,292	-	22,301,636
Shareholders' equity:				
Class A-1 common shares	261	-	-	261
Class A-2 common shares	-	-	-	-
Class B common shares	-	-	-	-
Additional paid-in capital	798,110	89,681	(89,681)	798,110
Retained earnings and accumulated other comprehensive income (loss)	859,844	68,754	(68,754)	859,844
Total shareholders' equity	1,658,215	158,435	(158,435)	1,658,215
Total liabilities and shareholders' equity	$ 23,957,559	$ 160,727	$ (158,435)	$ 23,959,851

WILTON REINSURANCE BERMUDA LIMITED AND SUBSIDIARY

CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2020
(Amounts in thousands of U.S. dollars)

	WREB	Mills Creek	Eliminations	WREB Consolidated
Assets				
Investments:				
Fixed maturity and equity securities at fair value	$ 235,101	$ -	$ -	$ 235,101
Policy loans	16,980	-	-	16,980
Funds withheld at interest	23,260,600	-	-	23,260,600
Other invested assets	18,918	170,488	-	189,406
Short term investments	800	-	-	800
Total investments	23,532,399	170,488	-	23,702,887
				-
Cash and cash equivalents	90,074	5,022	-	95,096
Accrued investment income	1,314	-	-	1,314
Premiums receivable	21,138	-	-	21,138
Other reinsurance receivables	152,366	-	-	152,366
Net deferred acquisition costs	40,867	-	-	40,867
Value of in-force business acquired	238,668	-	-	238,668
Net deferred income taxes	85,544	-	-	85,544
Other assets	375,836	6,877	(182,342)	200,371
Total assets	$ 24,538,206	$ 182,387	$ (182,342)	$ 24,538,251
Liabilities and shareholders' equity				
Liabilities:				
Reserves for future policy benefits	$ 12,312,845	$ -	$ -	$ 12,312,845
Interest sensitive contract liabilities	9,956,227	-	-	9,956,227
Other reinsurance liabilities	50,947	-	-	50,947
Other liabilities	103,023	45	-	103,068
Total liabilities	22,423,043	45	-	22,423,087
Shareholders' equity:				
Class A-1 common shares	32	-	-	32
Class A-2 common shares	11	-	-	11
Class B common shares	218	-	-	218
Additional paid-in capital	798,110	144,821	(144,821)	798,110
Retained earnings and accumulated other comprehensive income (loss)	1,316,792	37,521	(37,521)	1,316,792
Total shareholders' equity	2,115,163	182,342	(182,342)	2,115,163
Total liabilities and shareholders' equity	$ 24,538,206	$ 182,387	$ (182,342)	$ 24,538,251

WILTON REINSURANCE BERMUDA LIMITED AND SUBSIDIARY

CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in thousands of US dollars)

	WREB	Mills Creek	Eliminations	WREB Consolidated
Revenues				
Net premiums	$ 158,067	$ -	$ -	$ 158,067
Policy fees and charges	113,548	-	-	113,548
Inuring third-party reinsurance commissions	879	-	-	879
Investment earnings—net	761,579	31,237	-	792,816
Net change in unrealized gains (losses) on investments classified as trading and other	2,035	-	-	2,035
Change in value of derivatives and embedded derivatives - net	(649,767)	-	-	(649,767)
Total revenues	386,341	31,237	-	417,578
Benefits and expenses				
Claims and policy benefits—net of reinsurance ceded	420,200	-	-	420,200
Interest credited to interest sensitive contract liabilities	238,098	-	-	238,098
Acquisition costs and other insurance expenses	(92,863)	-	-	(92,863)
Operating expenses	25,846	4	-	25,850
Total benefits and expenses	591,281	4	-	591,285
Net income (loss) and comprehensive income (loss) before income taxes and equity in net income (loss) of subsidiary	(204,940)	31,233	-	(173,707)
Income tax expense (benefit)	(36,759)	-	-	(36,759)
Net income (loss) and comprehensive income (loss) before equity in net income (loss) of subsidiary	(168,181)	31,233	-	(136,948)
Equity in net income/(loss) of subsidiary	31,233	-	(31,233)	-
Net income (loss) and comprehensive income (loss)	$ (136,948)	$ 31,233	$ (31,233)	$ (136,948)

WILTON REINSURANCE BERMUDA LIMITED AND SUBSIDIARY

CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2020
(Amounts in thousands of US dollars)

	WREB	Mills Creek	Eliminations	WREB Consolidated
Revenues				
Net premiums	$ 94,229	$ -	$ -	$ 94,229
Policy fees and charges	107,563	-	-	107,563
Inuring third-party reinsurance commissions	(8)	-	-	(8)
Investment earnings—net	693,408	33,186	-	726,595
Net change in unrealized gains (losses) on investments classified as trading and other	(22,823)	-	-	(22,823)
Change in value of derivatives and embedded derivatives - net	1,398,027	-	-	1,398,027
Total revenues	2,270,396	33,186	-	2,303,582
Benefits and expenses				
Claims and policy benefits—net of reinsurance ceded	1,119,787	-	-	1,119,787
Interest credited to interest sensitive contract liabilities	233,462	-	-	233,462
Acquisition costs and other insurance expenses	330,244	-	-	330,244
Operating expenses	19,674	-	-	19,674
Total benefits and expenses	1,703,167	-	-	1,703,167
Net income (loss) and comprehensive income (loss) before income taxes and equity in net income (loss) of subsidiary	567,229	33,186	-	600,415
Income tax expense (benefit)	125,765	-	-	125,765
Net income (loss) and comprehensive income (loss) before equity in net income (loss) of subsidiary	441,464	33,186	-	474,650
Equity in net income loss of subsidiary	33,186	-	(33,186)	-
Net income (loss) and comprehensive income (loss)	$ 474,650	$ 33,186	$ (33,186)	$ 474,650