Wilton Re U.S. Holdings, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Information as of and for the Years Ended December 31, 2023 and 2022, and Independent Auditor's Report

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

Deloitte.

Deloitte & Touche LLP
695 E Main St
Stamford, CT 06901 USA
Tel: + 1 203 708 4000
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Wilton Re U.S. Holdings, Inc.:

Qualified Opinion on the 2023 Financial Statements and Opinion on the 2022 Financial Statements

We have audited the consolidated financial statements of Wilton Re U.S. Holdings, Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023, and 2022, and the related consolidated statements of comprehensive income (loss), changes in shareholder's 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, except for the effects on the accompanying 2023 financial statements of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 29, 2024, expressed an unmodified opinion on the Company's internal control over financial reporting.

Basis for Qualified Opinion on the 2023 Financial Statements and Basis for Opinion on the 2022 Financial Statements

As disclosed in Note 2 to the financial statements, as of January 1, 2023, the Company transferred certain of its fixed maturity investments from the trading to available for sale investment accounting categories. Although use of available for sale is an acceptable method of accounting for investments under accounting principles generally accepted in the United States of America (US GAAP), in our opinion, the Company did not yet meet the rare conditions described in Note 2 for making a transfer between categories, as required by US GAAP, because final tax regulations which could confirm this matter as rare have not yet been issued. As further described in Note 2, the effect on the financial statements of the January 1, 2023, transfer of certain fixed maturity investments from trading to available for sale was to decrease net income and increase other comprehensive income by $334.3 million, resulting in no effect to total net loss and comprehensive loss for the year ended December 31, 2023. There was no effect on total assets, total liabilities or total shareholder's equity at December 31, 2023.

We conducted our audits in accordance with 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 qualified audit opinion on the 2023 financial statements and for our opinion on the 2022 financial statements.

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

March 29, 2024

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2023 AND 2022

(Amounts in thousands of US dollars, except per share amounts)

	2023	2022
Assets		
Investments:		
Fixed maturity securities available-for-sale, at estimated fair value (net of allowance for credit losses of $9,555 at December 31, 2023) and (amortized cost of $21,518,654 at December 31, 2023)	$ 22,033,090	$ —
Fixed maturity securities trading and equity securities, at estimated fair value (includes $1,016,934 and $22,323,756 at fair value)	1,800,063	22,900,465
Commercial mortgage loans at fair value	1,166,217	1,345,048
Policy loans	333,772	334,594
Funds withheld at interest (includes $ 4,685,777 and $4,401,933 at fair value at December 31, 2023 and 2022, respectively)	4,808,921	4,510,832
Other invested assets (amortized cost of $1,382,851 and $1,015,990 at December 31, 2023 and 2022, respectively)	3,427,074	2,976,064
Short-term investments	—	10,106
Total investments	33,569,137	32,077,109
Cash and cash equivalents	1,159,036	675,882
Accrued investment income	265,330	262,623
Premiums receivable	46,363	68,295
Reinsurance recoverable (net of allowance for credit losses of $5,320 at December 31, 2023)	20,795,302	20,953,774
Other reinsurance receivables	79,639	42,347
Net deferred acquisition costs	663,744	604,113
Value of in-force business acquired	230,655	254,519
Net deferred income taxes	830,054	926,019
Other assets	479,656	462,297
Separate account assets	259,455	245,911
Total assets	$ 58,378,371	$ 56,572,889
Liabilities and shareholder's equity		
Liabilities:		
Reserves for future policy benefits	$ 18,867,958	$ 19,704,184
Interest sensitive contract liabilities	19,700,119	18,198,936
Other reinsurance liabilities	87,930	85,322
Funds held under reinsurance treaties	17,559,414	17,224,103
Long-term debt	250,000	250,000
Other debt	974,251	576,710
Other liabilities	651,510	665,404
Separate account liabilities	259,455	245,911
Total liabilities	58,350,637	56,950,570
Shareholder's equity:		
Class A common shares - $0.01 par value; 500 shares authorized, issued and outstanding at December 31, 2023 and 2022	—	—
Class B common shares - $0.01 par value; 500 shares authorized, issued and outstanding at December 31, 2023 and 2022	—	—
Additional paid-in capital	134,807	134,807
Accumulated other comprehensive income	366,643	—
Retained deficit	(473,716)	(512,488)
Total shareholder's equity	27,734	(377,681)
Total liabilities and shareholder's equity	$ 58,378,371	$ 56,572,889

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

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
AS OF DECEMBER 31, 2023 AND 2022
(Amounts in thousands of US dollars)

	2023	2022
Revenues		
Net premiums	$ 220,366	$ 262,031
Policy fees and charges	516,579	510,452
Inuring third-party reinsurance commissions	16,713	18,892
Investment earnings—net	880,615	530,920
Net change in unrealized gains (losses) on investments classified as trading and other	67,767	(6,815,126)
Change in value of derivatives and embedded derivatives - net	(263,003)	3,738,425
Total revenues	1,439,037	(1,754,406)
Benefits and expenses		
Claims and policy benefits - net of reinsurance ceded	798,343	650,566
Interest credited to interest sensitive contract liabilities	379,451	248,005
Acquisition and other insurance expenses	(4,408)	(93,120)
Operating expenses	199,277	197,106
Interest expense	19,204	23,384
Total benefits and expenses	1,391,867	1,025,941
Net income (loss) before income taxes and net earnings of equity method investee	47,170	(2,780,347)
Income tax expense (benefit)	16,724	(598,439)
Net income (loss) before net earnings of equity method investee	30,446	(2,181,908)
Share of net earnings (loss) of equity method investee	18,491	(110,563)
Net income (loss)	$ 48,937	$ (2,292,471)
Other comprehensive income		
Net unrealized investment gains	$ 464,105	$ —
Less: income tax benefit related to other comprehensive income (loss)	$ (97,462)	$ —
Other comprehensive income, net of taxes	$ 366,643	$ —
Net income (loss) and comprehensive income (loss)	$ 415,580	$ (2,292,471)

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

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER’S EQUITY
AS OF DECEMBER 31, 2023 AND 2022
(Amounts in thousands of US dollars)

	2023	2022
Common shares (Class A)		
Balance at end of year	$ —	$ —
Common shares (Class B)		
Balance at end of year	—	—
Additional Paid-in Capital		
Balance at end of year	134,807	134,807
Accumulated Other Comprehensive Income		
Balance at beginning of year	—	—
Net unrealized investments gains	464,105	—
Income tax benefit related to other comprehensive income	(97,462)	—
Balance at end of year	366,643	—
Retained (Deficit) Earnings		
Balance at beginning of year	(512,488)	1,779,983
Cumulative adjustment for adoption of credit loss accounting standard	(10,165)	—
Net income (loss)	48,937	(2,292,471)
Balance at end of year	(473,716)	(512,488)
Total shareholder's equity	$ 27,734	$ (377,681)

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

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
AS OF DECEMBER 31, 2023 AND 2022
(Amounts in thousands of US dollars)

	2023	2022
Cash flows from operating activities		
Net income (loss)	$ 48,937	$ (2,292,471)
Adjustments to reconcile net income (loss) to net cash (used in) from operating activities		
Amortization of net investment premium, discounts and other	(226,736)	(49,078)
Investment related realized losses - net	57,586	324,689
Investment related unrealized (gains) losses - net	(205,891)	6,878,074
(Earnings) losses of equity method investee	(41,028)	138,399
Mark-to-market on embedded derivatives	266,116	(3,907,044)
Amortization and other adjustments to deferred acquisition costs	(2,057)	2,841
Amortization and other adjustments to value of business acquired	3,409	(3,360)
Interest credited to interest sensitive contracts	591,685	454,006
Other reserve changes of interest sensitive contract liabilities	(234,183)	(1,422,071)
Cash and cash equivalents from closed block reinsurance	271,109	—
Cash and cash equivalents from reinsurance ceded to affiliates	—	2,081
Change in assets and liabilities:		
Fixed maturity securities trading and equity securities	39,022	985,763
Accrued investment income	(2,707)	(7,300)
Deferred income taxes	(1,497)	(574,753)
Premiums receivable	21,932	10,842
Reinsurance recoverable	158,473	1,033,439
Other reinsurance receivables	(37,292)	129,695
Funds withheld at interest	(250,494)	566,166
Deferred acquisition costs	(61,222)	(111,591)
Value of in-force business acquired	(20,547)	(56,326)
Other assets	(17,356)	(100,666)
Reserve for future policy benefits	(836,225)	(482,032)
Funds held under reinsurance treaties	21,600	(1,014,089)
Other reinsurance liabilities	(7,558)	(15,940)
Other liabilities	(16,915)	187,960
Net cash flows (used in) from operating activities	$ (481,839)	$ 677,234

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
AS OF DECEMBER 31, 2023 AND 2022
(Amounts in thousands of US dollars)

Cash flows from investing activities		
Sales, maturities and repayments of:		
Fixed maturity securities available-for-sale	$ 2,070,304	$ —
Commercial mortgage loans	190,148	317,866
Limited partnership interests	231,366	101,252
Equity method investments in affiliate	2,033	5,082
Other invested assets	13,103	27,563
Purchases of:		
Fixed maturity securities available-for-sale	(1,128,077)	—
Commercial mortgage loans	(948)	(166,552)
Limited partnership interests	(492,368)	(501,555)
Other invested assets	38,182	(141,588)
Change in policy loans	1,351	15,326
Change in short-term investments	10,152	(6,732)
Net cash flows from (used in) investing activities	935,246	(349,338)
Cash flows from financing activities:		
Proceeds from long-term debt	—	(250,000)
Deposits into interest sensitive contracts	880,613	643,903
Redemption and benefit payments on interest sensitive contracts	(850,866)	(747,120)
Net cash flows from (used in) financing activities	29,747	(353,217)
Increase (decrease) cash and cash equivalents	483,154	(25,321)
Cash and cash equivalents - beginning of year	675,882	701,203
Cash and cash equivalents - end of year	**$ 1,159,036**	**$ 675,882**
Supplemental disclosure of cash flow information:		
Cash (paid) received during the year for income taxes	(106,941)	8,659

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

1. ORGANIZATION

Wilton Re U.S. Holdings, Inc. (Wilton Re US Holdings or the Company) is incorporated in Delaware. Wilton Re US Holdings conducts its operations principally through its subsidiary, Wilton Reassurance Company (WRAC), a Minnesota domiciled life insurer. Wilton Re US Holdings is a wholly owned subsidiary of Wilton Re U.S. Holdings Trust, established under the laws of Nova Scotia, Canada, which itself is a wholly owned subsidiary of Wilton Re Ltd. (WRL), a Nova Scotia company. WRL is the ultimate parent in the holding company structure. In addition to WRAC, significant subsidiaries of the Company include the following:

- Wilton Re Services, Inc. (Wilton Re Services or WRSI), a wholly owned subsidiary of Wilton Re US Holdings, incorporated in Delaware.
- Wilton Reassurance Life Company of New York (WRNY), a wholly owned New York domiciled life insurance subsidiary of WRAC.
- Texas Life Insurance Company (TLIC), a wholly owned Texas domiciled life insurance subsidiary of WRAC.
- Wilcac Life Insurance Company (WCAC), a wholly owned Illinois domiciled life insurance subsidiary of WRAC.
- Redding Reassurance Company 3 LLC (RRE3), a wholly owned Missouri special purpose financial captive insurance subsidiary of WRAC.

In April 2018, the Company acquired a 4.1% interest in, and became a 25% voting shareholder of, Wilton Reinsurance Bermuda Limited (WREB), an affiliate incorporated under the laws of Bermuda as a long-term insurer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation and Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and include the accounts of Wilton Re US Holdings and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated 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, reserves for future policy benefits, other policy claims and benefits, income taxes 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

Transfer of fixed income portfolio from trading to available for sale

As part of the Inflation Reduction Act of 2022, signed into law on August 16, 2022, Congress enacted the corporate alternative minimum tax (CAMT), effective January 1, 2023. The CAMT presented a new and material liquidity and financial risk to the Company as it is calculated based upon the Company's reported US GAAP income, inclusive of unrealized gains and losses on investments accounted for as "trading" for the first time ever. To mitigate this risk, the Company transferred certain of its fixed income portfolio from trading to available-for-sale as of January 1, 2023.

Before making this change, the Company considered both ASC 320, *Investments – Debt and Equity Securities*, and other SEC guidance on transfers and while the Company does not believe that guidance anticipated this specific scenario, management has concluded that it does meet the "rare" criteria given the uniqueness of the law and the potential severe liquidity, solvency and tax risks to the Company. More specifically, we believe the potential impact imposed by the CAMT on the Company's liquidity and solvency under certain interest rate scenarios is consistent with the SEC speech comments of "Similar transfers might be appropriate if a significant business combination or other event greatly alters the company's liquidity position or investing strategy." Although the final regulations aren't expected to be issued until later in 2024, any changes, if any, to the law will be evaluated at that time.

As disclosed in the table below, which presents only the affected financial statement line items and the respective totals, the effect on the financial statements was to decrease net income (loss) by $366,643 and increase other comprehensive income (loss) by $366,643 resulting in no effect to total comprehensive income (loss) for the year ended December 31, 2023. There was no effect on total assets, total liabilities, or total shareholder's equity as of December 31, 2023. Of those changes, approximately $32,296 was due to assets purchased during 2023.

(Amounts in thousands of US dollars, except share amounts)

	December 31, 2023		
	Historical[1] Basis	Conversion [2]	As Reported
Total Assets	**$ 58,378,371**	**$ —**	**$ 58,378,371**
Liabilities and shareholder's equity			
Total Liabilities	$ 58,350,637	$ —	$ 58,350,637
Shareholders' Equity			
Retained earnings (deficit)	(107,073)	(366,643)	(473,716)
Accumulated other comprehensive income (loss)	—	366,643	366,643
Total Shareholder's Equity	27,734	—	27,734
Total Liabilities and Shareholder's Equity	**$ 58,378,371**	**$ —**	**$ 58,378,371**
Revenues			
Investment earnings - net	$ 537,984	$ 342,631	$ 880,615
Net change in unrealized gains (losses) on investments classified as trading and other	963,525	(895,758)	67,767
Total Revenues	1,992,164	(553,127)	1,439,037
Benefits and expenses			
Claims and policy benefits - net of reinsurance ceded	843,096	(44,753)	798,343
Acquisition and other insurance expenses	40,241	(44,649)	(4,408)
Total benefits and expenses	1,481,269	(89,402)	1,391,867
Net income (loss) before income taxes and net earnings of equity method investee	**510,895**	**(463,725)**	**47,170**
Income tax expense (benefit)	114,186	(97,462)	16,724
Net income (loss) before net earnings of equity method investee	**396,709**	**(366,263)**	**30,446**
Share of net earnings (loss) of equity method investee	18,871	(380)	18,491
Net income (loss)	**$ 415,580**	**$ (366,643)**	**$ 48,937**
Other comprehensive income, net of taxes			
Net unrealized investment gains	$ —	$ 366,643	$ 366,643
Total Other Comprehensive Income (Loss), net of Tax	—	366,643	366,643
Net income (loss) and comprehensive income (loss)	**$ 415,580**	**$ —**	**$ 415,580**

Fixed Maturity and Equity Securities

Fixed maturity and equity securities include publicly-traded fixed maturity securities, preferred stocks, common stocks, credit tenant loans, and private placements Fixed maturity securities which are classified as trading and equity securities are recorded at fair value with the change in fair value

[1] Historical basis represents the value that would have been reported in the financial statements if the Company did not transfer certain of its fixed income portfolio from trading to available-for-sale as of January 1, 2023.
[2] Conversion refers to the effect of reporting certain fixed income securities as available for sale.

reported as net change in unrealized gains (losses) on investments classified as trading and other in the consolidated statements of comprehensive (loss) income. Fixed maturity securities classified as available-for-sale (AFS) are reported at fair value with unrealized gains and losses, less applicable deferred income taxes, reported in other comprehensive income (OCI). All fixed maturity securities are classified as either trading or AFS with the exception of issuer obligations—non-affiliates which are classified as held-to-maturity. 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 and credit tenant loans 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. The amortized cost and effective yield of structured fixed maturity securities are adjusted as necessary to reflect historical prepayment experience and changes in estimated future prepayments. The adjustments to amortized cost are recorded as a charge or credit to investment earnings - net in accordance with the retrospective method. Investment earnings are presented net of investment management, investment accounting and custody expenses on the consolidated statements of comprehensive (loss) income. Gains and losses realized on the sale of all investments are determined on the first in-first out method.

Allowance for Credit Losses and Impairments of AFS Fixed Maturity Securities

AFS fixed maturity securities whose fair value is less than their carrying amount are evaluated for potential credit losses.

If the Company intends to sell a security or it is more likely than not that it would be required to sell a security before the recovery of its amortized cost, less any recorded credit loss, it recognizes an impairment loss in investment earnings - net of the difference between amortized cost and fair value.

The Company identifies AFS fixed maturity securities for credit losses by monitoring credit rating and market events that could impact issuers' credit risk including the relevant industry business climate, management changes, litigation, government actions and other similar factors.

The Company reviews all securities to determine whether a decline in fair value below amortized cost has resulted from a credit loss and whether an allowance for credit loss should be recognized. In making this determination, the Company considers relevant facts and circumstances including: (1) the reasons for the decline in fair value; (2) the issuer's financial position and access to capital; and (3) the Company's intent to sell a security or whether it is more likely than not it will be required to sell the security before the recovery of its amortized cost.

Credit impairments and changes in the allowance for credit losses on fixed maturity securities are reflected in net change in unrealized gains (losses) on investments classified as trading and other, while non-credit impairment losses are recognized in OCI.

The Company estimates the amount of the credit loss component of a fixed maturity security impairment as the difference between amortized cost and the present value of the expected cash flows of the security. The Company excludes accrued interest from the amortized cost and the present value of the expected cash flows of the security. The present value is determined using the best estimate cash flows discounted at the current yield used to recognize interest income. The techniques and assumptions for establishing the best estimate cash flows vary depending on the type of security. The asset-backed securities' cash flow estimates are based on security-specific facts and circumstances that may include collateral characteristics, expectations of delinquency and default rates, loss severity and prepayment speeds.

The Company writes off fixed maturity securities when facts and circumstances indicate that outstanding principal and interest is uncollectible.

Commercial Mortgage Loans

The Company elects the Fair Value Option (FVO) for commercial mortgage loans. The change in fair value is reported as net change in unrealized gains (losses) on investments classified as trading and other in the consolidated statements of comprehensive income (loss). The fair value is determined using a net present value calculation of future cash flows using credit and liquidity spreads added to an interpolated Treasury yield to determine the discount rate. Credit and liquidity spreads are derived from data provided by third parties considered market-makers in commercial mortgage loans.

Interest income is accrued on the outstanding principal amount of the loan based on its contractual interest rate. Amortization of premiums and discounts is recorded using the constant-yield method. The Company accrues interest on loans until it is probable the Company will not receive interest or the loan is 90 days past due. Interest income, amortization of premiums, accretion of discounts and prepayment fees are reported in investment earnings—net in the consolidated statements of comprehensive income (loss).

A mortgage loan is considered to be impaired when, based on the current information and events, the Company does not have a reasonable expectation that it will be able to collect all amounts due according to the contractual terms of the mortgage agreement. Although all available and applicable information is considered in the Company's analysis, loan-to-value, debt service coverage ratios and delinquency status are critical factors in determining impairment.

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 and Funds Held under Reinsurance Treaties

Funds withheld at interest, an asset, and funds held under reinsurance treaties, a liability, represent amounts contractually withheld by the ceding company in accordance with reinsurance agreements (funds withheld). For agreements written on a modified coinsurance basis and agreements written on a coinsurance funds withheld basis, assets generally equal to the statutory reserves, net of reinsurance, are withheld and legally owned by the ceding company. Investment income on funds withheld includes the interest income earned on these assets and the portion due the assuming company is 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 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 (loss) income. At December 31, 2023 and 2022, the fair value of these embedded derivatives, and the changes in fair value for the years then ended, included:

(Amounts in thousands of US dollars, except share amounts)

	2023		2022	
	Fair Value	Change in Fair Value	Fair Value	Change in Fair Value
Funds withheld at Interest	$ (94,440)	$ 33,882	$ (121,180)	$ (241,644)
Funds held under reinsurance treaties	1,914,073	(301,253)	2,258,324	4,149,945
Total		$ (267,371)		$ 3,908,301

Derivative Financial Instruments

The Company hedges certain portions of its exposure to product-related equity market risk by entering into transactions involving the purchase and sale of options. These derivative instruments are recognized within funds withheld at interest and other invested assets in the accompanying consolidated balance sheets at fair value.

The Company hedges the reinvestment risk from declining interest rates for assets supporting certain products. To hedge this risk, the Company entered into a 30-year cancellable interest rate swap and a 10-year forward starting 30-year cancellable interest rate swap in 2021, in both of which, the Company receives fixed and pays floating. The program totals $750,000 in notional amount, split between three counterparties ($550,000 with US Bank and $100,000 with PNC Bank and Scotiabank respectively). These derivative instruments are recognized within other liabilities in the accompanying consolidated balance sheets at fair value. As of December 31, 2023 and 2022 the Company had posted cash collateral of $192,079 and $169,381 respectively, related to the swaps.

The Company hedges the risk of declining interest rates related to the insurance liabilities reinsured from Transamerica Life insurance Company to Wilton Reassurance Company. To hedge this risk, the Company entered into a 30-year cancellable interest rate swap in August of 2023 in which the Company receives fixed and pays floating. The program totals $600,000 in notional amount, split between two counterparties ($400,000 with Bank of Nova Scotia and $200,000 with PNC Bank). These derivative instruments are recognized within other liabilities in the accompanying consolidated balance sheets at fair value. As of December 31, 2023, the Company had received $14,459 in posted cash collateral related to the swaps.

In March 2020, the Company entered into an interest rate swap in order to exchange floating for fixed cash flows related to the Company's five-year credit facility with Wells Fargo. These economic hedges are recognized within other assets or other liabilities in the accompanying consolidated balance sheets at fair value. The swap matured in October 2023, with a gain recognized upon maturity of $483.

In March 2023, the Company entered into an interest rate swap with US Bank in order to exchange floating for fixed cash flows related to its Term Facility. The swap has a notional amount of $250,000 that matures in March 2026, with the Company receiving a floating leg of one month SOFR and paying a fixed leg of 3.67%. As of December 31, 2023, there was no collateral posted related to this swap.

The change in fair value is recognized in the change in value of derivatives and embedded derivatives, net, in the statements of comprehensive income (loss). At December 31, 2023 and 2022, the fair value of these derivatives, and the changes in fair value for the years then ended, included:

(Amounts in thousands of US dollars, except share amounts)

	2023		2022	
	Fair Value	Change in Fair Value	Fair Value	Change in Fair Value
Funds withheld at interest	$ 20,529	$ 13,155	$ 6,638	$ (14,173)
Other invested assets	13,245	9,558	4,068	(9,265)
Other assets	1,589	1,589	—	—
Other liabilities	(193,516)	(19,934)	(174,023)	(146,438)
Total		$ 4,368		$ (169,876)

Short Term Investments

Short-term investments represent investments with maturities at acquisition of greater than three months but less than twelve months, are carried at amortized cost, which approximates fair value.

Other Invested Assets

In addition to the derivatives discussed above, other invested assets include investments in fixed maturity debt securities classified as AFS, limited partnerships and limited liability corporations (limited partnerships), surplus debentures, collateral loans, residual or equity tranche LLC investments , and life settlement contracts.

Limited Partnerships

Limited partnerships are accounted for using the equity method if the Company has more than a minor ownership interest, more than a minor influence over the investees' operations or if the limited partnership 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 comprehensive (loss) income. Income distributions from limited partnerships are included in investment earnings—net in the consolidated statements of comprehensive (loss) income.

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 considered fixed maturity securities which are classified as AFS and carried at fair value.

Collateral Loans

Collateral loans are first lien, unconditional obligations for the payment of money and are secured by the pledge of assets. The loans are considered fixed maturity securities which are classified as AFS and carried at fair value.

Residual or Equity Tranche LLC investments

These investments are generally a subordinated class that receives residual cash flows after all other tranches and obligations of the LLC have been fully paid. The LLCs typically invest in various asset-backed securities, real estate or other collateral and are carried at fair value.

Equity Method Investment in Affiliate

With the ability to exercise significant influence over WREB, this investment is accounted for under the equity method. The carrying value of the investment included within other liabilities on the consolidated balance sheets was $43,900 and $60,360 at December 31, 2023, and December 31, 2022, respectively. Income (loss) from the investment is presented in share of net income (loss) of equity method investee in the consolidated statements of comprehensive income (loss).

Cash and Cash Equivalents

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

Premiums Receivable

Premiums receivable are recognized when due from the policyholder or other party and adjusted for lapsed policies. 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 an allowance for credit loss was necessary as of December 31, 2023 and 2022.

Reinsurance Recoverable

Reinsurance recoverables include an estimate of the amount of policy and claim reserves that are ceded under the terms of reinsurance agreements, including claims incurred but not reported (IBNR). Reinsurers and the respective amounts recoverable are regularly evaluated for expected credit losses.

The Company estimates an allowance for credit losses for all reinsurance recoverables, including those that inure to the Company and are not recognized on the consolidated balance sheets. As such, we perform a quantitative analysis using a probability of loss model approach to estimate expected credit losses for reinsurance recoverables. The credit loss allowance is a general allowance for pools of receivables with similar risk characteristics segmented by credit risk ratings. We assess reinsurance recoverables that do not share similar risk characteristics with the general population on an individual basis to determine a specific credit loss allowance.

The Company's model uses relevant historical loss information in developing our credit loss estimate. We utilized historical credit rating data to form an estimation of probability of default of counterparties by means of a transition matrix that provides the rates of credit migration for credit ratings. Model results may be qualitatively adjusted for current conditions and reasonable and supportable forecasts of future macroeconomic events and conditions if the Company concludes that these forward-looking expectations will have a significantly different impact on losses than is reflected in the historically-based model results over the entire expected life of the general pool of reinsurance exposures.

The Company estimated expected credit losses over the contractual term of the recoverable, which is the period during which we are exposed to the credit risk. Reinsurance recoverables may not have explicit contractual lives, but are tied to the underlying insurance products; as a result, we estimated the contractual life by utilizing actuarial estimates of the timing of payouts related to those underlying products.

Reinsurance recoverables are presented net of the allowance for credit losses and the allowance for credit loss on inuring reinsurance exposures is presented as a standalone liability within Other reinsurance liabilities in the consolidated balance sheets. Changes in the allowance for credit losses are reported in Claims and policy benefits, net of reinsurance ceded on the consolidated statements of comprehensive income (loss). Reinsurance recoverables deemed uncollectible are charged against the allowance for credit losses.

Other Reinsurance Receivables and Liabilities

Other reinsurance receivables and liabilities primarily include reinsurance settlements not yet paid, but which generally settle quarterly. At December 31, 2023 and 2022, other reinsurance receivables include reinsurance settlements due of $76,814 and $39,432 and other reinsurance liabilities includes payables of $50,234 and $43,427, respectively. Of those amounts, $71,013 and $51,454 are due from affiliates and $44,375 and $37,191 are due to affiliates, respectively. As of December 31, 2023 other reinsurance liabilities also included $6,488 of allowance for credit losses on inuring reinsurance.

Net 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 2023 and 2022. 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 available for sale, 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. Deferred tax assets and liabilities result from temporary differences between the carrying amounts of assets and liabilities recorded in the consolidated 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 (loss) income 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.

The Company assesses all significant tax positions to determine if a liability for an uncertain position is necessary and, if so, the impact on the current or deferred income tax balances. Also, if indicated, the Company recognizes interest or penalties related to income taxes as a component of the income tax provision.

Separate Accounts

Separate account assets and liabilities represent policyholder funds related to investment and annuity products for which the policyholder assumes substantially all the risk and reward. The assets are segregated into accounts with specific underlying investment objectives and are legally segregated from the Company. All assets of the separate account business are carried at fair value with an equal amount recorded for separate account liabilities. Fee income accruing to the Company related to separate accounts is included within policy fees and charges in the accompanying consolidated statements of comprehensive (loss) income. A number of separate account pension deposit contracts guarantee principal and an annual minimum rate of interest. If aggregate contract value in the separate account exceeds the fair value of the related assets, an additional policyholders’ funds liability is established. Certain of these contracts are subject to a fair value adjustment if terminated by the policyholder.

(Amounts in thousands of US dollars, except share amounts)

The Company considers all separate account assets assumed on a modified coinsurance basis to be components of funds withheld with the liabilities included as components of reserves for future policy benefits and interest sensitive contract liabilities.

The Company considers all separate account assets ceded on a modified coinsurance basis to be components of funds held under reinsurance treaties with the ceded liabilities included as components of reinsurance recoverable.

Reserves for Future Policy Benefits

The Company's liabilities for direct life and payout annuity (with life contingencies) policies and 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. All of the Company's material reinsurance contracts are long duration contracts. The Company monitors actual experience and revises assumptions and related reserve estimates as permitted. The reserve is estimated using the net level premium method utilizing assumptions for mortality, morbidity, persistency, interest and expenses established when the contract is underwritten. These assumptions are based on anticipated experience with a margin for adverse deviation. For reinsurance assumed, such estimates are based primarily on historical experience provided by ceding companies with the exception of investment returns and expenses.

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 (loss) income. 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, 2023 and 2022, the Company determined that a premium deficiency reserve was not required.

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

	2023	2022
Traditional life insurance	3.56 %	3.56 %
Payout annuities with life contingencies	2.33 %	2.33 %
Accident and 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. Liabilities for payout annuities without life contingencies are recorded at the present value of future benefits. Certain universal life products contain features that link interest credited to an equity index. These features create embedded derivatives that are not clearly and closely related to the host insurance contract. The embedded derivatives carried at fair value with changes in the fair value are recognized within interest credited to interest sensitive contract liabilities in the accompanying consolidated statements of comprehensive income (loss). At December 31, 2023, the fair value of these embedded derivatives were $19,244, an increase of $16,472 from December 31, 2022. At December 31, 2022, the fair value of these embedded derivatives were $2,772, a decrease of $15,485 from December 31, 2021.

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, 2023 and 2022, 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 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 3.5% for 2023 and 2022.

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 must determine whether the contract provides indemnification against loss or liability relating to insurance risk. The Company reviews 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 (loss) income.

For annuity and interest-sensitive life contracts, premiums collected are not reported as revenues, but as deposits to insurance liabilities. The Company recognizes revenues for these products over time in the form of investment income, policy charges for the cost of insurance, policy administration fees, and surrender fees that have been assessed against policy account balances during the period. Policy benefits and claims that are charged to expense include claims incurred in the period in excess of related policy account balances and interest credited to policy account balances. The weighted average interest-crediting rates for interest-sensitive products was 4.03% and 4.05% during 2023 and 2022, 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 in the consolidated balance sheets at the date of acquisition at fair value, except for the reserves for future policy benefits and value of 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 expense 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 and available for sale. 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 (ASUs) 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, 2023

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 fixed maturity 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 fixed maturity 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 completed the adoption of this new standard in 2023 under the modified retrospective method and has determined its adoption impact, solely applicable to reinsurance recoverable to its consolidated financial statements was $10,165 that was recognized in the beginning balance of retained earnings.

ASUs Issued But Not Adopted as of December 31, 2023

ASU 2023-09—Income Taxes (Topic 740): Improvements to Income Tax Disclosures - In December 2023, the FASB issued an accounting standard that amends the codification to enhance the transparency and decision usefulness of income tax disclosures. This ASU requires additional disaggregation of the reconciliation between the statutory and effective tax rate for an entity and of income taxes paid, both of which are disclosures required by current GAAP. The amendments improve the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction.

The guidance is effective for annual periods beginning after December 15, 2025. Early adoption is 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 and DAC-like balances 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 for these balances.
- 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 continues to assess the impact of the standard on its reported consolidated financial statements, and required disclosures. The adoption of this standard is expected to have a significant impact on the consolidated financial statements and required disclosures, as well as changes to systems, processes and controls. The Company has created a governance framework and is managing a detailed implementation plan to support timely application of the guidance. The Company is currently developing and will continue to refine key accounting policy decisions, technology solutions and internal controls until the implementation is complete.

(Amounts in thousands of US dollars, except share amounts)

3. CLOSED BLOCK REINSUANCE

Effective July 1, 2023, WRAC entered into a reinsurance agreement (TLife Reinsurance Agreement) with Transamerica Life Insurance Company (TLife), to assume a block of secondary guarantee universal life insurance on a 100% coinsurance basis. The transaction closed on August 30, 2023. As of July 1, 2023 the block was comprised of 13,996 policies. TLife will retain responsibility for the administration of the block.

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

Assets		
Fixed maturity securities available for sale, at estimated fair value and equity securities	$	797,541
Policy loans		530
Total investments		798,071
Cash and cash equivalents		271,109
Net deferred tax assets		76,516
Total assets	$	1,145,696
Liabilities		
Interest sensitive contract liabilities		1,069,179
Other liabilities		76,517
Total liabilities	$	1,145,696

The non-cash amounts summarized in the table above represent non-cash transactions that occurred during the year.

The Company entered into certain derivatives transactions to protect the block against declining interest rates. In addition, the Company financed economic reserves from the transaction with its existing captive reinsurance company.

4. INVESTMENTS

Fixed Maturity and Equity Securities

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

(Amounts in thousands of US dollars, except share amounts)

	2023				
	Amortized Cost	Unrealized Gain	Unrealized Loss	Allowance for Credit Losses	Fair Value
Fixed maturities:					
Available-for-sale:					
U.S. government and agencies	$ 2,057,858	$ 7,003	$ (61,584)	$ —	$ 2,003,277
State and political subdivisions	1,342,869	45,984	(1,444)	—	1,387,409
Foreign sovereign	29,069	27	(735)	—	28,361
Corporate securities	13,800,802	551,129	(39,726)	(5,843)	14,306,362
Residential mortgage-backed securities	704,984	7,349	(17,875)	(1,449)	693,009
Commercial mortgage-backed securities	884,002	6,874	(35,676)	(299)	854,901
Asset backed securities	1,144,862	26,657	(26,078)	(760)	1,144,681
Collateralized debt obligations	1,554,208	75,948	(13,862)	(1,204)	1,615,090
Other Invested Assets (Surplus debentures and Debt portion of collateral loans)[1]	1,004,644	15,753	(3,463)	—	1,016,934
Total available-for-sale	22,523,298	736,724	(200,443)	(9,555)	23,050,024
Trading:					
U.S. government and agencies	$ 20,397	$ —	$ (3,142)	$ —	$ 17,255
Corporate securities	77,220	39	(6,847)	—	70,412
Residential mortgage-backed securities	1,532	—	(234)	—	1,298
Commercial mortgage-backed securities	3,520	—	(163)	—	3,357
Asset backed securities	4,945	7	(448)	—	4,504
Collateralized debt obligations	1,660	—	(96)	—	1,564
Issuer obligations - non-affiliates	974,251	—	—	—	974,251
Other Invested Assets (Surplus debentures and Debt portion of collateral loans)[1]	250	4	—	—	254
Total trading:	1,083,775	50	(10,930)	—	1,072,895
Total fixed maturities	23,607,073	736,774	(211,373)	(9,555)	24,122,919
Preferred stock	745,765	4,315	(90,795)	—	659,285
Common stock	63,293	—	(1,154)	—	62,139
Total fixed maturity and equity securities	$ 24,416,131	$ 741,089	$ (303,322)	$ (9,555)	$ 24,844,343

[1]Included in Other Invested Assets line on the Balance Sheet

(Amounts in thousands of US dollars, except share amounts)

	2022			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Fixed maturities:				
Trading:				
U.S. government and agencies	$ 2,699,217	$ 1,282	$ (700,284)	$ 2,000,215
State and political subdivisions	1,869,005	24,342	(226,193)	1,667,154
Foreign sovereign	35,050	—	(4,415)	30,635
Corporate securities	15,636,999	30,981	(2,089,111)	13,578,869
Residential mortgage-backed securities	774,485	2,085	(111,765)	664,805
Commercial mortgage-backed securities	1,011,584	699	(137,412)	874,871
Asset backed securities	1,439,528	2,435	(171,490)	1,270,473
Collateralized debt obligations	1,728,492	623	(223,703)	1,505,412
Issuer obligations - non-affiliates	576,710	—	—	576,710
Total trading:	25,771,070	62,447	(3,664,373)	22,169,144
Total fixed maturities	25,771,070	62,447	(3,664,373)	22,169,144
Preferred stock	798,662	1,200	(130,591)	669,271
Common stock	62,648	59	(657)	62,050
Total fixed maturity and equity securities	$ 26,632,380	$ 63,706	$ (3,795,621)	$ 22,900,465

(Amounts in thousands of US dollars, except share amounts)

The unrealized loss and fair values by investment category and by the duration of fixed maturity securities for which an allowance for credit loss has not been recorded and equity securities in a continuous unrealized loss position at December 31, are as follows:

	2023					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Fixed maturities:						
Available-for-sale:						
U.S. government and agencies	$ 1,699,337	$ (61,584)	$ —	$ —	$ 1,699,337	$ (61,584)
State and political subdivisions	115,332	(1,444)	—	—	115,332	(1,444)
Foreign sovereign	25,870	(735)	—	—	25,870	(735)
Corporate securities	1,646,428	(39,417)	—	—	1,646,428	(39,417)
Residential mortgage-backed securities	405,423	(15,328)	—	—	405,423	(15,328)
Commercial mortgage-backed securities	481,750	(35,198)	—	—	481,750	(35,198)
Asset-backed securities	415,250	(25,387)	—	—	415,250	(25,387)
Collateralized debt obligations	298,515	(13,862)	—	—	298,515	(13,862)
Other Invested Assets (Surplus debentures and Debt portion of collateral loans)[1]	265,622	(3,463)	—	—	265,622	(3,463)
Total available-for-sale	5,353,527	(196,418)	—	—	5,353,527	(196,418)
Trading:						
U.S. government and agencies	$ —	$ —	$ 17,255	$ (3,142)	$ 17,255	$ (3,142)
State and political subdivisions	—	—	—	—	—	—
Foreign sovereign	—	—	—	—	—	—
Corporate securities	1,495	(4)	66,886	(6,843)	68,381	(6,847)
Residential mortgage-backed securities	—	—	1,298	(234)	1,298	(234)
Commercial mortgage-backed securities	—	—	3,107	(163)	3,107	(163)
Asset-backed securities	521	(36)	3,757	(412)	4,278	(448)
Collateralized debt obligations	—	—	1,564	(96)	1,564	(96)
Total trading	2,016	(40)	93,867	(10,890)	95,883	(10,930)
Total fixed maturities	5,355,543	(196,458)	93,867	(10,890)	5,449,410	(207,348)
Preferred stock	70,257	(2,790)	449,642	(88,005)	519,899	(90,795)
Common stock	7,003	(49)	28,847	(1,105)	35,850	(1,154)
Total fixed maturity and equity securities	$ 5,432,803	$ (199,297)	$ 572,356	$ (100,000)	$ 6,005,159	$ (299,297)

[1]Included in Other Invested Assets line on the Balance Sheet

(Amounts in thousands of US dollars, except share amounts)

	2022					
	Less than 12 Months		**12 Months or More**		**Total**	
	Fair Value	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Fixed maturities:						
Trading:						
U.S. government and agencies	$ 1,909,127	$ (676,941)	$ 65,331	$ (23,343)	$ 1,974,458	$ (700,284)
State and political subdivisions	1,123,268	(165,649)	303,342	(60,544)	1,426,610	(226,193)
Foreign sovereign	26,453	(3,550)	4,182	(865)	30,635	(4,415)
Corporate securities	11,483,245	(1,765,327)	1,416,027	(323,784)	12,899,272	(2,089,111)
Residential mortgage-backed securities	528,842	(92,776)	80,006	(18,989)	608,848	(111,765)
Commercial mortgage-backed securities	761,025	(107,923)	99,901	(29,489)	860,926	(137,412)
Asset-backed securities	952,332	(112,572)	254,191	(58,918)	1,206,523	(171,490)
Collateralized debt obligations	726,492	(95,614)	768,697	(128,089)	1,495,189	(223,703)
Total trading	17,510,784	(3,020,352)	2,991,677	(644,021)	20,502,461	(3,664,373)
Total fixed maturities	17,510,784	(3,020,352)	2,991,677	(644,021)	20,502,461	(3,664,373)
Preferred stock	575,641	(112,092)	48,351	(18,499)	623,992	(130,591)
Common stock	29,295	(657)	—	—	29,295	(657)
Total fixed maturity and equity securities	$ 18,115,720	$ (3,133,101)	$ 3,040,028	$ (662,520)	$ 21,155,748	$ (3,795,621)

At December 31, 2023, 89 fixed maturity securities, for which an allowance for credit loss had not been recognized, with a total unrealized loss of $10,890, 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, 1 security had fair value below 70% of book value with a total unrealized loss of $78. The Company does not expect to sell, and it is not more likely than not that the Company would be required to sell, the AFS securities displayed above for which it has not recognized an allowance for credit loss, as of the dates indicated. Unrealized losses are primarily driven by changes in risk-free interest rates and credit spreads.

At December 31, 2022, 1,219 fixed maturity securities with a total unrealized loss of $644,021 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, 132 securities had fair values below 70% of book value with a total unrealized loss of $139,783.

The following tables set forth the activity in the allowance for credit losses for fixed maturity AFS securities, as of the dates indicated:

(Amounts in thousands of US dollars, except share amounts)

	Year Ended December 31, 2023				
	Corporate securities	Residential mortgage-backed securities	Commercial mortgage-backed securities	Asset-backed securities	Collateralized debt obligations
Balance, beginning of period	—	—	—	—	—
Additions to the allowance for credit loss not previously recorded	(5,843)	(1,449)	(299)	(760)	(1,204)
Reductions for securities sold during the period	—	—	—	—	—
Reductions for securities with intent or expectation to sell	—	—	—	—	—
Additions (reductions) on securities with an allowance for credit loss previously recorded	—	—	—	—	—
Balance, end of period	(5,843)	(1,449)	(299)	(760)	(1,204)

Contractual maturities of the Company's fixed maturity securities as of December 31, 2023, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepayment obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
One year or less	$ 113,628	$ 113,515
One through five years	2,142,822	2,150,973
After five through ten years	2,268,705	2,325,895
After ten through twenty years	6,596,790	6,780,657
After twenty years	8,185,415	8,433,475
Residential mortgage-backed securities	706,516	694,307
Commercial mortgage-backed securities	887,522	858,258
Asset-backed securities	1,149,807	1,149,185
Collateralized debt obligations	1,555,868	1,616,654
Total fixed maturities	$ 23,607,073	$ 24,122,919

(Amounts in thousands of US dollars, except share amounts)

Credit ratings of the Company's fixed maturity securities as of December 31, 2023 and 2022, 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.

	2023		2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
AAA	$ 672,709	$ 683,160	$ 4,184,484	$ 3,289,086
AA	4,976,681	4,968,743	2,380,757	2,096,804
A	8,313,112	8,526,228	8,518,313	7,500,609
BBB	7,931,244	8,199,334	8,624,199	7,509,025
BB	1,296,864	1,343,390	1,678,740	1,441,731
B	295,333	285,689	247,071	207,028
CCC or lower and unrated	121,130	116,375	137,506	124,861
Total fixed maturities	$ 23,607,073	$ 24,122,919	$ 25,771,070	$ 22,169,144

The Company's largest five exposures by issuer as of December 31, 2023, were Glam Milhsg Fee LLC, Berkshire Hathaway Inc., Morgan Stanley, Prudential Financial, Inc., and CVS Health Corporation each of which comprised less than 0.7%, and in aggregate comprised 2.1%, of total investments.

The Company's largest five exposures by issuer as of December 31, 2022, were Berkshire Hathaway Inc., Glam Milhsg Fee LLC, Prudential Financial, Inc., Morgan Stanley, and TCFC PC Leaseco LP each of which comprised less than 0.5%, and in aggregate comprised 1.9%, of total investments.

At December 31, 2023 and 2022, fixed maturity securities with a fair value of $40,341 and 41,892, respectively, were held on deposit with various state insurance departments in which WRAC, TLIC, WRNY, and WCAC are licensed to operate to provide security and to meet regulatory requirements.

(Amounts in thousands of US dollars, except share amounts)

Investment Earnings—Net

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

	2023	2022
Fixed maturity and equity securities	$ 1,461,323	$ 1,243,893
Commercial mortgage loans	53,829	58,161
Policy loans	23,449	24,893
Funds withheld at interest	42,006	39,952
Short-term investments and cash and cash equivalents	25,409	7,593
Other invested assets	157,666	147,230
Investment income	1,763,682	1,521,722
Investment income ceded on funds withheld	(781,286)	(677,324)
Investment expense	(39,340)	(41,408)
Investment income - net	943,056	802,990
Realized gains on fixed maturity securities classified as AFS	26,767	—
Realized gains on all other investments	11,268	79,389
Realized losses on fixed maturity securities classified as AFS	(49,363)	—
Realized losses on all other investments	(51,374)	(385,016)
Realized gains on funds withheld at interest	3,474	4,586
Realized losses on funds withheld at interest	(4,464)	(9,973)
Realized net (gains) losses ceded on funds withheld	1,251	38,944
Investment earnings - net	$ 880,615	$ 530,920

The proceeds from sales of fixed maturities AFS securities for the year ended December 31, 2023 was $1,500,606

Commercial Mortgage Loans

Commercial mortgage loans (CMLs) represented approximately 3.47% and 4.19% of the Company's investments as of December 31, 2023 and 2022, 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, 2023	$ 1,275,936	$ 89	$ (109,809)	$ 1,166,217
December 31, 2022	$ 1,471,331	$ 810	$ (127,093)	$ 1,345,048

(Amounts in thousands of US dollars, except share amounts)

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, 2023	$ 242	$ (2)	$ 1,140,658	$ (109,807)	$ 1,140,900	$ (109,809)
December 31, 2022	$ 1,273,170	$ (119,003)	$ 46,220	$ (8,090)	$ 1,319,390	$ (127,093)

No valuation allowances were recorded in 2023 or 2022.

The Company's CML portfolio is collateralized by a variety of commercial real estate property types located across the United States. The principal geographic distributions as of December 31 are shown below. No other state represented more than 5% of the portfolio.

Percentage of Loan Portfolio Fair Value	2023	2022
California	17.7 %	18.9 %
New York	12.7	11.1
New Jersey	7.5	6.7
Texas	5.7	5.4
Tennessee	5.5	4.9
Utah	5.3	4.7
Virginia	4.8	7.4

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

Percentage of Loan Portfolio Fair Value	2023	2022
Multifamily	29.0 %	38.2 %
Other commercial	26.3	15.7
Office buildings	16.8	15.8
Retail	16.2	17.6
Industrial	11.7	12.7
Total	100.0	100.0

The contractual maturities of the CML portfolio as of December 31, 2023, are as follows:

	Number of Loans	Fair Value	Percent
2024	15	$ 70,930	6.1 %
2025	42	285,601	24.5
2026	12	74,710	6.4
2027	7	17,573	1.5
2028	9	73,524	6.3
Thereafter	95	643,879	55.2
Total	180	$ 1,166,217	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, 2023 and 2022, 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 Company does not expect to incur losses on any loans currently experiencing a DSC below 1.0.

(Amounts in thousands of US dollars, except share amounts)

The following table reflects the distribution of the Company's CMLs across these two risk and quality measures as of December 31, 2023:

	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%	$ —	$ 3,030	$ 48,751	$ 59,394	$ 462,871	$ 574,046
50% to 60%	—	42,055	7,040	206,292	122,529	377,916
60% to 75%	—	35,148	18,773	7,290	119,165	180,376
Above 75%	—	—	—	—	33,879	33,879
Total	$ —	$ 80,233	$ 74,564	$ 272,976	$ 738,444	$ 1,166,217

The following table reflects the distribution of the company's CMLs across the two risk and quality measures as of December 31, 2022:

	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%	$ 5,680	$ 30,618	$ 71,194	$ 55,485	$ 592,525	$ 755,502
50% to 60%	—	10,194	45,672	184,481	104,271	344,618
60% to 75%	—	36,093	18,837	78,762	111,236	244,928
Above 75%	—	—	—	—	—	—
Total	$ 5,680	$ 76,905	$ 135,703	$ 318,728	$ 808,032	$ 1,345,048

Policy Loans

Policy loans comprised approximately 1.0% of the Company's investments as of December 31, 2023 and 2022. 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. CONCENTRATION OF CREDIT RISK

As of December 31, 2023 and 2022, substantially all of the Company's cash, cash equivalent and short-term investments were held in five and six, respectively, financial institutions that the Company considers being of high credit quality.

6. FUNDS WITHHELD AT INTEREST

Funds withheld at interest comprised approximately 14.2% and 14.0% of the Company's total investments as of December 31, 2023 and 2022, 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.

(Amounts in thousands of US dollars, except share amounts)

The funds withheld at interest balances on the consolidated balance sheets are comprised of the following:

	2023	2022
Segregated portfolio assets - general account	$ 1,032,843	$ 1,025,426
Segregated portfolio assets - separate account	3,717,197	3,430,213
Non-segregated portfolio assets	58,881	55,193
Funds withheld at interest	$ 4,808,921	$ 4,510,832

The disclosures that follow are for the segregated portfolio—general account only and exclude other invested assets, short-term investments and cash of $88,182 and $77,035 as of December 31, 2023 and 2022, respectively. The segregated portfolio-separate account is supported by assets with specific underlying investment objectives and are in accounts legally segregated from the single ceding company for which the policyholder has assumed substantially all the risk and reward. 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—general account assets supporting the funds withheld at interest as of December 31, 2023 and 2022, are as follows:

	2023			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Fixed maturities:				
Trading:				
U.S. government and agencies	$ 94,423	$ 408	$ (18,416)	$ 76,415
State and political subdivisions	36,028	1,176	(1,610)	35,594
Foreign sovereign	2,684	—	(662)	2,022
Corporate securities	696,518	6,487	(61,587)	641,418
Residential mortgage-backed securities	86,015	336	(8,130)	78,221
Commercial mortgage-backed securities	60,033	123	(7,771)	52,385
Asset backed securities	29,829	66	(3,209)	26,686
Collateralized debt obligations	28,044	6	(836)	27,214
Total trading:	1,033,574	8,602	(102,221)	939,955
Total fixed maturities	1,033,574	8,602	(102,221)	939,955
Preferred stock	4,823	219	(339)	4,703
Common stock	—	2	—	2
Total fixed maturity and equity securities	$ 1,038,397	$ 8,823	$ (102,560)	$ 944,660

(Amounts in thousands of US dollars, except share amounts)

	2022			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Fixed maturities:				
Trading:				
U.S. government and agencies	$ 90,427	$ —	$ (19,332)	$ 71,095
State and political subdivisions	45,339	1,234	(2,593)	43,980
Foreign sovereign	2,680	—	(656)	2,024
Corporate securities	743,607	4,355	(87,286)	660,676
Residential mortgage-backed securities	76,256	46	(8,869)	67,433
Commercial mortgage-backed securities	51,917	1	(7,245)	44,673
Asset backed securities	29,565	18	(4,421)	25,162
Collateralized debt obligations	29,617	1	(1,705)	27,913
Total trading:	1,069,408	5,655	(132,107)	942,956
Total fixed maturities	1,069,408	5,655	(132,107)	942,956
Preferred stock	5,723	253	(547)	5,429
Common stock	—	6	—	6
Total fixed maturity and equity securities	$ 1,075,131	$ 5,914	$ (132,654)	$ 948,391

The unrealized loss and fair values by investment category and by duration of the fixed maturity securities in a continuous unrealized loss position of the segregated portfolio—general account assets supporting funds withheld at interest at December 31, 2023 and 2022, are as follows:

	2023					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Fixed maturities:						
Trading:						
U.S. government and agencies	$ 7,996	$ (377)	$ 65,025	$ (18,039)	$ 73,021	$ (18,416)
State and political subdivisions	5,211	(161)	11,615	(1,449)	16,826	(1,610)
Foreign sovereign	—	—	2,022	(662)	2,022	(662)
Corporate securities	49,865	(1,287)	482,970	(60,300)	532,835	(61,587)
Residential mortgage-backed securities	16,951	(317)	47,248	(7,813)	64,199	(8,130)
Commercial mortgage-backed securities	3,714	(43)	42,334	(7,728)	46,048	(7,771)
Asset-backed securities	443	(6)	22,759	(3,203)	23,202	(3,209)
Collateralized debt obligations	—	—	25,458	(836)	25,458	(836)
Total trading:	84,180	(2,191)	699,431	(100,030)	783,611	(102,221)
Total fixed maturities	84,180	(2,191)	699,431	(100,030)	783,611	(102,221)
Preferred stock	50	(1)	2,792	(338)	2,842	(339)
Common stock	—	—	—	—	—	—
Total fixed maturity and equity securities	$ 84,230	$ (2,192)	$ 702,223	$ (100,368)	$ 786,453	$ (102,560)

(Amounts in thousands of US dollars, except share amounts)

	2022					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Fixed maturities:						
Trading:						
U.S. government and agencies	$ 41,163	$ (5,321)	$ 29,682	$ (14,011)	$ 70,845	$ (19,332)
State and political subdivisions	21,924	(1,981)	2,469	(612)	24,393	(2,593)
Foreign sovereign	1,566	(400)	458	(256)	2,024	(656)
Corporate securities	509,151	(65,132)	87,510	(22,154)	596,661	(87,286)
Residential mortgage-backed securities	49,053	(5,010)	13,824	(3,859)	62,877	(8,869)
Commercial mortgage-backed securities	34,969	(5,240)	8,956	(2,005)	43,925	(7,245)
Asset-backed securities	13,903	(2,227)	10,991	(2,194)	24,894	(4,421)
Collateralized debt obligations	15,284	(806)	12,390	(899)	27,674	(1,705)
Total trading:	687,013	(86,117)	166,280	(45,990)	853,293	(132,107)
Total fixed maturities	687,013	(86,117)	166,280	(45,990)	853,293	(132,107)
Preferred stock	3,383	(522)	125	(25)	3,508	(547)
Common stock	—	—	—	—	—	—
Total fixed maturity and equity securities	$ 690,396	$ (86,639)	$ 166,405	$ (46,015)	$ 856,801	$ (132,654)

At December 31, 2023, 877 fixed maturity investments with a total unrealized loss of $100,030 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, 61 securities had a fair value below 70% of book value with a total unrealized loss of $19,318.

At December 31, 2022, 288 fixed maturity investments with a total unrealized loss of $45,990 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, 66 security had a fair value below 70% of book value with a total unrealized loss of $18,836.

The contractual maturities of the segregated portfolio—general account's fixed maturity securities supporting funds withheld at interest as of December 31, 2023, 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	$ 18,592	$ 18,430
One through five years	191,617	185,026
After five through ten years	167,378	151,608
After ten through twenty years	273,790	248,600
After twenty years	178,276	151,785
Residential mortgage-backed securities	86,015	78,221
Commercial mortgage-backed securities	60,033	52,385
Asset-backed securities	29,829	26,686
Collateralized debt obligations	28,044	27,214
Total fixed maturities	$ 1,033,574	$ 939,955

(Amounts in thousands of US dollars, except share amounts)

7. FUNDS HELD UNDER REINSURANCE TREATIES

As of December 31, 2023, the funds held under reinsurance treaties liability balance of $17,559,414 is comprised of reinsurance ceded to WREB for $17,234,242, with the remaining $325,172 ceded to unaffiliated third parties.

As of December 31, 2022, the funds held under reinsurance treaties liability balance of $17,224,103 is comprised of reinsurance ceded to WREB for $16,895,804, with the remaining $328,299 ceded to unaffiliated third parties.

8. REINSURANCE CEDED

For the years-ended December 31, 2023 and 2022, the Company had reinsurance agreements with nonaffiliates.

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

Scottish Re

Scottish Re US Inc., a Delaware domiciled life and health reinsurer (Scottish Re), ceased writing new business in 2008. The blocks of reinsurance were managed under the terms of the treaties until continued deterioration of their financial condition forced Scottish Re into receivership in March 2019. On July 6, 2023, the Scottish Re Board of Directors unanimously consented to the entry of a Liquidation Order and waived formal service and hearing on the Motion. The Court issued a Liquidation and Injunction Order on July 18, 2023. Following that order, all reinsurance treaties with Scottish Re were cancelled effective September 30, 2023. As of December 31, 2023 and 2022, the Company has approximately $0 and $32,000, respectively, of GAAP reserves ceded associated with its exposure to Scottish Re.

Prior to 2023, the Company expected a probable loss given the prior receivership status and that Scottish Re had reported assets that were less than liabilities, and therefore, the Company recorded a contingent liability of $15,000 as of December 31, 2022, within other liabilities of the consolidated statements of balance sheet. The Company released that contingent liability as of December 31, 2023.

As a result of the commutation, at September 30, 2023, the Company's reserves for future policy benefits increased $29,399, value of in-force business acquired increased $898 and the Company recorded an asset transfer receivable of $21,275 within other assets of the consolidated statements of balance sheet.

Reinsurance and retrocession treaties do not relieve the Company from its obligations to counterparties. Failure of reinsurers or retrocessionaires to honor their obligations could result in losses to the Company. Expected credit losses recognized in the allowance for credit loss for the period along with the changes thereof from the prior period related to reinsurance recoverable balances and inuring reinsurance exposures are:

	2023	2022
Balance, beginning of period	—	—
Cumulative adjustment for adoption of credit loss accounting standard	12,868	
Provision for credit losses	—	—
Write-offs	(1,060)	—
Balance, end of period	11,808	—

(Amounts in thousands of US dollars, except share amounts)

The Company notes that the writeoff shown above represents a portion of the allowance for credit loss that was recognized upon adoption of *ASU 2016-13—Financial Instruments—Credit Losses (Topic 326)* related to Scottish Re. The remaining net assets related to Scottish Re were written down directly to earnings.

The Company's subsidiaries have a number of retrocessional agreements with WREB covering various blocks of business and products including term life, universal life, whole life, payout annuities, Company and Bank Owned Life Insurance (COLI | BOLI), long-term care and separate accounts.

The following table presents information for the Company's reinsurance recoverable, including the respective amount and A.M. Best rating for each reinsurer representing in excess of 5% of the total as of December 31, 2023 and 2022:

	2023			
Reinsurer	**A.M. Best Rating**		**Amount**	**% of Total**
Affiliate - Wilton Reinsurance Bermuda Limited	A+	$	19,946,404	95.9 %
Non-affiliate - other reinsurers			854,217	4.1 %
Total		$	20,800,621	100.0 %

	2022			
Reinsurer	**A.M. Best Rating**		**Amount**	**% of Total**
Affiliate - Wilton Reinsurance Bermuda Limited	A+	$	20,041,253	95.6 %
Non-affiliate - other reinsurers			912,521	4.4 %
Total		$	20,953,774	100 %

Included in the total reinsurance recoverable balance were $169,148 and $164,070 of claims recoverable, of which $1,000 and $6,816 were in excess of 90 days past due but were deemed collectible as December 31, 2023 and 2022, respectively.

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

		2023		2022
Direct	$	164,399	$	179,373
Reinsurance assumed		278,585		327,472
Reinsurance ceded - affiliate		(128,305)		(139,243)
Reinsurance ceded - non-affiliate		(94,313)		(105,571)
Net premiums	$	220,366	$	262,031

(Amounts in thousands of US dollars, except share amounts)

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

	2023	2022
Direct	$ 664,935	$ 496,344
Reinsurance assumed	587,826	741,400
Reinsurance ceded - affiliate	(398,961)	(448,527)
Reinsurance ceded - non-affiliate	(55,457)	(138,651)
Net premiums	$ 798,343	$ 650,566

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

	Direct	Assumed	Ceded	Net
December 31, 2023	$ 95,352,139	$ 71,957,402	$ (40,428,824)	$ 126,880,717
December 31, 2022	$ 97,860,461	$ 67,836,595	$ (42,853,067)	$ 122,843,989

9. DEFERRED ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

The balances and changes in DAC for the years ended December 31, 2023 and 2022, are as follows:

	2023	2022
Beginning of year	$ 604,113	$ 495,365
Capitalized	72,081	58,960
Amortized	2,057	(2,841)
Attributable to realized/unrealized gains and losses	(12,457)	32,333
Impact of unlocking	(2,050)	20,296
End of year	$ 663,744	$ 604,113

(Amounts in thousands of US dollars, except share amounts)

The balances and changes in VOBA for the years ended December 31, 2023 and 2022, are as follows:

	2023	2022
Beginning of year	$ 254,519	$ 194,833
Amortized	(3,409)	3,360
Attributable to realized / unrealized gains and losses	2,390	52,682
Impact of unlocking	(22,845)	3,644
End of year	$ 230,655	$ 254,519

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

2024	$ 22,546
2025	19,495
2026	18,510
2027	17,144
2028 and thereafter	15,746

10. INCOME TAXES

At December 31, 2023 and December 31, 2022, the Company had net operating loss and tax credit carryforwards of approximately $543,946 and $19,970 respectively. The Company expects to utilize all of these net operating losses. At December 31, 2023, the Company wrote-off all of the tax credit carryforward limited under Sec. 383 of the Internal Revenue Code and released the associated valuation allowance of $648. The remaining valuation allowance of $398, at December 31, 2023, and 2022, primarily reflects realized losses not expected to be realized in the foreseeable future. In addition, the Company has $60,578 of capital losses eligible for carryforward which will begin to expire in 2026.

Income tax expense attributable to income from continuing operations for the years ended December 31, 2023 and 2022, are as follows:

	2023	2022
Current tax expense (benefit)	$ 15,519	$ (23,686)
Deferred tax expense (benefit)	1,205	(574,753)
Income tax expense (benefit)	$ 16,724	$ (598,439)

(Amounts in thousands of US dollars, except share amounts)

The income tax expense differs from applying the US federal income tax rate of 21% to income before taxation as a result of the following:

	2023	2022
Computed expected tax expense (benefit)	$ 13,789	$ (607,091)
Equity method investment in affiliate adjustment	(1,981)	13,112
Expiration related to NOLs/Tax credits	9,909	—
Other	(4,993)	(4,460)
Income tax expense (benefit)	$ 16,724	$ (598,439)

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities at December 31, 2023 and 2022, are presented in the following table:

	2023	2022
Deferred income tax assets:		
Differences between tax and financial reporting bases concerning certain reinsurance transactions	$ 922,100	$ 670,074
Net operating losses	114,228	4,194
Capital losses carry forward	12,867	2,613
Tax credit carryforwards	1	4,907
Nondeductible accruals	23,449	33,550
Investments	297,249	419,750
Other	4,302	4,462
Total deferred tax assets	1,374,196	1,139,550
Deferred income tax liabilities:		
Reserves for future policy benefits	(488,225)	(152,036)
Deferred acquisition costs/value of business acquired	(55,519)	(60,448)
Total deferred tax liabilities	(543,744)	(212,484)
Valuation allowance	(398)	(1,047)
Net deferred tax asset	$ 830,054	$ 926,019

The Company is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2020.

The Inflation Reduction Act enacted the Corporate Alternative Minimum Tax (CAMT) on August 16, 2022. For applicable corporations that report over $1 billion in profits to shareholders, the act includes a 15% CAMT based on book income. The Company does not meet the average "adjusted financial statement income" threshold for CAMT purposes. As such, the Company is a nonapplicable reporting entity and is not subject to pay CAMT. As of December 31, 2023, the Company is not required to calculate or recognize a payable for CAMT in 2023 and will not have a CAMT credit carryforward.

As of December 31, 2023 and 2022, the Company had no unrecognized tax benefits.

11. STATUTORY REQUIREMENTS AND DIVIDEND RESTRICTIONS

The Company's insurance and reinsurance subsidiaries are subject to insurance laws and regulations in the jurisdictions in which they operate. These regulations include restrictions that limit the amount of dividends or other distributions available to shareholders without prior approval of the insurance regulatory authorities.

WRAC, WRNY, TLIC, WCAC, and RRE3 file financial statements prepared in accordance with statutory accounting practices prescribed or permitted by insurance regulators in the United States. The National Association of Insurance Commissioners (NAIC) prescribes risk based capital (RBC) requirements for the United States domiciled life and health insurance companies. As of December 31, 2023 and 2022, all of the Company's United States domiciled insurance and reinsurance subsidiaries exceeded all minimum RBC requirements.

WRAC is subject to statutory regulations of the State of Minnesota. Under these regulations, the maximum amount of dividends which can be paid by a company to shareholders in any twelve-month period without prior approval of the Minnesota Department of Commerce is restricted to the greater of 10% of surplus or net income less realized gains of the preceding year. In addition, any dividends must be paid from positive unassigned surplus. WRAC can currently pay dividends of $0 in 2024 without prior regulatory approval, but is subject to change based on any increase in unassigned surplus during 2024.

WRNY is subject to statutory regulations of the state of New York. Under these regulations, the maximum amount of dividends which can be paid by a company to shareholders in any twelve-month period without prior approval of the New York Department of Financial Services is restricted to the greater of 10% of its surplus to policyholders as of the immediately preceding calendar year or net income less realized gains of the preceding year, which may be further limited. In addition, dividends must be paid from earned surplus, defined as an amount equal to an insurer's positive unassigned surplus, excluding 85% of the change in net unrealized capital gains or losses less capital gain tax, for the immediately preceding calendar year. WRNY can pay dividends of $37,783 in 2024 without prior regulatory approval.

TLIC is subject to statutory regulations of the state of Texas. Under these regulations, the maximum amount of dividends which can be paid by a company to shareholders in any twelve-month period without prior approval of the Texas Department of Insurance is restricted to the greater of the prior year net gain from operations after federal income tax and before capital gains and losses or 10% of statutory capital and surplus. TLIC can pay dividends of $32,007 in 2024 without prior regulatory approval.

WCAC is subject to statutory regulations of the state of Illinois. Under these regulations, the maximum amount of dividends which can be paid by a company to shareholders in any twelve-month period without prior approval of the Illinois Department of Insurance is restricted to the greater of 10% of surplus or net income for the preceding year. In addition, any dividends must be paid from positive unassigned surplus. WCAC can pay dividends of $0 in 2024 without prior regulatory approval.

RRE3 is subject to statutory regulations of the state of Missouri. As a special purpose financial captive under these regulations, all dividends to be paid to shareholders must receive prior approval by the Director of the Missouri Department of Insurance.

(Amounts in thousands of US dollars, except share amounts)

The following table presents statutory capital and surplus as of December 31:

	2023	2022
Wilton Reassurance Company	1,056,455	1,363,628
Wilton Reassurance Life Company of New York	311,675	289,433
Texas Life Insurance Company	201,590	180,521
Wilcac Life Insurance Company	224,675	248,817
Redding Reassurance Company 3 LLC	151,325	63,619

The following table presents statutory net (loss) income for the years ended December 31:

	2023	2022
Wilton Reassurance Company	464,605	414,046
Wilton Reassurance Life Company of New York	51,577	42,695
Texas Life Insurance Company	26,967	80,825
Wilcac Life Insurance Company	(8,555)	57,765
Redding Reassurance Company 3 LLC	(401,809)	46,701

12. INCENTIVE PLANS

Certain employees and officers within Wilton Re have been granted the conditional right to receive performance awards if certain performance indicators are met and depending on continued employment of the individual employee to whom the rights have been granted. The performance indicators apply over a performance period of three or four years, depending on the plan, and consist of financial targets set by the Board of Directors. The Company incurs charges related to these performance awards which include multiple incentive programs; a Long-Term Incentive Program (LTIP) initiated in 2014, as well as an Equity Incentive Program (EIP) and an Equity Participation Plan (EPP) initiated in 2022. These incentive programs vest over varying periods of time between one and four years, after which final unit values are determined based on actual performance.

The program expense is recognized ratably over the requisite performance period as a component of operating expenses. At December 31, 2023 and 2022, included within other liabilities of the accompanying consolidated balance sheets, is the Company's payable of $86,618 and $105,909, respectively, resulting in incurred expenses of $36,851 and $23,093 for the years ended 2023 and 2022, respectively, related to awards vesting in 2023, 2024, 2025, 2026, and 2027. The Company paid $56,142 and $48,845 for the years ended 2023 and 2022, respectively.

13. RELATED PARTY TRANSACTIONS

Services

Wilton Re Services provides, among others, certain accounting, actuarial and administrative services to affiliates of the Company. Services charged to affiliates during 2023 and 2022 amounted to $15,361 and $14,860, respectively, and $4,096 and $3,479 of this was recorded as other assets at December 31, 2022 and 2021, respectively. Services charged to affiliates are generally paid quarterly.

(Amounts in thousands of US dollars, except share amounts)

14. FUNDING AGREEMENTS

As a member of the Federal Home Loan Bank of Des Moines (FHLB), WRAC has the ability to borrow on a collateralized basis from the FHLB. As a condition of membership in the FHLB, a company is required to hold certain minimum amounts of FHLB common stock, and additional amounts based on the amount of the borrowings. At December 31, 2023 and 2022, the carrying value of the FHLB common stock was $10,000.

As of December 31, 2023 and 2022, there were no collateralized borrowings from the FHLB. Investments with an estimated fair value of $0 and $0 at December 31, 2023 and 2022, respectively, were maintained in a custodial account for the benefit of the FHLB. All such investments are classified as fixed maturities, trading, in the accompanying consolidated balance sheets. No interest expense was recognized in 2023 and 2022 related to the borrowings.

At December 31, 2023 and 2022, WRAC pledged collateral sufficient to support Letters of Credit (LOCs)/ advances of approximately $0 , respectively.

Due to the change of domicile related to the merger of Wilco Life Insurance Company (WLCO) into WCAC in 2020, WCAC is no longer eligible to be a member of the Federal Home Loan Bank of Indianapolis (FHLBI), to which WLCO was a member, and WCAC no longer has the ability to borrow on a collateralized basis from FHLBI. Companies are required to hold a certain amount of FHLBI common stock as a member in the FHLBI. Since the withdrawal was effective December 31, 2020 and the notification period is five years, the member stock is eligible for redemption on December 31, 2025. On February 24, 2022, FHLBI initiated a partial stock redemption in the amount of $3,299.

At December 31, 2023 and 2022, WCAC had no pledged collateral and no support Letters of Credit (LOCs)/advances with FHLBI.

15. COMMITMENTS AND CONTINGENCIES

Funding of Investments

The Company’s commitments to fund investments as of December 31 are presented in the following table:

	2023		2022	
	Commitment	Unfunded	Commitment	Unfunded
Limited Partnerships	$ 2,479,707	$ 617,695	$ 2,478,748	$ 906,508

The Company anticipates that the majority of its current limited partnership commitments will be invested over the next five years; however, these commitments could become due any time at the request of the counterparties.

Collateral Arrangements

Certain of the Company’s operating subsidiaries are required under applicable law, as a result of specific contractual undertakings, or both, to maintain amounts in trust or similar collateral arrangements to secure such subsidiaries’ performance of specified policy or contract liabilities. These arrangements include, among others, trusts maintained in connection with indemnity reinsurance or similar arrangements or to support specified blocks of payout annuity obligations and deposits mandated in connection with certain borrowing arrangements. While the terms of these arrangements vary, the Company’s operating subsidiaries generally retain investment management responsibility for these collateral assets subject, in certain cases, to compliance with agreed investment guidelines. The aggregate market value of investments maintained by the Company’s operating subsidiaries pursuant to these arrangements as of December 31, 2023 and 2022, was $15,507,746 and $14,515,024, respectively.

(Amounts in thousands of US dollars, except share amounts)

Legal Proceedings

In the normal course of business, the Company is involved in litigation, principally from claims made under insurance policies and contracts. The Company reviews its litigation matters on an ongoing basis.

16. LONG-TERM AND OTHER DEBT

Long-Term Debt

The Company's long-term debt as of December 31 are as follows:

	2023	2022
Liquidity facilities	$ —	$ —
Fixed-to-Floating Rate Senior Notes	—	250,000
Term Loan	250,000	—
Long-term debt	$ 250,000	$ 250,000

As discussed in Note 2, the Company has entered into derivative agreements in order to exchange floating for fixed cash flows on certain debt arrangements.

Liquidity Facilities

In September 2021, WRL, along with the Company, 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 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, WREB, and ivari. The applicable margin for base rate loans ranges from 0.125% to 0.75%. The applicable margin for LIBOR loans/CDOR Loans/SOFR Loans ranges from 1.125% to 1.75%. Any amounts borrowed may be repaid at any time without prepayment penalty. In September 2022, the Wells Fargo Facility I was amended to, among other things, remove the LIBOR rate option for Borrowings thereunder.

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

LOCs issued under the Wells Fargo Facility I may be collateralized by qualifying cash and securities (liquid collateral). The market value of the collateral held by the Company at December 31, 2023 and 2022, was $26,712 and $25,693, respectively. At December 31, 2023 and 2022, there were approximately $19,791 and $19,751, respectively, of outstanding bank LOCs issued by the Company under the facility.

At December 31, 2021 the Company had outstanding borrowings under Wells Fargo Facility I of $250,000. During 2022, WRUS fully repaid its $250,000 borrowing. During 2022, interest of $6,464 was paid and recorded as interest expense on the consolidated statements of comprehensive income (loss).

In September 2022, WRL, along with the Company, renewed its 364-day $500,000 senior revolving credit facility (Wells Fargo Facility II) with a syndicate of lenders. 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 0.75%. The applicable margin for SOFR Loans ranges from 1.125% to 1.75%. At December 31, 2023 and 2022, there was $0 respectively borrowed under the facility.

Fixed-to-Floating Rate Senior Notes

In April 2013, Wilton Re Finance LLC (WRFL) consummated the sale of a $300,000 144A notes offering (of which $50,000 has been purchased by WRSI and are eliminated in consolidation). The notes are unconditionally guaranteed on a senior, unsecured basis jointly and severally by WRL and the Company. The notes are 5.875% fixed-to-floating rate senior notes due 2033. The notes pay fixed interest semi-annually in arrears on March 30 and September 30 until March 30, 2023, at a rate of 5.875% subject to interest rate adjustments as further described below. The floating interest will be paid quarterly in arrears commencing June 30, 2023, until maturity on March 30, 2033, at an interest rate equal to three-month LIBOR plus 3.829% subject to an interest rate adjustment as further described below. During 2023 and 2022, interest of $3,672 and $14,688, respectively was paid and recorded respectively as interest expense on the consolidated statements of comprehensive income (loss).

The notes can be redeemed by the Company in whole or in part at a “make-whole” redemption price at any time prior to March 30, 2023, and at 100% of the principal amount plus accrued and unpaid interest on or after March 30, 2023. On March 30 2023, the Company elected to redeem the Notes in full at 100% of the principal amount using a new Term Facility as described below. With the redemption of the notes, WRFL was dissolved on October 11, 2023.

Term Facility

On March 28, 2023, the Company borrowed $250,000 under a new term facility with a syndicate of banks led by US Bank (Term Facility). These funds were used to redeem the Notes as described above. The interest rate for this borrowing is set at SOFR plus the applicable margin that is determined in according to a sliding scale based upon the financial strength ratings of WRAC and WREB. The applicable margin under the Term Facility ranges from 1.375% to 2.000% until March 28, 2025, and thereafter the applicable margin under the Term Facility ranges from 1.500% to 2.125%.

In October 2023, the Wells Fargo Facility I, Wells Fargo II and the Term facility were all amended to, among other things, (i) remove Proj Fox and its subsidiaries as parties thereunder, (ii) remove the CDOR rate option for Borrowings thereunder, and (iii) revise the ratings that determines the applicable margin thereunder to be based on the financial strength ratings of WRAC and WREB.

Other Debt

RRE3 Surplus Note—Weston2038 LLC Credit-Linked Note

On July 27, 2018, RRE3 issued approximately $845,738 of its face amount 6.00% Variable Funding Surplus Notes, final maturity July 1, 2038 (the Surplus Note) in exchange for an equivalent face amount of 6.00% Variable Funding Credit-Linked Notes, final maturity July 1, 2038 (the CLN) issued by Weston2038 LLC, an “orphan” special purpose Delaware limited liability company (Weston) established by RRE3 and Hannover Life Reassurance Company of America (Bermuda), Ltd. (Hannover). The principal amount of the Surplus Note will always mirror the principal amount of the CLN; and the Surplus Note and the CLN will each accrue interest on the outstanding principal amount at 6.00% per annum, which amounts will be fully offset pursuant to a netting agreement. The CLN supports non-economic reserves required to be carried by the Company’s domestic insurance subsidiaries under Regulation XXX and Guideline AXXX.

(Amounts in thousands of US dollars, except share amounts)

Concurrently with the issuance of the CLN, Weston entered into a risk transfer agreement with Hannover pursuant to which, in exchange for a fee, Hannover will provide liquidity to Weston for any redemption/monetization of the CLN. As of July 27, 2018, AM Best assigned a Long-Term Issue Credit Rating of “A” to the CLN. Subsequently, on July 20, 2022, AM Best reaffirmed its Long-Term Issue Credit Rating of “A” to the CLN. Upon request by WRAC for payment under the CLN, the CLN will be drawn down in the amount of such request and Hannover will back such request through operation of the risk transfer agreement. In connection with each draw, the outstanding principal balance of the Surplus Note and the CLN will be reduced by the amount of the draw and a 6.00% Funded Surplus Note in the same amount of the draw will be issued to Hannover.

The Surplus Note I is classified as other debt and the CLN is a component of fixed maturity and equity securities on the consolidated balance sheets. Considering the “linked” and illiquid nature of the CLN I and Surplus Note I, both notes are classified as held-to-maturity and carried at amortized cost. The net interest expense paid by RRE3 is zero and the financing fee is recognized in interest expense, in the consolidated statements of comprehensive (loss) income. Information regarding the two notes are as follows:

	Surplus Note	Credit Link Note
January 1, 2022, carrying value	$ 623,793	$ 623,793
Decrease - March	(4,791)	(4,791)
Decrease - June	(8,914)	(8,914)
Decrease - September	(22,437)	(22,437)
Decrease - December	(10,941)	(10,941)
December 31, 2022, carrying value	576,710	576,710
Decrease - March	(26,743)	(26,743)
Decrease - June	(30,048)	(30,048)
Decrease - September	(15,483)	(15,483)
Decrease - December	—	—
December 31, 2023, carrying value	$ 504,436	$ 504,436
2022 interest (incurred) earned	$ (36,602)	$ 36,602
2023 interest (incurred) earned	$ (32,251)	$ 32,251

On August 30, 2023, RRE3 issued approximately $433,229 of its face amount 6.00% Variable Funding Surplus Notes, final maturity July 1, 2043 (the Surplus Note II) in exchange for an equivalent face amount of 6.00% Variable Funding Credit-Linked Notes, final maturity July 1, 2043 (the CLN II) issued by Weston. The principal amount of the Surplus Note II will always mirror the principal amount of the CLN II; and the Surplus Note II and the CLN II will each accrue interest on the outstanding principal amount at 6.00% per annum, which amounts are non cash and will be fully offset pursuant to a netting agreement. The CLN II supports non-economic reserves required to be carried by the Company’s domestic insurance subsidiaries under Regulation XXX and Guideline AXXX.

(Amounts in thousands of US dollars, except share amounts)

Concurrently with the issuance of the CLN II, Weston entered into a risk transfer agreement with Hannover pursuant to which, in exchange for a fee, Hannover will provide liquidity to Weston for any redemption/monetization of the CLN II. As of August 30, 2023, AM Best assigned a Long-Term Issue Credit Rating of "A" to the CLN II. Upon request by WRAC for payment under the CLN II, the CLN II will be drawn down in the amount of such request and Hannover will back such request through operation of the risk transfer agreement. In connection with each draw, the outstanding principal balance of the Surplus Note II and the CLN II will be reduced by the amount of the draw and a 6.00% Funded Surplus Note II in the same amount of the draw will be issued to Hannover.

The Surplus Note II is classified as other debt and the CLN II is a component of fixed maturity and equity securities on the consolidated balance sheets. Considering the "linked" and illiquid nature of the CLN II and Surplus Note II, both notes are classified as held-to-maturity and carried at amortized cost. The net interest expense paid by RRE3 is zero and the financing fee is recognized in interest expense, in the consolidated statements of comprehensive income (loss). Information regarding the two notes are as follows:

	Surplus Note	Credit Link Note
August 30, 2023, carrying value	433,229	433,229
Increase - September	66,907	66,907
Decrease - December	(30,321)	(30,321)
December 31, 2023, carrying value	$ 469,815	$ 469,815
2023 interest (incurred) earned	$ (9,771)	$ 9,771

17. 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, residential and commercial mortgage backed securities, preferred stocks and common stocks among others.

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

The types of financial investments included in Level 3 primarily include privately placed fixed maturities or equities, equities with limited trading, certain asset-backed and mortgage-backed securities, commercial mortgage loans, collateral loans and the LLC or limited partnership interests that are not accounted for on an equity basis. primarily include private placements, certain asset-backed and mortgage-backed securities, commercial mortgage loans, collateral loans and LLC or limited partnership interests that are not accounted for on an equity basis.

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:

(Amounts in thousands of US dollars, except share amounts)

December 31, 2023	Fair Value	Level 1	Level 2	Level 3
Invested assets:				
U.S. government and agencies	2,020,532	1,590,112	430,420	—
State and political subdivisions	1,387,409	—	1,365,931	21,478
Foreign sovereign	28,361	—	28,361	—
Corporate securities	14,376,774	—	13,104,848	1,271,926
Residential mortgage-backed securities	694,307	—	694,307	—
Commercial mortgage-backed securities	858,258	—	858,258	—
Asset backed securities	1,149,185	—	811,529	337,656
Collateralized debt obligations	1,616,654	—	1,616,654	—
Total fixed maturity	22,131,480 [1]	1,590,112	18,910,308	1,631,060
Preferred stock	659,285	—	553,017	106,268
Common stock	62,139	5	25,649	36,485
Total fixed maturity and equity securities	22,852,904	1,590,117	19,488,974	1,773,813
Commercial mortgage loans	1,166,217	—	—	1,166,217
Other invested assets	1,471,271 [2]	—	576,774	894,497
Total invested assets	25,490,392	1,590,117	20,065,748	3,834,527
Funds withheld at interest:				
U.S. government and agencies	76,415	14,334	62,081	—
State and political subdivisions	35,594	—	35,594	—
Foreign sovereign	2,022	—	2,022	—
Corporate securities	641,418	—	641,418	—
Residential mortgage-backed securities	78,221	—	78,221	—
Commercial mortgage-backed securities	52,385	—	52,385	—
Asset backed securities	26,686	—	26,686	—
Collateralized debt obligations	27,214	—	27,214	—
Total fixed maturity	939,955	14,334	925,621	—
Preferred stock	4,703	—	4,703	—
Common stock	2	—	—	2
Other invested assets	23,920	—	23,920	—
Funds withheld at interest: segregated portfolio assets - general account	968,580 [3]	14,334	954,244	2
Funds withheld at interest: segregated portfolio of assets - separate account	3,717,197 [4]	—	3,717,197	—
Total funds withheld at interest	4,685,777	14,334	4,671,441	2
Other assets - separate account assets	259,455	251,195	8,260	—
Total	$ 30,435,624	$ 1,855,646	$ 24,745,449	$ 3,834,529
Financial liabilities:				
Other liabilities - purchase options and interest rate swaps	$ 193,516 [5]	$ —	$ 193,516	$ —

[1] Issuer obligations—non-affiliates of $974,251 are a component of Total fixed maturities not measured at fair value on a recurring basis.

[2] Components of Other invested assets not measured at fair value on a recurring basis are limited partnerships of $1,955,803.

[3] Cash and short-term investments of $64,259 are a component of funds withheld at interest: Segregated portfolio of assets—General account not measured at fair value on a recurring basis.

[4] Funds withheld at interest: Non-segregated portfolio of assets of $58,881 are a component of Funds withheld at interest not measured at fair value on a recurring basis.

[5] Negative equity method investment in affiliates of $43,900 is a component of Other Liabilities not measured at fair value on a recurring basis.

(Amounts in thousands of US dollars, except share amounts)

December 31, 2022	Fair Value	Level 1	Level 2	Level 3
Invested assets:				
U.S. government and agencies	2,000,216	1,596,487	403,729	—
State and political institutions	1,667,154	—	1,580,017	87,137
Foreign sovereign	30,635	—	30,635	—
Corporate securities	13,578,869	—	12,674,364	904,505
Residential mortgage-backed securities	664,805	—	664,804	1
Commercial mortgage-backed securities	874,871	—	874,871	—
Asset-backed securities	1,270,473	—	924,527	345,946
Collateralized debt obligations	1,505,412	—	1,505,412	—
Total fixed maturity	21,592,435 [1]	1,596,487	18,658,359	1,337,589
Preferred stock	669,271	—	605,294	63,977
Common stock	62,050	—	25,649	36,401
Total fixed maturity and equity securities	22,323,756	1,596,487	19,289,302	1,437,967
Commercial mortgage loans	1,345,048	—	—	1,345,048
Other invested assets	1,303,885 [2]	—	531,326	772,559
Total invested assets	24,972,689	1,596,487	19,820,628	3,555,574
Funds withheld at interest:				
U.S. government and agencies	71,095	15,168	55,927	—
State and political subdivisions	43,980	—	43,980	—
Foreign sovereign	2,024	—	2,024	—
Corporate securities	660,676	—	660,676	—
Residential mortgage-backed securities	67,433	—	67,433	—
Commercial mortgage-backed securities	44,673	—	44,673	—
Asset-backed securities	25,162	—	25,162	—
Collateralized debt obligations	27,913	—	27,913	—
Total fixed maturity	942,956	15,168	927,788	—
Preferred stock	5,429	—	5,429	—
Common stock	6	—	—	6
Other invested assets	23,329	—	23,329	—
Funds withheld at interest: segregated portfolio assets - general account	971,720 [3]	15,168	956,546	6
Funds withheld at interest: segregated portfolio of assets - separate account	3,430,213 [4]	—	3,430,213	—
Total funds withheld at interest	4,401,933	15,168	4,386,759	6
Other assets - separate account assets	245,911	236,276	9,635	—
Total	$ 29,620,533	$ 1,847,931	$ 24,217,022	$ 3,555,580
Financial liabilities:				
Other liabilities - purchase options and interest rate swaps	$ 174,023 [5]	$ —	$ 174,023	$ —

[1] Issuer obligations—non-affiliates of $576,710 are a component of Total fixed maturities not measured at fair value on a recurring basis.

[2] Components of Other invested assets not measured at fair value on a recurring basis are equity method investment in affiliate of $— and limited partnerships of $$1,672,179.

[3] Cash and short-term investments of $53,703 are a component of funds withheld at interest: Segregated portfolio of assets —General account not measured at fair value on a recurring basis.

[4] Funds withheld at interest: Non-segregated portfolio of assets of $55,193 are a component of Funds withheld at interest not measured at fair value on a recurring basis.

[5] Negative equity method investment in affiliates of $60,360 is a component of Other Liabilities 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.

US Government and Agency Securities, States and Political Subdivisions, Corporate Securities and Foreign 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. Privately placed transactions with little transparency to the market or other equities with limited or inactive trading markets may rely on modeling for market valuation using both observable and unobservable inputs. These are generally classified within Level 3 in the fair value hierarchy.

Commercial Mortgage Loans

The Company elects the FVO for CMLs. The loans are valued using a net present value calculation of future cash flows. The calculation uses a credit spread plus a liquidity spread and is added to an interpolated Treasury yield to determine the discount rate. Credit and liquidity spreads are derived from industry spread curve data provided by third parties that are considered market-makers in commercial mortgage loans.

The CMLs are considered Level 3 in the fair value hierarchy due to the limited transaction activity and unobservable inputs.

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.

Collateral Loans

Collateral loans are valued at the lesser of par or recovery value. Collateral loans may also have an equity component as part of the funding vehicle structure. Residual cash flows to the equity component are valued using a net present value calculation. The discount rates are internal rates of return that are calibrated to reflect market conditions and company-specific risks.

The collateral loans are considered Level 3 in the fair value hierarchy due to the limited transaction activity and unobservable inputs.

Residual or Equity Tranche LLC Investments

For the residual or equity tranches, expected cash flows to the equity component are valued using a net present value calculation. The discount rates are internal rates of return that are calibrated to reflect market conditions and company-specific risks. These are generally classified within Level 3 of the fair value hierarchy due to the unobservable inputs.

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.

Separate Account Assets

Separate account assets included in Level 1 generally consist of shares of underlying funds that have daily quoted net asset values. Separate account assets included in Level 2 primarily consist of Corporate and Mortgage-backed securities included in Level 2 of the fair value hierarchy.

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

The Company obtains our Level 3 fair value measurements from independent, third-party pricing sources. The Company does not develop the significant inputs used to measure the fair value of these assets, 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 is based solely on the receipt of an updated quote from a single market maker or a broker-dealer recognized as a market participant as the Company does not adjust broker quotes when used as the fair value measurement for an asset. 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.

(Amounts in thousands of US dollars, except share amounts)

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:

	2023			2022		
Invested Assets	**Purchases**	**Transfer Into**	**Transfer Out of**	**Purchases**	**Transfer Into**	**Transfer Out of**
U.S. Government and Agencies	$ —	$ —	$ —	$ —	$ —	$ —
State and political institutions	—	—	—	316	—	(5,375)
Foreign Sovereign	—	—	—	—	—	—
Corporate securities	337,848	50,533	(79,690)	549,435	34,066	(50,392)
Residential mortgage-backed securities	—	—	(1)	—	—	—
Commercial mortgage-backed securities	—	—	—	—	—	(4,985)
Asset-backed securities	14,292	5,346	—	152,010	28,414	(64,430)
Collateralized debt obligations	—	—	—	—	—	—
Common stock	640	—	—	11,914	—	—
Preferred stock	40,000	10,598	—	2,102	13,678	—
Commercial mortgage loans	948	—	—	166,552	—	—
Other invested assets	136,748	—	—	107,173	10,766	—
Short term	—		(2,144)	10,112		
Total invested assets	$ 530,476	$ 66,477	$ (81,835)	$ 999,614	$ 86,924	$ (125,182)

18. SUBSEQUENT EVENTS

The Company has evaluated the impact of subsequent events through March 29, 2024, representing the date at which the consolidated financial statements were available to be issued. The following events occurred subsequent to December 31, 2023:

Declared dividends

On January 2, 2024, the Company's Board of Directors declared a dividend to its shareholders in the amount of $285,000. The dividend was paid on January 3, 2024.

Letter of Credit

On February 21, 2024, the Company's affiliate WREB issued a $70,000 unsecured letter of credit to WCAC, another Company subsidiary, to provide reserve credit for certain 2023 activity.

Five year facility pay down

On January 29, 2024, the Company paid down $25,000 on its Wells Fargo Facility I.

* * * * * *

Deloitte.

Deloitte & Touche LLP
695 E Main St
Stamford, CT 06901 USA
Tel: + 1 203 708 4000
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of Wilton Re U.S. Holdings, Inc.:

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Wilton Re U.S. Holdings, Inc. and its subsidiaries (the "Company") as of December 31, 2023, based on the criteria established in the *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the criteria established in the *Internal Control — Integrated Framework (2013)* issued by COSO.

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the consolidated financial statements as of and for the year ended December 31, 2023, of the Company, and our report dated March 29, 2024, expressed a qualified opinion on the 2023 financial statements relating to the Company's transfer of certain fixed maturity investments from the trading to available for sale investment accounting categories. In our opinion, the Company did not yet meet the rare conditions for making a transfer between categories, as required by accounting principles generally accepted in the United States of America, because final tax regulations which could confirm this matter as rare have not yet been issued.

Basis for Opinion

We conducted our audit in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting 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 audit. 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 Internal Control over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Wilton Re U.S. Holdings, Inc. and Subsidiaries' Internal Control over Financial Reporting.

Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting

Our objectives are to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material weakness when it exists.
In performing an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity’s internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Deloitte & Touche LLP

March 29, 2024

REPORT OF MANAGEMENT ON WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES' INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Wilton Re U.S. Holdings, Inc. and Subsidiaries (the Company) is responsible for establishing and maintaining adequate internal controls over financial reporting. Internal controls are designed to provide reasonable assurance to the Company's management, Audit Committee and Board of Directors regarding the preparation and fair presentation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Because of inherent limitations in any internal control, no matter how well designed, misstatements due to human error or fraud may occur and not be detected, including the possible circumvention or override of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, internal control effectiveness may vary over time.

Management assessed the effectiveness of the Company's internal controls over financial reporting as of December 31, 2023, based on criteria for effective internal control over financial reporting described in "*Internal Control—Integrated Framework*" issued by the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on those criteria management concluded that the Company's internal controls over financial reporting are effective as of December 31, 2023, in providing reasonable assurance regarding the reliability of financial reporting in accordance with generally accepted accounting principles.

Scott D. Sheefel	Steven D. Lash
Chief Executive Officer of WRUSH	Director, SVP & Group Chief Financial Officer
Wilton Re U.S. Holdings, Inc.	Wilton Re U.S. Holdings, Inc.

March 29, 2024

SUPPLEMENTARY INFORMATION

Deloitte.

Deloitte & Touche LLP
695 E Main St
Stamford, CT 06901 USA
Tel: + 1 203 708 4000
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

The Board of Directors of
Wilton Re U.S. Holdings, Inc.:

We have audited the financial statements of Wilton Re U.S. Holdings, Inc. and subsidiaries (the "Company") as of and for the years ended December 31, 2023, and 2022, and have issued our report thereon dated March 29, 2024, which contained a qualified opinion on the 2023 financial statements relating to the Company's transfer of certain fixed maturity investments from the trading to available for sale investment accounting categories. 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, 2023, and 2022, and the supplementary consolidating statements of comprehensive income (loss) for the years then ended ("supplementary information") 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 the Company's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such supplementary 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, except for the effects on the accompanying supplementary information of the qualified opinion on the financial statements as described above, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLP

March 29, 2024

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2023

(Amounts in thousands of US dollars)

	WRUS	WDLC WRSI	WRAC	WRNY	TLIC	WCAC	RRE3	Eliminations	WRUS Consolidated
Assets									
Investments:									
Fixed maturity securities available-for-sale, at estimated fair value	$ —	$ —	$ 12,294,379	$ 4,575,543	$ 1,136,386	$ 3,235,193	$ 791,589	$ —	$ 22,033,090
Fixed maturity securities, trading and equity securities, at estimated fair value	—	5,998	302,869	241,859	70,624	204,464	974,251	(2)	1,800,063
Commercial mortgage loans	—	—	535,864	352,396	61,906	216,051	—	—	1,166,217
Policy loans	—	—	78,666	28,574	52,192	112,647	61,693	—	333,772
Funds withheld at interest	—	—	8,301,012	—	—	1,800	1,080,742	(4,574,633)	4,808,921
Other invested assets	300,000	—	1,504,963	719,045	398,626	802,882	1,558	(300,000)	3,427,074
Short-term investments	—	—	—	—	—	—	—	—	—
Total investments	300,000	5,998	23,017,753	5,917,417	1,719,734	4,573,037	2,909,833	(4,874,635)	33,569,137
Cash and cash equivalents	297,614	12,886	439,334	139,074	54,342	190,707	25,079	—	1,159,036
Accrued investment income	—	—	150,024	49,079	12,072	42,344	11,811	—	265,330
Premiums receivable	—	—	35,487	11,279	884	1,994	23,449	(26,730)	46,363
Reinsurance recoverable	—	—	20,520,670	5,452,981	5,823	1,837,527	—	(7,021,699)	20,795,302
Other reinsurance	—	—	28,341	(484)	137	71,778	13,670	(33,803)	79,639
Net deferred acquisition	—	—	20,965	—	642,780	—	—	(1)	663,744
Value of inforce business	—	—	102,289	24,796	8,389	—	95,181	—	230,655
Net deferred tax assets	5,212	(12)	589,903	9,022	107,806	215,524	(96,110)	(1,291)	830,054
Other assets	60,834	14,833	1,056,010	11,868	4,712	10,713	2,225	(681,539)	479,656
Separate account assets	—	—	—	249,630	—	9,826	—	(1)	259,455
Total assets	$ 663,660	$ 33,705	$ 45,960,776	$ 11,864,662	$ 2,556,679	$ 6,953,450	$ 2,985,138	$ (12,639,699)	$ 58,378,371

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2023

(Amounts in thousands of US dollars)

Liabilities and shareholder's	WRUS	WDLC WRSI	WRAC	WRNY	TLIC	WCAC	RRE3	Eliminations	WRUS Consolidated
Liabilities:									
Reserve for future policy	$ —	$ —	$ 15,393,122	$ 4,380,254	$ 296,823	$ 2,800,504	$ 284,808	$ (4,287,553)	$ 18,867,958
Interest sensitive contract liabilities	—	—	13,353,355	3,050,435	2,123,272	2,225,878	1,687,469	(2,740,290)	19,700,119
Other reinsurance liabilities	—	—	101,333	20,456	5,513	9,690	11,517	(60,579)	87,930
Funds held under reinsurance	—	—	16,757,936	3,705,186	—	1,670,925	—	(4,574,633)	17,559,414
Long-term debt	250,000	—	—	—	—	—	—	—	250,000
Other debt	—	—	—	—	—	—	974,251	—	974,251
Subordinated affiliated debt	—	—	300,000	—	—	—	—	(300,000)	—
Other liabilities	752,269	28,499	449,938	80,520	30,664	63,916	(5,961)	(748,335)	651,510
Separate account liabilities	—	—	—	249,630	—	9,826	—	(1)	259,455
Total liabilities	1,002,269	28,499	46,355,684	11,486,481	2,456,272	6,780,739	2,952,084	(12,711,391)	58,350,637
Shareholder's equity:									
Class A common shares	—	—	2,500	2,503	1,854	4,366	—	(11,223)	—
Class B common shares	—	—	—	—	—	—	—	—	—
Additional paid-in capital	134,807	46,654	—	409,570	—	106,480	67,079	(629,783)	134,807
Accumulated other comprehensive income (loss)	300	—	227,518	82,323	16,094	49,593	(9,185)	—	366,643
Retained (deficit) earnings	(473,716)	(41,448)	(624,926)	(116,215)	82,459	12,272	(24,840)	712,698	(473,716)
Total shareholders' equity	(338,609)	5,206	(394,908)	378,181	100,407	172,711	33,054	71,692	27,734
Total liabilities and shareholders' equity	$ 663,660	$ 33,705	$ 45,960,776	$ 11,864,662	$ 2,556,679	$ 6,953,450	$ 2,985,138	$ (12,639,699)	$ 58,378,371

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2022

(Amounts in thousands of US dollars)

	WRUS	WRSI WRFL	WRAC	WRNY	TLIC	WCAC	RRE3	Eliminations	WRUS Consolidated
Assets									
Investments:									
Fixed maturity securities available-for-sale, at estimated fair value	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Fixed maturity securities, trading and equity securities, at estimated fair value	—	50,000	11,934,053	5,019,023	1,067,143	3,554,481	1,325,765	(50,000)	22,900,465
Commercial mortgage loans	—	—	657,037	389,372	62,828	235,811	—	—	1,345,048
Policy loans	—	—	89,145	27,903	47,475	115,969	54,102	—	334,594
Funds withheld at interest	—	—	7,921,593	—	—	1,800	6,638	(3,419,199)	4,510,832
Other invested assets	300,000	—	1,481,208	443,322	344,370	707,164	—	(300,000)	2,976,064
Short-term investments	—	—	7,581	—	—	2,525	—	—	10,106
Total investments	300,000	50,000	22,090,617	5,879,620	1,521,816	4,617,750	1,386,505	(3,769,199)	32,077,109
Cash and cash equivalents	17,441	30,690	274,816	120,238	44,392	179,430	8,875	—	675,882
Accrued investment income	—		141,373	54,490	10,784	44,693	11,283	—	262,623
Premiums receivable	—		61,248	4,352	863	2,279	23,383	(23,830)	68,295
Reinsurance recoverable	—		19,548,939	5,550,015	9,395	1,912,961	—	(6,067,536)	20,953,774
Other reinsurance	—		40,801	2,379	—	52,229	—	(53,062)	42,347
Net deferred acquisition	—		25,392	—	578,721	—	—	—	604,113
Value of inforce business	—		106,746	25,688	12,431	—	109,654	—	254,519
Net deferred tax assets	7,559	227	640,230	11,157	104,734	237,241	—	(75,129)	926,019
Other assets	231,262	324,640	999,449	19,322	2,890	14,193	2,070	(1,131,529)	462,297
Separate account assets	—	—	—	234,914	—	10,997	—	—	245,911
Total assets	$ 556,262	$ 405,557	$ 43,929,611	$ 11,902,175	$ 2,286,026	$ 7,071,773	$ 1,541,770	$ (11,120,285)	$ 56,572,889

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2022

(Amounts in thousands of US dollars)

Liabilities and shareholder's	WRUS	WRSI WRFL	WRAC	WRNY	TLIC	WCAC	RRE3	Eliminations	WRUS Consolidated
Liabilities:									
Reserve for future policy	$ —	$ —	$ 16,121,582	$ 4,675,302	$ 286,727	$ 2,916,294	$ 294,583	$ (4,590,304)	$ 19,704,184
Interest sensitive contract liabilities	—	—	11,829,329	2,972,089	1,911,057	2,309,400	660,624	(1,483,563)	18,198,936
Other reinsurance liabilities	—	—	94,601	35,799	14,516	9,373	7,925	(76,892)	85,322
Funds held under reinsurance	—	—	15,387,113	3,616,855	—	1,639,334	—	(3,419,199)	17,224,103
Net deferred tax liabilities	—	—	—	—	—	—	73,800	(73,800)	—
Long-term debt	250,000	350,000	—	—	—	—	—	(350,000)	250,000
Other debt	—	—	—	—	—	—	576,710	—	576,710
Subordinated affiliated debt	—	—	300,000	—	—	—	—	(300,000)	—
Other liabilities	683,943	49,867	445,544	61,410	23,807	60,502	3,381	(663,049)	665,404
Separate account liabilities	—	—	—	234,914	—	10,997	—	—	245,911
Total liabilities	933,943	399,867	44,178,169	11,596,369	2,236,107	6,945,900	1,617,023	(10,956,807)	56,950,570
Shareholder's equity:									
Class A common shares	—	—	2,500	2,502	1,854	4,366	—	(11,222)	—
Class B common shares	—	—	—	—	—	—	—	—	—
Additional paid-in capital	134,807	48,325	175,787	424,034	—	122,429	9,457	(780,032)	134,807
Accumulated other comprehensive income (loss)	—	—	—	—	—	—	—	—	—
Retained (deficit) earnings	(512,488)	(42,635)	(426,845)	(120,730)	48,065	(922)	(84,710)	627,776	(512,488)
Total shareholders' equity	(377,681)	5,690	(248,558)	305,806	49,919	125,873	(75,253)	(163,478)	(377,681)
Total liabilities and shareholders' equity	$ 556,262	$ 405,557	$ 43,929,611	$ 11,902,175	$ 2,286,026	$ 7,071,773	$ 1,541,770	$ (11,120,285)	$ 56,572,889

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEAR ENDED DECEMBER 31, 2023

(Amounts in thousands of US dollars)

	WRUS	WDLC	WRAC	WRNY	TLIC	WCAC	RRE3	Eliminations	WRUS
Revenues									
Net premiums	$ —	$ —	$ 116,881	$ 24,257	$ 27,271	$ 6,934	$ 45,023	$ —	$ 220,366
Policy fees and charges	—	—	67,011	44,012	188,417	153,499	63,640	—	516,579
Inuring third-party reinsurance commissions	—	—	14,690	341	—	—	1,682	—	16,713
Investment earnings - net	21,047	9,066	390,216	141,798	101,146	173,658	48,547	(4,863)	880,615
Net change in unrealized (losses) gains on investments classified as trading and other	(1)	—	14,263	21,931	9,470	22,842	(738)	—	67,767
Change in value of derivatives and embedded derivatives - net	1,589	—	(227,004)	(90,357)	—	(24,368)	77,137	—	(263,003)
Total revenues	22,635	9,066	376,057	141,982	326,304	332,565	235,291	(4,863)	1,439,037
Benefits and expenses									
Claims and policy benefits - net of reinsurance ceded	—	(144)	322,971	44,374	190,183	211,024	29,744	191	798,343
Interest credited to interest sensitive contract liabilities	—	—	178,822	74,130	33,405	63,952	29,142	—	379,451
Acquisition and other insurance expenses	—	—	(87,028)	(20,564)	16,908	(3,940)	90,283	(67)	(4,408)
Operating expenses	1,003	594	78,800	38,026	42,787	32,122	5,881	64	199,277
Interest expense	16,836	4,964	—	—	—	—	2,267	(4,863)	19,204
Total benefits and expenses	17,839	5,414	493,565	135,966	283,283	303,158	157,317	(4,675)	1,391,867
Net income (loss) before income taxes and net earnings of equity method investee	4,796	3,652	(117,508)	6,016	43,021	29,407	77,974	(188)	47,170
Income tax expense (benefit)	3,657	2,465	(28,716)	(785)	8,244	14,882	17,016	(39)	16,724
Net income (loss) before net earnings of equity method investee and equity in net income (loss) of subsidiaries	1,139	1,187	(88,792)	6,801	34,777	14,525	60,958	(149)	30,446
Share of net earnings of equity method	18,491	—	—	—	—	—	—	—	18,491
Net income (loss) before equity in net income (loss) of subsidiaries	19,630	1,187	(88,792)	6,801	34,777	14,525	60,958	(149)	48,937
Other comprehensive income									
Net unrealized investment gains (losses)	380	—	287,998	104,206	20,373	62,775	(11,627)	—	464,105
Less: income tax benefit related to other comprehensive income (loss)	(80)	—	(60,480)	(21,883)	(4,278)	(13,183)	2,442	—	(97,462)
Net comprehensive income (loss) before equity in net income (loss) of subsidiaries	300	—	227,518	82,323	16,095	49,592	(9,185)	—	366,643
Equity in income (loss) of subsidiaries	395,650	—	—	—	—	—	—	(395,650)	—
Net income (loss) and comprehensive	$ 415,580	$ 1,187	$ 138,726	$ 89,124	$ 50,872	$ 64,117	$ 51,773	$ (395,799)	$ 415,580

WILTON RE U.S. HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF COMPREHENSIVE (LOSS) INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in thousands of US dollars)

	WRUS	WRSI WRFL	WRAC	WRNY	TLIC	WCAC	RRE3	Eliminations	WRUS Consolidated
Revenues									
Net premiums	$ —	$ —	$ 158,479	$ 29,946	$ 26,928	$ 4,928	$ 41,750	$ —	$ 262,031
Policy fees and charges	—	—	138,915	47,525	139,602	157,375	27,035	—	510,452
Inuring third-party reinsurance commissions	—	—	15,278	238	—	—	3,376	—	18,892
Investment earnings - net	19,757	20,631	175,390	66,974	87,079	148,641	33,011	(20,563)	530,920
Net change in unrealized (losses) gains on investments classified as trading and other	179	—	(4,255,125)	(1,157,868)	(273,302)	(903,384)	(225,626)	—	(6,815,126)
Change in value of derivatives and embedded derivatives - net	—	—	2,637,711	730,882	—	384,005	(14,173)	—	3,738,425
Total revenues	19,936	20,631	(1,129,352)	(282,303)	(19,693)	(208,435)	(134,627)	(20,563)	(1,754,406)
Benefits and expenses									
Claims and policy benefits - net of reinsurance ceded	—	—	294,678	27,335	168,628	105,875	53,862	188	650,566
Interest credited to interest sensitive contract liabilities	—	—	54,880	70,607	30,906	73,936	17,676	—	248,005
Acquisition and other insurance expenses	—	—	(5,810)	(23,498)	(48,455)	(3,840)	(11,501)	(16)	(93,120)
Operating expenses	419	441	79,775	37,693	37,726	36,273	4,764	15	197,106
Interest expense	21,151	20,966	—	—	—	—	1,830	(20,563)	23,384
Total benefits and expenses	21,570	21,407	423,523	112,137	188,805	212,244	66,631	(20,376)	1,025,941
Net income (loss) before income taxes and net earnings of equity method investee	(1,634)	(776)	(1,552,875)	(394,440)	(208,498)	(420,679)	(201,258)	(187)	(2,780,347)
Income tax expense (benefit)	(10,493)	1,925	(329,539)	(83,240)	(44,510)	(90,122)	(42,421)	(39)	(598,439)
Net income (loss) before net earnings of equity method investee and equity in net income (loss) of subsidiaries	8,859	(2,701)	(1,223,336)	(311,200)	(163,988)	(330,557)	(158,837)	(148)	(2,181,908)
Share of net earnings of equity method investee	(110,563)	—	—	—	—	—	—	—	(110,563)
Net income (loss) before equity in net income (loss) of subsidiaries	(101,704)	(2,701)	(1,223,336)	(311,200)	(163,988)	(330,557)	(158,837)	(148)	(2,292,471)
Other comprehensive income									
Net unrealized investment gains (losses)	—	—	—	—	—	—	—	—	—
Less: income tax benefit related to other comprehensive income (loss)	—	—	—	—	—	—	—	—	—
Net comprehensive income (loss) before equity in net income (loss) of subsidiaries	—	—	—	—	—	—	—	—	—
Equity in income (loss) of subsidiaries	(2,190,767)	—	—	—	—	—	—	2,190,767	—
Net income (loss) and comprehensive income (loss)	(2,292,471)	(2,701)	(1,223,336)	(311,200)	(163,988)	(330,557)	(158,837)	2,190,619	(2,292,471)