



April 28, 2021

## **Report of Independent Auditors**

### **To the Board of Directors of XL Life Ltd**

We have audited the accompanying condensed financial statements of XL Life Ltd, which comprise the condensed balance sheets and condensed statements of capital and surplus as of December 31, 2020 and 2019, and the related condensed statements of income for the years then ended, and the related notes to the condensed financial statements.

#### **Management's responsibility for the condensed financial statements**

Management is responsible for the preparation and fair presentation of the condensed financial statements in accordance with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to condensed general purpose financial statements (the 'Legislation'). Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of condensed financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' responsibility**

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

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

#### **Basis for adverse opinion on U.S. generally accepted accounting principles**

As described in Note 3 of the condensed financial statements, the condensed financial statements are prepared by the Company on the basis of the financial reporting provisions of the Legislation, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the condensed financial statements of the variances between the regulatory basis of accounting described in Note 3 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.



**Adverse opinion on U.S. generally accepted accounting principles**

In our opinion, because of the significance of the matter discussed in the “Basis for adverse opinion on U.S. generally accepted accounting principles” paragraph, the condensed financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2020 and 2019, or the results of its operations or its cash flows for the years then ended.

**Opinion on regulatory basis of accounting**

In our opinion, the condensed financial statements referred to above present fairly, in all material respects, the financial position of XL Life Ltd as of December 31, 2020 and 2019, and the results of its operations for the years then ended in accordance with the financial reporting provisions of the Legislation described in Note 3.

A handwritten signature in black ink that reads "PricewaterhouseCoopers Ltd." in a cursive script.

**Chartered Professional Accountants**

**CONDENSED BALANCE SHEET**

XL Life Ltd

As at

**December 31, 2020**

expressed in ['000s]

**United States Dollars**

LINE No.		2020	2019
1.	CASH AND CASH EQUIVALENTS	19,121	12,310
2.	QUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity		-
	ii. Other	269,464	312,198
(b)	Total Bonds and Debentures	269,464	312,198
(c)	Equities		
	i. Common stocks		-
	ii. Preferred stocks		-
	iii. Mutual funds		-
(d)	Total equities	-	-
(e)	Other quoted investments		-
(f)	Total quoted investments	269,464	312,198
3.	UNQUOTED INVESTMENTS:		
(a)	Bonds and Debentures		
	i. Held to maturity	-	-
	ii. Other		-
(b)	Total Bonds and Debentures	-	-
(c)	Equities		
	i. Common stocks		-
	ii. Preferred stocks		-
	iii. Mutual funds		-
(d)	Total equities	-	-
(e)	Other unquoted investments		-
(f)	Total unquoted investments	-	-
4.	INVESTMENTS IN AND ADVANCES TO AFFILIATES		
(a)	Unregulated entities that conduct ancillary services		-
(b)	Unregulated non-financial operating entities		-
(c)	Unregulated financial operating entities		-
(d)	Regulated non-insurance financial operating entities		-
(e)	Regulated insurance financial operating entities		-
(f)	Total investments in affiliates	-	-
(g)	Advances to affiliates	5,620	6,761
(h)	Total investments in and advances to affiliates	5,620	6,761
5.	INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE:		
(a)	First liens		-
(b)	Other than first liens		-
(c)	Total investments in mortgage loans on real estate	-	-
6.	POLICY LOANS		-
7.	REAL ESTATE:		
(a)	Occupied by the company (less encumbrances)		-
(b)	Other properties (less encumbrances)		-
(c)	Total real estate	-	-
8.	COLLATERAL LOANS		-
9.	INVESTMENT INCOME DUE AND ACCRUED	2,088	2,379
10.	ACCOUNTS AND PREMIUMS RECEIVABLE:		
(a)	In course of collection	4,152	1,098
(b)	Deferred - not yet due		-
(c)	Receivables from retrocessional contracts		-
(d)	Total accounts and premiums receivable	4,152	1,098
11.	REINSURANCE BALANCES RECEIVABLE:		
(a)	Foreign affiliates		-
(b)	Domestic affiliates		-
(c)	Pools & associations		-
(d)	All other insurers	3,296	3,248
(e)	Total reinsurance balance receivable	3,296	3,248
12.	FUNDS HELD BY CEDING REINSURERS		-

**CONDENSED BALANCE SHEET**

XL Life Ltd

As at

December 31, 2020

expressed in ['000s]

United States Dollars

LINE No.		2020	2019
13.	SUNDRY ASSETS:		
(a)	Derivative instruments		-
(b)	Segregated accounts companies - long-term business - variable annuities		-
(c)	Segregated accounts companies - long-term business - other	2,868	3,791
(d)	Segregated accounts companies - general business		-
(e)	Deposit assets		-
(f)	Deferred acquisition costs		-
(g)	Net receivables for investments sold		-
(h)	Prepayments	263	463
(i)	Other Sundry Assets (Specify)		-
(j)	Other Sundry Assets (Specify)		-
(k)	Total sundry assets	3,131	4,254
14.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS		
(a)	Letters of credit		-
(b)	Guarantees		-
(c)	Other instruments		-
(e)	Total letters of credit, guarantees and other instruments	-	-
15.	TOTAL	306,872	342,248
	<b>TOTAL INSURANCE RESERVES, OTHER LIABILITIES AND STATUTORY CAPITAL AND SURPLUS</b>		
16.	UNEARNED PREMIUM RESERVE		
(a)	Gross unearned premium reserves		-
(b)	Less: Ceded unearned premium reserve		
	i. Foreign affiliates		-
	ii. Domestic affiliates		-
	iii. Pools & associations		-
	iv. All other insurers		-
(c)	Total ceded unearned premium reserve	-	-
(d)	Net unearned premium reserve	-	-
17.	LOSS AND LOSS EXPENSE PROVISIONS:		
(a)	Gross loss and loss expense provisions		-
(b)	Less : Reinsurance recoverable balance		
	i. Foreign affiliates		-
	ii. Domestic affiliates		-
	iii. Pools & associations		-
	iv. All other reinsurers		-
(c)	Total reinsurance recoverable balance	-	-
(d)	Net loss and loss expense provisions	-	-
18.	OTHER GENERAL BUSINESS INSURANCE RESERVES		-
19.	TOTAL GENERAL BUSINESS INSURANCE RESERVES	-	-
	<b>LONG-TERM BUSINESS INSURANCE RESERVES</b>		
20.	RESERVE FOR REPORTED CLAIMS		-
21.	RESERVE FOR UNREPORTED CLAIMS	5,458	4,707
22.	POLICY RESERVES - LIFE	18,898	17,740
23.	POLICY RESERVES - ACCIDENT AND HEALTH		-
24.	POLICYHOLDERS' FUNDS ON DEPOSIT		-
25.	LIABILITY FOR FUTURE POLICYHOLDERS' DIVIDENDS		-
26.	OTHER LONG-TERM BUSINESS INSURANCE RESERVES	-	-
27.	TOTAL LONG-TERM BUSINESS INSURANCE RESERVES		
(a)	Total Gross Long-Term Business Insurance Reserves	175,205	196,210
(b)	Less: Reinsurance recoverable balance on long-term business		
	(i) Foreign Affiliates		-
	(ii) Domestic Affiliates		-
	(iii) Pools and Associations		-
	(iv) All Other Insurers	150,849	173,763

**CONDENSED BALANCE SHEET**

**XL Life Ltd**

As at

**December 31, 2020**

expressed in ['000s]

**United States Dollars**

LINE No.		2020	2019
(c)	Total Reinsurance Recoverable Balance	150,849	173,763
(d)	<b>Total Net Long-Term Business Insurance Reserves</b>	24,356	22,447
	<b>OTHER LIABILITIES</b>		
28.	INSURANCE AND REINSURANCE BALANCES PAYABLE	-	-
29.	COMMISSIONS, EXPENSES, FEES AND TAXES PAYABLE	-	-
30.	LOANS AND NOTES PAYABLE	-	-
31.	(a) INCOME TAXES PAYABLE	-	-
	(b) DEFERRED INCOME TAXES	-	-
32.	AMOUNTS DUE TO AFFILIATES	23	7,951
33.	ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	218	11
34.	FUNDS HELD UNDER REINSURANCE CONTRACTS:	131,225	164,363
35.	DIVIDENDS PAYABLE	-	-
36.	SUNDRY LIABILITIES:		
(a)	Derivative instruments	-	-
(b)	Segregated accounts companies	2,868	3,791
(c)	Deposit liabilities	-	-
(d)	Net payable for investments purchased	11	-
(e)	Other sundry liabilities (specify)	-	-
(f)	Other sundry liabilities (specify)	-	-
(g)	Other sundry liabilities (specify)	-	-
(h)	Total sundry liabilities	2,879	3,791
37.	LETTERS OF CREDIT, GUARANTEES AND OTHER INSTRUMENTS:		
(a)	Letters of credit	-	-
(b)	Guarantees	-	-
(c)	Other instruments	-	-
(d)	Total letters of credit, guarantees and other instruments	-	-
38.	TOTAL OTHER LIABILITIES	134,345	176,116
39.	TOTAL INSURANCE RESERVES AND OTHER LIABILITIES	158,701	198,563
	<b>CAPITAL AND SURPLUS</b>		
40.	TOTAL CAPITAL AND SURPLUS	148,171	143,685
41.	TOTAL	306,872	342,248
		TRUE	TRUE

**CONDENSED STATEMENT OF INCOME**

**XL Life Ltd**  
As at  
expressed in ['000s] **December 31, 2020**  
**United States Dollars**

LINE No.		2020	2019
	<b>GENERAL BUSINESS UNDERWRITING INCOME</b>		
1.	GROSS PREMIUMS WRITTEN		
	(a) Direct gross premiums written		
	(b) Assumed gross premiums written		
	(c) Total gross premiums written	-	-
2.	REINSURANCE PREMIUMS CEDED		
3.	NET PREMIUMS WRITTEN	-	-
4.	INCREASE (DECREASE) IN UNEARNED PREMIUMS		
5.	NET PREMIUMS EARNED	-	-
6.	OTHER INSURANCE INCOME		
7.	TOTAL GENERAL BUSINESS UNDERWRITING INCOME	-	-
	<b>GENERAL BUSINESS UNDERWRITING EXPENSES</b>		
8.	NET LOSSES INCURRED AND NET LOSS EXPENSES INCURRED		
9.	COMMISSIONS AND BROKERAGE		
10.	TOTAL GENERAL BUSINESS UNDERWRITING EXPENSES	-	-
11.	<b>NET UNDERWRITING PROFIT (LOSS) - GENERAL BUSINESS</b>	-	-
	<b>LONG-TERM BUSINESS INCOME</b>		
12.	GROSS PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Direct gross premiums and other considerations	677	497
	(b) Assumed gross premiums and other considerations	49,446	42,355
	(c) Total gross premiums and other considerations	50,123	42,852
13.	PREMIUMS CEDED	(40,984)	(33,063)
14.	NET PREMIUMS AND OTHER CONSIDERATIONS:		
	(a) Life	9,139	9,789
	(b) Annuities		-
	(c) Accident and health		-
	(d) Total net premiums and other considerations	9,139	9,789
15.	OTHER INSURANCE INCOME		-
16.	TOTAL LONG-TERM BUSINESS INCOME	9,139	9,789
	<b>LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES</b>		
17.	CLAIMS - LIFE	14,919	13,784
18.	POLICYHOLDERS' DIVIDENDS		-
19.	SURRENDERS		-
20.	MATURITIES		-
21.	ANNUITIES		-
22.	ACCIDENT AND HEALTH BENEFITS		-
23.	COMMISSIONS	1,370	2,034
24.	OTHER		-
25.	TOTAL LONG-TERM BUSINESS DEDUCTIONS AND EXPENSES	16,289	15,818
26.	INCREASE (DECREASE) IN POLICY RESERVES (ACTUARIAL LIABILITIES):		
	(a) Life	1,157	6,185
	(b) Annuities		-
	(c) Accident and health		-
	(d) Total increase (decrease) in policy reserves	1,157	6,185
27.	TOTAL LONG-TERM BUSINESS EXPENSES	17,446	22,003
28.	<b>NET UNDERWRITING PROFIT (LOSS) - LONG-TERM BUSINESS</b>	(8,307)	(12,214)

**CONDENSED STATEMENT OF INCOME**

**XL Life Ltd**  
 As at **December 31, 2020**  
 expressed in ['000s] **United States Dollars**

LINE No.	2020	2019
29. <b>COMBINED NET UNDERWRITING RESULTS BEFORE THE UNDERNOTED ITEMS</b>	<u>(8,307)</u>	<u>(12,214)</u>
<b>UNDERNOTED ITEMS</b>		
30. <b>COMBINED OPERATING EXPENSE</b>		
(a) General and administration	470	250
(b) Personnel cost	-	-
(c) Other	-	-
(d) Total combined operating expenses	<u>470</u>	<u>250</u>
31. <b>COMBINED INVESTMENT INCOME - NET</b>	<u>9,353</u>	<u>11,037</u>
32. <b>COMBINED OTHER INCOME (DEDUCTIONS)</b>	<u>41</u>	<u>46</u>
33. <b>COMBINED INCOME BEFORE TAXES</b>	<u>617</u>	<u>(1,381)</u>
34. <b>COMBINED INCOME TAXES (IF APPLICABLE):</b>		
(a) Current	-	-
(b) Deferred	-	-
(c) Total	<u>-</u>	<u>-</u>
35. <b>COMBINED INCOME BEFORE REALIZED GAINS (LOSSES)</b>	<u>617</u>	<u>(1,381)</u>
36. <b>COMBINED REALIZED GAINS (LOSSES)</b>	<u>541</u>	<u>564</u>
37. <b>COMBINED INTEREST CHARGES</b>	<u>7,459</u>	<u>9,049</u>
38. <b>NET INCOME (LOSS)</b>	<u>(6,301)</u>	<u>(9,866)</u>

**CONDENSED STATEMENT OF CAPITAL AND SURPLUS**

XL Life Ltd  
As at December 31, 2020  
expressed in ['000s] United States Dollars

LINE No.		2020	2019
1.	<b>CAPITAL:</b>		
(a)	Capital Stock		
	(i) Common Shares		
	authorized 370 shares of par	370	370
	value \$ 1 each issued and		
	fully paid 370 shares		
	(ii)		
	(A) Preferred shares:		
	authorized _____ shares of par		-
	value _____ each issued and		
	fully paid _____ shares		
	aggregate liquidation value for –		
	2020 _____		
	2019 _____		
	(B) Preferred shares issued by a subsidiary:		
	authorized _____ shares of par		-
	value _____ each issued and		
	fully paid _____ shares		
	aggregate liquidation value for –		
	2020 _____		
	2019 _____		
	(iii) Treasury Shares		
	repurchased _____ shares of par		-
	value _____ each issued		
(b)	Contributed surplus	536,911	536,911
(c)	Any other fixed capital		
	(i) Hybrid capital instruments		-
	(ii) Guarantees and others		-
	(iii) Total any other fixed capital	-	-
(d)	Total Capital	537,281	537,281
2.	<b>SURPLUS:</b>		
(a)	Surplus - Beginning of Year	(393,596)	(403,202)
(b)	Add: Income (Loss) for the year	(6,301)	(9,866)
(c)	Less: Dividends paid and payable		-
(d)	Add (Deduct) change in unrealized appreciation (depreciation) of investments	10,813	19,494
(e)	Add (Deduct) change in any other surplus	(26)	(22)
(f)	Surplus - End of Year	(389,110)	(393,596)
3.	<b>MINORITY INTEREST</b>		-
4.	<b>TOTAL CAPITAL AND SURPLUS</b>	148,171	143,685



**XL LIFE LTD : NOTES TO DECEMBER 31, 2020**  
**CONDENSED GENERAL PURPOSE**  
**FINANCIAL STATEMENTS**

**A. GENERAL NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

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**1. General**

XL Life Ltd (the “Company”) was incorporated with limited liability under Bermuda laws on November 10, 1997 as Reeve Court Insurance Limited. In 2001, the Company changed its name to XL Life Ltd and is a subsidiary of XL Bermuda Ltd (the “Parent Company”), formerly XL Insurance (Bermuda) Ltd, which in May 2016 amalgamated with XL Re Ltd to form this new entity. On May 21, 1999, the Company formed Reeve Court General Partner with limited liability under the laws of Bermuda for the purpose of administering the separate and variable accounts of insureds as provided for under an original Bermuda Private Act entitled, “Reeve Court Insurance Limited Amendment and Consolidation Act 1999”, which was amended in December 2001 and renamed “XL Life Ltd Amendment and Consolidation Act 2001”. Up until September 12, 2018, the ultimate parent was XL Group Ltd, a company incorporated in Bermuda following its redomiciliation from Ireland in June 2016, and which was part of a group of companies which operated under the trading name of ‘XL Catlin’.

On September 12, 2018, XL Group Ltd completed its previously announced merger with Camelot Holdings Ltd. (“Merger Sub”), a wholly owned subsidiary of AXA SA (“AXA”). Pursuant to the Agreement and Plan of Merger, dated as of March 5, 2018, by and among XL Group Ltd, Merger Sub and AXA (the “Merger Agreement”), and the statutory merger agreement required in accordance with Section 105 of the Bermuda Companies Act 1981, as amended (the “Companies Act”), by and among XL Group Ltd, Merger Sub and AXA, dated as of September 12, 2018, Merger Sub merged with and into XL Group Ltd in accordance with the Companies Act (the “Merger”), with XL Group Ltd continuing as the surviving corporation and as a wholly-owned subsidiary of AXA.

Following the Merger, the Bermuda Monetary Authority withdrew as the Group Supervisor of XL Group Ltd and its consolidated subsidiaries, including the Company.

**2. Nature of risks underwritten**

The Company’s operations have been in run-off since 2009 when XL Group Ltd announced the run-off of its life reinsurance business. Following the maturity of the remaining financial lines business in 2010 and the commutation of all treaties covering European term life and annuity business ceded from affiliated companies in 2014, the company’s activities now comprise of the following lines of business written with non-affiliated companies:

(i) Five blocks of United States sourced term life reinsurance assumed on December 31, 2002 from a life reinsurance company. The Company’s maximum retention is \$1.0 million per life with any excess reinsured with three different third party reinsurers. As at December 31, 2020 gross liabilities related to this business totaled \$175.1 million (December 31, 2019: \$196.1 million) and are recorded on Line 27(a) of the Condensed Balance Sheet.

During 2015 the company entered into a 100% quota-share retrocession (net of pre-existing retrocessions) with a third party reinsurer, incepting January 1, 2015. The agreement was written on a notional funds withheld basis and covers the majority of the underlying term life business. As at December 31, 2020 net liabilities related to this business totaled \$24.3 million (December 31, 2019: \$22.3 million) and are recorded on Line 27 (d) of the Condensed Balance Sheet.

(ii) Variable universal life policies are offered as custom investment and estate planning products to a group of trusts, high net-worth individuals, private companies and select others in special situations. The custom investment and estate planning products written by the company are accounted as separate and variable accounts for policyholders. The variable universal life policies provide a guarantee of a minimum level death benefit to the policyholder. The Company’s exposure to losses is based on the policyholder’s account balance and mortality experience under the contract. On these products amounts are reinsured with a third party reinsurer so that the Company’s maximum retention is \$0.1 million per policy. During December 2016 two policies were surrendered leaving the Company with one remaining policy as at December 31, 2020 and December 31, 2019.

**XL LIFE LTD : NOTES TO DECEMBER 31, 2020**  
**CONDENSED GENERAL PURPOSE**  
**FINANCIAL STATEMENTS**

**3. Basis of preparation**

The Condensed General Purpose Financial Statements have been prepared in conformity with the financial reporting provisions of the Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 with respect to Condensed General Purpose Financial Statements (the "Legislation"). The Condensed General Purpose Financial Statements are based upon accounting principles generally accepted in the United States of America ("US GAAP") but are in accordance with the reporting requirements of the Legislation which vary in certain respects from US GAAP. The more significant variances are as follows:

- A statement of cash flows is not included;
- A statement of comprehensive income is not included;
- The presentation and classification of financial statement line items are in accordance with Schedules IX and XI of the Insurance Account Rules 2016 and differ from the expected presentation and classification under US GAAP; and
- The notes included in the Condensed General Purpose Financial Statements have been prepared in accordance with Schedule X of the Insurance Account Rules 2016 and exclude certain information required under US GAAP.

**4. Significant accounting policies**

Premiums

Revenues for the flexible premium variable life policies consist of policy fees for the cost of insurance during the period.

Cash

Cash and time deposits include cash and fixed interest deposits placed with a maturity of under ninety days when purchased.

Reinsurance

In the ordinary course of business, the Company cedes reinsurance to other insurance companies.

For the variable universal life policies the Company has excess of loss reinsurance in place which limits the Company's maximum net retained exposure to \$0.1 million on the one remaining policy.

In November 2015 the Company entered into a 100% quota share agreement to reinsure the majority of the US term life business with a third party. The agreement incepted on January 1, 2015 and is on a notional funds withheld basis. With regards to the retained permanent life policies, the Company's maximum retention is \$1.0 million per life with the excess reinsured with three different third party reinsurers.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in additional losses to the Company. The Company evaluates the financial condition of its reinsurers and monitors concentration of credit risk arising from its exposure to individual reinsurers.

Separate and variable accounts

Separate and variable accounts represent funds for which investment income and investment gains and losses accrue directly to the policyholders. The assets are carried at market value and each account is legally separated for the account of the policyholder and are not subject to claims which arise from any other business of the Company.

Investments

For the years ended December 31, 2020 and December 31, 2019 bonds and debentures are carried at fair value.

Policy reserves - life

The Company estimates the present value of future policy benefits related to long duration contracts using appropriate assumptions for mortality, expenses and investment yields based on amortized yield of assets backing the reserves.

The assumptions used to determine the future policy benefit reserves are best estimate assumptions. Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying liabilities.

Reserves for unreported claims

Reserves for unreported losses are determined by management based on loss development patterns determined by reference to paid loss data.

**XL LIFE LTD : NOTES TO DECEMBER 31, 2020**  
**CONDENSED GENERAL PURPOSE**  
**FINANCIAL STATEMENTS**

Other than Temporary Declines in Investments

The Company's process for identifying declines in the fair value of investments that are other-than-temporary involves consideration of several factors. The primary factors include (i) an analysis of the liquidity, business prospects and financial condition of the issuer including consideration of credit ratings, (ii) the significance of the decline, (iii) an analysis of the collateral structure and other credit support, as applicable, of the securities in question, and (iv) for debt securities, whether the Company intends to sell such securities. In addition, the authoritative guidance requires that other than temporary impairment ("OTTI") for certain asset backed and mortgage backed securities is recognized if the fair value of the security is less than its discounted cash flow value and there has been a decrease in the present value of the expected cash flows since the last reporting period. Where the Company's analysis of the above factors results in the conclusion that declines in fair values are other-than-temporary, the cost of the security is written down to discounted cash flow and a portion of the previously unrealized loss is therefore realized in the period such determination is made.

If the Company intends to sell an impaired debt security, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis, the impairment is other-than-temporary and is recognized currently through earnings in an amount equal to the entire difference between fair value and amortized cost.

In instances in which the Company determines that a credit loss exists but 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 the anticipated recovery of its remaining amortized cost basis, the OTTI is separated into (1) the amount of the total impairment related to the credit loss and (2) the amount of the total impairment related to all other factors (i.e. the noncredit portion). The amount of the total OTTI related to the credit loss is recognized in earnings and the amount of the total OTTI related to all other factors is recognized in accumulated other comprehensive loss. The total OTTI is presented in the income statement with an offset for the amount of the total OTTI that is recognized in accumulated other comprehensive loss. Absent the intent or requirement to sell a security, if a credit loss does not exist, any impairment is considered to be temporary.

The noncredit portion of any OTTI losses on securities classified as available for sale is recorded as a component of other comprehensive income with an offsetting adjustment to the carrying value of the security. The fair value adjustment could increase or decrease the carrying value of the security. The noncredit portion of any OTTI losses recognized in accumulated other comprehensive loss for debt securities classified as held to maturity would be accreted over the remaining life of the debt security (in a pro rata manner based on the amount of actual cash flows received as a percentage of total estimated cash flows) as an increase in the carrying value of the security until the security is sold, the security matures, or there is an additional OTTI that is recognized in earnings.

In periods subsequent to the recognition of an OTTI loss, the other-than-temporarily impaired debt security is accounted for as if it had been purchased on the measurement date of the OTTI at an amount equal to the previous amortized cost basis less the credit-related OTTI recognized in earnings. For debt securities for which credit-related OTTI is recognized in earnings, the difference between the new cost basis and the cash flows expected to be collected is accreted into interest income over the remaining life of the security in a prospective manner based on the estimated amount and timing of future estimated cash flows.

With respect to securities where the decline in value is determined to be temporary and the security's amortized cost is not written down, a subsequent decision may be made to sell that security and realize a loss. Subsequent decisions on security sales are made within the context of overall risk monitoring, changing information, market conditions generally and assessing value relative to other comparable securities. Day-to-day management of the Company's investment portfolio is outsourced to third party investment manager service providers. While these investment manager service providers may, at a given point in time, believe that the preferred course of action is to hold securities with unrealized losses that are considered temporary until such losses are recovered, the dynamic nature of the portfolio management may result in a subsequent decision to sell the security and realize the loss, based upon a change in market and other factors described above. The Company believes that subsequent decisions to sell such securities are consistent with the classification of the Company's portfolio as available for sale.

There are risks and uncertainties associated with determining whether declines in the fair value of investments are other-than-temporary. These include subsequent significant changes in general economic conditions as well as specific business conditions affecting particular issuers, the Company's liability profile, subjective assessment of issue-specific factors (seniority of claims, collateral value, etc.), future financial market effects, stability of foreign governments and economies, future rating agency actions and significant disclosure of accounting, fraud or corporate governance issues that may adversely affect certain investments. In addition, significant assumptions and management judgment are involved in determining if the decline is other-than-temporary. If management determines that a decline in fair value is temporary, then a security's value is

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not written down at that time. However, there are potential effects upon the Company's future earnings and financial position should management later conclude that some of the current declines in the fair value of the investments are other-than-temporary declines.

**5. Revenue recognition**

- (a) Investment income: Investment income is recognized when earned.
- (b) Premium Income: Refer to General Note 4, "Significant accounting policies".
- (c) Commission Income: Not applicable.

**6. Foreign currency translation**

Revenues and expenses are recorded at the average exchange rate for the month in which the transaction occurs.

Assets and liabilities denominated in currencies other than the functional currency of the applicable entity are revalued at the exchange rate in effect at the balance sheet date with the resulting foreign exchange gains and losses on settlement or revaluation recognized in Line 32 ('Combined Other Income') of the Condensed Statement of Income.

Assets and liabilities where the functional currency of the applicable entity differs from the reporting currency are translated at the exchange rate in effect at the balance sheet date with the resulting foreign exchange gains and losses recognized in Line 2(e) ('change in any other surplus') of the Condensed Statement of Capital and Surplus.

- 7. Not applicable.
- 8. Not applicable.
- 9. Not applicable.
- 10. Not applicable.
- 11. Not applicable.
- 12. Not applicable.

**13. Fair value measurement**

The following tables present the Company's hierarchy for its assets measured at fair value as of December 31, 2020 and December 31, 2019. 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).

**December 31, 2020**

*(U.S. dollars)*

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
U.S. Government	18,255,848	—	18,255,848	—
U.S. States, municipalities and political subdivisions	—	—	—	—
Non-U.S. Government	—	—	—	—
Corporate	170,432,326	—	170,432,326	—
Residential mortgage-backed securities - Agency ("RMBS - Agency")	80,775,827	—	80,775,827	—
Other asset-backed securities	—	—	—	—
<b>Total</b> .....	269,464,001	—	269,464,001	—

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**December 31, 2019**

<i>(U.S. dollars)</i>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
U.S. Government	16,837,661	—	16,837,661	—
U.S. States, municipalities and political subdivisions	1,659,642	—	1,659,642	—
Non-U.S. Government	801,560	—	801,560	—
Corporate	186,881,172	—	186,881,172	—
Residential mortgage-backed securities - Agency ("RMBS - Agency")	106,017,635	—	106,017,635	—
Other asset-backed securities	—	—	—	—
<b>Total</b>	<b>312,197,670</b>	<b>—</b>	<b>312,197,670</b>	<b>—</b>

**14. Contractual maturities**

The following table summarizes the contractual maturities of the Company's fixed maturity securities portfolios as of December 31, 2020 and December 31, 2019.

<i>(U.S. dollars)</i>	<b>Fair Value</b>	
	<b>December 31, 2020</b>	<b>Percentage</b>
Due less than one year	23,493,498	8.7 %
Due one through to five years	30,801,634	11.4 %
Due after five years through to ten years	22,905,461	8.5 %
Due after ten years	192,263,408	71.4 %
<b>Total</b>	<b>269,464,001</b>	<b>100.0 %</b>

<i>(U.S. dollars)</i>	<b>Fair Value</b>	
	<b>December 31, 2019</b>	<b>Percentage</b>
Due less than one year	20,302,271	6.5 %
Due one through to five years	51,803,993	16.6 %
Due after five years through to ten years	26,119,528	8.4 %
Due after ten years	213,971,878	68.5 %
<b>Total</b>	<b>312,197,670</b>	<b>100.0 %</b>

15. Not applicable.

**16. Subsequent events**

The Company has evaluated the effects of events subsequent to December 31, 2020, through to April 28, 2021, which is the date the financial statements were made available to be issued, for recognition and disclosure purposes. No material events were identified.

17. Not applicable.

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**B. NOTES TO THE CONDENSED STATEMENT OF CAPITAL AND SURPLUS**

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**1. (a) Paid-up share capital**

The authorized and issued share capital of the company is comprised of 370,000 class B shares of par value \$1 each.

The Company's parent company owns 100% of all issued shares.

**(b) Contributed surplus**

During the years ended December 31, 2020 and December 31, 2019 there were no changes in the value of contributed surplus.

**2. (c) Dividends paid and payable**

No dividends were declared or paid during the years ended December 31, 2020 and December 31, 2019.

**C. NOTES TO THE CONDENSED BALANCE SHEET**

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**1. Cash and cash equivalents**

As at December 31, 2020 \$9.8 million cash and cash equivalents was held in a separate portfolio backing a portion of the US Term Life business (December 31, 2019 \$4.7 million).

**2. Quoted investments**

Bonds and debentures are carried at fair value. As at December 31, 2020 \$183.0 million of investments were held in a separate portfolio backing a portion of the US Term Life business (December 31, 2019 \$215.5 million).

**3. Unquoted investments**

As at December 31, 2020 and December 31, 2019 the Company held no unquoted investments.

**4. Investment in and advances to affiliates**

Advances to affiliates do not have repayment terms or rates of interest and are recorded at cost.

The Company does not hold any investments in affiliates.

5. Not applicable.

6. Not applicable.

7. Not applicable.

8. Not applicable.

**9. Investment income due and accrued**

Both investment income due and accrued are included in this balance.

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**10. Accounts and premiums receivable**

Accounts and premiums receivable contain no collateralized balances. No portion of the balance as at December 31, 2020 or December 31, 2019 relates to amounts receivable from affiliates.

11. Not applicable.

12. Not applicable.

**13. Sundry assets**

Sundry assets are comprised of segregated accounts backing the remaining segregated universal life policies. Refer to General Note 2(ii), "Nature of risks underwritten," for further information. As at December 31, 2020, the market value of the remaining portfolio was \$2.9 million (December 31, 2019 \$3.8 million).

14. Not applicable.

16. Not applicable.

17. Not applicable.

20. Not applicable.

**21. Reserves for unreported claims**

See General Note 4, "Reserves for unreported claims".

**22. Policy reserves - life**

See General Note 4, "Policy reserves - life".

23. Not applicable.

24. Not applicable.

25. Not applicable.

26. Not applicable.

**27. Total long-term business insurance reserves**

(a) As at December 31, 2020 policyholder obligations totaling \$94.7 million were secured against designated assets held in a separate portfolio (December 31, 2019: \$106.3 million ).

(b) As at December 31, 2020 policyholder obligations totaling \$80.5 million were not secured by designated assets or collateral (December 31, 2019: \$89.9 million).

**28. Insurance and reinsurance balances payable**

No portion of the balance as at December 31, 2020 or December 31, 2019 relates to amounts due to affiliates.

29. Not applicable.

30. Not applicable.

31. Not applicable.

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**32. Amounts due to affiliates**

Amounts due to affiliated companies do not have repayment terms or rates of interest.

**33. Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities comprise of operating expense accruals and investment fees payable.

**34. Funds held under reinsurance contracts**

Funds held under reinsurance represents the value of notional funds held on behalf of a third party retrocessionaire. No portion of the balance as at December 31, 2020 or December 31, 2019 relates to amounts due to affiliates.

35. Not applicable.

**36. Sundry Liabilities**

As at December 31, 2020 sundry liabilities comprised of a separate and variable account of \$2.9 million which has no fixed terms of payment (December 31, 2019: \$3.8 million). See General Note 2(ii), "Nature of risks underwritten," for further information.

37. Not applicable.

**D. NOTES TO THE CONDENSED STATEMENT OF INCOME**

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6. Not applicable.

15. Not applicable.

**32. Combined other income (deductions)**

Other income for 2020 and 2019 comprises largely of foreign exchange gains and losses resulting from the revaluation of assets and liabilities denominated in currencies other than the functional currency of the applicable entity, as well as fee income. Refer to General Note 6, "Foreign currency translation," for further information.

**36. Combined realized gains (loss)**

Realized gains and losses for 2020 and 2019 comprise of the net impact of investments sold above and below book value.