Consolidated Financial Statements of

Aurigen Reinsurance Limited

Year ended December 31, 2017

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Report of Independent Auditors

The Board of Directors and Shareholder
Aurigen Reinsurance Limited

We have audited the accompanying consolidated financial statements of Aurigen Reinsurance Limited (the Company), which comprise the consolidated balance sheet as of December 31, 2017, and the related statements of income and comprehensive income (loss), changes in shareholder's equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aurigen Reinsurance Limited at December 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Report of Other Auditors on 2016 Financial Statements

The consolidated financial statements of Aurigen Reinsurance Limited for the year ended December 31, 2016 were audited by other auditors who expressed an unmodified opinion on those statements on April 27, 2017.

Ernst & Young Ltd.

Hamilton, Bermuda
April 25, 2018

Aurigen Reinsurance Limited
Consolidated Balance Sheets

December 31, 2017 and 2016
(In thousands of Canadian Dollars)

	Notes	2017	2016
Assets:			
Cash and cash equivalents		$ 3,110	$ 10,676
Accrued investment income		3,113	2,334
Prepaid expenses		-	27
Investments	2	594,164	508,986
Funds withheld	3	2,543	3,034
Deferred acquisition costs	4	78,726	60,693
Due from ceding companies	10	-	1,705
Other assets	2d, 5	40,581	218
		$ 722,237	$ 587,673
Liabilities and Shareholders' Equity			
Policy benefits liabilities	7	$ 67,773	$ 68,562
Other policy liabilities		356	692
Accounts payable and accrued expenses	2d	41,124	2,243
Reinsurance balance payable		-	159
Due to ceding companies	10	7,405	843
Due to related parties	10	34,337	490
Long term debt due to related parties	10	332,148	-
Long term operational debt	6	-	293,349
		483,143	366,338
Shareholders' equity:			
Share capital			
Authorized:			
281,000 common shares par value of $1 per share			
Issued and outstanding:			
281,000 common shares	8	281	281
Additional paid-in capital	8	147,123	147,123
Accumulated other comprehensive income		12,017	2,308
Retained earnings		79,673	71,623
		239,094	221,335
		$ 722,237	$ 587,673

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Wanda Mwaura Director ____________________ Director

Aurigen Reinsurance Limited

Consolidated Statements of Income and Comprehensive Income (Loss)

For the years ended December 31, 2017 and 2016
(In thousands of Canadian dollars)

	Notes	2017	2016
Revenue:			
Premiums	10	$ 121,872	$ 107,180
Net investment income	2e	21,765	26,662
Other revenue		4,541	4,775
		148,178	138,617
Expenses:			
Claims expense	10	111,344	86,535
Change in policy benefit liabilities		1,376	5,443
Acquisition costs	10	16,403	11,303
General expenses		439	1,269
Interest expense		6,442	10,763
Amortization of debt issuance costs	5,6	4,124	529
		140,128	115,842
Net income for the year		8,050	22,775
Other comprehensive income (loss):			
Change in unrealized gains (losses) on investments		20,188	(11,923)
Reclassification of net realized gains on investments		(7,368)	(13,156)
Foreign currency translation		(2,999)	(546)
Shadow DAC adjustments		(112)	(24)
		9,709	(25,649)
Comprehensive income (loss) for the year		$ 17,759	$ (2,874)

See accompanying notes to consolidated financial statements.

Aurigen Reinsurance Limited

Consolidated Statements of Changes in Shareholder’s Equity

For the years ended December 31, 2017 and 2016
(In thousands of Canadian dollars)

	Share capital	Additional paid-in capital	Accumulated other comprehensive income	Retained earnings	Total shareholder's equity
Balance at Jan 1, 2016	$ 281	$ 199,885	$ 27,957	$ 48,848	$ 276,971
Return of Capital		(52,762)		-	(52,762)
Change in unrealized losses on investments			(25,079)	-	(25,079)
Foreign currency translation			(546)	-	(546)
Shadow DAC adjustments			(24)	-	(24)
Net income				22,775	22,775
Balance at Dec 31, 2016	$ 281	$ 147,123	$ 2,308	$ 71,623	$ 221,335
Change in unrealized gains on investments			12,820	-	12,820
Foreign currency translation			(2,999)	-	(2,999)
Shadow DAC adjustments			(112)	-	(112)
Net income				8,050	8,050
Balance at Dec 31, 2017	$ 281	$ 147,123	$ 12,017	$ 79,673	$ 239,094

See accompanying notes to consolidated financial statements.

Aurigen Reinsurance Limited
Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016
(In thousands of Canadian dollars)

	Notes	2017	2016
Cash provided by (used in):			
Operating activities:			
Net income for year		$ 8,050	$ 22,775
Items not involving cash:			
Amortization of premium and discount on investments		(3,747)	(3,520)
Amortization of deferred assets		(1,661)	(1,824)
Amortization of debt issuance costs	5	4,124	529
Realized gain of investments		(7,368)	(13,156)
Change in non-cash operating working capital:			
Accrued investment income		(813)	72
Prepaid expenses		34	115
Due to ceding companies		8,485	(5,758)
Funds withheld		295	1,123
Deferred acquisition costs		(15,354)	(16,077)
Other assets		(96)	49
Accounts payable and accrued expenses		(2,084)	788
Due from ceding companies		(148)	162
Due to related companies		33,846	465
Other policy liabilities		528	596
Policy benefits liabilities		509	3,654
		24,600	(10,007)
Financing activities:			
Return of capital		-	(52,762)
Long term debt due to related parties	10	332,545	-
Long term operational debt (net of issue costs)	6	-	109,905
Repayment of long term operational debt	6	(297,500)	(22,000)
		35,045	35,143
Investing activities:			
Proceeds from sales and maturities of debt securities		217,329	192,454
Purchase of debt securities		(284,206)	(218,658)
		(66,877)	(26,204)
Net decrease in cash and cash equivalents		(7,232)	(1,068)
Cash and cash equivalents, beginning of year		10,676	12,337
Effect of exchange rate fluctuations on cash and cash equivalents		(334)	(593)
Cash and cash equivalents, end of year		$ 3,110	$ 10,676

See accompanying notes to consolidated financial statements.

Aurigen Reinsurance Limited (the “Company”) is a private insurance company duly organized and existing under the laws of Bermuda, with a Class C license under the Insurance Act 1978 of Bermuda. The Company is a wholly owned subsidiary of Aurigen Capital Limited (“ACL”), a Bermuda domiciled company. As of April 3, 2017, ACL is a wholly owned subsidiary of PartnerRe Limited, a Bermuda domiciled company. The consolidated financial statements include the accounts of the Company and its subsidiaries, Vecta I Limited (‘Vecta”) and Valins I Limited (“Valins”).

Vecta was a special purpose vehicle duly organized and existing under the laws of Bermuda. It was incorporated on January 25, 2011, to provide reinsurance coverage to the Company. On January 2015 Vecta became inactive and its reinsurance coverage was recaptured by the Company. On December 29, 2017 Vecta received regulatory approval and was merged with ACL.

Valins was a special purpose vehicle duly organized and existing under the laws of Bermuda, it was incorporated on October 22, 2014 and became operational after receiving regulatory approval from the Bermuda Monetary Authority on January 5, 2015, to provide reinsurance coverage to the Company. On April 28, 2017 Valins became inactive and its reinsurance coverage was recaptured by the Company. As documented in the Retrocession Agreement, the pledged assets and residual liabilities were released to the Company. The Company had retained the residual interest in Valins. On December 29, 2017 Valins received regulatory approval and was merged with ACL.

The Company provides reinsurance coverage to two affiliates: PartnerRe Life Reinsurance Company of Canada (“PLRC”), formerly known as Aurigen Reinsurance Company operating as a life reinsurance company in Canada since 2008 and PartnerRe Life Reinsurance Company of America (“PLRA”), formerly known as Aurigen Reinsurance Company of America, operating in the United States since 2013. Effective December 2011, the Company entered into a contract to provide coverage to a non-affiliated life reinsurance company in the United States.

1. Significant accounting policies:

a. Consolidation and basis of presentation:

The consolidated financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America which require 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, due to/from ceding companies, policy benefit liabilities and valuation of investments. Actual results could differ materially from the estimates and assumptions used by management. All significant intercompany balances and transactions have been eliminated.

Vecta and Valins, which were assessed under the FASB ASC Topic 810, *Variable Interest Entities* (“VIE”), are considered to be VIEs. The Company was deemed to hold the primary beneficial interests and accordingly they were consolidated in the Company’s consolidated financial statements in 2016 when ARL had subsidiaries.

b. Invested assets:

The invested assets held by the Company are accounted for using the methods described below.

i. Cash and cash equivalents:

Cash and cash equivalents comprise cash, current operating accounts, term deposits, treasury bills and money markets funds, which have original maturity of ninety days or less are reported at carrying value.

ii. Investments:

Investments comprise short-term investments and fixed maturity securities classified as available-for-sale (“AFS”).

Term deposits, treasury bills and fixed-income securities held for the purpose of meeting short-term cash commitments are short-term investments. Short-term securities are carried at their amortized costs.

Fixed maturity securities designated as AFS are reported at fair value and are so classified based upon the possibility that such securities could be sold prior to maturity if that action enables the Company to execute its investment philosophy and appropriately match investment results to operating and liquidity needs. Unrealized gains and losses on fixed maturity securities classified as AFS are included in Accumulated Other Comprehensive Income (“AOCI”) as a component of Shareholder’s equity on the consolidated balance sheets.

Investment income is recognized as it accrues or is legally due and is adjusted for any amortization of premium or discount, which is recognized using the effective interest method. Realized gains and losses on sales of investments are determined on the basis of amortized cost and are included in or charged against earnings as are write-downs of investments where declines in value are deemed to be other-than-temporary in nature. See Note 1(b)(iii). The cost of investments sold is determined based upon the specific identification method.

iii. Other-than-temporary impairment:

Impairment losses are recognized on AFS bonds on an individual security basis when the investment is considered to be other than temporarily impaired. Impairment occurs when it is deemed probable that the Company will not be able to collect all amounts due according to contractual terms of the bond. If the Company intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current period credit loss, these impairments will be included within realized losses and the cost basis of the investment securities reduced accordingly. If the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis less any current period credit loss, the other than temporary impairment is separated into the amount representing the credit loss and the amount related to all other factors. The amount of the total other than temporary impairment related to credit loss is recognized in earnings. The amount of the total other than temporary impairment related to other factors is recognized in other comprehensive income ("OCI"). The Company will not change the revised cost basis for subsequent recoveries in value.

iv. Credit risk:

The Company has specific provisions to limit the allowable holdings of a single issue and issuers. The Company believes that there are no significant concentrations of credit risk associated with its investments.

c. Fair value of financial instruments:

FASB ASC Topic 820, *Fair Value Measurements and Disclosures* requires additional disclosures for fair value measurements including the following: (i) levels in the fair value hierarchy into which the fair value measurements are categorized in their entirety; (ii) any significant transfers between Level 1 and Level 2 and the reasons for those transfers; and (iii) reconciliation of the beginning to the ending balances for those fair value measurements that result from the use of significant unobservable inputs in valuation techniques (Level 3), disclosing separately changes during the period. Three levels of the fair value hierarchy are defined as: Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date; Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3 – inputs for the asset or liability that are not based on observable market data.

Fair value prices for all securities in the Company's fixed income portfolio are independently provided by both the Company's investment custodian and the Company's investment managers, which each utilize nationally recognized independent pricing services. The Company records the unadjusted price provided by the investment custodian and the Company's validation process includes, but is not limited to: (i) comparison to the price provided by the investment manager, with significant differences investigated; (ii) quantitative analysis (e.g., comparing the quarterly return for each managed portfolio to its target benchmark, with significant differences identified and investigated); (iii) evaluation of methodologies used by external parties to calculate fair value; and (iv) comparing the price to the Company's knowledge of the current investment market.

The independent pricing services used by the Company's investment custodian and investment managers obtain actual transaction prices for securities that have quoted prices in active markets. Each pricing service has its own proprietary method for determining the fair value of securities that are not actively traded. In general, these methods involve the use of "matrix pricing" in which the independent pricing service uses observable market inputs including, but not limited to, reported trades, benchmark yields, broker/dealer quotes, interest rates, prepayment speeds, default rates and such other inputs as are available from market sources to determine a reasonable fair value.

There were no material changes in the Company's valuation techniques during 2017 and 2016.

The fair value of assets and liabilities included on the consolidated balance sheets, which qualify as financial instruments under FASB ASC 825, *Financial Instruments*, approximate the carrying amount presented in the consolidated financial statements.

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

i. Cash and cash equivalents:

The carrying amounts reported in the consolidated balance sheets for these instruments approximate their fair values due to the short maturity of those instruments. Cash and cash equivalents, including money market funds, are valued using quoted market prices.

ii. Investments:

Investments represent fixed maturity securities, including Canadian and U.S. Treasuries, provincial and municipal bonds, agency securities and corporate debt, which are classified as AFS investments. The fair value hierarchy of investments is disclosed in note 2.

iii. Other assets and liabilities:

The carrying value of prepaid expenses, due to ceding company, accrued investment income, due from ceding companies, accounts payable and accrued expenses and due to related parties approximates their fair value due to their short term nature. The estimates of fair values presented herein are subjective in nature and are not necessarily indicative of the amounts that the Company would actually realize in a current market exchange. However, any differences would not be expected to be material. Certain instruments such as funds withheld, deferred acquisition costs, other assets, policy benefit liabilities and other policy liabilities are excluded from fair value disclosure. Thus the total fair value amounts cannot be aggregated to determine the underlying economic value of the Company.

d. Long term operational debt:

The Company's long term operational debt is measured at amortized cost. The fair value is not based on observable market data as the debt is not publicly traded in an active market.

e. Due (to) from ceding companies:

Amounts due (to) from ceding companies comprise premiums less claims and allowances. Premiums reported from the ceding company are accrued when due and include accruals when information is not reported on a timely basis, based on the ceding company's historical experience. Other estimates from ceding companies include adjustments for lapsed premiums given historical experience and the legal right of offset on related amounts (i.e. allowances and claims) owed to the ceding company. Under the legal right of offset provisions in its reinsurance treaties, the ceding company can withhold payments for allowances and claims for unpaid premiums. Based on its review of these factors and historical experience, the Company did not believe a provision for doubtful accounts was necessary as of December 31, 2017 or 2016.

f. Deferred acquisition costs ("DAC"):

Costs of acquiring new business, which vary with and are related directly to the successful acquisition of new business, have been deferred to the extent that such costs are deemed recoverable from future premiums or gross profits. Such costs include commissions and allowances as well as certain costs of policy issuance and underwriting. The Company performs periodic tests to establish that deferred acquisition costs remains recoverable and if financial performance significantly deteriorates to the point where a premium deficiency exists, a cumulative charge to current operations will be recorded.

Deferred costs related to traditional life insurance contracts will be amortized over the premium-paying period of the related policies in proportion to the ratio of individual period premium revenues to total anticipated premium revenues over the life of the policy. Such anticipated premium revenues are estimated using the same assumptions used for computing liabilities for future policy benefits.

Deferred costs related to investment type policies are amortized over the lives of the policies, in relation to the present value of estimated gross profits from mortality; investment income less interest credited, and expense margins.

The Company assesses internal replacements to determine whether such modifications significantly change the contract terms. When the modification substantially changes the contract, DAC is written off immediately through income and only new deferrable expenses associated with the replacements are deferred. If the contract modifications do not substantially change the contract, DAC amortization on the original policy will continue and any acquisition costs associated with the related modifications are expensed.

g. Policy benefit liabilities:

Liabilities for future benefits on life policies are established in an amount adequate to meet the estimated future obligations on policies in force. Liabilities for future policy benefits under long term life insurance policies have been computed based upon pricing expected investment yields, mortality and withdrawal (lapse) rates, and other assumptions established at policy issue. Some of these assumptions include a margin for adverse deviation and vary with the characteristics of the plan of insurance, year of issue, age of insured, and other appropriate factors. Interest rates range from 2.90% to 5.55% (2016: 2.90% to 5.55%). The mortality and withdrawal assumptions are based on the Company's experience as well as industry experience and standards. Liabilities for future benefits on interest-sensitive life and investment-type contract liabilities are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges.

In determining the policy benefit liabilities for the Company, original assumptions shall continue to be used in subsequent accounting periods to determine changes in the liability for future policy benefits (often referred to as the "locked-in concept") unless a premium deficiency exists. A premium deficiency is where actual experience indicates that existing contract liabilities, together with the present value of future gross premiums, will not be sufficient to cover the present value of future benefits and to recover unamortized acquisition costs. A premium deficiency shall be recognized by a charge to income resulting from a reduction of unamortized acquisition costs or an increase in the liability for future policy benefits. If a premium deficiency does occur, future changes in the liability shall be based on the revised assumptions. No loss shall be reported currently if it results in creating future income.

h. Other policy liabilities:

Claims payable for incurred but not reported losses are determined using case based estimates and lag studies of past experience. The time lag from the date the claim or death occurs to when the ceding company reports the claim to the Company can vary significantly by ceding company and business segment. The Company updates its analysis of incurred but not reported, including lag studies, on a quarterly basis and adjusts its claim liabilities accordingly.

i. Recognition of revenues and related expenses:

Life premiums are recognized as revenue when due from the insured. Benefits and expenses are associated with earned premiums so that profits are recognized over the life of the related contract. This association is accomplished through the provision for future policy benefits and the amortization of deferred policy acquisition costs. Any fees that are collected in advance of the period benefited are deferred and recognized over the period benefited.

For each of its reinsurance contracts, the Company must determine if the contract provides indemnification against loss or liability relating to insurance risk, in accordance with applicable accounting standards. The Company must review all contractual features, particularly those that may limit the amount of insurance risk to which the Company is subject to or features delay in the timely reimbursement of claims. If the Company determines that a contract does not expose it a reasonable possibility of a significant loss from the insurance risk, the Company records the contract using a deposit method of accounting. Any fees earned on the contracts will be reflected as other revenue, as opposed to premiums, on the consolidated statements of income and comprehensive income (loss).

Deferred acquisition costs are recognized as expenses over the term of the policies. Policy benefits and claims that are charged to expenses include claims incurred in the period in excess of related policy account balances.

j. Foreign exchange:

The Canadian Dollar is the functional and reporting currency of the Company. Monetary assets and liabilities denominated in foreign currencies are revalued at the exchange rates in effect at the consolidated balance sheet date and revenues and expenses denominated in foreign currencies are translated at the prevailing exchange rate on the transaction date with the resulting foreign exchange gains and losses included in earnings.

(In thousands of Canadian dollars)

The Company has foreign operations that are self-sustaining in their currency. Monetary assets and liabilities are revalued at the exchange rates in effect at the consolidated balance sheet date with the resulting foreign exchange gains and losses recognized in OCI.

k. Income taxes:

The Company is not subject to any income, withholding or capital gains taxes under current Bermuda law.

2. Investments:

The Company's investments are classified as AFS and carried at fair value, with related net unrealized gains or losses excluded from earnings and included in Shareholder's equity as a component of AOCI.

a. As of December 31, 2017 and 2016, the Company's investments are allocated as follows:

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Canadian government & agencies	$ -	$129,334	$ -	$ 129,334
Canadian provincial government & agencies	-	226,450	-	226,450
Canadian corporate securities	-	139,450	-	139,450
U.S. government & agencies	28,027	9,349	-	37,376
U.S. municipals	-	9,339	-	9,339
U.S. corporate securities	-	52,152	-	52,152
Total fixed-income investments	28,027	566,074	-	594,101
Total short-term investments	-	63	-	63
Total Investments	$ 28,027	$566,137	$ -	$ 594,164

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Canadian government & agencies	$ -	$ 88,555	$ -	$ 88,555
Canadian provincial government & agencies	-	207,739	-	207,739
Canadian corporate securities	-	100,379	-	100,379
U.S. government & agencies	31,132	7,906	-	39,038
U.S. municipals	-	7,954	-	7,954
U.S. corporate securities	-	42,359	-	42,359
Total fixed-income investments	31,132	454,892	-	486,024
Total short-term investments	-	22,962	-	22,962
Total Investments	$ 31,132	$477,854	$ -	$ 508,986

The Company determines the existence of an active market based on its judgment as to whether transactions for the financial instrument occur in such market with sufficient frequency and volume to provide reliable pricing information.

For all assets classified as Level 2, the market approach is utilized. The significant inputs used to determine the fair values of those assets classified as Level 2 are as follows:

i. Canadian government and agency securities consist of securities issued by the Government of Canada and other agencies. The fair values of these securities are determined using the spread above the risk-free yield curve and reported trades. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified within Level 2.

ii. U.S. government and agency securities consist of securities issued by the U.S. federal government and other government agencies. The fair values of these securities are determined using quoted market price, the spread above the risk-free yield curve, reported trades, broker/dealer quotes, benchmark yields, and industry and market indicators. These are considered observable market inputs and, therefore, the fair value of these securities are classified either Level 1 or Level 2.

iii. Canadian provincial government and agency securities consist primarily of bonds issued by various provincial entities in Canada. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker/dealer quotes and benchmark yields. These are considered observable market inputs and, therefore, the fair value of these securities are classified within Level 2.

iv. U.S. municipals consist primarily of bonds issued by various state entities in the United States. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker/dealer quotes and benchmark yields. These are considered observable market inputs and, therefore, the fair value of these securities are classified within Level 2.

v. Corporate securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker/dealer quotes, benchmark yields, and industry and market indicators. These are considered observable market inputs and, therefore, the fair values of these securities are classified within Level 2.

(In thousands of Canadian dollars)

b. **Fixed-income and short-term investments:**

The amortized cost, gross unrealized gains and losses and estimated fair value of investments are as follows:

	December 31, 2017			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair value
Canadian government & agencies	$ 131,105	$ 268	$ (2,039)	$ 129,334
Canadian provincial government & agencies	219,334	8,476	(1,360)	226,450
Canadian corporate securities	134,987	5,435	(971)	139,450
U.S. government & agencies	38,157	71	(852)	37,376
U.S. municipals	9,196	172	(30)	9,339
U.S. corporate securities	51,470	1,000	(318)	52,152
Total fixed-income investments	584,249	15,422	(5,570)	594,101
Total short-term investments	63	-	-	63
Total Investments	$ 584,312	$ 15,422	$ (5,570)	$ 594,164

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair value
Canadian government & agencies	$ 88,445	$ 1,372	$ (1,262)	$ 88,555
Canadian provincial government & agencies	212,934	8,772	(13,967)	207,739
Canadian corporate securities	97,282	3,901	(804)	100,379
U.S. government & agencies	39,897	83	(942)	39,038
U.S. municipals	8,025	64	(135)	7,954
U.S. corporate securities	42,409	443	(493)	42,359
Total fixed-income investments	488,992	14,635	(17,603)	486,024
Total short-term investments	22,962	-	-	22,962
Total Investments	$ 511,954	$ 14,635	$ (17,603)	$ 508,986

The Company believes that the gross unrealized losses relating to fixed maturity investments at December 31, 2017 of $5,570 (2016: $17,603) resulted primarily from increases in market interest rates from the dates that certain investments within that portfolio were acquired as opposed to fundamental changes in the credit quality of the issuers of such securities. Therefore, no provision for impairment was required.

At December 31, 2017, the Company had 190 securities (2016: 294 securities) in an unrealized loss position with a fair market value of $355,299 (2016: $252,303). 125 securities with an unrealized loss of $4,691 (2016: 207 Securities with an unrealized loss of $7,936) have been in an unrealized loss position for 12 months or longer. The Company does not intend to sell the investments and it is not more than likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases which maybe at maturity.

(In thousands of Canadian dollars)

The amortized cost and estimated fair value amounts for investments held at December 31, 2017 and 2016 are shown by contractual maturity.

	December 31, 2017	
	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 24,982	$ 24,972
Due after one year through five years	115,872	114,787
Due after five years through ten years	185,956	184,105
Due after ten years	257,502	270,300
Total	$ 584,312	$ 594,164

	December 31, 2016	
	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 39,698	$ 39,728
Due after one year through five years	84,625	84,686
Due after five years through ten years	100,376	99,061
Due after ten years	287,255	285,511
Total	$ 511,954	$ 508,986

c. The following table sets forth certain information regarding the investment ratings of the Company's portfolio as of December 31, 2017 and 2016. Investment ratings are the lower of Standard & Poor's, Moody's, Fitch and Dominion Bond Rating Service's rating for each investment security, presented in Standard & Poor's equivalent rating.

	December 31, 2017		December 31, 2016	
	Estimated Fair Value	%	Estimated Fair Value	%
AAA	$ 136,474	23.0%	$ 125,360	24.6%
AA	149,948	25.2%	225,967	44.4%
A	304,458	51.2%	155,401	30.5%
BBB+	3,284	0.6%	2,258	0.5%
Total	$ 594,164	100.0%	$ 508,986	100.0%

d. Investments-in-transit:

Receivable from investments sold of $40,325 (2016 – Nil) are included in other assets. Payables for investments purchased of $40,964 (2016 – Nil) are included in Accounts payable and accrued expenses.

(In thousands of Canadian dollars)

e. Net investment income is derived from the following sources:

	For the year ended December 31, 2017	December 31, 2016
Fixed-income and short-term investments	$ 14,708	$ 13,950
Net realized gain on investments	7,368	13,156
Interest on funds withheld	169	129
Cash and cash equivalents	76	106
Total gross investment income	22,321	27,341
Investment expenses	(556)	(679)
Net investment income	$ 21,765	$ 26,662

For the year ended December 31, 2017, gross realized gains on investments were $11,680 and gross realized losses were $4,312 (2016: $13,492 gross realized gains and $336 gross realized losses).

In the normal course of reinsurance operations, cash and investments with a fair value of $595,028 (2016: $504,044) are on deposit in various trust accounts as security for its liabilities. Included in this amount is $496,079 (2016: $414,578) for the benefit of PLRC and $81,174 (2016: $70,601) for benefit of PLRA; both related ceding companies and $17,775 (2016: $18,865) for the benefit of an unrelated cedant. These amounts support the regulatory liability and capital requirements of those companies. At the end of 2017, $Nil (2016: $15,030) was held as collateral in a trust account for the benefit of Noteholders as the obligations associated with the long term debt held by Valins were discharged (note 6).

3. Funds Withheld:

Funds withheld of $2,543 (2016: $3,034) are associated with one client and comprise policy loans (91%) and premiums receivable (9%) at December 31, 2017 (88% and 12%, respectively, at December 31, 2016). Policy loans present no credit risk because the amount of the loan cannot exceed the obligation due to the insured upon the death of the insured or surrender of the underlying policy. The provisions of the treaties in force and the underlying policies determine the policy loan interest rates. The Company earns a spread between the interest rate earned on policy loans and the interest rate credited to corresponding liabilities.

Premiums withheld are calculated by the ceding company. In the event of a ceding company's insolvency, the risk of loss to the Company is mitigated by its ability to offset amounts it owes the ceding company for claims or allowances with amounts owed to the Company from the ceding company.

(In thousands of Canadian dollars)

4. Deferred Acquisition Costs:

The following reflects the amounts of acquisition costs deferred and amortized as of and for the year ended:

	December 31, 2017	December 31, 2016
Balance, beginning of year	$ 60,693	$ 42,839
Expenses capitalized	20,073	19,677
Amortization expenses	(1,698)	(1,799)
Impact of foreign currency translation	(230)	-
Shadow DAC adjustment	(112)	(24)
	18,033	17,854
Balance, end of year	$ 78,726	$ 60,693

DAC includes a shadow adjustment reflecting unrealized gains and losses on investments that are included in OCI. The shadow adjustment is the difference between the primary DAC balance and the shadow DAC balance, which is the DAC balance assuming that unrealized gains and losses on investments have been recognized. The shadow DAC adjustment is estimated on a monthly basis by applying unrealized gains and losses on investments by the DAC amortization percentage ("k-factor") at the monthly statement date.

5. Other Assets:

Other assets primarily include receivable from sales of investment (note 2d), and capitalized assets. In 2017 all unamortized debt issuance costs were written off due to the early redemption of the long term operation debt (note 6).

6. Long term Operational Debt:

On August 15, 2016, Valins issued $300,000 of Floating CDOR Notes due August 15, 2022 in exchange for the original notes issued in January 2015. These notes were issued in a private placement to qualified investors and are collateralized by the net cash flows generated by a block of life reinsurance business, the Business, retroceded from the Company. The Subject Business comprises all retrocession accepted by the Company from its affiliate PLRC from September 3, 2008 to December 31, 2015.

Net proceeds from the offering in 2016, after capitalizing issue costs of $2,595, were approximately $109,905 and were designated for general corporate purposes and to finance new business growth. The capitalized issue costs were recorded and recognized as Other assets in the Company to be amortized over the expected term of the debt. The payment of principal and interest on the debt is payable quarterly in arrears through a fixed amortization payment schedule with interest accrued based on the floating rate equal to 3 month CDOR rate plus a spread of 375 basis points per annum. 2017 interest rates range from 4.648% to 4.706% (2016: 4.497% to 4.648%).In addition to the cash flows from the Subject Business, the debt was secured by second charge on assets of the Company in the amount of Nil held as collateral security for the benefit of PLRC in support of its retrocession. PLRC had a first charge on these assets.

(In thousands of Canadian dollars)

The notes represented secured indebtedness of Valins with limited legal recourse to the Company or its ultimate parent. Valins' debt agreements contained financial covenant restrictions related to, among others, security interests, independence of directors, minimum requirements of the parent's consolidated net worth, minimum statutory capital ratios, bankruptcy proceedings and change of control provisions. In certain limited circumstances a covenant default could have required immediate payment by the Company of the amount due, including principal. As of December 31, 2016 the Company was in compliance with all covenants under those agreements.

2016 Amortized debt issuance cost amounting to $4,151 was recognized and netted from the long term operational debt.

Debt used for operational leverage is treated as operational debt and excluded from financial leverage calculations.

On April 28, 2017, the long-term operational debt was redeemed, the associated obligations were discharged.

The following reflect the amount of Long term operational debt as follows:

	December 31, 2017	December 31, 2016
Balance beginning of period	$ 293,349	$ 207,000
Issuance of long term operational debt	-	112,500
Repayment of long term operational debt	(297,500)	(22,000)
Amortized debt issuance cost	4,151	(4,151)
Balance, end of year	$ -	$ 293,349

7. Policy benefits liabilities:

The components of policy benefits liabilities are as follows:

	December 31, 2017	December 31, 2016
Balance, beginning of year	$ 68,562	$ 65,733
New Business	7,318	6,960
Projected changes	(2,606)	(758)
Experience variations	(1,580)	(102)
Model refinements	(1,403)	(3,044)
Miscellaneous,including policy movements	(1,148)	562
Impact of foreign currency translation	(1,370)	(789)
Balance, end of year	$ 67,773	$ 68,562

Tests for premium deficiency are performed on an annual basis. There was no premium deficiency as at December 31, 2017 (2016: Nil).

(In thousands of Canadian dollars)

8. Share capital:

The authorized share capital of the Company consists of 281,000 common shares with a par value of $1.00. During 2007, the Company issued 281,000 shares to the parent company ACL for consideration of $281. During 2016, the Company returned $52,762 in cash of capital to ACL.

9. Income taxes:

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

10. Related party transactions:

Due to ceding companies: In the normal course of business the Company assumes reinsurance risks from PLRC and PLRA, wholly owned subsidiaries of ACL. Pricing is determined using market prices in effect at the time the business is placed. In 2010, the Company entered into a Service Agreement with PLRC for insurance related consulting, advisory and information-processing services. In 2015 the Company entered into a Shared Services agreement with other affiliates in the Group which superseded the previous Service Agreement.

Intercompany insurance transactions and balances are as follows:

	2017		
	PartnerRe Life Reinsurance Company of Canada (PLRC)	PartnerRe Life Reinsurance Company of America (PLRA)	Total
Premiums assumed (net of taxes and commissions)	$ 75,162	$ 24,578	$ 100,190
Ceding commission and administrative allowance paid	7,619	8,881	16,500
Claims paid	75,052	33,101	108,153
Due to related parties	4,105	3,300	7,405
Policy benefit liabilities	52,147	(2,837)	49,310

(In thousands of Canadian dollars)

	2016		
	PartnerRe Life Reinsurance Company of Canada (PLRC)	PartnerRe Life Reinsurance Company of America (PLRA)	Total
Premiums assumed (net of taxes and commissions)	$ 70,231	$ 14,874	$ 85,105
Ceding commission and administrative allowance paid	5,912	9,957	15,869
Claims paid	59,725	20,679	80,404
Due (from)/to related parties	(1,705)	843	(862)
Policy benefit liabilities	46,629	1,265	47,894

Due to/from related parties: As a matter of convenience, related parties pay for costs that are then reallocated to other members of the group.

As of December 31, 2017 and 2016 the Company had the following outstanding balances which represents general administrative expenses and related loan with Aurigen Capital Limited:

	December 31, 2017	December 31, 2016
Due to Aurigen Capital Limited	$ 34,261	$ 87
Due to Aurigen Services Limited	-	334
Due to PartnerRe Life Insurance Company of Canada	76	69
	$ 34,337	$ 490

At December 31, 2017 the amounts due to affiliates were unsecured, interest free with the exception of ACL and had no specific terms of repayment.

Long-term debt due to related parties:
On April 27, 2017, the Company received $270,633 loan from an affiliated company PartnerRe Limited (“PartnerRe”) to repay the Valins’ Noteholder long-term operational debt in full.

Subsequently, on June 14, 2017, the Company entered into a Revolving Credit Agreement with PartnerRe to borrow up to an aggregated principal amount not exceeding one hundred million U.S. dollars for general business use with a termination date of June 30, 2022. As of December 31, 2017 the amount owing was $61,514 (approximately U.S. $48,807).

These amount due to PartnerRe were unsecured, interest free and had no specific terms of repayment.

(In thousands of Canadian dollars)

Investment transactions with related parties:

In 2017 there were no investment transactions sold or purchased with related parties. During 2016, the Company undertook to improve its Asset and Liability matching. As a result, it sold and purchased several investments of differing durations. These were done on an arm's length basis. The values associated with these transactions are as follows:

	2016		
	Par Value	Market Value	Realized Gains
Sales to PLRC	$ 47,350	$ 38,381	$ 5,951
Purchases from PLRC	53,151	39,660	-

11. Statutory and Regulatory Requirements:

The Company is required to prepare Statutory Financial Statements on a non-consolidated basis and to file Statutory Financial Returns in accordance with The Insurance Act 1978 (Bermuda), Amendments Thereto and Related Regulations ("The Act"). The Act requires the Company to maintain a minimum statutory capital and surplus of BMD$500 and the requirement was met at December 31, 2017 and 2016. There are no statutory restrictions on the payment of dividends from retained earnings as the minimum statutory capital and surplus requirements are satisfied by the share capital and additional paid-in capital. The Company is required by its license to maintain a minimum margin of solvency of $9,649 (2016: $8,467). Actual statutory capital and surplus at December 31, 2017 was $160,112 (2016: $105,708); accordingly the requirement was met.

Actual statutory capital and surplus, as determined using statutory accounting principles, are as follows:

	December 31,2017	December 31,2016
Total shareholder's equity (consolidated)	$ 239,094	$ 221,335
Valins and Vecta equity and elimination entries	-	(50,548)
Total shareholder's equity (non-consolidated)	239,094	170,787
Less: non-admitted assets:		
Deferred acquisition costs	78,726	60,693
Prepaid expenses	-	17
Deferred assets	256	4,369
Statutory capital and surplus	$ 160,112	$ 105,708

12. Comparative figures:

Certain comparative figures in 2016 have been reclassified to conform with the financial statement presentation for 2017.

13. Subsequent Event:

The Company has evaluated subsequent events from the balance sheet date through to April 25, 2018, which is the date the consolidated financial statements were available to be issued. There were no subsequent events.